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

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2014

OR

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

(State or other jurisdiction of
incorporation or organization)

33-0303583

(I.R.S. Employer
Identification Number)

**126 Valley Road, Suite C
Glen Rock, New Jersey 07452**
(Address of principal executive offices, including zip code)

(201) 444-4947
(Registrant's telephone number, including area code)

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

Securities registered under Section 12(g) of the Act:

Common Stock, \$0.001 par value
(Title of Class)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES NO

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES NO

The aggregate market value of the voting stock held by non-affiliates as of June 30, 2014 was approximately \$4,232,000 (based on the closing sale price of the common stock as reported by the Over the Counter Bulletin Board). As of March 24, 2015, there were 240,318,062 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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In this Annual Report on Form 10-K, the terms “Cortex,” the “Company,” “we,” “us” and “our” refer to Cortex Pharmaceuticals, Inc., a Delaware corporation, and, unless the context indicates otherwise, its consolidated subsidiaries.

INTRODUCTORY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 (the “Exchange Act”) and we intend that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements, which may be identified by words including “anticipates,” “believes,” “intends,” “estimates,” “expects,” “plans,” and similar expressions include, but are not limited to, statements regarding (i) future research plans, expenditures and results, (ii) potential collaborative arrangements, (iii) the potential utility of our proposed products and (iv) the need for, and availability of, additional financing.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are based on assumptions regarding our business and technology, which involve judgments with respect to, among other things, future scientific, economic and competitive conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements are reasonable, actual results may differ materially from those set forth in the forward-looking statements. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

Forward-looking statements speak only as of the date they are made. We do not undertake and specifically decline any obligation to update any forward-looking statements or to publicly announce the results of any revisions to any statements to reflect new information or future events or developments.

PART I

Item 1. Business

Since its formation in 1987, the Company has engaged in the discovery, development and commercialization of innovative pharmaceuticals for the treatment of neurological and psychiatric disorders. In 2011, however, we conducted a re-evaluation of our strategic focus and determined that clinical development in the area of respiratory disorders, particularly respiratory depression and sleep apnea, provided the most cost-effective opportunities for potential rapid development and commercialization of our compounds. As a result of our scientific discoveries and the acquisition of strategic, exclusive license agreements, we believe we are now a leader in the discovery and development of innovative pharmaceuticals for the treatment of respiratory disorders.

Saying that there exists an unmet need for new drug treatments for breathing disorders is an understatement. According to the Centers for Disease Control and Prevention, the rate of respiratory disorders is reaching epidemic proportions, with estimates that 1 in 4 men and 1 in 10 women in this country have sleep apnea. Sleep apnea places a considerable burden on society and the health care system because of its association with adverse events ranging from loss of productivity to increased risk of cardiopulmonary illness and related death. No drugs currently are approved for the treatment of sleep apnea.

Even in patients without sleep apneas, the use of drugs such as propofol, used as an anesthetic during surgery, and opioid analgesics such as morphine, used for the treatment of post-surgical and chronic pain, are well known for producing respiratory depression. In fact, while respiratory depression is the leading cause of death from the overdose of most classes of abused drugs, it also arises during normal, physician-supervised procedures such as surgical anesthesia, post-operative analgesia and as a result of normal outpatient management of pain.

Although naloxone (Narcan) and nalmefene (Revox) can reverse respiratory depression associated with opioids, they have several major shortcomings. First and foremost, these opioid antagonists do not reverse the respiratory depression produced by other classes of drugs often given/taken either alone or in combination with narcotics. Second, while these drugs reverse the serious side effects of the opioids, they also dramatically reduce their analgesic effectiveness. Third, the side effects of opioid antagonists are themselves serious and include seizures, agitation, convulsions, tachycardia, hypotension, nausea, and vomiting.

Clearly, considerable need exists for pharmaco-therapeutic agents to 1.) treat sleep apnea, and 2.) prevent and reverse the respiratory depression produced by different classes of drugs. The Company currently has two drug platforms, each with a clinical stage compound directed at these needs.

Sleep Apnea

Sleep apnea is a serious disorder in which breathing repeatedly stops long enough to disrupt sleep, and temporarily decreases the amount of oxygen and increases the amount of carbon dioxide in the blood. Apnea is defined by more than five periods per hour of ten seconds or longer without breathing. The repetitive cessation of breathing during sleep has substantial impact on the affected individuals. The disorder is associated with major co-morbidities including excessive daytime sleepiness and increased risk of cardiovascular disease (such as hypertension, stroke and heart failure), diabetes and weight gain. Sleep apnea is often made worse by central nervous system depressants such as opioids, benzodiazepines, barbiturates and alcohol. It is therefore important for these patients to seek therapy.

The most common type of sleep apnea is obstructive sleep apnea (“OSA”), which occurs by repetitive narrowing or collapse of the pharyngeal airway during sleep. There is currently no approved pharmacotherapy, and the most common treatment is to use continuous positive airway pressure (“CPAP”) delivered via a nasal or full-face mask, as long as patients are able to tolerate the treatment. It is estimated that in more than 50% of cases patients stop using the CPAP device on a regular basis. Given the large patient population and a lack of suitable treatment options, there is a very large opportunity for pharmacotherapy to treat this disorder.

Central sleep apnea (“CSA”), a less frequently diagnosed type of sleep apnea, is caused by alterations in the brain mechanisms responsible for maintaining normal respiratory drive. CSA is most frequently observed in heart failure patients and in patients taking chronic opioids. In fact, CSA is a predictor of mortality in heart failure patients. CPAP has not demonstrated efficacy in treating CSA and no drugs presently are approved for this indication.

Mixed sleep apnea, a third type of sleep apnea, is a combination of central and obstructive factors occurring in the same episode of sleep apnea.

Drug-induced Respiratory Depression

Drug-induced respiratory depression (“RD”) is a life-threatening condition caused by a variety of depressant drugs, including analgesic, hypnotic, and anesthesia medications. RD is a leading cause of death from the overdose of some classes of abused drugs, yet it also arises during normal, physician-supervised procedures such as surgical anesthesia and post-operative pain management. For example, in the hospital setting, anesthetics, such as propofol, are well known for their propensity to produce RD. With more than 40 million surgical procedures performed annually, it is notable that post-operative respiratory failure produces the highest mortality rate, the second highest attributable number of deaths and the second largest overall excess cost to the Medicare system, when compared to other patient safety indicators.

In the hospital setting, the most serious complication of patient-controlled analgesia is RD and, despite nurses’ vigilance, adverse events associated with opioids continue to increase. Drug-induced RD is associated with a high mortality rate relative to other adverse drug events. If high-risk patients are receiving combination therapies, they are at even higher risk.

Outside the hospital, the primary risk factor for RD is the use of a single opioid in large doses or concomitant use of opioids and sedative agents. Whether as a result of normal outpatient management of pain or as a result of substance abuse, RD has been reported to be the leading cause of death from drug overdose, with the drug overdose death rate tripling since 1991. It has been estimated that nearly 15,000 people die every year as a result of overdoses involving prescription painkillers. Oxycodone and fentanyl have been reported to be the two most frequently reported drugs associated with death and serious nonfatal outcomes from 1998 to 2005, exceeding the number of deaths from heroin and cocaine combined. Opioid use has increased significantly along with a dramatic increase in unintentional poisoning deaths from opioids. Unintentional deaths from opioids are not only related to diversion for nonmedical use and misuse by patients, but by prescriber’s error as well.

Cannabinoids

In order to expand the Company’s respiratory disorders program, on August 10, 2012, pursuant to an Agreement and Plan of Merger by and among Pier Pharmaceuticals Inc., a privately-held corporation, (“Pier”) Pier Acquisition Corp., a Delaware corporation (“Merger Sub”) and a wholly-owned subsidiary of Cortex, and Cortex, Merger Sub merged with and into Pier (the “Merger”) and Pier became a wholly-owned subsidiary of Cortex. Pier had been formed in June 2007 (under the name SteadySleep Rx Co.) as a clinical stage pharmaceutical company to develop a pharmacologic treatment for the respiratory disorder known as obstructive sleep apnea and had been engaged in research and clinical development activities since formation.

Through the Merger, the Company gained access to an Exclusive License Agreement, as amended (the “License Agreement”), that Pier had entered into with the University of Illinois on October 10, 2007. The License Agreement covered certain patents and patent applications in the United States and other countries claiming the use of certain compounds referred to as cannabinoids for the treatment of sleep related breathing disorders (including sleep apnea), of which dronabinol is a specific example of one type of cannabinoid. Dronabinol is a synthetic derivative of the naturally occurring substance in the cannabis plant, otherwise known as Δ^9 -THC (Δ^9 -tetrahydrocannabinol). Dronabinol is currently approved by the U. S. Food and Drug Administration (“FDA”) and is sold generically for use in refractory chemotherapy-induced nausea and vomiting, as well as for anorexia in patients with AIDS. The License Agreement was terminated effective March 21, 2013 due to the Company’s failure to make a required payment.

However, on June 27, 2014, the Company entered into a new license agreement with the Board of Trustees of the University of Illinois. In exchange for certain milestone and royalty payments, the License Agreement grants the Company (i) exclusive rights to several issued and pending patents in numerous jurisdictions and (ii) the non-exclusive right to certain technical information that is generated by the University of Illinois in connection with certain clinical trials as specified in the License Agreement, all of which relate to the use of cannabinoids for the treatment of sleep related breathing disorders. The Company is developing dronabinol for the treatment of OSA, the most common form of sleep apnea.

The Company previously conducted a 21 day, randomized, double-blind, placebo-controlled, dose escalation Phase 2 clinical study in 22 patients with OSA, in which dronabinol produced a statistically significant reduction in the Apnea-Hypopnea Index (AHI), the primary therapeutic end-point, and was observed to be safe and well tolerated. Dronabinol is currently under investigation, at the University of Illinois and other centers, in a potentially pivotal Phase 2 OSA clinical trial, fully funded by the National Institutes of Health.

Dronabinol is a Schedule III, controlled generic drug with a relatively low abuse potential that is approved by the FDA for the treatment of AIDS related anorexia and chemotherapy induced emesis. The use of dronabinol for the treatment of OSA is a novel indication for an already approved drug and, as such, the Company believes that it should only require approval by the FDA of a supplemental new drug application.

Ampakines

Since its founding, the Company has been engaged in the research and clinical development of a class of compounds referred to as ampakines. By acting as positive allosteric modulators of AMPA glutamate receptors, ampakines increase the excitatory effects of the neurotransmitter glutamate. Early preclinical and clinical research suggested that these ampakines might have therapeutic potential for the treatment of memory and cognitive disorders, depression, attention deficit disorder and schizophrenia. Given our current focus on respiratory disorders, we may seek to partner, out-license or sell our rights to the use of ampakine compounds for the treatment of neurological and psychiatric indications, as we focus on the development of our compounds for the treatment of brain-related breathing disorders.

The early ampakines discovered by Cortex, Eli Lilly and Company, and others were ultimately abandoned due to the presence of undesirable side effects, particularly convulsive activity. Subsequently, Cortex scientists discovered a new, chemically distinct series of molecules termed “low impact” as opposed to the “high impact” designation given to the earlier compounds. While these low impact compounds shared many pharmacological properties with the high impact compounds, they did not produce convulsive effects in animals. These low impact compounds do not bind to the same molecular site as the high impact compounds and, as a result, do not produce the undesirable electrophysiological and biochemical effects that lead to convulsive activity.

The Company owns patents and patent applications for certain families of chemical compounds that claim the chemical structures and their use in the treatment of various disorders. These patents cover, among other compounds, the Company’s lead ampakines CX1739 and CX1942 and extend through at least 2028.

In order to broaden the use of the Company’s ampakine technology into the area of respiratory disorders, on May 8, 2007, the Company entered into a license agreement, as subsequently amended, with the University of Alberta granting the Company exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. These patents, along with the Company’s own patents claiming chemical structures, comprise the Company’s principal intellectual property supporting the Company’s research and clinical development program in the use of ampakines for the treatment of respiratory disorders.

The Company has obtained pre-clinical results indicating that several of its low impact ampakines, including CX717, CX1739 and CX1942, were able to antagonize the respiratory depression caused by opioids, barbiturates and anesthetics without offsetting the analgesic effects of the opiates or the sedative effects of the anesthetics. Dr. John Greer, Director of the Neuroscience and Mental Health Institute at the University of Alberta, has shown that these ampakine effects are due to a direct action on neurons in pre-Botzinger’s complex, a brain stem region responsible for regulating respiratory drive.

After several Phase 1 and 2 studies to demonstrate safety and tolerability, the first of these low impact compounds, CX717, was tested in two Phase 2A clinical studies to determine its ability to antagonize the respiratory depressant effects of fentanyl, a potent opioid analgesic. In both of these studies, one of which was published in a peer-reviewed journal, CX717 antagonized the respiratory depression produced by fentanyl without altering the analgesia produced by this drug.

After considerable delay in the development of CX717, due to regulatory issues with the FDA, the Company finally has decided to terminate development of this compound because of the impending loss of its U.S. patents in 2017 and international patents in 2018. Nevertheless, the Company believes that CX717 has demonstrated clinical proof of principle for the use of low impact ampakines in the treatment of opioid-induced respiratory depression.

The Company's present lead ampakine, CX1739, has demonstrated safety and tolerability in several Phase 1 clinical studies, with maximum well-tolerated single dose identified as 900mg and 450 mg twice-a-day (for a 900mg total daily dose) for 7 days. Pharmacokinetic results to date from the volunteers who have taken CX1739 show that drug absorption over the range of 50mg to 1200mg was linear and predictable, with an approximate half-life of 8 hours.

The Company has conducted a single dose, randomized, double-blind, placebo-controlled study with CX1739 in 20 subjects with moderate to severe sleep apnea. Analysis of a range of sleep apnea parameters assessed by overnight polysomnography revealed that, while a single dose of CX1739 improved a number of sleep apnea parameters across most of the patients who were given the drug, the primary effects were observed within a sub-group of patients diagnosed with either central or mixed sleep apnea. CX1739 was safe, but the dose appeared to be near the limits of tolerability. There were no serious adverse events and no clinically relevant changes in vital signs, cardiovascular or other safety assessments.

We believe that the results from this study merit conducting a larger study with CX1739 that will be focused on patients with central and/or mixed sleep apnea. It is possible that repeated daily treatment with CX1739 for several weeks may prove to be tolerated better and with greater efficacy than a single dose. However, given the time and expense necessary to conduct such a clinical trial, the Company is not currently planning to conduct such a study. Instead, subsequent to additional funding, and using a design similar to that in which CX717 demonstrated clinical efficacy, the Company plans to conduct two clinical studies investigating the ability of orally administered CX1739 to antagonize the respiratory depressant effects of fentanyl and propofol without altering the analgesic and anesthetic effects of these drugs. The Company's short term commercial goals are to obtain FDA approval for the use of orally administered CX1739 for the following indications: 1.) pre-surgical administration for the prevention of respiratory depression produced by propofol and 2.) peri- and post-operative administration in a hospital setting for the prevention of respiratory depression produced by opioids. The Company believes that these goals can be achieved in a timely and cost-effective manner. Longer term goals include obtaining FDA approval for the use oral administration of CX1739 given concomitantly with an opioid analgesic for the safe management of pain in a home setting. The Company believes that successful commercial implementation of these goals will require corporate partnership.

In addition to CX1739, the Company is developing CX1942, a soluble ampakine, to be used in an injectable formulation as a rescue medication for the emergency treatment of drug-induced respiratory depression. Animal studies have indicated that intravenously injected CX1942 can reverse the respiratory depression produced by fentanyl. In October 2014, the Company began a study, funded by the National Institute of Drug Abuse, to determine the parameters whereby CX1942 is able to reverse the respiratory depression and lethality produced by a number of respiratory depressant drugs, including opioids. One aspect of the study will be to determine whether intramuscular or subcutaneous injections are as effective as intravenous. Upon completion of this study and the choice of a route of administration, preclinical toxicology and safety studies can be conducted relatively quickly and inexpensively, since the clinical indication supported by these studies is for acute use.

Manufacturing

We have no experience or capability to either manufacture bulk quantities of the new compounds that we develop, or to produce finished dosage forms of the compounds, such as tablets or capsules. We rely, and presently intend to continue to rely, on the manufacturing and quality control expertise of contract manufacturing organizations or current and prospective corporate partners. There is no assurance that we will be able to enter into manufacturing arrangements to produce bulk quantities of our compounds on favorable financial terms. There is, however, substantial availability of both bulk chemical manufacturing and dosage form manufacturing capability throughout the world that we believe we can readily access. See "Risk Factors – *Risks related to our business* – We are at an early stage of development and we may not be able to successfully develop and commercialize our products and technologies" for a discussion of certain risks related to the development and commercialization of our products.

Marketing

We have no experience in the marketing of pharmaceutical products and do not anticipate having the resources to distribute and broadly market any products that we may develop. We will therefore continue to seek commercial development arrangements with other pharmaceutical companies for our proposed products for those indications that require significant sales forces to effectively market. In entering into such arrangements, we may seek to retain the right to promote or co-promote products for certain of the Orphan Drug indications in North America. We believe that there is a significant expertise base for such marketing and sales functions within the pharmaceutical industry and expect that we could recruit such expertise if we choose to directly market a drug. See “Risk Factors—*Risks related to our business*—We are at an early stage of development and we may not be able to successfully develop and commercialize our products and technologies” for a discussion of certain risks related to the marketing of our products.

Employees

As of December 31, 2014 and as of the date of filing of this Annual Report on Form 10-K, the Company employed six people (four of them officers), one of whom was full time (including certain contractors who provide substantial services to the Company).

Technology Rights

University of California, Irvine License Agreements

The Company entered into a series of license agreements in 1993 and 1998 with the University of California, Irvine (“UCI”) that granted the Company proprietary rights to certain chemical compounds that acted as ampakines and their therapeutic uses. These agreements granted the Company, among other provisions, exclusive rights: (i) to practice certain patents and patent applications, as defined in the license agreement, that were then held by UCI; (ii) to identify, develop, make, have made, import, export, lease, sell, have sold or offer for sale any related licensed products; and (iii) to grant sub-licenses of the rights granted in the license agreements, subject to the provisions of the license agreements. The Company was required, among other terms and conditions, to pay UCI a license fee, royalties, patent costs and certain additional payments.

Under such license agreements, the Company was required to make minimum annual royalty payments of approximately \$70,000. The Company was also required to spend a minimum of \$250,000 per year to advance the ampakine compounds until the Company began to market an ampakine compound. At December 31, 2012, the Company was not in compliance with its minimum annual payment obligations and believed that this default constituted a termination of the license agreements. On April 15, 2013, the Company received a letter from UCI indicating that the license agreements between UCI and the Company had been terminated due to the Company’s failure to make certain payments required to maintain the agreements. Since the patents covered in these license agreements had begun to expire and the therapeutic uses described in these patents were no longer germane to the Company’s new focus on respiratory disorders, the loss of these license agreements is not expected to have a material impact on the Company’s current drug development programs. In the opinion of management, the Company has made adequate provision for any liability relating to this matter in its financial statements at December 31, 2014 and 2013.

University of Alberta License Agreement

On May 8, 2007, the Company entered into a license agreement, as subsequently amended, with the University of Alberta granting the Company exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. The Company agreed to pay the University of Alberta a licensing fee and a patent issuance fee, which were paid, and prospective payments consisting of a royalty on net sales, sublicense fee payments, maintenance payments and milestone payments. The prospective maintenance payments commence on the enrollment of the first patient into the first Phase 2B clinical trial and increase upon the successful completion of the Phase 2B clinical trial. As the Company does not at this time anticipate scheduling a Phase 2B clinical trial, no maintenance payments are currently due and payable to the University of Alberta. In addition, no other prospective payments are currently due and payable to the University of Alberta.

University of Illinois License Agreement

Through the merger with Pier, the Company gained access to the License Agreement that Pier had entered into with the University of Illinois on October 10, 2007. The License Agreement covered certain patents and patent applications in the United States and other countries claiming the use of certain compounds referred to as cannabinoids for the treatment of sleep related breathing disorders (including sleep apnea), of which dronabinol is a specific example of one type of cannabinoid. The License Agreement was terminated effective March 21, 2013 due to the Company's failure to make a required payment.

On June 27, 2014, the Company entered into a new license agreement with the Board of Trustees of the University of Illinois that was similar, but not identical, to the License Agreement between the parties that had been terminated on March 21, 2013. In exchange for certain milestone and royalty payments, the License Agreement grants the Company (i) exclusive rights to several issued and pending patents in numerous jurisdictions and (ii) the non-exclusive right to certain technical information that is generated by the University of Illinois in connection with certain clinical trials as specified in the License Agreement, all of which relate to the use of cannabinoids for the treatment of sleep related breathing disorders. The Company is developing dronabinol for the treatment of OSA, the most common form of sleep apnea.

Item 1A. Risk Factors

In addition to the other matters set forth in this Annual Report on Form 10-K, our continuing operations and the price of our common stock are subject to the following risks:

Risks related to our business

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.

In its audit opinion issued in connection with our balance sheets as of December 31, 2014 and 2013 and our statements of operations, stockholders' equity (deficiency), and cash flows for the years ended December 31, 2014 and 2013, our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern given our limited working capital, recurring net losses and negative cash flows from operations. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue in existence. While we have relied principally in the past on external financing to provide liquidity and capital resources for our operations, we can provide no assurance that cash generated from our operations together with cash received in the future from external financing, if any, will be sufficient to enable us to continue as a going concern.

We have a history of net losses; we expect to continue to incur net losses and we may never achieve or maintain profitability.

Since our formation on February 10, 1987 through the end of our most recent fiscal year ended December 31, 2014, we have generated only modest operating revenues and we have incurred net losses of \$142,311,095. For the fiscal year ended December 31, 2014, our net loss was \$2,707,535 and as of December 31, 2014, we had an accumulated deficit of \$142,311,095. For the year ended December 31, 2013, our net loss was \$1,201,457 and as of December 31, 2013, we had an accumulated deficit of \$129,542,788. We have not generated any revenue from product sales to date, and it is possible that we will never generate revenues from product sales in the future. Even if we do achieve significant revenues from product sales, we expect to incur significant net losses over the next several years. As with other companies in the biotechnology industry, it is possible that we will never achieve profitable operations.

We will need additional capital in the future and, if such capital is not available on terms acceptable to us or available to us at all, we may need to scale back our research and development efforts and may be unable to continue our business operations.

We will require substantial additional funds to advance our research and development programs and to continue our operations, particularly if we decide to independently conduct later-stage clinical testing and apply for regulatory approval of any of our proposed products, and if we decide to independently undertake the marketing and promotion of our products. Additionally, we may require additional funds in the event that we decide to pursue strategic acquisitions of or licenses for other products or businesses. Based on our operating plan as of December 31, 2014, we estimated that our existing cash resources may not be sufficient to meet our requirements for 2015. We believe that we will require additional capital to fund on-going operations. Additional funds may result from agreements with larger pharmaceutical companies that include the license or rights to the technologies and products that we are currently developing, although there is no assurance that we will secure such a transaction in a timely manner, or at all.

Our cash requirements in the future may differ significantly from our current estimates, depending on a number of factors, including:

- the results of our clinical trials;
- the time and costs involved in obtaining regulatory approvals;
- the costs of setting up and operating our own marketing and sales organization;
- the ability to obtain funding under contractual and licensing agreements;
- the costs involved in obtaining and enforcing patents or any litigation by third parties regarding intellectual property; and
- our success in entering into collaborative relationships with other parties.

To finance our future activities, we may seek funds through additional rounds of financing, including private or public equity or debt offerings and collaborative arrangements with corporate partners. We cannot say with any certainty that we will be able to obtain the additional needed funds on reasonable terms, or at all. The sale of additional equity or convertible debt securities could result in additional and possibly substantial dilution to our stockholders. If we issued preferred equity or debt securities, these securities could have rights superior to holders of our common stock, and such instruments entered into in connection with the issuance of securities could contain covenants that will restrict our operations. We might have to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to our technologies, product candidates or products that we otherwise would not relinquish. In early March 2009 and again in August 2011, we reduced our workforce in an effort to conserve our capital resources. In 2012, several members of management departed. In March 2013 the then-current remaining members of management were removed by our newly elected board of directors and new officers were appointed. If adequate funds are not available in the future, as required, we could lose our key employees and might have to further delay, scale back or eliminate one or more of our research and development programs, which would impair our future prospects. In addition, we may be unable to meet our research spending obligations under our existing licensing agreements and may be unable to continue our business operations.

Our product opportunities rely on licenses from research institutions and if we lose access to these technologies or applications, our business could be substantially impaired.

Under our agreements with The Regents of the University of California, we had exclusive rights to certain ampakine compounds for all applications for which the University had patent rights, other than endocrine modulation. The license securing these rights has since been terminated.

Under a patent license agreement with The Governors of the University of Alberta, we have exclusive rights to the use of certain ampakine compounds to prevent and treat respiratory depression induced by opiate analgesics, barbiturates and anesthetic and sedative agents.

On May 8, 2007, the Company entered into a license agreement, as subsequently amended, with the University of Alberta granting the Company exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. The Company agreed to pay the University of Alberta a licensing fee and a patent issuance fee, which were paid, and prospective payments consisting of a royalty on net sales, sublicense fee payments, maintenance payments and milestone payments. The prospective maintenance payments commence on the enrollment of the first patient into the first Phase 2B clinical trial and increase upon the successful completion of the Phase 2B clinical trial. As the Company does not at this time anticipate scheduling a Phase 2B clinical trial, no maintenance payments are currently due and payable to the University of Alberta. In addition, no other prospective payments are currently due and payable to the University of Alberta.

Through the merger with Pier, the Company gained access to an Exclusive License Agreement (as amended, the Pier License Agreement), that Pier had entered into with the University of Illinois on October 10, 2007. The Pier License Agreement covered certain patents and patent applications in the United States and other countries claiming the use of certain compounds referred to as cannabinoids for the treatment of sleep related breathing disorders (including sleep apnea), of which dronabinol is a specific example of one type of cannabinoid. Dronabinol is a synthetic derivative of the naturally occurring substance in the cannabis plant, otherwise known as Δ^9 -THC (Δ^9 -tetrahydrocannabinol). Dronabinol is currently approved by the FDA and is sold generically for use in refractory chemotherapy-induced nausea and vomiting, as well as for anorexia in patients with AIDS. Pier's business plan was to determine whether dronabinol would significantly improve subjective and objective clinical measures in patients with obstructive sleep apnea. In addition, Pier intended to evaluate the feasibility and comparative efficacy of a proprietary formulation of dronabinol. The Pier License Agreement was terminated effective March 21, 2013 due to the Company's failure to make a required payment and on June 27, 2014, the Company entered into a new license agreement with the University of Illinois that was similar, but not identical, to the Pier License Agreement that had been terminated. If we are unable to comply with the terms of the new license agreement, such as required payments thereunder, the new license agreement might be terminated.

We are at an early stage of development and we may not be able to successfully develop and commercialize our products and technologies.

The development of ampakine products and cannabinoid products is subject to the risks of failure commonly experienced in the development of products based upon innovative technologies and the expense and difficulty of obtaining approvals from regulatory agencies. Drug discovery and development is time consuming, expensive and unpredictable. On average, only one out of many thousands of chemical compounds discovered by researchers proves to be both medically effective and safe enough to become an approved medicine. All of our proposed products are in the preclinical or early clinical stage of development and will require significant additional funding for research, development and clinical testing before we are able to submit them to any of the regulatory agencies for clearances for commercial use.

The process from discovery to development to regulatory approval can take several years and drug candidates can fail at any stage of the process. Late stage clinical trials often fail to replicate results achieved in earlier studies. Historically, in our industry more than half of all compounds in development failed during Phase 2 trials and 30% failed during Phase 3 trials. We cannot assure you that we will be able to complete successfully any of our research and development activities. Even if we do complete them, we may not be able to market successfully any of the products or be able to obtain the necessary regulatory approvals or assure that healthcare providers and payors will accept our products. We also face the risk that any or all of our products will not work as intended or that they will be unsafe, or that, even if they do work and are safe, that our products will be uneconomical to manufacture and market on a large scale. Due to the extended testing and regulatory review process required before we can obtain marketing clearance, we do not expect to be able to commercialize any therapeutic drug for several years, either directly or through our corporate partners or licensees.

We may not be able to enter into the strategic alliances necessary to fully develop and commercialize our products and technologies, and we will be dependent on our corporate partners if we do.

We are seeking pharmaceutical company partners to develop other major indications for the ampakine compounds and cannabinoids. These agreements would potentially provide us with additional funds in exchange for exclusive or non-exclusive license or other rights to the technologies and products that we are currently developing. Competition between biopharmaceutical companies for these types of arrangements is intense. We cannot give any assurance that our discussions with candidate companies will result in an agreement or agreements in a timely manner, or at all. Additionally, we cannot assure you that any resulting agreement will generate sufficient revenues to offset our operating expenses and longer-term funding requirements.

If our third-party manufacturers' facilities do not follow current good manufacturing practices, our product development and commercialization efforts may be harmed.

There are a limited number of manufacturers that operate under the FDA's and European Union's good manufacturing practices regulations and are capable of manufacturing products. Third-party manufacturers may encounter difficulties in achieving quality control and quality assurance and may experience shortages of qualified personnel. A failure of third-party manufacturers to follow current good manufacturing practices or other regulatory requirements and to document their adherence to such practices may lead to significant delays in the availability of products for commercial use or clinical study, the termination of, or hold on, a clinical study, or may delay or prevent filing or approval of marketing applications for our products. In addition, we could be subject to sanctions being imposed on us, including fines, injunctions and civil penalties. Changing manufacturers may require additional clinical trials and the revalidation of the manufacturing process and procedures in accordance with FDA mandated current good manufacturing practices and will require FDA approval. This revalidation may be costly and time consuming. If we are unable to arrange for third-party manufacturing of our products, or to do so on commercially reasonable terms, we may not be able to complete development or marketing of our products.

Our ability to use our net operating loss carry forwards will be subject to limitations upon a change in ownership, which could reduce our ability to use those loss carry forwards following any change in Company ownership.

Generally, a change of more than 50% in the ownership of a Company's stock, by value, over a three-year period constitutes an ownership change for U.S. federal income tax purposes. An ownership change may limit our ability to use our net operating loss carry forwards attributable to the period prior to such change. We have sold or otherwise issued shares of our common stock in various transactions sufficient to constitute an ownership change, including the issuance of the Series G 1.5% Convertible Preferred Stock (as defined below), and the issuance of convertible notes and warrants. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carry forwards, which amounted to approximately \$87,287,000 as of December 31, 2014, to offset U.S. federal taxable income will be subject to limitations, which would restrict our ability to reduce future tax liability. Future shifts in our ownership, including transactions in which we may engage, may cause additional ownership changes, which could have the effect of imposing additional limitations on our ability to use our pre-change net operating loss carry forwards.

Risks related to our industry

If we fail to secure adequate intellectual property protection, it could significantly harm our financial results and ability to compete.

Our success will depend, in part, on our ability to obtain and maintain patent protection for our products and processes in the United States and elsewhere. We have filed and intend to continue to file patent applications as we need them. However, additional patents that may issue from any of these applications may not be sufficiently broad to protect our technology. Also, any patents issued to us or licensed by us may be designed around or challenged by others, and if such design or challenge is effective, it may diminish our rights.

If we are unable to obtain and maintain sufficient protection of our proprietary rights in our products or processes prior to or after obtaining regulatory clearances, our competitors may be able to obtain regulatory clearance and market similar or competing products by demonstrating at a minimum the equivalency of their products to our products. If they are successful at demonstrating at least the equivalency between the products, our competitors would not have to conduct the same lengthy clinical tests that we have or will have conducted.

We also rely on trade secrets and confidential information that we try to protect by entering into confidentiality agreements with other parties. Those confidentiality agreements may be breached, and our remedies may be insufficient to protect the confidential information. Further, our competitors may independently learn our trade secrets or develop similar or superior technologies. To the extent that our consultants, key employees or others apply technological information independently developed by them or by others to our projects, disputes may arise regarding the proprietary rights to such information or developments. We cannot assure you that such disputes will be resolved in our favor.

We may be subject to potential product liability claims. One or more successful claims brought against us could materially impact our business and financial condition.

The clinical testing, manufacturing and marketing of our products may expose us to product liability claims. We have never been subject to a product liability claim, and we require each patient in our clinical trials to sign an informed consent agreement that describes the risks related to the trials, but we cannot assure you that the coverage limits of our insurance policies will be adequate or that one or more successful claims brought against us would not have a material adverse effect on our business, financial condition and result of operations. Further, if one of our amphetamine or cannabinoid compounds is approved by the FDA for marketing, we cannot assure you that adequate product liability insurance will be available, or if available, that it will be available at a reasonable cost. Any adverse outcome resulting from a product liability claim could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition that could result in products that are superior to the products that we are developing.

Our business is characterized by intensive research efforts. Our competitors include many companies, research institutes and universities that are working in a number of pharmaceutical or biotechnology disciplines to develop therapeutic products similar to those we are currently investigating. Most of these competitors have substantially greater financial, technical, manufacturing, marketing, distribution and/or other resources than we do. In addition, many of our competitors have experience in performing human clinical trials of new or improved therapeutic products and obtaining approvals from the FDA and other regulatory agencies. We have no experience in conducting and managing later-stage clinical testing or in preparing applications necessary to obtain regulatory approvals. Accordingly, it is possible that our competitors may succeed in developing products that are safer or more effective than those that we are developing and/or may obtain FDA approvals for their products faster than we can. We expect that competition in this field will continue to intensify.

We may be unable to recruit and retain our senior management and other key technical personnel on whom we are dependent.

We are highly dependent upon senior management and key technical personnel and currently do not carry any insurance policies on such persons. Since our change in management in March 2013, we are highly dependent on Arnold S. Lippa, Ph.D., our President and Chief Executive Officer, Jeff E. Margolis, our Treasurer and Secretary, and, since his appointment in April 2013, our Chief Financial Officer Robert N. Weingarten. Competition for qualified employees among pharmaceutical and biotechnology companies is intense. The loss of any of our senior management, or our inability to attract, retain and motivate the additional or replacement highly-skilled employees and consultants that our business requires, could substantially hurt our business and prospects.

The regulatory approval process is expensive, time consuming, uncertain and may prevent us from obtaining required approvals for the commercialization of some of our products.

The FDA and other similar agencies in foreign countries have substantial requirements for therapeutic products. Such requirements often involve lengthy and detailed laboratory, clinical and post-clinical testing procedures and are expensive to complete. It often takes companies many years to satisfy these requirements, depending on the complexity and novelty of the product. The review process is also extensive, which may delay the approval process even more.

As of yet, we have not obtained any approvals to market our products. Further, we cannot assure you that the FDA or other regulatory agency will grant us approval for any of our products on a timely basis, if at all. Even if regulatory clearances are obtained, a marketed product is subject to continual review, and later discovery of previously unknown problems may result in restrictions on marketing or withdrawal of the product from the market.

Risks related to capital structure

Our stock price may be volatile and our common stock could decline in value.

The market price of securities of life sciences companies in general has been very unpredictable. The range of sales prices of our common stock for the fiscal years ended December 31, 2014 and 2013, as quoted on the Over the Counter Bulletin Board, was \$0.0240 to \$0.0900 and \$0.0231 to \$0.0990, respectively. The following factors, in addition to factors that affect that market generally, could significantly affect our business, and the market price of our common stock could decline:

- competitors announcing technological innovations or new commercial products;
- competitors' publicity regarding actual or potential products under development;
- regulatory developments in the United States and foreign countries;
- developments concerning proprietary rights, including patent litigation;
- public concern over the safety of therapeutic products; and
- changes in healthcare reimbursement policies and healthcare regulations.

Our common stock is thinly traded and you may be unable to sell some or all of your shares at the price you would like, or at all, and sales of large blocks of shares may depress the price of our common stock.

Our common stock has historically been sporadically or "thinly-traded," meaning that the number of persons interested in purchasing shares of our common stock at desired prices at any given time may be relatively small or nonexistent. As a consequence, there may be periods of several days or more when trading activity in shares of our common stock is minimal or non-existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. This could lead to wide fluctuations in our share price. You may be unable to sell your common stock at or above your purchase price, which may result in substantial losses to you. Also, as a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of shares of our common stock in either direction. The price of shares of our common stock could, for example, decline precipitously in the event a large number of share of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price.

There is a large number of shares of the Company's common stock that may be issued or sold, and if such shares are issued or sold, the market price of our common stock may decline.

As of December 31, 2014, we had 232,145,326 shares of our common stock outstanding.

If all warrants and options outstanding as of December 31, 2014 are exercised prior to their expiration, up to 51,402,764 additional shares of our common stock could become freely tradable. Such sales of substantial amounts of common stock in the public market could adversely affect the prevailing market price of our common stock and could also make it more difficult for us to raise funds through future offerings of common stock.

On March 18 and April 17, 2014, we issued shares of our Series G 1.5% Convertible Preferred Stock, which are convertible into shares of our common stock (see Note 6 to our consolidated financial statements for the years ended December 31, 2014 and 2013). On November 5, December 9 and December 31, 2014, and again on February 2, 2015 we issued convertible notes and warrants, both of which are convertible into shares of our common stock (see Note 3 to our consolidated financial statements for the years ended December 31, 2014 and 2013) and may in the future issue additional equity or equity-based securities. If some or all of our Series G 1.5% Convertible Preferred Stock, convertible notes or warrants converts to common stock, or if we issue additional equity or equity-based securities, the number of shares of our common stock outstanding could increase substantially (as of December 31, 2014, by approximately 264,000,000 shares if all of our Series G 1.5% Convertible Preferred Stock converted and by approximately 21,000,000 if all of our convertible notes and warrants converted), which could adversely affect the prevailing market price of our common stock and could also make it more difficult for us to raise funds through future offerings of common stock.

Our charter document may prevent or delay an attempt by our stockholders to replace or remove management.

Certain provisions of our restated certificate of incorporation, as amended, could make it more difficult for a third party to acquire control of our business, even if such change in control would be beneficial to our stockholders. Our restated certificate of incorporation, as amended, allowed the Board of Directors of the Company, referred to as the Board or Board of Directors, to issue as of December 31, 2014 up to 3,505,800 shares of preferred stock, with characteristics to be determined by the board, without stockholder approval. The ability of our Board of Directors to issue additional preferred stock may have the effect of delaying or preventing an attempt by our stockholders to replace or remove existing directors and management.

If our common stock is determined to be a “penny stock,” a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock in the secondary market.

In addition, our common stock may be subject to the so-called “penny stock” rules. The United States Securities and Exchange Commission (“SEC”) has adopted regulations that define a “penny stock” to be any equity security that has a market price per share of less than \$5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a “penny stock,” unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If our common stock is determined to be a “penny stock,” a broker-dealer may find it more difficult to trade our common stock and an investor may find it more difficult to acquire or dispose of our common stock on the secondary market.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2014, the Company did not own any real property or maintain any leases with respect to real property. The Company does contract for services provided at the facilities owned by third parties and has employees who work in these facilities.

On May 14, 2012, the Company executed a three-year lease for approximately 5,000 square feet of office space beginning June 1, 2012 at a monthly rate of \$9,204. During the three months ended December 31, 2012, the Company substantially vacated its operating facility and abandoned its furniture, equipment and leasehold improvements. In May 2013, the Company received notice that it had been sued in the Superior Court of California in a complaint filed on March 28, 2013 by its former landlord, PPC Irvine Center Investment, LLC, seeking among other things, \$57,535 in past due rent, termination of the lease agreement, and reasonable attorney’s fees. On May 23, 2013, a settlement was reached with the landlord that provided for the Company to relinquish its security deposit in the amount of \$29,545, transfer title to its remaining furniture, equipment and leasehold improvements, and pay an additional \$26,000.

Item 3. Legal Proceedings

We were not a party to any material legal proceedings, nor has any material proceeding been terminated during the fiscal year ended December 31, 2014.

We are periodically subject to various pending and threatened legal actions and claims. See Note 9 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Commitments and Contingencies—*Pending or Threatened Legal Actions and Claims* and Note 10 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Subsequent Events—*Debt Settlements* for details regarding these matters.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Our common stock is quoted on the Over the Counter Bulletin Board, referred to as OTCBB, under the symbol "CORX". The following table presents quarterly information on the high and low sales prices of the common stock furnished by the OTCBB for the fiscal years ended December 31, 2014 and 2013. The quotations on the OTCBB reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

| | <u>High</u> | <u>Low</u> |
|--|-------------|------------|
| Fiscal Year ended December 31, 2014 | | |
| Fourth Quarter | \$ 0.0900 | \$ 0.0300 |
| Third Quarter | 0.0790 | 0.0330 |
| Second Quarter | 0.0430 | 0.0240 |
| First Quarter | 0.0500 | 0.0260 |
| Fiscal Year ended December 31, 2013 | | |
| Fourth Quarter | \$ 0.0450 | \$ 0.0231 |
| Third Quarter | 0.0990 | 0.0300 |
| Second Quarter | 0.0800 | 0.0320 |
| First Quarter | 0.0500 | 0.0280 |

As of December 31, 2014, there were 397 stockholders of record of our common stock, and approximately 6,500 beneficial owners. The high and low sales prices for our common stock on December 31, 2014, as quoted on the OTC market, were \$0.0451 and \$0.0520, respectively.

We have never paid cash dividends on our common stock and do not anticipate paying such dividends in the foreseeable future. The payment of dividends, if any, will be determined by the Board in light of conditions then existing, including our financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board.

During the fiscal year ended December 31, 2014, we did not repurchase any of our securities.

Item 6. Selected Financial Data

Not applicable to smaller reporting companies.

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

The following discussion and analysis should be read in conjunction with the audited financial statements and notes related thereto appearing elsewhere in this document.

Overview

Cortex Pharmaceuticals, Inc. ("Cortex") was formed in 1987 to engage in the discovery, development and commercialization of innovative pharmaceuticals for the treatment of neurological and psychiatric disorders. In 2011, prior management conducted a re-evaluation of Cortex's strategic focus and determined that clinical development in the area of respiratory disorders, particularly respiratory depression and sleep apnea, provided the most cost-effective opportunities for potential rapid development and commercialization of Cortex's compounds. Accordingly, Cortex narrowed its clinical focus at that time and abandoned other avenues of scientific inquiry. This re-evaluation provided the impetus for Cortex's acquisition of Pier Pharmaceuticals, Inc. ("Pier") in August 2012. Cortex and its wholly-owned subsidiary, Pier, are collectively referred to herein as the "Company."

On March 22, 2013, the Company received a written consent of stockholders holding a majority of the Company's common stock (the "Written Consent") (i) removing Charles J. Casamento, M. Ross Johnson, John F. Benedik and Mark A. Varney from their positions as directors of the Company, and (ii) appointing each of Dr. Arnold S. Lippa, Ph.D. and Jeff E. Margolis to fill two of the vacancies created, each to hold such office until the next annual meeting of the stockholders and until their successors have been duly elected and qualified. The Written Consent did not remove Dr. Moogak Hwang, Ph.D., a representative of Samyang Optics Co. Ltd., a lender to and significant stockholder of the Company, from the Board of Directors. Dr. Hwang continued to serve as a director until his resignation from the Board of Directors effective September 30, 2013.

Following the delivery of the Written Consent, the Board of Directors, acting by unanimous written consent dated March 22, 2013, removed all officers of the Company and appointed Dr. Arnold S. Lippa, as Chairman of the Board, President and Chief Executive Officer and Jeff E. Margolis, as Vice President, Treasurer and Secretary. On April 29, 2013, Robert N. Weingarten was appointed as a director, Vice President and Chief Financial Officer.

New management was appointed in March 2013 and has continued to implement this revised strategic focus, including seeking the capital to fund such efforts. As a result of the Company's scientific discoveries and the acquisition of strategic, exclusive license agreements (including a new license agreement with the University of Illinois), management believes that the Company is now a leader in the discovery and development of innovative pharmaceuticals for the treatment of respiratory disorders.

Since its formation in 1987, Cortex has been engaged in the research and clinical development of a class of compounds referred to as ampakines. By acting as positive allosteric modulators of AMPA glutamate receptors, ampakines increase the excitatory effects of the neurotransmitter glutamate. Preclinical research suggested that these ampakines might have therapeutic potential for the treatment of certain respiratory disorders, as well as cognitive disorders, depression, attention deficit disorder and schizophrenia.

Cortex entered into a series of license agreements in 1993 and 1998 with the University of California, Irvine ("UCI") that granted Cortex proprietary rights to certain chemical compounds that acted as ampakines and their therapeutic uses. These agreements granted Cortex, among other provisions, exclusive rights: (i) to practice certain patents and patent applications, as defined in the license agreement, that were then held by UCI; (ii) to identify, develop, make, have made, import, export, lease, sell, have sold or offer for sale any related licensed products; and (iii) to grant sub-licenses of the rights granted in the license agreements, subject to the provisions of the license agreements. Cortex was required, among other terms and conditions, to pay UCI a license fee, royalties, patent costs and certain additional payments.

During December 2012, the Company informed UCI that it would be unable to make the annual payment due to a lack of funds. The Company believes that this notice, along with its subsequent failure to make its minimum annual payment obligation, constituted a default and termination of the license agreements. On April 15, 2013, UCI notified the Company that these license agreements were terminated due to the Company's failure to make its obligatory payments. Since the patents covered in these license agreements had begun to expire and the therapeutic uses described in these patents were no longer germane to the Company's new focus on respiratory disorders, the loss of these license agreements is not expected to have a material impact on the Company's current or future drug development programs.

The Company also owns patents and patent applications for certain families of chemical compounds, including ampakines, which claim the chemical structures and their use in the treatment of various disorders. These patents cover, among other compounds, the Company's lead ampakines CX1739 and CX1942, and extend through at least 2028.

On May 8, 2007, Cortex entered into a license agreement, as subsequently amended, with the University of Alberta granting Cortex exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. These patents, along with Cortex's own patents claiming chemical structures, comprise Cortex's principal intellectual property supporting Cortex's research and clinical development program in the use of ampakines for the treatment of respiratory disorders. Cortex has completed pre-clinical studies indicating that several of its ampakines, including CX717, CX1739 and CX1942, were efficacious in treating drug induced respiratory depression caused by opiates or certain anesthetics without offsetting the analgesic effects of the opiates or the anesthetic effects of the anesthetics. In two clinical Phase 2 studies, one of which was published in a peer-reviewed journal, CX717, a predecessor compound to CX1739 and CX1942, antagonized the respiratory depression produced by fentanyl, a potent narcotic, without affecting the analgesia produced by this drug. In addition, Cortex has conducted a Phase 2A clinical study in which patients with sleep apnea were administered CX1739, Cortex's lead clinical compound. Preliminary results suggested that CX1739 might have use for the treatment of central and mixed sleep apnea, but not obstructive sleep apnea ("OSA").

In order to expand the Company's respiratory disorders program, the Company acquired 100% of the issued and outstanding equity securities of Pier effective August 10, 2012 pursuant to an Agreement and Plan of Merger. Pier was formed in June 2007 (under the name SteadySleep Rx Co.) as a clinical stage pharmaceutical company to develop a pharmacologic treatment for the respiratory disorder known as obstructive sleep apnea and had been engaged in research and clinical development activities since formation.

In connection with the merger transaction with Pier, Cortex issued 58,417,893 newly issued shares of its common stock with an aggregate fair value of \$3,271,402 (\$0.056 per share), based upon the closing price of the Company's common stock on August 10, 2012. The shares of common stock were issued to stockholders, convertible note holders, warrant holders, option holders, and certain employees and vendors of Pier in satisfaction of their interests and claims. The common stock issued by Cortex represented approximately 41% of the 144,041,556 common shares outstanding immediately following the closing of the transaction.

Through the merger, Cortex gained access to an Exclusive License Agreement, as amended (the "License Agreement"), that Pier had entered into with the University of Illinois on October 10, 2007. The License Agreement covered certain patents and patent applications in the United States and other countries claiming the use of certain compounds referred to as cannabinoids, of which dronabinol is a specific example, for the treatment of sleep related breathing disorders (including sleep apnea). Dronabinol is a synthetic derivative of the naturally occurring substance in the cannabis plant, otherwise known as Δ 9-THC (Δ 9-tetrahydrocannabinol). Pier's business plan was to determine whether dronabinol would significantly improve subjective and objective clinical measures in patients with OSA. In addition, Pier intended to evaluate the feasibility and comparative efficacy of a proprietary formulation of dronabinol.

The License Agreement granted Pier, among other provisions, exclusive rights: (i) to practice certain patents and patent applications, as defined in the License Agreement, that were then held by the University of Illinois; (ii) to identify, develop, make, have made, import, export, lease, sell, have sold or offer for sale any related licensed products; and (iii) to grant sub-licenses of the rights granted in the License Agreement, subject to the provisions of the License Agreement. Pier was required under the License Agreement, among other terms and conditions, to pay the University of Illinois a license fee, royalties, patent costs and certain milestone payments.

Prior to the merger, Pier conducted a 21 day, randomized, double-blind, placebo-controlled dose escalation Phase 2 clinical study in 22 patients with obstructive sleep apnea, in which dronabinol produced a statistically significant reduction in the Apnea-Hypopnea Index ("AHI"), the primary therapeutic end-point, and was observed to be safe and well tolerated. Dronabinol is currently under investigation, at the University of Illinois and other centers, in a potentially pivotal 120 patient, double-blind, placebo-controlled Phase 2B OSA clinical trial, fully funded by the National Institutes of Health.

Dronabinol is a Schedule III, controlled generic drug with a relatively low abuse potential that is approved by the U.S. Food and Drug Administration ("FDA") for the treatment of AIDS-related anorexia and chemotherapy induced emesis. The use of dronabinol for the treatment of OSA is a novel indication for an already approved drug and, as such, the Company believes that it would only require approval by the FDA of a supplemental new drug application.

The Company accounted for the Pier transaction pursuant to ASC Topic 805, Business Combinations. The Company identified and evaluated the fair value of the assets acquired. Based on the particular facts and circumstances surrounding the history and status of Pier, including its business and intellectual property at the time of the merger transaction, the Company determined that the identifiable intangible assets were comprised solely of contract-based intangible assets, and that there was no measurable goodwill.

The intangible asset acquired in the Pier transaction consisted of the License Agreement. Unless terminated earlier, the License Agreement would terminate upon expiration or termination of all patent rights. The License Agreement defined patent rights as all of the University of Illinois' rights in the patents and patent applications, and (b) all of the University of Illinois' rights in all divisions, continuations, continuation-in-part applications, reissues, renewals, re-examinations, foreign counterparts, substitutions or extensions thereof. Based upon the expiration date of the underlying patents, the License Agreement would be amortized on a straight-line basis over the remaining life of the underlying patents of 172 months from the date of acquisition.

The License Agreement was terminated effective March 21, 2013 due to the Company's failure to make a required payment. The Company recorded a charge to operations of \$3,321,678 for the impairment of the License Agreement effective December 31, 2012.

New management subsequently opened negotiations with the University of Illinois and as a result, the Company ultimately entered into a new license agreement with the University of Illinois on June 27, 2014, the material terms of which were similar to the License Agreement that had been terminated on March 21, 2013.

Loan from SY Corporation Co., Ltd.

On June 25, 2012, the Company borrowed 465,000,000 Won (the currency of South Korea, equivalent to approximately \$400,000 US dollars) from and executed a secured note payable to SY Corporation Co., Ltd., formerly known as Samyang Optics Co. Ltd. ("SAMYANG"), an approximately 20% common stockholder of the Company at that time. The note accrues simple interest at the rate of 12% per annum and has a maturity date of June 25, 2013, although SAMYANG was permitted to demand early repayment of the promissory note on or after December 25, 2012. SAMYANG did not demand early repayment. The Company has not made any payments on the promissory note. At June 30, 2013 and subsequently, the promissory note was outstanding and in technical default, although SAMYANG has not issued a notice of default or a demand for repayment. The Company believes that SAMYANG is in default of its obligations under its January 2012 license agreement, as amended, with the Company, but the Company has not yet issued a notice of default. The Company anticipates entering into discussions with SAMYANG with a view toward a comprehensive resolution of the aforementioned matters.

Series G 1.5% Convertible Preferred Stock Placement

On March 14, 2014, the Company filed a Certificate of Designation, Preferences, Rights and Limitations, (the "Certificate of Designation") of its Series G 1.5% Convertible Preferred Stock ("Series G 1.5% Convertible Preferred Stock") with the Secretary of State of the State of Delaware to amend the Company's certificate of incorporation. The number of shares designated as Series G 1.5% Convertible Preferred Stock is 1,700 (which shall not be subject to increase without the written consent of a majority of the holders of the Series G 1.5% Convertible Preferred Stock or as otherwise set forth in the Certificate of Designation). The Stated Value of each share of Series G 1.5% Convertible Preferred Stock is \$1,000.

The Company pays a stated dividend on the Series G 1.5% Convertible Preferred Stock at a rate per share (as a percentage of the Stated Value per share) of 1.5% per annum, payable quarterly within 15 calendar days of the end of each fiscal quarter of the Company, in duly authorized, validly issued, fully paid and non-assessable shares of Series G 1.5% Convertible Preferred Stock, which may include fractional shares of Series G 1.5% Convertible Preferred Stock.

The Series G 1.5% Convertible Preferred Stock is convertible at the option of the holder, into common stock at the applicable conversion price, at a rate determined by dividing the Stated Value of the shares of Series G 1.5% Convertible Preferred Stock to be converted by the conversion price, subject to adjustments for stock dividends, splits, combinations and similar events as described in the form of Certificate of Designation. The stated value of the Series G 1.5% Convertible Preferred Stock is \$1,000 per share, and the fixed conversion price is \$0.0033. Accordingly, at the option of the holder, each share of Series G 1.5% Convertible Preferred Stock is convertible into 303,030.3 shares of common stock. In addition, the Company has the right to require the holders of the Series G 1.5% Convertible Preferred Stock to convert such shares into common stock under certain enumerated circumstances set forth in the Certificate of Designation.

Upon either (i) a Qualified Public Offering (as defined in the Certificate of Designation) or (ii) the affirmative vote of the holders of a majority of the Stated Value of the Series G 1.5% Convertible Preferred Stock issued and outstanding, all outstanding shares of Series G 1.5% Convertible Preferred Stock, plus all accrued or declared, but unpaid, dividends thereon, shall mandatorily be converted into such number of shares of common stock determined by dividing the Stated Value of such Series G 1.5% Convertible Preferred Stock (together with the amount of any accrued or declared, but unpaid, dividends thereon) by the Conversion Price (as defined in the Certificate of Designation). If not earlier converted, the Series G 1.5% Convertible Preferred Stock shall be redeemed by conversion on the two year anniversary of the date the last share of Series G 1.5% Convertible Preferred Stock is issued in the Private Placement, April 17, 2016, at the Conversion Price.

Except as described in the Certificate of Designation, holders of the Series G 1.5% Convertible Preferred Stock will vote together with holders of the Company common stock on all matters, on an as-converted to common stock basis, and not as a separate class or series (subject to limited exceptions).

In the event of any liquidation or winding up of the Company prior to and in preference to any Junior Securities (including common stock), the holders of the Series G 1.5% Convertible Preferred Stock will be entitled to receive in preference to the holders of the Company common stock a per share amount equal to the Stated Value, plus any accrued and unpaid dividends thereon.

On March 18, 2014, the Company entered into Securities Purchase Agreements with various accredited investors (the "Initial Purchasers"), pursuant to which the Company sold an aggregate of 753.22 shares of its Series G 1.5% Convertible Preferred Stock for a purchase price of \$1,000 per share, or an aggregate purchase price of \$753,220. This financing represents the initial closing on a private placement of up to \$1,500,000 (the "Private Placement"). The Initial Purchasers in this tranche of the Private Placement consisted of (i) Arnold S. Lippa, the Company's Chairman, Chief Executive Officer and a member of the Company's Board of Directors, who had not previously owned common stock in the Company and who invested \$250,000 for 250 shares of Series G 1.5% Convertible Preferred Stock, and (ii) new, non-affiliated, accredited investors. Neither the Series G 1.5% Convertible Preferred Stock nor the underlying shares of common stock have any registration rights.

The placement agents and selected dealers in connection with the initial tranche of the Private Placement received cash fees totaling \$3,955 as compensation and warrants totaling approximately 5.6% of the shares of common stock into which the Series G 1.5% Convertible Preferred Stock may convert, exercisable for five years at a fixed price of \$0.00396, which is 120% of the conversion price at which the Series G 1.5% Convertible Preferred Stock may convert into the Company's common stock. Aurora Capital LLC was one of the placement agents.

On April 17, 2014, the Company entered into Securities Purchase Agreements with various accredited investors (together with the Initial Purchasers, the "Purchasers"), pursuant to which the Company sold an aggregate of 175.28 shares of its Series G 1.5% Convertible Preferred Stock, for a purchase price of \$1,000 per share, or an aggregate purchase price of \$175,280. This was the second and final closing on the Private Placement. The Purchasers in the second and final tranche of the Private Placement consisted of new, non-affiliated, accredited investors and non-management investors who had also invested in the first closing. Neither the Series G 1.5% Convertible Preferred Stock nor the underlying shares of common stock have any registration rights.

The placement agents and selected dealers in connection with the second tranche of the Private Placement received cash fees of \$3,465 as compensation and warrants totaling approximately 12.0% of the shares of common stock into which the Series G 1.5% Convertible Preferred Stock may convert, exercisable for five years at a fixed price of \$0.00396, which is 120% of the conversion price at which the Series G 1.5% Convertible Preferred Stock may convert into the Company's common stock. Aurora Capital LLC was one of the placement agents.

The aggregate of 928.5 shares of Series G 1.5% Convertible Preferred Stock sold in the Private Placement (exclusive of any accrued dividends) are convertible into a total of 281,363,634 shares of common stock. The warrants that the placement agents and selected dealers received in connection with the Private Placement represented the right to acquire 19,251,271 shares of common stock exercisable for five years at a fixed price of \$0.00396, which is 120% of the conversion price at which the Series G 1.5% Convertible Preferred Stock may convert into the Company's common stock.

The shares of Series G 1.5% Convertible Preferred Stock were offered and sold without registration under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act as provided in Rule 506(b) of Regulation D promulgated thereunder. The shares of Series G 1.5% Convertible Preferred Stock and the Company’s common stock issuable upon conversion of the shares of Series G 1.5% Convertible Preferred Stock have not been registered under the Securities Act or any other applicable securities laws, and unless so registered, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

The Company recorded a dividend on the Series G 1.5% Convertible Preferred Stock of \$10,926 during the year ended December 31, 2014, which was paid through the issuance of an additional 10.9 shares of Series G 1.5% Convertible Preferred Stock.

Capitalized terms in this section that are not otherwise defined have the meanings ascribed to them in the Stock Purchase Agreements, the form of which was previously filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on March 24, 2014.

Convertible Note and Warrant Financing

On November 5, 2014, the Company entered into a Convertible Note and Warrant Purchase Agreement (the “Purchase Agreement”) with various accredited, non-affiliated investors (each, a “Purchaser”), pursuant to which the Company sold an aggregate principal amount of \$238,500 of its (i) 10% Convertible Notes due September 15, 2015 (each a “Note”, and together, the “Notes”) and (ii) Warrants to purchase shares of common stock (the “Warrants”) as described below. This was the initial closing of a private placement of up to \$1,000,000. Unless otherwise provided for in the Notes, the outstanding principal balance of each Note and all accrued and unpaid interest is due and payable in full on September 15, 2015. At any time, each Purchaser may elect, at its option and in its sole discretion, to convert the outstanding principal amount into a fixed number of shares of the Company’s common stock equal to the quotient obtained by dividing the outstanding principal amount by \$0.035 (an aggregate of 6,814,286 shares), plus any accrued and unpaid interest, which is treated in the same manner as the outstanding principal amount. In the case of a Qualified Financing (as defined in the Purchase Agreement), the outstanding principal amount and accrued and unpaid interest under the Notes automatically convert into common stock at a common stock equivalent price of \$0.035. In the case of an Acquisition (as defined in the Purchase Agreement), the Company may elect to either: (i) convert the outstanding principal amount and all accrued and unpaid interest under the Notes into shares of common stock or (ii) accelerate the maturity date of the Notes to the date of closing of the Acquisition. Each Warrant to purchase shares of common stock is exercisable into a fixed number of shares of common stock of the Company calculated as each Purchaser’s investment amount divided by \$0.035 (an aggregate of 6,814,286 shares for the initial closing). The Warrants do not have any cashless exercise provisions and are exercisable through September 15, 2015 at a fixed price of \$0.035 per share. The shares of common stock issuable upon conversion of the Notes and exercise of the Warrants are not subject to any registration rights.

On December 9, 2014, December 31, 2014, and February 2, 2015, the Company sold an additional \$46,000, \$85,000 and \$210,000, respectively, of principal amount of the Notes and Warrants to various accredited investors. The Company terminated this financing effective February 18, 2015.

Placement agent fees, brokerage commissions, finder’s fees and similar payments were made in the form of cash and warrants to qualified referral sources in connection with the sale of the Notes and Warrants. In connection with the initial closing, fees of \$16,695 were paid in cash, based on 7% of the aggregate principal amount of the Notes issued to such referral sources, and the fees paid in warrants (the “Placement Agent Warrants”) consisted of 477,000 warrants, reflecting warrants for that number of shares equal to 7% of the number of shares of common stock into which the corresponding Notes are convertible. In connection with the second closing, fees of \$700 were paid in cash and 20,000 Placement Agent Warrants were issued. In connection with the third closing, fees of \$3,500 were paid in cash and 100,000 Placement Agent Warrants were issued. In connection with the fourth closing, fees of \$14,700 were paid in cash and 420,000 Placement Agent Warrants were issued. The Placement Agent Warrants have cashless exercise provisions and are exercisable through September 15, 2015 at a fixed price of \$0.035 per share. Aurora Capital LLC is acting as the placement agent for this financing.

The Notes and Warrants were offered and sold without registration under the Securities Act in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act as provided in Rule 506 of Regulation D promulgated thereunder. The Notes and Warrants and the shares of common stock issuable upon conversion of the Notes and exercise of the Warrants have not been registered under the Securities Act or any other applicable securities laws, and unless so registered, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

Debt Settlements

During the three months ended March 31, 2014, the Company executed settlement agreements with four former executives that resulted in the settlement of potential claims totaling approximately \$1,336,000 for a total of approximately \$118,000 in cash, plus the issuance of options to purchase 4,300,000 shares of common stock exercisable at \$0.04 per share for periods ranging from five to ten years. In addition to other provisions, the settlement agreements included mutual releases.

During the three months ended June 30, 2014, the Company also executed settlement agreements with certain former service providers that resulted in the settlement of potential claims totaling approximately \$591,000 for a cost of approximately \$155,000 in cash, plus the issuance of options to purchase 1,250,000 shares of common stock exercisable at \$0.04 per share for a period of five years. In addition to other provisions, the settlement agreements included mutual releases.

The aforementioned agreements resulted in the settlement of potential claims totaling approximately \$1,927,000 for a cost of approximately \$273,000 in cash, plus the issuance of options to purchase 5,550,000 shares of common stock exercisable at \$0.04 per share for periods ranging from five to ten years.

Effective January 29, 2015, the Company executed a settlement agreement with its former Vice President and Chief Financial Officer, as amended on February 4, 2015, that resulted in the settlement of potential claims for a total cash payment of \$26,000 to be paid on or before June 30, 2015 (of which \$6,000 was paid on execution), plus the issuance of a stock option to purchase 500,000 shares of common stock exercisable at \$0.0512 per share for a period of five years, and valued pursuant to the Black-Scholes option-pricing model at \$25,450. In addition to other provisions, the settlement agreement included mutual releases.

The Company continues to explore ways to reduce its indebtedness, and might in the future enter additional settlements of potential claims, including, without limitation, those by other former executives or third party creditors.

Awards to Officers and Directors as Compensation

On April 14, 2014, the Board of Directors of the Company awarded a total of 57,000,000 shares of common stock of the Company, including awards of 15,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time, and 4,000,000 shares and 8,000,000 shares to two other individuals. The individual who received the 8,000,000 shares was an associated person of Aurora Capital LLC, a related party. These awards were made to those individuals on that date as compensation for services rendered through March 31, 2014. Prior to these awards, none of the officers or directors of the Company had earned or received any cash compensation from the Company since joining the Company in March and April 2013, and there were no prior compensation arrangements or agreements with such individuals. As the initial closing of the Series G 1.5% Convertible Preferred Stock was completed on March 18, 2014, and such closing represented approximately 81% of the total amount of such financing, the Company's Board of Directors determined that it was appropriate at that time to compensate such officers for the period since they joined the Company in March and April 2013 through March 31, 2014. Such compensation was concluded on April 14, 2014 with the issuance of the aforementioned stock awards. Accordingly, as a result of these factors, the fair value of these stock awards of \$2,280,000 was charged to operations effective as of March 18, 2014. The stock awards were valued at \$0.04 per share, which was the closing price of the Company's common stock on March 18, 2014. These stock awards were made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

On July 17, 2014, the Board of Directors of the Company awarded stock options to purchase a total of 15,000,000 shares of common stock of the Company, consisting of options for 5,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time. The stock options were awarded as compensation for those individuals through December 31, 2014. The stock options vest in three equal installments on July 17, 2014 (at issuance), September 30, 2014, and December 31, 2014, and expire on July 17, 2019. The exercise price of the stock options was established on the grant date at \$0.05 per share, as compared to the closing market price of the Company's common stock on such date of \$0.044 per share, reflecting an exercise price premium of \$0.006 per share or 13.6%.

In connection with the appointment of James Sapirstein and Kathryn MacFarlane as directors of the Company on September 3, 2014, discussed below, the Board of Directors awarded an aggregate of 4,000,000 shares of common stock of the Company to the new directors, consisting of 2,000,000 shares to each new director, vesting 50% upon appointment to the Board of Directors, 25% on September 30, 2014 and 25% on December 31, 2014.

These stock awards to directors in 2014 were made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

University of Illinois 2014 Exclusive License Agreement

On June 27, 2014, the Company entered into an Exclusive License Agreement (the "2014 License Agreement") with the University of Illinois, the material terms of which were similar to the License Agreement between the parties that had been previously terminated on March 21, 2013. The 2014 License Agreement became effective on September 18, 2014, upon the completion of certain conditions set forth in the 2014 License Agreement, including (i) the payment by the Company of a \$25,000 licensing fee, (ii) the payment by the Company of outstanding patent costs aggregating \$15,840, and (iii) the assignment to the University of Illinois of rights the Company held in certain patent applications, all of which conditions were fulfilled. In exchange for certain milestone and royalty payments, the 2014 License Agreement granted the Company (i) exclusive rights to several issued and pending patents in numerous jurisdictions and (ii) the non-exclusive right to certain technical information that is generated by the University of Illinois in connection with certain clinical trials as specified in the 2014 License Agreement, all of which relate to the use of cannabinoids for the treatment of sleep related breathing disorders. The Company is developing dronabinol (Δ^9 -tetrahydrocannabinol), a cannabinoid, for the treatment of OSA, the most common form of sleep apnea.

Settlement with the Institute for the Study of Aging

On September 2, 2014, the Company entered into a Release Agreement (the "Release Agreement") with the Institute for the Study of Aging (the "Institute") to settle an outstanding promissory note, dated May 30, 2000, issued by the Company in favor of the Institute for an initial principal amount of \$247,300 (the "Note"), which was made pursuant to an Agreement to Accept Conditions of Loan Support, also dated May 30, 2000 (the "Loan Support Agreement"). At August 31, 2014, the amount owed under the Note, including accrued interest was approximately \$337,000. Pursuant to the terms of the Release Agreement, the Institute received 1,000,000 restricted shares of the Company's common stock as settlement of all obligations of the Company under the Note and the Loan Support Agreement. Such common shares are "restricted securities" as defined under Rule 144 promulgated under the Securities Act of 1933, as amended, and are not subject to any registration rights. The Release Agreement also includes a mutual release between the Company and the Institute, releasing each party from all claims up until the date of the Release Agreement.

Appointment of New Directors

On September 3, 2014, James Sapirstein and Kathryn MacFarlane were appointed as new directors of the Company. The Board of Directors determined that these two new directors are independent directors. In connection with those appointments and in conformity with its corporate policy of indemnifying all directors and officers, the Board of Directors also agreed at that time to enter into indemnification agreements for all directors and officers of the Company, namely, each existing director of the Company, Dr. Arnold S. Lippa, Jeff E. Margolis, and Robert N. Weingarten, each of whom is also an officer of the Company, and with the two new directors. Pursuant to the indemnity agreements, the Company will indemnify each director or officer when such individual is a party or threatened to become a party, by virtue of being a director or officer of the Company, from the costs and expenses, fines and certain other amounts in connection with certain proceedings, including proceedings in the right of the Company, so long as such director or officer acted in good faith and reasonably believed that such actions were not in the best interests of the Company.

Appointment of Chairman of the Company's Scientific Advisory Board

On September 18, 2014, John Greer, Ph.D. was appointed to the position of Chairman of the Company's Scientific Advisory Board, which is currently being formed. Dr. Greer is the Director of the Neuroscience and Mental Health Institute at the University of Alberta. He holds two grants regarding research into neuromuscular control of breathing and is the inventor on the use patents licensed by the Company with respect to ampakines. Dr. Greer is expected to assist the Company in forming the rest of its Scientific Advisory Board.

In connection with the appointment of Dr. Greer as Chairman of the Company's Scientific Advisory Board on September 18, 2014, the Board of Directors awarded 2,000,000 shares of common stock of the Company to Dr. Greer (through his wholly-owned consulting company, Progress Scientific, Inc.), vesting 25% upon appointment, 25% on September 30, 2014, 25% on December 31, 2014, and 25% on March 31, 2015. This award was made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

National Institute on Drug Abuse Grant

On September 18, 2014, the Company entered into a contract with the National Institute on Drug Abuse, a division of the National Institutes of Health. The funding under the contract is a Phase 1 award granted under the Small Business Innovation Research Funding Award Program. The purpose of the project is to determine the most useful injectable route of administration for CX1942, the Company's proprietary, soluble ampakine molecule, a potential rescue medication for drug-induced respiratory depression and lethality. The grant is entitled "Novel Treatment of Drug-Induced Respiratory Depression" and is valued at \$148,583, which is to be paid in increments over the expected six-month duration of the study which commenced in October 2014. The study will measure the potency, latency to onset and duration of action of CX1942 administered to rats. The Company anticipates that the data obtained from the study will be used to finalize preclinical studies in preparation for initiating Phase 1 clinical studies. The preclinical studies are being performed in collaboration with Dr. David Fuller of the University of Florida and Dr. John Greer of the University of Alberta, Chairman of the Company's Scientific Advisory Board.

Appointment of Senior Vice President of Research and Development

Richard Purcell was appointed as the Company's Senior Vice President of Research and Development effective October 15, 2014. Mr. Purcell's commitment to the Company is for 30 hours per week in order to allow him to comply with his previous professional commitments. Mr. Purcell provides his services to the Company through his consulting firm, DNA Healthlink, Inc., with which the Company has contracted for his services.

Going Concern

The Company's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred net losses of \$2,707,535 and \$1,201,457 for the fiscal years ended December 31, 2014 and 2013, respectively, negative operating cash flows of \$885,869 and \$182,435 for the fiscal years ended December 31, 2014 and 2013, respectively, and expects to continue to incur net losses and negative operating cash flows for several more years. As a result, management and the Company's auditors believe that there is substantial doubt about the Company's ability to continue as a going concern.

The Company is currently, and has for some time, been in significant financial distress. It has limited cash resources and current assets and has no ongoing source of revenue. Beginning in late 2012, the Company's business activities were reduced to minimal levels, and the prior Board of Directors of the Company, which was removed by the written consent of stockholders holding a majority of the outstanding shares on March 22, 2013, had retained bankruptcy counsel to assist the Company in preparations to file for liquidation under Chapter 7 of the United States Bankruptcy Code. New management, which was appointed during March and April 2013, has evaluated the status of numerous aspects of the Company's existing business and obligations, including, without limitation, debt obligations, financial requirements, intellectual property, licensing agreements, legal and patent matters and regulatory compliance, and has raised new capital to fund its business activities.

From June 2013 through March 2014, the Company's Chairman and Chief Executive Officer advanced short-term loans to the Company aggregating \$150,000 in order to meet its minimum operating needs. In March and April 2014, the Company completed a private placement by selling 928.5 shares of its Series G 1.5% Convertible Preferred Stock for gross proceeds of \$928,500 and repaid the aggregate advances. The Company's Chairman and Chief Executive Officer invested \$250,000 in the Series G 1.5% Convertible Preferred Stock private placement. During November and December 2014, the Company sold short-term convertible notes (with warrants) in an aggregate principal amount of \$369,500 to various accredited investors and an additional \$210,000 of such short-term convertible notes (with warrants) in February 2015. The Company terminated this financing effective February 18, 2015.

The Company will need to continue to raise additional capital to be able to pay its liabilities and fund its business activities going forward. As a result of the Company's current financial situation, the Company has limited access to external sources of debt and equity financing. Accordingly, there can be no assurances that the Company will be able to secure additional financing in the amounts necessary to fully fund its operating and debt service requirements. If the Company is unable to access sufficient cash resources, the Company may be forced to discontinue its operations entirely and liquidate.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)*. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under ASU 2014-08, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. ASU 2014-08 is effective for annual periods beginning after December 15, 2014. As the Company is engaged in research and development activities, the Company does not expect the adoption of this guidance to have any impact on the Company's financial statement presentation or disclosures.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. As the Company does not expect to have any operating revenues for the foreseeable future, the Company does not expect the adoption of this guidance to have any impact on the Company's financial statement presentation or disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-10 (ASU 2014-10), *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. ASU 2014-10 eliminated the requirement to present inception-to-date information about income statement line items, cash flows, and equity transactions, and clarifies how entities should disclose the risks and uncertainties related to their activities. ASU 2014-10 also eliminated an exception provided to development stage entities in Consolidations (ASC Topic 810) for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. The presentation and disclosure requirements in Topic 915 will no longer be required for interim and annual reporting periods beginning after December 15, 2014, and the revised consolidation standards will take effect in annual periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-10 is not expected to have any impact on the Company's financial statement presentation or disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 (ASU 2014-15), *Presentation of Financial Statements – Going Concern (Subtopic 205-10)*. ASU 2014-15 provides guidance as to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued when applicable). Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of ASU 2014-15 is not expected to have any impact on the Company's financial statement presentation or disclosures.

In January 2015, the FASB issued Accounting Standards Update No. 2015-01 (ASU 2015-01), *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20)*. ASU 2015-01 eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, *Income Statement—Extraordinary and Unusual Items*, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. Paragraph 225-20-45-2 contains the following criteria that must both be met for extraordinary classification: (1) Unusual nature. The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates. (2) Infrequency of occurrence. The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the guidance prospectively. A reporting entity also may apply the guidance retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of ASU 2015-01 is not expected to have any impact on the Company's financial statement presentation or disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02 (ASU 2015-02), *Consolidation (Topic 810)*. ASU 2015-02 changes the guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation mode. ASU 2015-02 affects the following areas: (1) Limited partnerships and similar legal entities. (2) Evaluating fees paid to a decision maker or a service provider as a variable interest. (3) The effect of fee arrangements on the primary beneficiary determination. (4) The effect of related parties on the primary beneficiary determination. (5) Certain investment funds. ASU 2015-02 is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this guidance using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The adoption of ASU 2015-02 is not expected to have any impact on the Company's financial statement presentation or disclosures.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company's financial statement presentation or disclosures.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit risk by investing its cash with high credit quality financial institutions.

The Company's research and development efforts and potential products rely on licenses from research institutions and if the Company loses access to these technologies or applications, its business could be substantially impaired.

Under a patent license agreement with The Governors of the University of Alberta, the Company has exclusive rights to the use of certain ampakine compounds to prevent and treat respiratory depression induced by opiate analgesics, barbiturates and anesthetic and sedative agents.

On May 8, 2007, the Company entered into a license agreement, as subsequently amended, with the University of Alberta granting the Company exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. The Company agreed to pay the University of Alberta a licensing fee and a patent issuance fee, which were paid, and prospective payments consisting of a royalty on net sales, sublicense fee payments, maintenance payments and milestone payments. The prospective maintenance payments commence on the enrollment of the first patient into the first Phase 2B clinical trial and increase upon the successful completion of the Phase 2B clinical trial. As the Company does not at this time anticipate scheduling a Phase 2B clinical trial, no maintenance payments are currently due and payable to the University of Alberta. In addition, no other prospective payments are currently due and payable to the University of Alberta.

Through the merger with Pier, the Company gained access to the License Agreement that Pier had entered into with the University of Illinois on October 10, 2007. The Pier License Agreement covered certain patents and patent applications in the United States and other countries claiming the use of certain compounds referred to as cannabinoids for the treatment of sleep related breathing disorders (including sleep apnea), of which dronabinol is a specific example of one type of cannabinoid. Dronabinol is a synthetic derivative of the naturally occurring substance in the cannabis plant, otherwise known as Δ 9-THC (Δ 9-tetrahydrocannabinol). Dronabinol is currently approved by the FDA and is sold generically for use in refractory chemotherapy-induced nausea and vomiting, as well as for anorexia in patients with AIDS. Pier's business plan was to determine whether dronabinol would significantly improve subjective and objective clinical measures in patients with obstructive sleep apnea. In addition, Pier intended to evaluate the feasibility and comparative efficacy of a proprietary formulation of dronabinol. The Pier License Agreement was terminated effective March 21, 2013 due to the Company's failure to make a required payment and on June 27, 2014, the Company entered into a new license agreement with the University of Illinois, the material terms of which were similar to the Pier License Agreement that had been terminated. If the Company is unable to comply with the terms of the new license agreement, such as required payments thereunder, the Company risks the new license agreement being terminated.

Critical Accounting Policies and Estimates

The Company prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Deferred and Capitalized Financing Costs

Costs incurred in connection with ongoing financing activities, including legal and other professional fees, cash finder's and placement agent fees, and escrow agent fees, are deferred until the related financing is either completed or abandoned.

Costs related to completed debt financings are capitalized on the balance sheet and amortized over the term of the related debt agreements. Amortization of these costs is calculated on the straight-line basis, which approximates the effective interest method, and is charged to interest expense in the consolidated statements of operations. Costs related to completed equity financings are charged directly to additional paid-in capital. Costs related to abandoned financings are charged to operations.

Series G 1.5% Convertible Preferred Stock

The Company accounted for the beneficial conversion features associated with the Series G 1.5% Convertible Preferred Stock in accordance with Accounting Standards Codification (“ASC”) 470-20, Accounting for Debt with Conversion and Other Options. The Company calculated a deemed dividend on the Series G 1.5% Convertible Preferred Stock of \$8,376,719 in March 2014 and \$1,673,127 in April 2014, which equals the amount by which the estimated fair value of the common stock issuable upon conversion of the issued Series G 1.5% Convertible Preferred Stock exceeded the proceeds from such issuances. The deemed dividend on the Series G 1.5% Convertible Preferred Stock was amortized on the straight-line basis from the respective issuance dates through the earliest conversion date of June 16, 2014, in accordance with ASC 470-20. The difference between the amortization of the deemed dividend calculated based on the straight-line method and the effective yield method was not material. The amortization of the deemed dividend for the year ended December 31, 2014 was \$10,049,846.

10% Convertible Notes Payable

The Company has accounted for the beneficial conversion features with respect to the sale of the convertible notes and the issuance of the warrants in accordance with ASC 470-20, Accounting for Debt with Conversion and Other Options.

The Company considered the face value of the convertible notes to be representative of their fair value. The Company determined the fair value of the warrants based on the Black-Scholes option-pricing model. The relative fair value method generated respective fair values for each of the convertible notes and the warrants of approximately 52% for the convertible notes and approximately 48% for the warrants. Once these values were determined, the fair value of the warrants of \$176,549 and the fair value of the beneficial conversion feature of \$192,951 (which were calculated based on the effective conversion price) were recorded as a reduction to the face value of the promissory note obligation. As a result, this aggregate debt discount reduced the carrying value of the convertible notes to zero at each issuance date. The excess amount generated from this calculation was not recorded, as the carrying value of a promissory note cannot be reduced below zero. The aggregate debt discount is being amortized as interest expense over the life of the promissory notes. The difference between the amortization of the debt discount calculated based on the straight-line method and the effective yield method was not material.

The cash fees paid to finders and for legal costs were deferred and capitalized as deferred offering costs and are being amortized to interest expense over the life of the promissory notes. The finder’s warrants were considered as an additional cost of the offering and were included in deferred offering costs at fair value. The difference between the amortization of the deferred offering costs calculated based on the straight-line method and the effective yield method was not material.

Research Grants

The Company recognizes revenues from research grants as earned based on the percentage-of-completion method of accounting and issues invoices for contract amounts billed based on the terms of the grant agreement. Revenues recorded under research grants in excess of amounts earned are classified as unearned grant revenue liability in the Company’s consolidated balance sheet. Grant receivable reflects contractual amounts due and payable under the grant agreement. Payment of grant receivables are based on progress reports provided by the Company. As of December 31, 2014, the Company was current in filing the required progress reports, as a result of which no allowance for uncollectible amounts was considered necessary.

Research grants are generally funded and paid through government or institutional programs. Amounts received under research grants are nonrefundable, regardless of the success of the underlying research project, to the extent that such amounts are expended in accordance with the approved grant project. During the year ended December 31, 2014, the Company had research grant revenues of \$61,667. At December 31, 2014, the Company had a grant receivable of \$48,000 and unearned grant revenue of \$34,333. The Company had no research grant revenues during the year ended December 31, 2013.

Stock-Based Compensation

The Company periodically issues common stock and stock options to officers, directors, Scientific Advisory Board members and consultants for services rendered. Such issuances vest and expire according to terms established at the issuance date.

The Company accounts for stock-based payments to officers and directors by measuring the cost of services received in exchange for equity awards based on the grant date fair value of the awards, with the cost recognized as compensation expense on the straight-line basis in the Company’s financial statements over the vesting period of the awards. The Company accounts for stock-based payments to Scientific Advisory Board members and consultants by determining the value of the stock compensation based upon the measurement date at either (a) the date at which a performance commitment is reached or (b) at the date at which the necessary performance to earn the equity instruments is complete.

Stock grants, which are generally time vested, are charged to operations at the grant date fair value ratably over the vesting period.

Options granted to members of the Company's Scientific Advisory Board and to outside consultants are revalued each reporting period until vested to determine the amount to be recorded as an expense in the respective period. As the options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the then current value on the date of vesting.

The fair value of stock options is determined utilizing the Black-Scholes option-pricing model, and is affected by several variables, the most significant of which are the life of the equity award, the exercise price of the security as compared to the fair market value of the common stock on the grant date, and the estimated volatility of the common stock over the term of the equity award. Estimated volatility is based on the historical volatility of the Company's common stock. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of common stock is determined by reference to the quoted market price of the Company's common stock.

The Company recognizes the fair value of stock-based compensation in general and administrative costs and in research and development costs, as appropriate, in the Company's consolidated statements of operations.

The Company issues new shares to satisfy stock option exercises.

Research and Development Costs

Research and development costs consist primarily of fees paid to consultants and outside service providers and organizations (including research institutes at universities), patent fees and costs, and other expenses relating to the acquisition, design, development and testing of the Company's treatments and product candidates.

Research and development costs incurred by the Company under research grants are expensed as incurred over the life of the underlying contracts, unless the terms of the contract indicate that a different expensing schedule is more appropriate.

The Company reviews the status of its research and development contracts on a quarterly basis.

License Agreements

Obligations incurred with respect to mandatory payments provided for in license agreements are recognized ratably over the appropriate period, as specified in the underlying license agreement, and are recorded as liabilities in the Company's consolidated balance sheet, with a corresponding charge to research and development costs in the Company's consolidated statement of operations. Obligations incurred with respect to milestone payments provided for in license agreements are recognized when it is probable that such milestone will be reached, and are recorded as liabilities in the Company's consolidated balance sheet, with a corresponding charge to research and development costs in the Company's consolidated statement of operations. Payments of such liabilities are made in the ordinary course of business.

Patent Costs

Due to the significant uncertainty associated with the successful development of one or more commercially viable products based on the Company's research efforts and any related patent applications, all patent costs, including patent-related legal and filing fees, are expensed as incurred.

Results of Operations

Years Ended December 31, 2014 and 2013

Revenues. During the year ended December 31, 2014, the Company had research grant revenues of \$61,667 related to a contract with the National Institute on Drug Abuse entered into on September 18, 2014. The Company had no research grant revenues during the year ended December 31, 2013.

General and Administrative. For the year ended December 31, 2014, general and administrative expenses were \$3,823,434, an increase of \$2,890,461, as compared to \$932,973 for the year ended December 31, 2013. The increase in general and administrative expenses for the year ended December 31, 2014, as compared to the year ended December 31, 2013, is primarily a result of stock-based compensation of \$3,131,500 in 2014. The Company also incurred increased general and administrative costs in the year ended December 31, 2014, as compared to the year ended December 31, 2013, as a result of professional fees and other costs incurred in connection with management's continuing efforts to reestablish and update the Company's accounting systems and records and prepare various delinquent financial reports and public filings.

For the year ended December 31, 2013, general and administrative expenses included accrued severance costs of \$585,000 relating to the termination of certain corporate officers in March 2013 and accrued legal fees of \$85,000 to reimburse Aurora Capital LLC for its legal fees incurred in conjunction with the removal of the Company's former Board of Directors on March 22, 2013.

For the year ended December 31, 2014, stock-based compensation costs included in general and administrative expenses aggregated \$3,131,500, of which \$2,811,500 was primarily to officers and directors as compensation for services rendered. None of these individuals receiving stock-based compensation had previously received any compensation from the Company since joining the Company in March and April 2013. There were no stock-based compensation costs included in general and administrative expenses during the year ended December 31, 2013.

Research and Development. For the year ended December 31, 2014, research and development expenses were \$591,768, an increase of \$384,857, as compared to \$206,911 for the year ended December 31, 2013. The increase in research and development expenses for the year ended December 31, 2014, as compared to the year ended December 31, 2013, is primarily a result of stock-based compensation of \$99,000 to Dr. John Greer, Ph.D. in connection with his appointment to the position of Chairman of the Company's Scientific Advisory Board, licensing costs incurred with respect to the University of Illinois 2014 Exclusive License Agreement executed on June 27, 2014 of \$90,840, offset by the discontinuance of licensing costs relating to the licensing agreement with the University of California, Irvine that was terminated on April 15, 2013 of \$61,000, an increase of \$164,662 with respect to patent legal fees, consulting fees of \$25,905 paid to the Company's Senior Vice President of Research and Development appointed on October 15, 2014, and salaries and other costs incurred in connection with work performed relating to the grant from the National Institute on Drug Abuse entered into on September 18, 2014.

For the year ended December 31, 2014, stock-based compensation costs included in research and development expenses aggregated \$99,000. There were no stock-based compensation costs included in research and development expenses during the year ended December 31, 2013.

Gain on Settlements with Former Management. During the year ended December 31, 2014, the Company recorded a gain of \$1,038,270 as a result of settlement agreements with four former executives. The Company settled potential claims totaling \$1,336,264 for cash payments of \$118,084 and the issuance of stock options to purchase 4,300,000 shares of common stock exercisable at \$0.04 per share for periods ranging from five to ten years. The stock options were valued pursuant to the Black-Scholes option-pricing model at \$179,910.

Gain on Settlements with Former Service Providers. During the year ended December 31, 2014, the Company recorded a gain of \$393,590 as a result of settlement agreements with two former service providers. The Company settled potential claims totaling \$496,514 for cash payments of \$60,675 plus the issuance of stock options to purchase 1,250,000 shares of common stock exercisable at \$0.04 per share for a period of five years. The stock options were valued pursuant to the Black-Scholes option-pricing model at \$42,250.

Gain on Settlement of Project Advance. During the year ended December 31, 2014, the Company recorded a gain of \$287,809 as the result of a settlement agreement reached with the Institute for the Study of Aging on September 2, 2014. The Company settled a claim of \$336,809 through the issuance of 1,000,000 shares of the Company's common stock valued at \$49,000.

Interest Expense. During the year ended December 31, 2014, interest expense was \$117,306 (including \$48,692 to related parties), an increase of \$60,967, as compared to \$56,339 (including \$48,688 to related parties) for the year ended December 31, 2013. The increase in interest expense resulted primarily from costs associated with the Convertible Note and Warrant Purchase Agreement entered into on November 5, 2014. Such costs charged to interest expense consisted of the amortization of capitalized financing costs of \$15,648, the amortization of debt discounts of \$46,150, and accrued interest of \$4,094. During the year ended December 31, 2014, interest expense decreased, as compared to the year ended December 31, 2013, due to the discontinuance of interest relating to the licensing agreement with the University of California, Irvine that was formally terminated on April 15, 2013 and the discontinuance of interest relating to the project advance settled on September 2, 2014.

Gain on Settlement of Office Lease. During the three months ended December 31, 2012, the Company substantially vacated its operating facility and abandoned its furniture, equipment and leasehold improvements. In May 2013, the Company received notice that it had been sued in the Superior Court of California in a complaint filed on March 28, 2013 by its former landlord, PPC Irvine Center Investment, LLC, seeking among other things, \$57,535 in past due rent, termination of the lease agreement, and reasonable attorney's fees. On May 23, 2013, a settlement was reached with the landlord that provided for the Company to relinquish its security deposit in the amount of \$29,545, transfer title to its remaining furniture, equipment and leasehold improvements, and pay an additional \$26,000. The transfer of the Company's furniture, equipment and leasehold improvements resulted in a loss of \$39,126, which was recorded at December 31, 2012. During the year ended December 31, 2013, the Company recorded a gain of \$1,990 with respect to the final disposition of this matter.

Foreign Currency Transaction Gain (Loss). Foreign currency transaction gain was \$43,637 for the year ended December 31, 2014, as compared to a foreign currency transaction loss of \$7,224 for the year ended December 31, 2013. The foreign currency transaction gain (loss) relates to the \$399,774 loan from Samyang made in June 2012, which is denominated in the South Korean Won.

Net Loss. For the year ended December 31, 2014, the Company incurred a net loss of \$2,707,535, as compared to a net loss of \$1,201,457 for the year ended December 31, 2013.

Amortization of Deemed Dividend on Series G 1.5% Convertible Preferred Stock. For the year ended December 31, 2014, amortization of the deemed dividend on the shares of Series G 1.5% Convertible Preferred Stock issued in the March 18, 2014 and the April 17, 2014 closings was \$10,049,846.

Dividend on Series G 1.5% Convertible Preferred Stock. For the year ended December 31, 2014, dividends accrued on the shares of Series G 1.5% Convertible Preferred Stock issued in the March 18, 2014 and the April 17, 2014 closings were \$10,926.

Net Loss Attributable to Common Stockholders. For the year ended December 31, 2014, the Company incurred a net loss attributable to common stockholders of \$12,768,307, as compared to a net loss attributable to common stockholders of \$1,201,457 for the year ended December 31, 2013.

Liquidity and Capital Resources – December 31, 2014

The Company's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred net losses of \$2,707,535 and \$1,201,457 for the fiscal years ended December 31, 2014 and 2013, respectively, negative operating cash flows of \$885,869 and \$182,435 for the fiscal years ended December 31, 2014 and 2013, respectively, and expects to continue to incur net losses and negative operating cash flows for several more years. As a result, management and the Company's auditors believe that there is substantial doubt about the Company's ability to continue as a going concern.

At December 31, 2014, the Company had a working capital deficit of \$2,280,035, as compared to a working capital deficit of \$4,188,424 at December 31, 2013, reflecting an increase in working capital of \$1,908,389 for the year ended December 31, 2014. At December 31, 2014, the Company had cash aggregating \$162,752, as compared to \$14,352 at December 31, 2013, reflecting an increase in cash of \$148,400 for the year ended December 31, 2014. The increase in cash during the year ended December 31, 2014 was primarily the result of the proceeds from the issuance of the Series G 1.5% Convertible Preferred Stock and the Convertible Note and Warrant Financing. The increase in working capital during the year ended December 31, 2014 was impacted by the increase in cash described above and the gains recognized in connection with the settlement agreements reached with four former executives, two former service providers and an obligation relating to a project advance.

The Company is currently, and has for some time, been in significant financial distress. It has limited cash resources and current assets and has no ongoing source of revenue. Beginning in late 2012, the Company's business activities were reduced to minimal levels, and the prior Board of Directors of the Company, which was removed by the written consent of stockholders holding a majority of the outstanding shares on March 22, 2013, had retained bankruptcy counsel to assist the Company in preparations to file for liquidation under Chapter 7 of the United States Bankruptcy Code. New management, which was appointed during March and April 2013, has evaluated the status of numerous aspects of the Company's existing business and obligations, including, without limitation, debt obligations, financial requirements, intellectual property, licensing agreements, legal and patent matters and regulatory compliance, and has raised new capital to fund its business activities.

From June 2013 through March 2014, the Company's Chairman and Chief Executive Officer advanced short-term loans to the Company aggregating \$150,000 in order to meet its minimum operating needs. In March and April 2014, the Company completed a private placement by selling 928.5 shares of its Series G 1.5% Convertible Preferred Stock for gross proceeds of \$928,500 and repaid the aggregate advances. The Company's Chairman and Chief Executive Officer invested \$250,000 in the Series G 1.5% Convertible Preferred Stock private placement. During November and December 2014, the Company sold short-term convertible notes (with warrants) in an aggregate principal amount of \$369,500 to various accredited investors and an additional \$210,000 of such short-term convertible notes (with warrants) in February 2015. The Company terminated this financing effective February 18, 2015.

The Company will need to continue to raise additional capital to be able to pay its liabilities and fund its business activities going forward. As a result of the Company's current financial situation, the Company has limited access to external sources of debt and equity financing. Accordingly, there can be no assurances that the Company will be able to secure additional financing in the amounts necessary to fully fund its operating and debt service requirements. If the Company is unable to access sufficient cash resources, the Company may be forced to discontinue its operations entirely and liquidate.

Operating Activities. For the year ended December 31, 2014, operating activities utilized cash of \$885,869, as compared to utilizing cash of \$182,435 for the year ended December 31, 2013, to support the Company's ongoing operations, including legal and accounting fees and costs related to the preparation of delinquent financial statements and SEC filings, research and development activities, licensing fees, patent fees and related legal costs, and settlement agreements with former management and service providers. Included in the \$885,869 of cash utilized during the year ended December 31, 2014 was \$178,759 of cash used to fund, in part, settlement agreements with four former executives and two former professional service providers.

Investing Activities. For the year ended December 31, 2014, investing activities utilized cash of \$18,400 for the acquisition of equipment. There were no investing activities during the year ended December 31, 2013.

Financing Activities. For the year ended December 31, 2014, financing activities generated cash of \$1,052,669, consisting of \$928,500 in proceeds from the sale of the Series G 1.5% Convertible Preferred Stock, \$369,500 in proceeds from the Convertible Note and Warrant Financing, and \$75,000 in proceeds from notes payable issued to the Company's Chairman, offset by the payment of financing costs of \$92,921 relating to the sale of the Series G 1.5% Convertible Preferred Stock, the payment of financing costs of \$77,410 relating to the Convertible Note and Warrant Financing, and the repayment of notes payable to the Chairman totaling \$150,000. For the year ended December 31, 2013, financing activities generated cash of \$44,608, consisting of \$75,000 in proceeds from notes payable issued to the Company's Chairman and \$4,728 from related party short-swing trading profits, offset by the payment of financing costs of \$35,120 relating to the sale of the Series G 1.5% Convertible Preferred Stock that was completed in 2014.

Principal Commitments

University of Alberta License Agreement

On May 8, 2007, the Company entered into a license agreement, as amended, with the University of Alberta granting the Company exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. The Company agreed to pay the University of Alberta a licensing fee and a patent issuance fee, which were paid, and prospective payments consisting of a royalty on net sales, sublicense fee payments, maintenance payments and milestone payments. The prospective maintenance payments commence on the enrollment of the first patient into the first Phase 2B clinical trial and increase upon the successful completion of the Phase 2B clinical trial. As the Company does not at this time anticipate scheduling a Phase 2B clinical trial, no maintenance payments are currently due and payable to the University of Alberta. In addition, no other prospective payments are currently due and payable to the University of Alberta.

University of Illinois 2014 Exclusive License Agreement

On June 27, 2014, the Company entered into an Exclusive License Agreement (the "2014 License Agreement") with the University of Illinois, the material terms of which were similar to the License Agreement between the parties that had been previously terminated on March 21, 2013. The 2014 License Agreement became effective on September 18, 2014, upon the completion of certain conditions set forth in the 2014 License Agreement, including (i) the payment by the Company of a \$25,000 licensing fee, (ii) the payment by the Company of certain outstanding patent costs (not to exceed \$16,000), and (iii) the assignment to the University of Illinois of certain rights the Company holds in certain patent applications, all of which conditions were fulfilled. In exchange for certain milestone and royalty payments, the 2014 License Agreement granted the Company (i) exclusive rights to several issued and pending patents in numerous jurisdictions and (ii) the non-exclusive right to certain technical information that is generated by the University of Illinois in connection with certain clinical trials as specified in the 2014 License Agreement, all of which relate to the use of cannabinoids for the treatment of sleep related breathing disorders. The Company is developing dronabinol (Δ^9 -tetrahydrocannabinol), a cannabinoid, for the treatment of OSA, the most common form of sleep apnea.

National Institute on Drug Abuse Grant

On September 18, 2014, the Company entered into a contract with the National Institute on Drug Abuse, a division of the National Institutes of Health. The funding under the contract is a Phase 1 award granted under the Small Business Innovation Research Funding Award Program. The purpose of the project is to determine the most useful injectable route of administration for CX1942, the Company's proprietary, soluble amphetamine molecule, a potential rescue medication for drug-induced respiratory depression and lethality. The grant is entitled "Novel Treatment of Drug-Induced Respiratory Depression" and is valued at \$148,583, which is to be paid in increments over the expected six-month duration of the study which commenced in October 2014. The study will measure the potency, latency to onset and duration of action of CX1942 administered to rats. The Company anticipates that the data obtained from the study will be used to determine the designs of those preclinical studies necessary for initiating Phase 1 clinical studies. The preclinical studies are being performed in collaboration with Dr. David Fuller of the University of Florida and Dr. John Greer of the University of Alberta, Chairman of the Company's Scientific Advisory Board.

Senior Vice President of Research and Development

Richard Purcell was appointed as the Company's Senior Vice President of Research and Development effective October 15, 2014. Mr. Purcell's commitment to the Company is for 30 hours per week in order to allow him to comply with his previous professional commitments. Mr. Purcell provides his services to the Company on a month-to-month basis through his consulting firm, DNA Healthlink, Inc., with which the Company has contracted for his services, for a monthly cash fee of \$12,500. The Company has also agreed to issue to Mr. Purcell additional compensation in the form of 2,000,000 shares of the Company's common stock, with 25% of such stock grant vesting and issuable every three months after the date of his appointment (i.e., on January 15, 2015, April 15, 2015, July 15, 2015 and October 15, 2015), subject to Mr. Purcell's continued relationship with the Company on each of the vesting dates. The stock grant is being made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

Off-Balance Sheet Arrangements

At December 31, 2014, the Company did not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

Our financial statements and other information required by this item are set forth herein in a separate section beginning with the Index to Consolidated Financial Statements on page F-1.

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

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in the reports that the Company files with the Securities and Exchange Commission (the “SEC”) under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures.

The Company carried out an evaluation, under the supervision and with the participation of its management, consisting of its principal executive officer and principal financial officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Company’s principal executive officer and principal financial officer concluded that, as of the end of the period covered in this Annual Report on Form 10-K, the Company’s disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to the Company’s management, consisting of the Company’s principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The Company failed to complete and file various periodic reports in 2012, 2013 and 2014 in a timely manner because the Company’s accounting and financial staff had resigned by October 26, 2012 and its financial and accounting systems had been essentially shut-down at December 31, 2012.

New management, which joined the Company in March and April 2013, has been focusing on developing replacement controls and procedures that are adequate to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to the Company’s management, consisting of the Company’s principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. New management has instituted a program to reestablish the Company’s accounting and financial staff and install new accounting and internal control systems, and has retained accounting personnel, established accounting and internal control systems, addressed the preparation of delinquent financial statements, and had been diligently working to bring delinquent SEC filings current as promptly as reasonably possible under existing circumstances. However, as of the date of the filing of this Annual Report on Form 10-K, the Company had not yet completed the process to establish adequate internal controls over financial reporting.

The Company's management, consisting of its principal executive officer and principal financial officer, does not expect that its disclosure controls and procedures or its internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. In addition, as conditions change over time, so too may the effectiveness of internal controls. However, management believes that the financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to ensure that material information regarding our operations is made available to management and the board of directors to provide them reasonable assurance that the published financial statements are fairly presented. There are limitations inherent in any internal control, such as the possibility of human error and the circumvention or overriding of controls. As a result, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. As conditions change over time so too may the effectiveness of internal controls.

Our management, consisting of our Chief Executive Officer and our Chief Financial Officer, has evaluated our internal control over financial reporting as of December 31, 2014 based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission, as subsequently updated on May 14, 2013, and which became effective after December 15, 2014. Based on this assessment, our management has concluded that material weaknesses in the Company's internal control over financial reporting existed as of December 31, 2014 as a result of issues relating to 2012 and early 2013, including a lack of accounting and financial personnel and non-functioning accounting and internal control systems. As a result of these material weaknesses, our internal control over financial reporting was not effective at December 31, 2014.

Prior management, which had essentially ceased business operations and was preparing to shut down the Company and cause it to file for liquidation under Chapter 7 of the United States Bankruptcy Code, was replaced on March 22, 2013 in conjunction with the change in control of the Board of Directors on such date. Since that date, new management has instituted a program to reestablish the Company's accounting and financial staff functions, as well as to install new accounting and internal control systems.

Within the constraints of the Company's limited financial resources, new management has retained accounting personnel, established accounting and internal control systems, addressed the preparation of delinquent SEC financial filings, and filed all delinquent SEC filings. As of the date of the filing of this Annual Report on Form 10-K, the Company has not yet completed this process of reestablishing adequate internal controls over financial reporting.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company's management, consisting of its principal executive officer and principal financial officer, has determined that no change in the Company's internal control over financial reporting (as that term is defined in Rules 13(a)-15(f) and 15(d)-15(f) of the Securities Exchange Act of 1934) occurred during or subsequent to the fourth quarter of the year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

The names of each of the directors and certain biographical information about them are set forth below:

| <u>Name</u> | <u>Age</u> | <u>Director Since</u> | <u>Principal Occupation</u> |
|-------------------------------|------------|-----------------------|---|
| Arnold S Lippa, Ph.D. | 68 | 2013 | President, Chief Executive Officer and Chairman of the Board of the Company |
| Jeff E. Margolis | 59 | 2013 | President of Aurora Capital, LLC |
| Robert N. Weingarten | 62 | 2013 | Business and financial consultant and advisor |
| James Sapirstein, RPh. M.B.A. | 53 | 2014 | CEO ContraVir Pharmaceuticals, Inc. |
| Kathryn MacFarlane, PharmD | 49 | 2014 | Owner and Managing Partner of SmartPharma LLC |

Arnold S. Lippa, Ph.D.: Dr. Lippa is a Senior Managing Director and founder of T Morgen Capital LLC through which he administers his family's assets. T Morgen Capital LLC is a significant equity owner and managing member of Aurora Capital LLC ("Aurora"), a boutique investment bank and securities firm of which Mr. Margolis is the president and founder, which has served as a placement agent with respect to the Company's recent financings. Dr. Lippa and Mr. Margolis jointly manage, since 2004, Atypical BioCapital Management LLC and Atypical BioVentures Fund LLC, a life sciences fund management company and venture fund, respectively. Since 2006, Dr. Lippa has also been the Executive Chairman of the board of Xintria Pharmaceutical Corporation, a Delaware corporation, as well as a member of its board of directors. Dr. Lippa was co-founder of DOV Pharmaceutical, Inc., where he served as Chairman of the Board and Chief Executive Officer from its inception in 1995 through 2005. Dr. Lippa stepped down as a director of DOV Pharmaceuticals, Inc. in 2006.

We believe that Dr. Lippa's qualifications to serve on our Board include his position as the Company's President and Chief Executive Officer, and his experience working in management roles in other pharmaceutical companies as described above. Dr. Lippa provides the Board with both technical and scientific expertise in drug discovery and drug development, research management, governmental regulations and strategic planning expertise that is important to the advancement of our research platforms as well as to the overall success of the Company. Dr. Lippa was appointed to our board of directors in March 2013.

Jeff E. Margolis: Mr. Margolis is the president and founder of Aurora, and has been since its inception in 1994. Aurora Capital Corp., a corporation wholly owned by Mr. Margolis, is a significant equity owner and managing member of Aurora. Dr. Lippa and Mr. Margolis jointly manage, since 2004, Atypical BioCapital Management LLC and Atypical BioVentures Fund LLC, a life sciences fund management company and venture fund, respectively. Since 2006, Mr. Margolis has also been the Chief Financial Officer of Xintria Pharmaceutical Corporation, a Delaware corporation, as well as a member of its board of directors.

We believe that Mr. Margolis's qualifications to serve on our Board include his significant experience in operational and management roles within pharmaceutical companies as described above. He also has extensive prior experience working in business development and provides the Company with extremely useful expertise in financing and capital markets, knowledge gained through his position as President of Aurora. Mr. Margolis also provides broad financial expertise. Mr. Margolis was appointed to our board of directors in March 2013.

Robert N. Weingarten: Mr. Weingarten is an experienced business consultant and advisor with an ongoing consulting practice. Since 1979 he has provided financial consulting and advisory services to numerous public companies in various stages of development, operation or reorganization. Mr. Weingarten received a B.A. Degree (Accounting) from the University of Washington in 1974, and an M.B.A. Degree (Finance) from the University of Southern California in 1975. Mr. Weingarten is a Certified Public Accountant (inactive) in the State of California. Mr. Weingarten was appointed as a director of Staffing 360, Inc. on February 25, 2014 and resigned this position on April 20, 2014. Mr. Weingarten was the Non-Executive Chairman of New Dawn Mining Corp. (“New Dawn”) from August 31, 2005 through September 30, 2010, and was named the Executive Chairman of New Dawn in October 2010. On July 8, 2010, Mr. Weingarten was appointed to the board of directors of Central African Gold Limited (formerly known as Central African Gold Plc and listed on the Alternative Investment Market of the London Stock Exchange at that time). Central African Gold Limited is an indirect, wholly-owned subsidiary of New Dawn. Both New Dawn and Central African Gold Limited have ceased to be publicly traded reporting companies in their respective jurisdictions.

We believe that Mr. Weingarten’s qualifications to serve on our Board include his breadth of experience with public companies, especially those in the development phase and those undergoing restructuring or reorganization. He has also served in managements capacities at other public companies and as a result brings a wealth of experience on financial matters. Mr. Weingarten was appointed to our board of directors in April 2013.

James Sapirstein, RPh. M.B.A.: Mr. Sapirstein has been the Chief Executive Officer and director of ContraVir Pharmaceuticals, Inc., a public reporting company, since March 20, 2014. Prior to joining Contravir, Mr. Sapirstein served as the Chief Executive Officer of Alliqua Biomedical, Inc., a public reporting company. He is considered a start-up and turnaround specialist, with 30 years of pharmaceutical and biotechnology industry experience. He was a founder and Chief Executive Officer and President of Tobira Therapeutics, Inc. from October 2006 to April, 2011, a company that was recently approved for listing on NASDAQ. At Tobira Therapeutics, Inc. Mr. Sapirstein led an experienced biotechnology development team. He has launched several HIV/AIDS agents worldwide during his career in the biotechnology and pharmaceutical industry. Mr. Sapirstein was with Bristol-Myers Squibb from 1996-2000. While at Bristol-Myers Squibb he served as the Head of the International HIV business as well as working in its Infectious Disease marketing teams. In 2002, he accepted the position of Executive Vice President for Serono Laboratories, where he led a team of over 100 professionals in the HIV and pediatric growth hormone business. He had held positions at Gilead Sciences (where he was responsible for the product Viread®), Bristol-Myers Squibb, Hoffmann-LaRoche Ltd. and Eli Lilly and Company. He serves as a member of the Advisory Board at MusclePharm Corp., a public reporting company and a member of the Board of Directors of Clinical Supplies Management, Inc., a private company. He currently serves as an Advisory Board Director at the Fairleigh Dickinson School of Pharmacy. Mr. Sapirstein previously served as a Director of Tobira Therapeutics, Inc. as well as a Director of Alliqua, Inc. He has also previously served as a Director of BioNJ and BIO’s Emerging Company Board. Mr. Sapirstein received his Pharmacy degree from the Ernest Mario School of Pharmacy at the Rutgers University, and his Masters of Business Administration degree from Fairleigh Dickinson University.

We believe that Mr. Sapirstein’s qualifications to serve on our Board include his experience working in management roles in other biopharmaceutical companies as described above, as well as his service on both public and private boards. Mr. Sapirstein provides the Board with additional technical and scientific expertise in drug discovery and drug development, as well as expertise in all phases of start-ups and turnarounds of biopharmaceutical companies, all of which is important to the advancement of our research platforms as well as to the overall success of the Company. Mr. Sapirstein was appointed to our board of directors in September 2014.

Kathryn MacFarlane, PharmD: Ms. MacFarlane has over 25 years of experience in the pharmaceutical industry, with expertise in marketing, new product planning, and commercialization. Ms. MacFarlane is currently an owner and Managing Partner of SmartPharma LLC, a pharmaceutical consulting firm specializing in commercial consulting for emerging pharmaceutical companies. She also serves as the Chief Commercial Officer at Agile Therapeutics, Inc., a public reporting company, where she played an integral role in two financing rounds and the recent IPO. Her expertise includes market assessment and commercial planning for products in development as well as evaluating products for licensing or acquisition. Her experience spans multiple therapeutic areas including Women’s Health, CNS, Cardiology, Vaccines, and Dermatology. Before joining Agile Therapeutics, Ms. MacFarlane served as President and Chief Executive Officer at Xinria Pharmaceutical Corporation, a private company from 2006 through 2007, a company for which Arnold S. Lippa and Jeff E. Margolis served as officers and directors, and prior to that as Vice President of Women’s Health and New Product Planning at Warner Chilcott from 2001 through 2006, now part of Activis plc. Ms. MacFarlane had responsibility for the launches of Lipitor®, Celexa®, and Loestrin® 24. In 1999, she was named a Distinguished Alumna and in 2012, was named the Eaton Entrepreneur of the Year by the Purdue University School of Pharmacy. She has completed a Postdoctoral Fellowship in Industrial Pharmacy Practice with Rutgers University and Hoffmann-LaRoche. Ms. MacFarlane currently serves on the Purdue University School of Pharmacy Dean’s Advisory Council and is a Founding Member and Advisor to IPhO. She also serves on the Board of Directors for INMED Partnerships for Children, an NGO dedicated to providing food security and health services to women and children. Ms. MacFarlane received her Bachelor of Science in Pharmacy and Doctor of Pharmacy degrees from Purdue University.

We believe Ms. MacFarlane's qualifications to serve on our Board include both her biopharmaceutical consulting background and her familiarity with the biopharmaceutical regulatory and commercialization environment, as well as the breadth of her technical and therapeutic knowledge, as discussed above. Ms. MacFarlane has also served in numerous senior executive positions at various biopharmaceutical companies. Ms. MacFarlane was appointed to our board of directors in September 2014.

Executive Officers

Each executive officer of the Company serves at the discretion of the Board of Directors. The names of the Company's executive officers are set forth below. At December 31, 2014, each of our executive officers was also a member of our board of directors, and their biographical information appears above in the immediately prior section.

| <u>Name</u> | <u>Position with Company</u> |
|------------------------|--|
| Arnold S. Lippa, Ph.D. | President, Chief Executive Officer and Chairman of the Board |
| Jeff E. Margolis | Vice President, Secretary and Treasurer |
| Robert N. Weingarten | Vice President and Chief Financial Officer |
| Richard Purcell | Senior Vice President of Research and Development |

Richard Purcell: In addition to his role at the Company, Richard Purcell (Age: 54) is the Acting President & Chief Operating Officer and a director of Cynvec, LLC, a private company. He is also the President and CEO of intelliSantè, Inc., a private company. He is a biopharmaceutical development specialist, with extensive experience in providing consulting services to financial, venture capital, and start-up companies to concentrate on new business strategy and clinical development of novel compounds. Previously, Mr. Purcell was president of ClinPro, Inc., a mid-sized clinical research organization (CRO), where he led this full-service, technology driven CRO specializing in Phase I, II, and III clinical trial management. His work included the design and implementation of a number of early stage clinical development programs. Prior to joining ClinPro, Mr. Purcell worked for SCP Communications, a medical communications company, where he served as Corporate Vice President and General Manager of the Clinical Programs Division. Mr. Purcell previously headed the Life Sciences Consulting Group for Kline and Company. Mr. Purcell started his career as a molecular biologist, where he developed and patented a second generation TPA with increased half-life. He has also conducted primary research and published manuscripts on the topics of AIDS and immunomodulators. Mr. Purcell graduated with a degree in Biochemical Sciences from Princeton University, and attended Rutgers Graduate School of Management focusing in marketing and finance.

Other key personnel

John Greer: On September 18, 2014, John Greer, Ph.D. was appointed to the position of Chairman of the Company's Scientific Advisory Board, which is currently being formed. Dr. Greer is the Director of the Neuroscience and Mental Health Institute at the University of Alberta. He holds two grants regarding research into neuromuscular control of breathing and is the inventor on the use patents licensed by the Company with respect to ampakines. Dr. Greer is expected to assist the Company in forming the rest of its Scientific Advisory Board.

BOARD COMMITTEES

The board of directors has historically maintained a standing Audit Committee, Compensation Committee, and Governance and Nominations Committee. Since the changes in the composition of our board of directors on March 22, 2013, the functions of each of the committees described below have been and are currently being addressed by the full board of directors.

Audit Committee. Traditionally, the Audit Committee meets with the Company's independent registered public accountants and management to prepare for and to review the results of the annual audit and to discuss the annual and quarterly financial statements, earnings releases and related matters. The Audit Committee, among other things, (i) selects and retains the independent registered public accountants, (ii) reviews with the independent registered public accountants the scope and anticipated cost of their audit, and their independence and performance, (iii) reviews accounting practices, financial structure and financial reporting, (iv) receives and considers the independent registered public accountants' comments as to controls, adequacy of staff and management performance and procedures in connection with audit and financial controls, (v) reviews and pre-approves all audit and non-audit services provided to the Company by the independent registered public accountants, and (vi) reviews and pre-approves all related-party transactions. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements.

Since the change in composition of our board of directors in March 2013, the composition of an Audit Committee has not been determined, nor has the current board of directors adopted an amended written charter. Company records indicate that the Audit Committee previously operated under a written charter adopted by the previous board of directors. When an Audit Committee is reestablished along with a written charter, such charter will be made available on the Company's website at www.cortexpharm.com.

Compensation Committee. The traditional functions of the Compensation Committee include, without limitation, administering the Company's incentive ownership programs and approving the compensation to be paid to the Company's directors and executive officers. The Compensation Committee typically meets no less frequently than annually as circumstances dictate to discuss and determine executive officer and director compensation. Historically, the Company's Chief Executive Officer annually reviews the performance of each executive officer (other than the Chief Executive Officer, whose performance is reviewed by the Compensation Committee). The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are presented to the Compensation Committee, who can exercise its discretion in modifying any recommended adjustments or awards to executive officers. The Compensation Committee is entitled to, but generally does not, retain the services of any compensation consultants. Neither the Compensation Committee nor management has engaged a compensation consultant in the past fiscal year. The Compensation Committee has the power to form and delegate authority to subcommittees when appropriate, provided that such subcommittees are composed entirely of directors who would qualify for membership on the Compensation Committee.

Since the change in composition of our board of directors in March 2013, the members of the board of directors have performed the functions of the Compensation Committee and the composition of a Compensation Committee has not been determined nor has the current board of directors adopted a written charter. Company records indicate that the Compensation Committee previously operated under a written charter adopted by the board of directors. When a Compensation Committee is reestablished along with a written charter, such charter will be made available on the Company's website at www.cortexpharm.com.

Governance and Nominations Committee. The traditional functions of the Governance and Nominations Committee include, without limitation, (i) identifying individuals qualified to become members of the board of directors, (ii) recommending director nominees for the next annual meeting of stockholders and to fill vacancies that may be created by the expansion of the number of directors serving on the board of directors and by resignation, retirement or other termination of services of incumbent directors, (iii) developing and recommending to the board of directors corporate governance guidelines and changes thereto, (iv) ensuring that the board of directors and the Company's Certificate of Incorporation and Bylaws are structured in a way that best serves the Company's practices and objectives, (v) leading the board of directors in its annual review of the board of directors' performance; and (vi) recommending to the board of directors nominees for each committee. Accordingly, the Governance and Nominations Committee annually reviews the composition of the board of directors as a whole and makes recommendations, if deemed necessary, to enhance the composition of the board of directors. The Governance and Nominations Committee first considers a candidate's management experience and then considers issues of judgment, background, conflicts of interest, integrity, ethics and commitment to the goal of maximizing stockholder value when considering director candidates. The Governance and Nominations Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Governance and Nominations Committee does not have a formal policy with respect to diversity; however, the board of directors and Governance and Nominations Committee believe that it is essential that the members of the board of directors represent diverse viewpoints. In considering candidates for the board of directors, the Governance and Nominations Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual's contributions to the board of directors are also considered.

Since the change in composition of our board of directors in March 2013, the members of the board of directors have performed the functions of the Governance and Nominations Committee and the composition of a Governance and Nominations Committee has not been determined nor has the current board of directors adopted a written charter. When a Governance and Nominations Committee is reestablished along with a written charter, such charter will be made available on the Company's website at www.cortexpharm.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors and persons who beneficially own more than 10% of the Company's outstanding common stock, whom the Company refers to collectively as the "reporting persons," to file reports of ownership and changes in ownership with the SEC, and to furnish the Company with copies of these reports.

Based solely on the Company's review of the copies of these reports received by it and written representations received from certain of the reporting persons with respect to the filing of reports on Forms 3, 4 and 5, the Company believes that all such filings required to be made by the reporting persons for the fiscal year ended December 31, 2014 were made on a timely basis, except the initial Form 3 and Form 4 in connection with the appointment of Dr. Richard Purcell as Senior Vice President of Research and Development in October 2014 and any Form 3 or Form 4 that may be required for any of the beneficial holders listed in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Code of Ethics

We have previously adopted a Code of Business Conduct and Ethics, which covers all of our directors and employees, including our principal executive and financial officers. Any amendment to, or waiver from, any applicable provision (related to elements listed under Item 406(b) of Regulation S-K) of our Code of Business Conduct and Ethics that applies to our directors or executive officers will be posted on our website at www.cortexpharm.com or in a report filed with the SEC on a Current Report on Form 8-K. The Company is in the process of updating its Code of Business Conduct and Ethics. Any amendment or waiver to its Code of Business Conduct and Ethics that applies to its directors or executive officers will be posted on its website at www.cortexpharm.com and/or filed in a report with the Securities and Exchange Commission on a Current Report on Form 8-K.

Item 11. Executive Compensation

Summary Compensation Table for 2013

The table below summarizes the total compensation paid or earned by each of the named executive officers for the fiscal years ended December 31, 2014 and 2013. The information contained under the heading "All Other Compensation" for all named executive officers includes the estimated value of equity awards using the Black-Scholes option-pricing model and does not reflect actual cash payments or actual dollars awarded.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards | All Other | Total (\$) |
|--|------|-------------|------------|--------------|--------------------------|------------|
| | | | | (\$)(1) | Compensation (\$) (2) | |
| Arnold S Lippa, Ph.D. Chairman, President and Chief Executive Officer | 2014 | — | — | \$ 818,500 | — | \$ 818,500 |
| | 2013 | — | — | — | — | — |
| Jeff E. Margolis Vice President, Secretary and Treasurer | 2014 | — | — | \$ 818,500 | — | \$ 818,500 |
| | 2013 | — | — | — | — | — |
| Robert N. Weingarten Vice President, Chief Financial Officer | 2014 | — | — | \$ 818,500 | — | \$ 818,500 |
| | 2013 | — | — | — | — | — |

- (1) On April 14, 2014, the Board of Directors of the Company awarded a total of 57,000,000 shares of common stock of the Company, including awards of 15,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time, and 4,000,000 shares and 8,000,000 shares to two other individuals. The individual who received the 8,000,000 shares was an associated person of Aurora Capital LLC, a related party. These awards were made to those individuals on that date as compensation for services rendered through March 31, 2014. As the initial closing of the Series G 1.5% Convertible Preferred Stock was completed on March 18, 2014, and such closing represented approximately 81% of the total amount of such financing, the Company's Board of Directors determined that it was appropriate at that time to compensate such officers for the period since they joined the Company in March and April 2013 through March 31, 2014. Such compensation was concluded on April 14, 2014 with the issuance of the aforementioned stock awards. Accordingly, as a result of these factors, the fair value of these stock awards of \$2,280,000, \$600,000 for each of the executive officers, was charged to operations effective as of March 18, 2014. The stock awards were valued at \$0.04 per share, which was the closing price of the Company's common stock on March 18, 2014.

Subsequently the Company awarded stock options to purchase an aggregate of 15,000,000 shares of common stock of the Company, consisting of options for 5,000,000 shares to each of the Company's three executive officers at an exercise price of \$0.05 per share, as compared to the closing market price of the Company's common stock on such date of \$0.044 per share, reflecting an exercise price premium of \$0.006 per share or 13.6%. The stock options were awarded as compensation for those individuals through December 31, 2014. During the year ended December 31, 2014, the Company recorded an aggregate charge to operations of \$655,500 with respect to these stock options, or \$218,500 per individual, reflecting the grant date fair value of the stock options calculated pursuant to the Black-Scholes option-pricing model.

- (2) In accordance with Securities and Exchange Commission rules, "Other Annual Compensation" in the form of perquisites and other personal benefits has been omitted where the aggregate amount of such perquisites and other personal benefits was less than \$10,000.

Narrative to Summary Compensation Table

No performance bonuses were awarded to the named executive officers for the years ended December 31, 2014 or 2013.

The exercise price for our stock options is no less than the fair market value of the stock on the date of the grant. The options that were awarded to our named executive officers in 2014 vested in three equal installments on July 17, 2014 (at issuance), September 30, 2014, and December 31, 2014, and expire on July 17, 2019. These awards were made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan. Accordingly, the options will provide a return to the named executive officer only the market price of the Company's common stock appreciates over the option term. In 2014, the Company awarded stock options to purchase an aggregate of 15,000,000 shares of common stock of the Company, consisting of options for 5,000,000 shares to each of the Company's three named executive officers at an exercise price of \$0.05 per share, as compared to the closing market price of the Company's common stock on such date of \$0.044 per share, reflecting an exercise price premium of \$0.006 per share or 13.6%. There were no stock options received by the named executive officers during the year ended December 31, 2013.

In connection with the recent changes to our board membership and taking into account the Company's current operating structure and business plans, management is currently reevaluating the compensation policies of the Company and, as a result of that reassessment, and in light of the Company's current financial circumstances, has made departures from the Company's historic compensation policies and will likely make substantial adjustments to such policies, including the termination of such policies, in the future.

The Company does not have any arrangements or agreements regarding compensation with its current executive officers and paid no compensation to any named executive officer in 2013. No named executive officer received cash compensation in 2013. On April 14, 2014, the board of directors of the Company awarded a total of 57,000,000 shares of common stock of the Company, including awards of 15,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time, and 4,000,000 shares and 8,000,000 shares to two other individuals. These awards were made to those individuals on that date as compensation for services rendered through March 31, 2014. Subsequently, on July 17, 2014, the Board approved an award to each of these named executive officers of options to purchase 5,000,000 shares of the company's common stock, as described above, in compensation for the balance of 2014 following the stock award.

Outstanding Equity Awards at Fiscal Year-End

As of December 31, 2014, 2,000,000 shares had been awarded to Richard Purcell, none of which had vested or been issued. Also as of December 31, 2014, 2,000,000 shares had been awarded to Dr. John Greer, of which 1,500,000 had vested and the remaining 500,000 were scheduled to vest on March 31, 2015. At 2014 there were 15,000,000 options outstanding, as described in the prior section. There were no outstanding option awards with current directors or officers of the Company as of December 31, 2013. In addition, there were outstanding option awards as of December 31, 2014 with two former officers of the Company:

- On July 17, 2012, pursuant to a severance agreement amended in connection with the merger transaction with Pier, Roger G. Stoll, Ph.D. was issued fully-vested, ten-year options to purchase a total of 3,083,334 shares of the Company's common stock at an exercise price of \$0.06 per share, which was in excess of the closing price of the Company's common stock on the closing date of the merger. Dr. Stoll left the Company in August 2012.
- On August 10, 2012, pursuant to a severance agreement amended in connection with the merger transaction with Pier, James H. Coleman was issued fully-vested, ten-year options to purchase a total of 2,083,334 shares of the Company's common stock at an exercise price of \$0.06 per share, which was in excess of the closing price of the Company's common stock on the closing date of the merger. Mr. Coleman left the Company in August 2012.

OPTION EXERCISES AND STOCK VESTED FOR 2014

None of the Company's named executive officers exercised any options to purchase shares of the Company's common stock or had any outstanding unvested stock awards during the year ended December 31, 2014. As of December 31, 2014 each of the executive offices held vested options to purchase 5,000,000 shares of the Company's common stock at an exercise price of \$0.05 per share.

Employment and Consulting Agreements – Termination or Change in Control

The Company's executive officers Arnold S. Lippa, Ph.D., Jeff E. Margolis and Robert N. Weingarten, have not entered into any compensation arrangements or employment agreements with the Company. Upon entering into such arrangements or agreements, the Company will disclose the information required regarding these agreements or arrangements, consistent with applicable law.

With respect to former named executive officers who are no longer with the Company:

- Mr. Varney was removed as an officer of the Company on March 22, 2013. As of December 31, 2012, his annual salary was \$365,000. At the time of his departure, Mr. Varney's contract called for payments of \$35,674 for paid time off, \$108,965 for reduced or deferred compensation in 2012, and \$365,000 in severance for a total of \$509,639.
- Mr. Johnson was removed as an officer of the Company on March 22, 2013. As of December 31, 2012, his annual salary was \$220,000. At the time of his departure, Mr. Johnson's contract called for payments of \$42,224 for paid time off, \$64,902 for reduced or deferred compensation in 2012, and \$220,000 in severance for a total of \$327,126.

In 2014, the Company executed settlement agreements with Messrs. Varney and Johnson that, together with similar agreements with other former officers of the Company, resulted in the settlement of potential claims totaling approximately \$1,336,000 for a total of approximately \$118,000 in cash, plus the issuance of options to purchase 4,300,000 shares of common stock exercisable at \$0.04 per share for periods ranging from five to ten years. In addition to other provisions, the settlement agreements include mutual releases.

Director Compensation

The Compensation Committee historically had used a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board of Directors. In setting director compensation, the Compensation Committee considers the significant amount of time that directors expend in fulfilling their duties to the Company, as well as the skill-level required by the Company of members of the Board of Directors.

Concurrently with their appointment as directors, each of James Sapirstein and Kathryn MacFarlane received 2,000,000 shares of common stock of the Company, which vested 50% upon appointment, 25% on September 30, 2014, and 25% on December 31, 2014. These stock awards were valued at \$0.049 per share, which was the closing price of the Company's common stock on September 3, 2014, and the Company recorded a charge to operations of \$196,000 in the aggregate, \$98,000 per individual, with respect to these stock awards for 2014.

The Board has made no decisions regarding compensation for directors in 2015.

Director Summary Compensation Table

The following table shows the compensation received by the non-employee members of our board of directors for the year ended December 31, 2014. Directors who are also employees/officers of the Company did not receive any additional compensation for services as a director.

| Name | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) | Option Awards (\$) | Total (\$) |
|--------------------|--|----------------------|-----------------------|------------|
| James Sapirstein | 0 | \$ 98,000 | 0 | \$ 98,000 |
| Kathryn MacFarlane | 0 | \$ 98,000 | 0 | \$ 98,000 |

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

Beneficial Ownership of Common Stock

The following table sets forth certain information regarding the beneficial ownership of the Company's common stock as of December 31, 2014, by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding common stock, (ii) each of the Company's directors, (iii) each of the Company's named executive officers, and (iv) all of the Company's executive officers and directors as a group. Except as indicated in the footnotes to this table, the Company believes that the persons named in this table have sole voting and investment power with respect to the shares of common stock indicated. In computing the number and percentage ownership of shares beneficially owned by a person, shares of common stock that a person has a right to acquire within sixty (60) days of December 31, 2014 pursuant to options, warrants or other rights are considered as outstanding, while these shares are not considered as outstanding for computing the percentage ownership of any other person or group.

| Directors, Officers and 5% Stockholders⁽¹⁾ | Number of Shares of Beneficial Ownership of Common Stock | Percent of Class |
|---|---|-----------------------------|
| Arnold Lippa Family Trust of 2007 ⁽²⁾ | 91,915,799 | 29.76% |
| Ayer Special Situations Fund I, LP c/o Ayer Capital Management, LP 616 Corporate Way, Suite 2-4931 Valley Cottage, NJ 10989 | 46,002,275 | 16.54% |
| Sachin Kelkar 6 Franciscan Way Kensington, CA 94707 | 34,465,793 | 13.46% |
| Origin Ventures II, L.P. (and affiliates) ⁽³⁾ 1033 Skokie Blvd., Suite 430 Northbrook, IL 60062 | 24,200,507 | 10.42% |
| Barton Asset Management, LLC c/o KLH 135 Main Street, 9th San Francisco, CA 94105 | 25,528,833 | 9.91% |
| Dariusz Naziek 55 Hardwick Lane Wayne, NJ 07470 | 24,429,907 | 9.52% |
| Alan Gelband Company Defined Contribution Pension Plan & Trust (and affiliates) ⁽⁴⁾ 30 West 63rd Street, 24D New York, NY 10023 | 21,576,832 | 9.29% |
| Illinois Emerging Technology Fund, LP (and affiliates) ⁽⁵⁾ 20 North Wacker Drive, Suite 1201 Chicago, IL 60606 | 20,334,546 | 8.76% |
| SY Corporation Co., Ltd. ⁽⁶⁾ 654-4 Bongam-Dong, Masanhoiwon-Gu Changwon-Si, Kyongsangnam-Do South Korea | 16,422,464 | 7.07% |
| Brian Frenzel c/o Tosk Inc. 725 San Aleso Ave., #4 Sunnyvale, CA 94085 | 15,334,092 | 6.20% |
| Ronak Patel 1260 California Street, #12 San Francisco, CA 94109 | 15,314,975 | 6.19% |
| DIRECTORS AND OFFICERS | | |
| Arnold S. Lippa, Ph.D. ⁽⁷⁾ | 0 | 0% |
| Jeff E. Margolis ⁽⁸⁾ | 20,308,816 | 8.56% |
| Robert N. Weingarten ⁽⁹⁾ | 20,000,000 | 8.43% |
| James Sapirstein | 2,000,000 | 0.86% |
| Kathryn MacFarlane | 2,000,000 | 0.86% |
| Richard Purcell ⁽¹⁰⁾ | 500,000 | 0.21% |
| All directors and officers as a group | 141,724,615 | 43.67% |

- (1) Except as otherwise indicated, the address of such beneficial owner is c/o Cortex Pharmaceuticals, Inc., 126 Valley Road, Suite C, Glen Rock, New Jersey 07452.
- (2) Holdings include: (i) 15,189,452 shares of common stock, (ii) 76,670,459 shares of common stock available upon conversion of shares of Series G 1.5% Convertible Preferred Stock, and (iii) 55,888 warrants to purchase shares of common received as an owner of Aurora Capital LLC from the warrants Aurora received as a placement agent in the sale of the Company's Convertible Note and Warrant Financing. All of these holdings were acquired by Dr. Arnold Lippa and subsequently transferred to the Trust, or are held by an entity owned by the Trust. Dr. Lippa is neither the trustee nor the beneficiary of the Trust. Linda Lippa, his wife, is a beneficiary of the Trust. In addition and not reflected in the table above, an entity owned by the Trust received warrants to purchase an additional 51,000 shares of common stock in connection with the final closing in the Company's Convertible Note and Warrant Financing in February 2015.
- (3) Pursuant to Schedule 13G filed with the SEC on June 16, 2013. These shares are held by Origin Ventures II, L.P., which holds voting and dispositive control with respect to such shares. Origin Ventures II Management, LLC, the general partner of Origin Ventures II, L.P., and Bruce Barron and Steven N. Miller, the managing members of Origin Ventures II Management, LLC, may be deemed to beneficially own such shares, and to share voting and dispositive control of the shares owned by Origin Ventures II, L.P.
- (4) Holdings include: (i) 21,534,832 shares of common stock held by the Trust, and (ii) 42,000 warrants held by Gelband & Company, Inc., its affiliate. In addition and not reflected in the table above, Gelband & Company, Inc. received warrants to purchase an additional 20,000 shares of common stock in connection with the final closing in the Company's Convertible Note and Warrant Financing in February 2015.
- (5) Pursuant to Schedule 13G filed with the SEC on August 20, 2012, Illinois Emerging Technology Fund, LP owns 20,334,546 shares and holds voting and dispositive control with respect to such shares. Illinois Ventures GP, LLC is the general partner of Illinois Emerging Technology Fund, LP, and may be deemed to beneficially own such shares, and to share voting and dispositive control of the shares.
- (6) Pursuant to Schedule 13D filed with the SEC on June 16, 2013. SY Corporation Co., Ltd. was formerly known as Samyang Optics Co. Ltd.
- (7) Dr. Lippa no longer beneficially owns any shares of the Company because he has transferred these shares into family trusts, of which he is neither the trustee nor the beneficiary, including the Arnold Lippa Family Trust of 2007 as noted in footnote 2 above. In addition, Dr. Lippa has been awarded options to acquire an additional 5,000,000 shares of common stock which have been assigned to another family trust for the benefit of other family members. Dr. Lippa is neither the trustee nor the beneficiary of that trust.
- (8) Holdings include: (i) 15,111,442 shares of common stock, (ii) options to acquire an additional 5,000,000 shares of Common Stock, and (iii) the 197,374 warrants to purchase shares of common received as an owner of Aurora Capital LLC from the warrants Aurora received as a placement agent in the sale of the Company's Convertible Note and Warrant Financing. In addition and not reflected in the table above, Mr. Margolis received warrants to purchase an additional 310,000 shares of common stock in connection with the final closing in the Company's Convertible Note and Warrant Financing in February 2015.
- (9) Holdings include: (i) 15,000,000 shares of common stock, and (ii) options to acquire an additional 5,000,000 shares of common stock. Mr. Weingarten holds these shares indirectly through Resource One Group LLC, an entity he controls.
- (10) Holdings include 500,000 shares of common stock that vested on January 15, 2015.

Beneficial Ownership of Series G 1.5% Convertible Preferred Stock

The following table sets forth certain information regarding the beneficial ownership of the Company's common stock as of December 31, 2014, by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding Series G 1.5% Convertible Preferred Stock, (ii) each of the Company's directors, (iii) each of the Company's named executive officers, and (iv) all of the Company's executive officers and directors as a group. Except as indicated in the footnotes to this table, the Company believes that the persons named in this table have sole voting and investment power with respect to the shares of common stock indicated.

| Directors, Officers and 5% Stockholders⁽¹⁾ | Number of Shares of Beneficial Ownership of Series G 1.5% Convertible Preferred Stock | Percent of Class |
|--|--|-----------------------------|
| Arnold Lippa Family Trust of 2007 ⁽²⁾ | 253.01 | 28.99% |
| Ayer Special Situations Fund I, LP c/o Ayer Capital Management, LP 616 Corporate Way, Suite 2-4931 Valley Cottage, NJ 10989 | 151.81 | 17.39% |
| Dariusz Naziek 55 Hardwick Lane Wayne, NJ 07470 | 75.90 | 8.70% |
| Barton Asset Management, LLC c/o KLH 135 Main Street, 9th San Francisco, CA 94105 | 65.24 | 7.48% |
| Brian Frenzel c/o Tosk Inc. 725 San Aleso Ave., #4 Sunnyvale, CA 94085 | 50.60 | 5.80% |
| Ronak Patel 1260 California Street, #12 San Francisco, CA 94109 | 50.54 | 5.79% |
| DIRECTORS AND OFFICERS | | |
| Arnold S. Lippa, Ph.D. ⁽³⁾ | 0 | 0% |
| Jeff E. Margolis ⁽⁶⁾ | 0 | 0% |
| Robert N. Weingarten | 0 | 0% |
| James Sapirstein | 0 | 0% |
| Kathryn MacFarlane | 0 | 0% |
| Richard Purcell | 0 | 0% |
| All directors and officers as a group | 0 | 0% |

(1) Except as otherwise indicated, the address of such beneficial owner is c/o Cortex Pharmaceuticals, Inc., 126 Valley Road, Suite C, Glen Rock, New Jersey 07452.

(2) These holdings were acquired by Dr. Arnold Lippa and subsequently transferred to the Trust. Dr. Lippa is neither the trustee nor the beneficiary of the Trust.

(3) Dr. Lippa no longer beneficially owns any shares of the Company's Series G 1.5% Convertible Preferred Stock because he has transferred these shares into the Arnold Lippa Family Trust of 2007 as noted in footnote 2 above, of which he is neither the trustee nor the beneficiary.

The Company is not aware of any arrangements that may at a subsequent date result in a change of control of the Company.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding outstanding options, warrants and rights and shares reserved for future issuance under our existing equity compensation plans as of December 31, 2014. Our stockholders approved the Company's 2006 Stock Incentive Plan, as amended. From October 2006 through December 31, 2013, all stock options granted and issued under stockholder approved plans were issued from the 2006 Stock Incentive Plan. In March 2014, the Company's stockholders approved, by written consent, the Cortex Pharmaceuticals, Inc. 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan, filed as exhibit 10.2 to the Company's Current Report on Form 8-K filed March 24, 2014. The Company is no longer making awards under the 2006 Stock Incentive Plan.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|--|---|--|
| Equity compensation plans approved by security holders | 15,000,000 ⁽³⁾ | \$ 0.050 | 25,633,002 |
| Equity compensation plans not approved by security holders | 9,466,668 ⁽¹⁾⁽²⁾ | \$ 0.052 | — |
| Total | 24,466,668 | \$ 0.051 | 25,633,002 |

(1) In July and August 2012, pursuant to severance agreements amended in connection with the merger transaction with Pier, fully-vested, ten year stock options to purchase a total of 5,166,668 shares of the Company's common stock at an exercise price of \$0.06 per share, which was in excess of the closing price of the Company's common stock on the closing date of the Pier transaction, were granted to two of the Company's former officers, outside of the 2006 Stock Incentive Plan, and its predecessor, the 1996 Stock Incentive Plan, which had also been approved by stockholders.

(2) During the three months ended March 31, 2014, the Company executed settlement agreements with four former executives that resulted in the settlement of potential claims totaling \$1,336,264. In conjunction with such settlement agreements, the Company issued stock options to purchase 4,300,000 shares of common stock exercisable at \$0.042 per share for periods ranging from five to ten years, which were granted, outside of the 2006 Stock Incentive Plan, and its predecessor, the 1996 Stock Incentive Plan, which had also been approved by stockholders.

(3) On July 17, 2014, the Board of Directors of the Company awarded stock options to purchase a total of 15,000,000 shares of common stock of the Company, consisting of options for 5,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time. The stock options were awarded as compensation for those individuals through December 31, 2014. The stock options vest in three equal installments on July 17, 2014 (at issuance), September 30, 2014, and December 31, 2014, and expire on July 17, 2019. The exercise price of the stock options was established on the grant date at \$0.05 per share, as compared to the closing market price of the Company's common stock on such date of \$0.044 per share, reflecting an exercise price premium of \$0.006 per share or 13.6%. These awards were made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

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

Director Independence

As of December 31, 2014, James Sapirstein, RPh., M.B.A. and Kathryn MacFarlane, PharmD. were “independent directors”, as that term is defined under Section 803 of the NYSE Amex Company Guide. As noted above, as of December 31, 2014, all of the functions of the Audit, Compensation and Governance and Nominations Committees were being performed by the full board of directors.

Transactions with Related Persons

In 2013 and 2014, the Company engaged in certain transactions with Arnold S. Lippa, our Chairman, President and Chief Executive Officer, and certain of his affiliates. These transactions have been previously disclosed and are discussed in and Note 1 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Organization and Business Operations—*Going Concern* and Note 3 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Notes Payable—*Notes Payable to Chairman*.

In 2012, Aurora Capital LLC provided investment banking services to Pier, a company that the Company acquired by merger on August 10, 2012. For those services, on August 10, 2012 Aurora Capital LLC received 2,971,792 shares of the Company’s common stock in payment of its fee of \$194,950. Both Dr. Arnold S. Lippa and Jeff E. Margolis, officers and directors of the Company since March 22, 2013, have indirect ownership interests in Aurora Capital LLC through interests held in its members, and Jeff E. Margolis is also an officer of Aurora Capital LLC. In December 2014, these shares were distributed to members of Aurora Capital LLC including 2,526,023 to Sachin Kelkar, 111,442 to Jeff E. Margolis and 189,452 to an entity owned by the Arnold Lippa Family Trust of 2007. These amounts are reflected in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Beneficial Ownership of Common Stock. The remaining 144,875 shares of common stock were distributed to other members of Aurora Capital LLC that are not affiliated with Cortex.

On March 31, 2013, the Company accrued \$85,000 as reimbursement for legal fees incurred by Aurora Capital LLC in conjunction with the removal of the Company’s prior Board of Directors on March 22, 2013.

In 2014, Aurora acted as a placement agent for in both the Series G 1.5% Convertible Preferred Stock Private Placement and the subsequent Convertible Note and Warrant Financing. Note 3 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Notes Payable—*10% Convertible Notes Payable* and Note 6 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Stockholders’ Deficiency—*Series G 1.5% Convertible Preferred Stock* for a description of the transactions between the Company and Aurora Capital LLC.

See Note 3 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Notes Payable—*Note Payable to Related Party* and Note 6 to our consolidated financial statements for the years ended December 31, 2014 and 2013—Stockholders’ Deficiency for a description of transactions with Samyang, a significant stockholder of and lender to the Company.

Item 14. Principal Accounting Fees and Services

Haskell & White LLP, acted as our independent registered public accounting firm for the fiscal years ended December 31, 2013 and 2014 and for the interim periods in such fiscal years. The following table shows the approximate fees that were incurred by us for audit and other services provided by Haskell & White LLP in fiscal 2013 and 2014.

| | <u>2013⁽¹⁾</u> | <u>2014</u> |
|-----------------------------------|---------------------------|------------------|
| Audit Fees ⁽²⁾ | \$ — | \$ 93,152 |
| Audit-Related Fees ⁽³⁾ | — | — |
| Tax Fees ⁽⁴⁾ | — | — |
| All Other Fees ⁽⁵⁾ | — | — |
| Total | <u>\$ —</u> | <u>\$ 93,152</u> |

- (1) The Company did not file its 2012 or 2013 Annual Reports on Form 10-K, or any of its 2013 Quarterly Reports on Form 10-Q, when required. These documents were prepared, and the fees incurred in preparing them were generated, in 2014 and 2015, as new management worked towards bringing the Company current in its periodic reporting requirements. Accordingly, the Company incurred no accounting fees in 2013.
- (2) Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and the review of our financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided in connection with statutory or regulatory filings.
- (3) Audit-related fees represent fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and not reported above under "Audit Fees."
- (4) Tax fees represent fees for professional services related to tax compliance, tax advice and tax planning.
- (5) All other fees represent fees related to Sarbanes-Oxley compliance work.

All audit related services rendered by Haskell & White LLP were pre-approved by our Board of Directors. The Board of Directors has adopted a pre-approval policy that provides for the pre-approval of all services performed for us by our independent registered public accounting firm.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) List of documents filed as part of this report:

(1) Financial Statements

Reference is made to the Index to Financial Statements on page F-1, where these documents are listed.

(2) Financial Statement Schedules

The financial statement schedules have been omitted because the required information is not applicable, or not present in amounts sufficient to require submission of the schedules, or because the information is included in the financial statements or notes thereto.

(3) Exhibits

See (b) below.

(b) Exhibits:

A list of exhibits required to be filed as part of this Annual Report on Form 10-K is set forth in the Index to Exhibits, which is presented elsewhere in this document, and is incorporated herein by reference.

CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
(INCLUDING REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM)

Years Ended December 31, 2014 and 2013

| | |
|--|-----|
| Report of Independent Registered Public Accounting Firm | F-2 |
| Consolidated Balance Sheets – December 31, 2014 and 2013 | F-3 |
| Consolidated Statements of Operations – Years Ended December 31, 2014 and 2013 | F-4 |
| Consolidated Statements of Stockholders' Deficiency – Years Ended December 31, 2014 and 2013 | F-5 |
| Consolidated Statements of Cash Flows – Years Ended December 31, 2014 and 2013 | F-6 |
| Notes to Consolidated Financial Statements – Years Ended December 31, 2014 and 2013 | F-8 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Stockholders and Board of Directors
Cortex Pharmaceuticals, Inc. and Subsidiary**

We have audited the accompanying consolidated balance sheets of Cortex Pharmaceuticals, Inc. and Subsidiary (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders' deficiency and cash flows for each of the years in the two-year period ended December 31, 2014. Cortex Pharmaceuticals, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cortex Pharmaceuticals, Inc. as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 of the consolidated financial statements, the Company does not currently possess sufficient working capital to fund its operations and commitments. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HASKELL & WHITE LLP

Irvine, California
March 30, 2015

**CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY**

CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|--------------------|--------------------|
| | 2014 | 2013 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 162,752 | \$ 14,352 |
| Grant receivable | 48,000 | — |
| Deferred financing costs | — | 35,120 |
| Capitalized financing costs | 85,702 | — |
| Prepaid insurance, including current portion of long-term prepaid insurance of \$14,945 at December 31, 2014 | 24,219 | 2,383 |
| Total current assets | 320,673 | 51,855 |
| Equipment, net of accumulated depreciation of \$1,659 | 16,741 | — |
| Long-term prepaid insurance, net of current portion of \$14,945 | 62,894 | — |
| Total assets | \$ 400,308 | \$ 51,855 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses, including \$104,375 and \$85,000 payable to related parties at December 31, 2014 and 2013, respectively | \$ 1,845,875 | \$ 1,829,616 |
| Accrued compensation and related expenses | 144,000 | 1,480,264 |
| Unearned grant revenue | 34,333 | — |
| 10% convertible notes payable, including accrued interest of \$4,093, net of unamortized discount of \$323,350, at December 31, 2014 | 50,243 | — |
| Notes payable to Chairman, including accrued interest of \$48 at December 31, 2013 | — | 75,048 |
| Note payable to related party, including accrued interest of \$122,618 and \$73,979 at December 31, 2014 and 2013, respectively | 526,257 | 521,255 |
| Project advance, including accrued interest of \$86,796 at December 31, 2013 | — | 334,096 |
| Total current liabilities | 2,600,708 | 4,240,279 |
| 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) \$872,737; shares authorized: 1,700; shares issued and outstanding: 872.7 at December 31, 2014; common shares issuable upon conversion at 303,030.3 common shares per Series G share: 264,465,728 shares, including 3,102,094 shares issuable for dividends of \$10,237 at December 31, 2014 | 872,737 | — |
| Common stock, \$0.001 par value; shares authorized: 1,400,000,000; shares issued and outstanding: 232,145,326 and 144,041,556 at December 31, 2014 and 2013, respectively | 232,145 | 144,041 |
| Additional paid-in capital | 138,984,110 | 125,188,620 |
| Accumulated deficit | (142,311,095) | (129,542,788) |
| Total stockholders' deficiency | (2,200,400) | (4,188,424) |
| Total liabilities and stockholders' deficiency | \$ 400,308 | \$ 51,855 |

See accompanying notes to consolidated financial statements and report of independent registered public accounting firm.

**CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended December 31, | |
|---|-----------------------------|----------------|
| | 2014 | 2013 |
| Grant revenues | \$ 61,667 | \$ — |
| Operating expenses: | | |
| General and administrative, including \$2,811,500 to related parties for the year ended December 31, 2014 | 3,823,434 | 932,973 |
| Research and development | 591,768 | 206,911 |
| Total operating expenses | 4,415,202 | 1,139,884 |
| Loss from operations | (4,353,535) | (1,139,884) |
| Gain on settlements with former management | 1,038,270 | — |
| Gain on settlements with former service providers | 393,590 | — |
| Gain on settlement of project advance | 287,809 | — |
| Interest expense, including \$48,692 and \$48,688 to related parties for the years ended December 31, 2014 and 2013, respectively | (117,306) | (56,339) |
| Gain on settlement of office lease | — | 1,990 |
| Foreign currency transaction gain (loss) | 43,637 | (7,224) |
| Net loss | (2,707,535) | (1,201,457) |
| Adjustments related to Series G 1.5% Convertible Preferred Stock: | | |
| Amortization of deemed dividend on Series G 1.5% Convertible Preferred Stock | (10,049,846) | — |
| Dividends on Series G 1.5% Convertible Preferred Stock | (10,926) | — |
| Net loss attributable to common stockholders | \$ (12,768,307) | \$ (1,201,457) |
| Net loss per common share - basic and diluted | \$ (0.07) | \$ (0.01) |
| Weighted average common shares outstanding - basic and diluted | 192,739,814 | 144,041,556 |

See accompanying notes to consolidated financial statements and report of independent registered public accounting firm.

**CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY

Years Ended December 31, 2014 and 2013

| | <u>Series B Convertible Preferred Stock</u> | | <u>Series G 1.5% Convertible Preferred Stock</u> | | <u>Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Accumulated Deficit</u> | <u>Total Stockholders' Deficiency</u> |
|--|---|------------------|--|-------------------|---------------------|----------------------|---|--------------------------------|---|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Par Value</u> | | | |
| Balance, December 31, 2012 | 37,500 | \$ 21,703 | — | \$ — | 144,041,556 | \$ 144,041 | \$ 125,183,892 | \$ (128,341,331) | \$ (2,991,695) |
| Related party short-swing trading profits of \$11,500, net of legal costs of \$6,772 | — | — | — | — | — | — | 4,728 | — | 4,728 |
| Net loss | — | — | — | — | — | — | — | (1,201,457) | (1,201,457) |
| Balance, December 31, 2013 | 37,500 | 21,703 | — | — | 144,041,556 | 144,041 | 125,188,620 | (129,542,788) | (4,188,424) |
| Sale of Series G 1.5% Convertible Preferred Stock | — | — | 928.5 | 928,500 | — | — | — | — | 928,500 |
| Costs incurred in connection with sale of Series G 1.5% Convertible Preferred Stock | — | — | — | — | — | — | (128,041) | — | (128,041) |
| Shares issued in connection with the exercise of finder's warrants on a cashless basis | — | — | — | — | 4,395,018 | 4,395 | (4,395) | — | — |
| Conversion of Series G 1.5% Convertible Preferred Stock | — | — | (66.7) | (66,689) | 20,208,752 | 20,209 | 46,480 | — | — |
| Fair value of shares issued in settlement of project advance | — | — | — | — | 1,000,000 | 1,000 | 48,000 | — | 49,000 |
| Common stock issued as compensation | — | — | — | — | 62,500,000 | 62,500 | 2,512,500 | — | 2,575,000 |
| Common stock option issued as compensation | — | — | — | — | — | — | 655,500 | — | 655,500 |
| Fair value of common stock options issued in connection with settlements with former management | — | — | — | — | — | — | 179,910 | — | 179,910 |
| Fair value of common stock options issued in connection with settlement with former service provider | — | — | — | — | — | — | 42,250 | — | 42,250 |
| Fair value of common stock warrants issued to investors in connection with the convertible note and warrant financing | — | — | — | — | — | — | 176,549 | — | 176,549 |
| Fair value of common stock warrants issued to finders in connection with the convertible note and warrant financing | — | — | — | — | — | — | 23,940 | — | 23,940 |
| Fair value of beneficial conversion feature of convertible notes payable issued to investors in connection with the convertible note and warrant financing | — | — | — | — | — | — | 192,951 | — | 192,951 |
| Amortization of deemed dividend on Series G 1.5% Convertible Preferred Stock | — | — | — | — | — | — | 10,049,846 | (10,049,846) | — |
| Dividends on Series G 1.5% Convertible Preferred Stock | — | — | 10.9 | 10,926 | — | — | — | (10,926) | — |
| Net loss | — | — | — | — | — | — | — | (2,707,535) | (2,707,535) |
| Balance, December 31, 2014 | <u>37,500</u> | <u>\$ 21,703</u> | <u>872.7</u> | <u>\$ 872,737</u> | <u>232,145,326</u> | <u>\$ 232,145</u> | <u>\$ 138,984,110</u> | <u>\$ (142,311,095)</u> | <u>\$ (2,200,400)</u> |

See accompanying notes to consolidated financial statements and report of independent registered public accounting firm.

**CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|--|-----------------------------|------------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net loss | \$ (2,707,535) | \$ (1,201,457) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation expense | 1,659 | — |
| Amortization of discounts related to convertible notes payable | 46,150 | — |
| Amortization of capitalized financing costs | 15,648 | — |
| Gain on settlements with former management | (1,038,270) | — |
| Gain on settlements with service providers | (393,590) | — |
| Gain on settlement of project advance | (287,809) | — |
| Stock-based compensation expense included in general and administrative expenses | 3,131,500 | — |
| Stock-based compensation expense included in research and development expenses | 99,000 | — |
| Gain on settlement of office lease | — | (1,990) |
| Foreign currency transaction (gain) loss | (43,637) | 7,224 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in - | | |
| Grant receivable | (48,000) | — |
| Prepaid insurance | (84,730) | 14,619 |
| Deposits | — | 29,545 |
| Increase (decrease) in - | | |
| Accounts payable and accrued expenses | 452,099 | 321,779 |
| Accrued compensation and related expenses | (118,084) | 595,084 |
| Accrued interest payable | 55,397 | 52,761 |
| Unearned grant revenue | 34,333 | — |
| Net cash used in operating activities | <u>(885,869)</u> | <u>(182,435)</u> |
| Cash flows from investing activities: | | |
| Purchases of equipment | (18,400) | — |
| Net cash used in investing activities | <u>(18,400)</u> | <u>—</u> |
| Cash flows from financing activities: | | |
| Proceeds from sale of Series G 1.5% Convertible Preferred Stock | 928,500 | — |
| Proceeds from convertible note and warrant financing | 369,500 | — |
| Proceeds from issuance of notes payable to Chairman | 75,000 | 75,000 |
| Repayment of notes payable to Chairman | (150,000) | — |
| Related party short-swing trading profits | — | 4,728 |
| Cash payments made for deferred costs incurred in connection with convertible note and warrant financing | (77,410) | — |
| Cash payments made for costs incurred in connection with sale of Series G 1.5% Convertible Preferred Stock | (92,921) | (35,120) |
| Net cash provided by financing activities | <u>1,052,669</u> | <u>44,608</u> |
| Cash and cash equivalents: | | |
| Net increase (decrease) | 148,400 | (137,827) |
| Balance at beginning of period | 14,352 | 152,179 |
| Balance at end of period | <u>\$ 162,752</u> | <u>\$ 14,352</u> |

(Continued)

**CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

| | Years Ended December 31, | |
|---|-------------------------------------|-------------|
| | 2014 | 2013 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for - | | |
| Interest | \$ 102 | \$ — |
| Income taxes | \$ — | \$ — |
| Non-cash financing activities: | | |
| Amortization of deemed dividend on Series G 1.5% Convertible Preferred Stock | \$ 10,049,846 | \$ — |
| Dividends on Series G 1.5% Convertible Preferred Stock | \$ 10,926 | \$ — |
| Gross exercise price of finder's warrants exercised on a cashless basis | \$ 18,689 | \$ — |
| Stated value of Series G 1.5% Convertible Preferred Stock converted into common stock | \$ 66,689 | \$ — |
| Discount on 10% convertible note payables attributed to the fair value of common stock warrants issued to investors in connection with the convertible note and warrant financing | \$ 176,549 | \$ — |
| Discount on 10% convertible note payables attributed to the fair value of beneficial conversion feature of convertible notes payables issued to investors in connection with the convertible note and warrant financing | \$ 192,951 | \$ — |
| Fair value of common stock warrants issued to finders in connection with the convertible note and warrant financing | \$ 23,940 | \$ — |
| Fair value of common stock options issued in connection with settlements with former management | \$ 179,910 | \$ — |
| Fair value of common stock options issued in connection with settlements with service providers | \$ 42,250 | \$ — |
| Fair value of common stock issued in connection with settlement of project advance | \$ 49,000 | \$ — |
| Fair value of common stock warrants issuable to placement agents and selected dealers in connection with the sale of Series G 1.5% Convertible Preferred Stock | \$ 664,169 | \$ — |
| Deferred financing costs transferred to additional paid-in capital in connection with sale of Series G 1.5% Convertible Preferred Stock | \$ 35,120 | \$ — |

See accompanying notes to consolidated financial statements and
report of independent registered public accounting firm.

**CORTEX PHARMACEUTICALS, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

1. Organization and Business Operations

Business

Cortex Pharmaceuticals, Inc. (“Cortex” or the “Company”) was formed in 1987 to engage in the discovery, development and commercialization of innovative pharmaceuticals for the treatment of neurological and psychiatric disorders. In 2011, prior management conducted a re-evaluation of Cortex’s strategic focus and determined that clinical development in the area of respiratory disorders, particularly respiratory depression and sleep apnea, provided the most cost-effective opportunities for potential rapid development and commercialization of Cortex’s compounds. Accordingly, Cortex narrowed its clinical focus at that time and abandoned other avenues of scientific inquiry. This re-evaluation provided the impetus for Cortex’s acquisition of Pier Pharmaceuticals, Inc. (“Pier”) in August 2012. New management was appointed in March 2013 and has continued to implement this revised strategic focus, including seeking the capital to fund such efforts. As a result of the Company’s scientific discoveries and the acquisition of strategic, exclusive license agreements (including a new license agreement with the University of Illinois), management believes that the Company is now a leader in the discovery and development of innovative pharmaceuticals for the treatment of respiratory disorders.

Since its formation in 1987, Cortex has been engaged in the research and clinical development of a class of compounds referred to as ampakines. By acting as positive allosteric modulators of AMPA glutamate receptors, ampakines increase the excitatory effects of the neurotransmitter glutamate. Preclinical research suggested that these ampakines might have therapeutic potential for the treatment of certain respiratory disorders, as well as cognitive disorders, depression, attention deficit disorder and schizophrenia.

Cortex entered into a series of license agreements in 1993 and 1998 with the University of California, Irvine (“UCI”) that granted Cortex proprietary rights to certain chemical compounds that acted as ampakines and their therapeutic uses. These agreements granted Cortex, among other provisions, exclusive rights: (i) to practice certain patents and patent applications, as defined in the license agreement, that were then held by UCI; (ii) to identify, develop, make, have made, import, export, lease, sell, have sold or offer for sale any related licensed products; and (iii) to grant sub-licenses of the rights granted in the license agreements, subject to the provisions of the license agreements. Cortex was required, among other terms and conditions, to pay UCI a license fee, royalties, patent costs and certain additional payments.

During December 2012, the Company informed UCI that it would be unable to make the annual payment due to a lack of funds. The Company believes that this notice, along with its subsequent failure to make its minimum annual payment obligation, constituted a default and termination of the license agreements. On April 15, 2013, UCI notified the Company that these license agreements were terminated due to the Company’s failure to make its obligatory payments. Since the patents covered in these license agreements had begun to expire and the therapeutic uses described in these patents were no longer germane to the Company’s new focus on respiratory disorders, the loss of these license agreements is not expected to have a material impact on the Company’s current or future drug development programs.

Cortex also owns patents and patent applications for certain families of chemical compounds, including ampakines, which claim the chemical structures and their use in the treatment of various disorders. These patents cover, among other compounds, Cortex’s lead ampakines CX1739 and CX1942, and extend through at least 2028.

On May 8, 2007, Cortex entered into a license agreement, as subsequently amended, with the University of Alberta granting Cortex exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. These patents, along with Cortex's own patents claiming chemical structures, comprise Cortex's principal intellectual property supporting Cortex's research and clinical development program in the use of ampakines for the treatment of respiratory disorders. Cortex has completed pre-clinical studies indicating that several of its ampakines, including CX717, CX1739 and CX1942, were efficacious in treating drug induced respiratory depression caused by opiates or certain anesthetics without offsetting the analgesic effects of the opiates or the anesthetic effects of the anesthetics. In two clinical Phase 2 studies, one of which was published in a peer-reviewed journal, CX717, a predecessor compound to CX1739 and CX1942, antagonized the respiratory depression produced by fentanyl, a potent narcotic, without affecting the analgesia produced by this drug. In addition, Cortex has conducted a Phase 2A clinical study in which patients with sleep apnea were administered CX1739, Cortex's lead clinical compound. Preliminary results suggested that CX1739 might have use for the treatment of central and mixed sleep apnea, but not obstructive sleep apnea ("OSA").

In order to expand Cortex's respiratory disorders program, the Company acquired 100% of the issued and outstanding equity securities of Pier effective August 10, 2012 pursuant to an Agreement and Plan of Merger. Pier was formed in June 2007 (under the name SteadySleep Rx Co.) as a clinical stage pharmaceutical company to develop a pharmacologic treatment for the respiratory disorder known as obstructive sleep apnea and had been engaged in research and clinical development activities since formation.

Through the merger, the Company gained access to an Exclusive License Agreement, as amended (the "License Agreement"), that Pier had entered into with the University of Illinois on October 10, 2007. The License Agreement covered certain patents and patent applications in the United States and other countries claiming the use of certain compounds referred to as cannabinoids, of which dronabinol is a specific example, for the treatment of sleep related breathing disorders (including sleep apnea). Dronabinol is a synthetic derivative of the naturally occurring substance in the cannabis plant, otherwise known as Δ^9 -THC (Δ^9 -tetrahydrocannabinol). Pier's business plan was to determine whether dronabinol would significantly improve subjective and objective clinical measures in patients with obstructive sleep apnea. In addition, Pier intended to evaluate the feasibility and comparative efficacy of a proprietary formulation of dronabinol.

The License Agreement granted Pier, among other provisions, exclusive rights: (i) to practice certain patents and patent applications, as defined in the License Agreement, that were then held by the University of Illinois; (ii) to identify, develop, make, have made, import, export, lease, sell, have sold or offer for sale any related licensed products; and (iii) to grant sub-licenses of the rights granted in the License Agreement, subject to the provisions of the License Agreement. Pier was required under the License Agreement, among other terms and conditions, to pay the University of Illinois a license fee, royalties, patent costs and certain milestone payments.

Prior to the merger, Pier conducted a 21 day, randomized, double-blind, placebo-controlled dose escalation Phase 2 clinical study in 22 patients with OSA, in which dronabinol produced a statistically significant reduction in the Apnea-Hypopnea Index ("AHI"), the primary therapeutic end-point, and was observed to be safe and well tolerated. Dronabinol is currently under investigation, at the University of Illinois and other centers, in a potentially pivotal 120 patient, double-blind, placebo-controlled Phase 2B OSA clinical trial, fully funded by the National Institutes of Health.

Dronabinol is a Schedule III, controlled generic drug with a relatively low abuse potential that is approved by the U.S. Food and Drug Administration ("FDA") for the treatment of AIDS-related anorexia and chemotherapy induced emesis. The use of dronabinol for the treatment of OSA is a novel indication for an already approved drug and, as such, the Company believes that it would only require approval by the FDA of a supplemental new drug application.

The License Agreement was terminated effective March 21, 2013 due to the Company's failure to make a required payment. New management subsequently opened negotiations with the University of Illinois and as a result, the Company ultimately entered into a new license agreement with the University of Illinois on June 27, 2014, the material terms of which were similar to the License Agreement that had been terminated on March 21, 2013.

Going Concern

The Company's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred net losses of \$2,707,535 and \$1,201,457 for the fiscal years ended December 31, 2014 and 2013, respectively, negative operating cash flows of \$885,869 and \$182,435 for the fiscal years ended December 31, 2014 and 2013, respectively, and expects to continue to incur net losses and negative operating cash flows for several more years. As a result, management and the Company's auditors believe that there is substantial doubt about the Company's ability to continue as a going concern.

The Company is currently, and has for some time, been in significant financial distress. It has limited cash resources and current assets and has no ongoing source of revenue. Beginning in late 2012, the Company's business activities were reduced to minimal levels, and the prior Board of Directors of the Company, which was removed by the written consent of stockholders holding a majority of the outstanding shares on March 22, 2013, had retained bankruptcy counsel to assist the Company in preparations to file for liquidation under Chapter 7 of the United States Bankruptcy Code. New management, which was appointed during March and April 2013, has evaluated the status of numerous aspects of the Company's existing business and obligations, including, without limitation, debt obligations, financial requirements, intellectual property, licensing agreements, legal and patent matters and regulatory compliance, and has raised new capital to fund its business activities.

From June 2013 through March 2014, the Company's Chairman and Chief Executive Officer advanced short-term loans to the Company aggregating \$150,000 in order to meet its minimum operating needs. In March and April 2014, the Company completed a private placement by selling 928.5 shares of its Series G 1.5% Convertible Preferred Stock for gross proceeds of \$928,500 and repaid the aggregate advances. The Company's Chairman and Chief Executive Officer invested \$250,000 in the Series G 1.5% Convertible Preferred Stock private placement. During November and December 2014, the Company sold short-term convertible notes (with warrants) in an aggregate principal amount of \$369,500 to various accredited investors and an additional \$210,000 of such short-term convertible notes (with warrants) in February 2015. The Company terminated this financing effective February 18, 2015.

The Company will need to continue to raise additional capital to be able to pay its liabilities and fund its business activities going forward. As a result of the Company's current financial situation, the Company has limited access to external sources of debt and equity financing. Accordingly, there can be no assurances that the Company will be able to secure additional financing in the amounts necessary to fully fund its operating and debt service requirements. If the Company is unable to access sufficient cash resources, the Company may be forced to discontinue its operations entirely and liquidate.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP") and include the financial statements of Cortex and its wholly-owned subsidiary, Pier. Intercompany balances and transactions have been eliminated in consolidation.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit risk by investing its cash with high quality financial institutions. The Company's cash balances may periodically exceed federally insured limits. The Company has not experienced a loss in such accounts to date.

Cash Equivalents

The Company considers all highly liquid short-term investments with maturities of less than three months when acquired to be cash equivalents.

Fair Value of Financial Instruments

The authoritative guidance with respect to fair value established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels, and requires that assets and liabilities carried at fair value be classified and disclosed in one of three categories, as presented below. Disclosure as to transfers into and out of Levels 1 and 2, and activity in Level 3 fair value measurements, is also required.

Level 1. Observable inputs such as quoted prices in active markets for an identical asset or liability that the Company has the ability to access as of the measurement date. Financial assets and liabilities utilizing Level 1 inputs include active-exchange traded securities and exchange-based derivatives.

Level 2. Inputs, other than quoted prices included within Level 1, which are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange based derivatives, mutual funds, and fair-value hedges.

Level 3. Unobservable inputs in which there is little or no market data for the asset or liability which requires the reporting entity to develop its own assumptions. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded, non-exchange-based derivatives and commingled investment funds, and are measured using present value pricing models.

The Company determines the level in the fair value hierarchy within which each fair value measurement falls in its entirety, based on the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, the Company performs an analysis of the assets and liabilities at each reporting period end.

The Company believes that the carrying amount of its financial instruments (consisting of cash, cash equivalents, grants receivable and accounts payable) approximates fair value due to the short-term nature of such instruments. With respect to the note payable to a related party and the convertible notes payable, management does not believe that the credit markets have materially changed for these types of speculative borrowings since the original borrowing date.

Deferred and Capitalized Financing Costs

Costs incurred in connection with ongoing financing activities, including legal and other professional fees, cash finder's and placement agent fees, and escrow agent fees, are deferred until the related financing is either completed or abandoned.

Costs related to completed debt financings are capitalized on the balance sheet and amortized over the term of the related debt agreements. Amortization of these costs is calculated on the straight-line basis, which approximates the effective interest method, and is charged to interest expense in the consolidated statements of operations. Costs related to completed equity financings are charged directly to additional paid-in capital. Costs related to abandoned financings are charged to operations.

Series G 1.5% Convertible Preferred Stock

The Series G 1.5% Convertible Preferred Stock (including accrued dividends) issued in 2014 is mandatorily convertible into common stock at a fixed conversion rate on April 17, 2016 (if not converted earlier) and has no right to cash at any time or for any reason. Additionally, the Series G 1.5% Convertible Preferred Stock has no participatory or reset rights, or other protections (other than normal anti-dilution rights) based on subsequent events, including equity transactions. Accordingly, the Company has determined that the Series G 1.5% Convertible Preferred Stock should be categorized in stockholders' equity (deficiency), and that there are no derivatives embedded in such security that would require identification, bifurcation and valuation. The Company did not issue any warrants to investors in conjunction with the Series G 1.5% Convertible Preferred Stock financing.

On March 18, 2014 and April 17, 2014, the Company issued 753.22 shares and 175.28 shares, respectively, of Series G 1.5% Convertible Preferred Stock at a purchase price of \$1,000 per share. Each share of Series G 1.5% Convertible Preferred Stock has a stated value of \$1,000 per share and is convertible into shares of common stock at a fixed price of \$0.0033 per share. On March 18, 2014 and April 17, 2014, the per share fair value of the common stock into which the Series G 1.5% Convertible Preferred Stock was convertible, determined by reference to the closing market prices of the Company's common stock on such closing dates, was \$0.04 per share and \$0.0348 per share, respectively, which was greater than the effective purchase price of such common shares of \$0.0033 per share.

The Company accounted for the beneficial conversion features in accordance with Accounting Standards Codification ("ASC") 470-20, Accounting for Debt with Conversion and Other Options. The Company calculated a deemed dividend on the Series G 1.5% Convertible Preferred Stock of \$8,376,719 in March 2014 and \$1,673,127 in April 2014, which equals the amount by which the estimated fair value of the common stock issuable upon conversion of the issued Series G 1.5% Convertible Preferred Stock exceeded the proceeds from such issuances. The deemed dividend on the Series G 1.5% Convertible Preferred Stock was amortized on the straight-line basis from the respective issuance dates through the earliest conversion date of June 16, 2014, in accordance with ASC 470-20. The difference between the amortization of the deemed dividend calculated based on the straight-line method and the effective yield method was not material. The amortization of the deemed dividend for the year ended December 31, 2014 was \$10,049,846.

Dr. Arnold S. Lippa, Ph.D., the Company's Chairman, Chief Executive Officer and a member of the Company's Board of Directors, purchased 250 shares for \$250,000, representing 33.2% of the 753.22 shares of Series G 1.5% Convertible Preferred Stock sold in the initial closing of such financing on March 18, 2014. The second (and final) closing of such financing consisted entirely of Series G 1.5% Convertible Preferred Stock sold to unaffiliated investors. Accordingly, Dr. Lippa purchased 26.9% of the entire amount of Series G 1.5% Convertible Preferred Stock sold in the financing. Dr. Lippa had been an officer and director of the Company for approximately one year when he purchased the 250 shares of Series G 1.5% Convertible Preferred Stock, and his investment, which was only a portion of the first closing, was made on the same terms and conditions as those provided to the other unaffiliated investors who made up the majority of the financing. Dr. Lippa did not control, directly or indirectly, 10% or more of the Company's voting equity securities at the time of his investment. The proportionate share of the deemed dividend attributable to Dr. Lippa's investment in the Series G 1.5% Convertible Preferred Stock in March 2014 was \$2,780,303.

10% Convertible Notes Payable

The convertible notes sold to investors in 2014 have an interest rate of 10% per annum and are convertible into common stock at a fixed price of \$0.035 per share. The convertible notes have no reset rights or other protections based on subsequent equity transactions, equity-linked transactions or other events. The warrants issued in connection with the sale of the convertible notes were detachable and are exercisable at a fixed price of \$0.035 per share, have no right to cash at any time or under any circumstances, and have no reset rights or other protections based on subsequent equity transactions, equity-linked transactions or other events. Accordingly, the Company has determined that there are no embedded derivatives to be identified, bifurcated and valued in connection with this financing.

On November 5, 2014, the Company sold an aggregate principal amount of \$238,500 of its 10% convertible notes payable due September 15, 2015 (subject to extension to September 15, 2016, at the option of the Company, subject to the issuance of additional warrants) and warrants to purchase shares of common stock exercisable into a fixed number of shares of common stock of the Company calculated as the principal amount of each convertible note divided by \$0.035 (i.e., 100% warrant coverage). The warrants do not have any cashless exercise provisions and are exercisable through September 30, 2015 at a fixed price of \$0.035 per share. The shares of common stock issuable upon conversion of the notes payable and the exercise of the warrants are not subject to any registration rights.

On December 9, 2014, December 31, 2014, and February 2, 2015, the Company sold an additional \$46,000, \$85,000 and \$210,000, respectively, of principal amount of the convertible notes (with warrants) to various accredited investors. The Company terminated this financing effective February 18, 2015.

The closing market prices of the Company's common stock on the transaction closing dates of November 5, 2014, December 9, 2014, December 31, 2014 and February 2, 2015 were \$0.0524 per share, \$0.0411 per share, \$0.0451 per share and \$0.043 per share, respectively, as compared to the fixed conversion price of the convertible notes and the fixed exercise price of the warrants of \$0.035 per share. Accordingly, the Company has accounted for the beneficial conversion features with respect to the sale of the convertible notes and the issuance of the warrants in accordance with ASC 470-20, Accounting for Debt with Conversion and Other Options.

The Company considered the face value of the convertible notes to be representative of their fair value. The Company determined the fair value of the warrants based on the Black-Scholes option-pricing model. The relative fair value method generated respective fair values for each of the convertible notes and the warrants of approximately 52% for the convertible notes and approximately 48% for the warrants. Once these values were determined, the fair value of the warrants of \$176,549 and the fair value of the beneficial conversion feature of \$192,951 (which were calculated based on the effective conversion price) were recorded as a reduction to the face value of the promissory note obligation. As a result, this aggregate debt discount reduced the carrying value of the convertible notes to zero at each issuance date. The excess amount generated from this calculation was not recorded, as the carrying value of a promissory note cannot be reduced below zero. The aggregate debt discount is being amortized as interest expense over the life of the promissory notes. The difference between the amortization of the debt discount calculated based on the straight-line method and the effective yield method was not material.

The cash fees paid to finders and for legal costs were deferred and capitalized as deferred offering costs and are being amortized to interest expense over the life of the promissory notes. The finder's warrants were considered as an additional cost of the offering and were included in deferred offering costs at fair value. The difference between the amortization of the deferred offering costs calculated based on the straight-line method and the effective yield method was not material.

Equipment

Equipment is recorded at cost and depreciated on a straight-line basis over the lesser of their estimated useful lives, ranging from three to five years.

Long-Term Prepaid Insurance

Long-term prepaid insurance represents the premium paid for directors and officer's insurance tail coverage, which is being amortized on a straight-line basis over the policy period of six years. The amount amortizable in the ensuing twelve month period is recorded as a current asset in the Company's consolidated balance sheet at each reporting date.

Long-Lived Assets

The Company reviews its long-lived assets, including long-term prepaid insurance, for impairment whenever events or changes in circumstances indicate that the total amount of an asset may not be recoverable, but at least annually. An impairment loss is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than the asset's carrying amount. The Company has not deemed any long-lived assets as impaired at December 31, 2014.

Stock-Based Compensation

The Company periodically issues common stock and stock options to officers, directors, Scientific Advisory Board members and consultants for services rendered. Such issuances vest and expire according to terms established at the issuance date.

The Company accounts for stock-based payments to officers and directors by measuring the cost of services received in exchange for equity awards based on the grant date fair value of the awards, with the cost recognized as compensation expense on the straight-line basis in the Company's financial statements over the vesting period of the awards. The Company accounts for stock-based payments to Scientific Advisory Board members and consultants by determining the value of the stock compensation based upon the measurement date at either (a) the date at which a performance commitment is reached or (b) at the date at which the necessary performance to earn the equity instruments is complete.

Stock grants, which are generally time vested, are measured at the grant date fair value and charged to operations over the vesting period.

Options granted to members of the Company's Scientific Advisory Board and to outside consultants are revalued each reporting period until vested to determine the amount to be recorded as an expense in the respective period. As the options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the then current value on the date of vesting.

All stock-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their fair values. The fair value of stock options is determined utilizing the Black-Scholes option-pricing model, and is affected by several variables, the most significant of which are the life of the equity award, the exercise price of the security as compared to the fair market value of the common stock on the grant date, and the estimated volatility of the common stock over the term of the equity award. Estimated volatility is based on the historical volatility of the Company's common stock. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of common stock is determined by reference to the quoted market price of the Company's common stock.

Stock options and warrants issued to non-employees as compensation for services to be provided to the Company or in settlement of debt are accounted for based upon the fair value of the services provided or the estimated fair value of the option or warrant, whichever can be more clearly determined. Management utilizes the Black-Scholes option-pricing model to determine the fair value of the stock options and warrants issued by the Company. The Company recognizes this expense over the period in which the services are provided.

For options granted during the year ended December 31, 2014, the fair value of each option award was estimated using the Black-Scholes option-pricing model with the following assumptions:

| | |
|-------------------------|------------------|
| Risk-free interest rate | 0.015% to 0.027% |
| Expected dividend yield | 0% |
| Expected volatility | 200% to 249% |
| Expected life | 5-10 years |

The Company issues new shares to satisfy stock option and warrant exercises. There were no options granted during the year ended December 30, 2013. There were no options exercised during the years ended December 31, 2014 and 2013.

The Company recognizes the fair value of stock-based compensation in general and administrative costs and in research and development costs, as appropriate, in the Company's consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under an asset and liability approach for financial accounting and reporting for income taxes. Accordingly, the Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements and the tax basis of assets and liabilities.

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made.

Pursuant to Internal Revenue Code Sections 382 and 383, use of the Company's net operating loss and credit carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within any three-year period since the last ownership change. The Company may have had a change in control under these Sections. However, the Company does not anticipate performing a complete analysis of the limitation on the annual use of the net operating loss and tax credit carryforwards until the time that it anticipates it will be able to utilize these tax attributes.

As of December 31, 2014, the Company did not have any unrecognized tax benefits related to various federal and state income tax matters and does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

The Company is subject to U.S. federal income taxes and income taxes of various state tax jurisdictions. As the Company's net operating losses have yet to be utilized, all previous tax years remain open to examination by Federal authorities and other jurisdictions in which the Company currently operates or has operated in the past.

The Company accounts for uncertainties in income tax law under a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns as prescribed by GAAP. The tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If the tax position is not considered "more-likely-than-not" to be sustained, then no benefits of the position are recognized. As of December 31, 2014, the Company had not recorded any liability for uncertain tax positions. In subsequent periods, any interest and penalties related to uncertain tax positions will be recognized as a component of income tax expense.

Foreign Currency Transactions

The note payable to related party, which is denominated in a foreign currency (the South Korean Won), is translated into the Company's functional currency (the United States dollar) at the exchange rate on the balance sheet date. The foreign currency exchange gain or loss resulting from translation is recognized in the related consolidated statements of operations.

Research Grants

The Company recognizes revenues from research grants as earned based on the percentage-of-completion method of accounting and issues invoices for contract amounts billed based on the terms of the grant agreement. Revenues recorded under research grants in excess of amounts earned are classified as unearned grant revenue liability in the Company's consolidated balance sheet. Grant receivable reflects contractual amounts due and payable under the grant agreement. Payment of grant receivables are based on progress reports provided by the Company. As of December 31, 2014, the Company was current in filing the required progress reports, as a result of which no allowance for uncollectible amounts was considered necessary.

Research grants are generally funded and paid through government or institutional programs. Amounts received under research grants are nonrefundable, regardless of the success of the underlying research project, to the extent that such amounts are expended in accordance with the approved grant project. During the year ended December 31, 2014, the Company had research grant revenues of \$61,667. At December 31, 2014, the Company had a grant receivable of \$48,000 and unearned grant revenue of \$34,333. The Company had no research grant revenues during the year ended December 31, 2013.

Research and Development Costs

Research and development costs consist primarily of fees paid to consultants and outside service providers and organizations (including research institutes at universities), patent fees and costs, and other expenses relating to the acquisition, design, development and testing of the Company's treatments and product candidates.

Research and development costs incurred by the Company under research grants are expensed as incurred over the life of the underlying contracts, unless the terms of the contract indicate that a different expensing schedule is more appropriate.

The Company reviews the status of its research and development contracts on a quarterly basis.

License Agreements

Obligations incurred with respect to mandatory payments provided for in license agreements are recognized ratably over the appropriate period, as specified in the underlying license agreement, and are recorded as liabilities in the Company's consolidated balance sheet, with a corresponding charge to research and development costs in the Company's consolidated statement of operations. Obligations incurred with respect to milestone payments provided for in license agreements are recognized when it is probable that such milestone will be reached, and are recorded as liabilities in the Company's consolidated balance sheet, with a corresponding charge to research and development costs in the Company's consolidated statement of operations. Payments of such liabilities are made in the ordinary course of business.

Patent Costs

Due to the significant uncertainty associated with the successful development of one or more commercially viable products based on the Company's research efforts and any related patent applications, all patent costs, including patent-related legal and filing fees, are expensed as incurred.

Comprehensive Income (Loss)

Components of comprehensive income or loss, including net income or loss, are reported in the financial statements in the period in which they are recognized. Comprehensive income or loss is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income (loss) and other comprehensive income (loss) are reported net of any related tax effect to arrive at comprehensive income (loss). The Company did not have any items of comprehensive income (loss) for the years ended December 31, 2014 and 2013.

Earnings per Share

The Company's computation of earnings per share ("EPS") includes basic and diluted EPS. Basic EPS is measured as the income (loss) attributable to common stockholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., warrants and options) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Net income (loss) attributable to common stockholders consists of net income or loss, as adjusted for actual and deemed preferred stock dividends declared, amortized or accumulated.

Loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the respective periods. Basic and diluted loss per common share is the same for all periods presented because all warrants and stock options outstanding are anti-dilutive.

At December 31, 2014 and 2013, the Company excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

| | December 31, | |
|---|---------------------|------------------|
| | 2014 | 2013 |
| Series B convertible preferred stock | 3,679 | 3,679 |
| Series G 1.5% convertible preferred stock | 264,465,728 | — |
| 10% convertible notes payable | 10,674,107 | — |
| Common stock warrants | 25,686,096 | 4,000,000 |
| Common stock options | 25,716,668 | 5,166,668 |
| Total | <u>326,546,278</u> | <u>9,170,347</u> |

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, 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 amounts may differ from those estimates.

Reclassifications

Certain comparative figures in 2013 have been reclassified to conform to the current year's presentation. These reclassifications were immaterial, both individually and in the aggregate.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)*. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under ASU 2014-08, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. ASU 2014-08 is effective for annual periods beginning after December 15, 2014. As the Company is engaged in research and development activities, the Company does not expect the adoption of this guidance to have any impact on the Company's financial statement presentation or disclosures.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. ASU 2014-09 also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. As the Company does not expect to have any operating revenues for the foreseeable future, the Company does not expect the adoption of this guidance to have any impact on the Company's financial statement presentation or disclosures.

In June 2014, the FASB issued Accounting Standards Update No. 2014-10 (ASU 2014-10), *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. ASU 2014-10 eliminated the requirement to present inception-to-date information about income statement line items, cash flows, and equity transactions, and clarifies how entities should disclose the risks and uncertainties related to their activities. ASU 2014-10 also eliminated an exception provided to development stage entities in Consolidations (ASC Topic 810) for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. The presentation and disclosure requirements in Topic 915 will no longer be required for interim and annual reporting periods beginning after December 15, 2014, and the revised consolidation standards will take effect in annual periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-10 is not expected to have any impact on the Company's financial statement presentation or disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 (ASU 2014-15), *Presentation of Financial Statements – Going Concern (Subtopic 205-10)*. ASU 2014-15 provides guidance as to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued when applicable). Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of ASU 2014-15 is not expected to have any impact on the Company's financial statement presentation or disclosures.

In January 2015, the FASB issued Accounting Standards Update No. 2015-01 (ASU 2015-01), *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20)*. ASU 2015-01 eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, *Income Statement-Extraordinary and Unusual Items*, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. Paragraph 225-20-45-2 contains the following criteria that must both be met for extraordinary classification: (1) Unusual nature. The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates. (2) Infrequency of occurrence. The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the guidance prospectively. A reporting entity also may apply the guidance retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of ASU 2015-01 is not expected to have any impact on the Company's financial statement presentation or disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02 (ASU 2015-02), *Consolidation (Topic 810)*. ASU 2015-02 changes the guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation mode. ASU 2015-02 affects the following areas: (1) Limited partnerships and similar legal entities. (2) Evaluating fees paid to a decision maker or a service provider as a variable interest. (3) The effect of fee arrangements on the primary beneficiary determination. (4) The effect of related parties on the primary beneficiary determination. (5) Certain investment funds. ASU 2015-02 is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments in this guidance using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The adoption of ASU 2015-02 is not expected to have any impact on the Company's financial statement presentation or disclosures.

Management does not believe that any other recently issued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company's financial statement presentation or disclosures.

3. Notes Payable

10% Convertible Notes Payable

On November 5, 2014, the Company entered into a Convertible Note and Warrant Purchase Agreement (the "Purchase Agreement") with various accredited, non-affiliated investors (each, a "Purchaser"), pursuant to which the Company sold an aggregate principal amount of \$238,500 of its (i) 10% Convertible Notes due September 15, 2015 (each a "Note", and together, the "Notes") and (ii) Warrants to purchase shares of common stock (the "Warrants") as described below. This was the initial closing of a private placement that was terminated effective February 18, 2015. Unless otherwise provided for in the Notes, the outstanding principal balance of each Note and all accrued and unpaid interest is due and payable in full on September 15, 2015. The Company may elect, at its option and in its sole discretion, to extend the maturity date of the Notes to September 15, 2016 upon thirty days' notice to the Note holders delivered prior to the maturity date, subject to the issuance by the Company to the Note holders of additional warrants, exercisable for a period of one year from the date of issuance, to purchase the Company's common stock exercisable at \$0.035 per share of common stock, into that number of shares of common stock calculated as the product of the principal amount of the Note plus any accrued and unpaid interest, multiplied by 50% and then dividing that product by \$0.035 (the "Extended Maturity Date Warrant"). The Extended Maturity Date Warrant shall otherwise be substantially similar in form and substance to the warrant issued in connection with the Note.

At any time, each Purchaser may elect, at its option and in its sole discretion, to convert the outstanding principal amount into a fixed number of shares of the Company's common stock equal to the quotient obtained by dividing the outstanding principal amount by \$0.035 (an aggregate of 6,814,286 shares for the initial closing), plus any accrued and unpaid interest, which is treated in the same manner as the outstanding principal amount. In the case of a Qualified Financing (as defined in the Purchase Agreement), the outstanding principal amount and accrued and unpaid interest under the Notes automatically convert into common stock at a common stock equivalent price of \$0.035. In the case of an Acquisition (as defined in the Purchase Agreement), the Company may elect to either: (i) convert the outstanding principal amount and all accrued and unpaid interest under the Notes into shares of common stock or (ii) accelerate the maturity date of the Notes to the date of closing of the Acquisition. Each Warrant to purchase shares of common stock is exercisable into a fixed number of shares of common stock of the Company calculated as each Purchaser's investment amount divided by \$0.035 (an aggregate of 6,814,286 shares for the initial closing). The Warrants were detachable and are exercisable through September 15, 2015 at a fixed price of \$0.035 per share. The warrants do not have any cashless exercise provisions. The shares of common stock issuable upon conversion of the Notes and exercise of the Warrants are not subject to any registration rights.

On December 9, 2014, December 31, 2014, and February 2, 2015, the Company sold an additional \$46,000, \$85,000 and \$210,000, respectively, of principal amount of the Notes (with Warrants) to various accredited investors. The Company terminated this financing effective February 18, 2015.

Placement agent fees, brokerage commissions, finder's fees and similar payments were made in the form of cash and warrants to qualified referral sources in connection with the sale of the Notes and Warrants. In connection with the initial closing, fees of \$16,695 were paid in cash, based on 7% of the aggregate principal amount of the Notes issued to such referral sources, and the fees paid in warrants (the "Placement Agent Warrants") consisted of 477,000 warrants, reflecting warrants for that number of shares equal to 7% of the number of shares of common stock into which the corresponding Notes are convertible. In connection with the second closing, fees of \$700 were paid in cash and 20,000 Placement Agent Warrants were issued. In connection with the third closing, fees of \$3,500 were paid in cash and 100,000 Placement Agent Warrants were issued. In connection with the fourth closing, fees of \$14,700 were paid in cash and 420,000 Placement Agent Warrants were issued. The Placement Agent Warrants have cashless exercise provisions and are exercisable through September 15, 2015 at a fixed price of \$0.035 per share. Aurora Capital LLC, a related party, is acting as the placement agent for this financing, and the Placement Agent Warrants are being issued to Aurora Capital LLC and/or its designees or affiliates. The stock warrants issued to the placement agent and/or its designees or affiliates in connection with the 2014 closings of the Purchase Agreement, to purchase 597,000 shares of the Company's common stock, were valued pursuant to the Black-Scholes option-pricing model at \$19,986, \$614 and \$3,340, respectively. Total financing costs at December 31, 2014 aggregating \$101,350, consisting of \$77,410 paid in cash, and \$23,940 paid in the form of warrants, are being amortized as additional interest expense over the life of the Notes. During the year ended December 31, 2014, \$15,648 was charged to interest expense with respect to the amortization of capitalized financing costs.

Aurora Capital LLC was the placement agent for this financing, and Aurora and its designees and/or affiliates received fees in connection with this financing in the form of cash of \$19,425 and warrants to purchase 555,000 shares of common stock during the year ended December 31, 2014.

The Notes and Warrants were offered and sold without registration under the Securities Act in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act as provided in Rule 506 of Regulation D promulgated thereunder. The Notes and Warrants and the shares of common stock issuable upon conversion of the Notes and exercise of the Warrants have not been registered under the Securities Act or any other applicable securities laws, and unless so registered, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

The Company used the Black-Scholes option-pricing model to estimate the fair value of the warrants to purchase 10,557,143 shares of the Company's common stock sold to investors in connection with the 2014 closings at a fixed exercise price of \$0.035 per share. The Company applied the relative fair value method to allocate the proceeds from the borrowing to the note payable and the warrants. Consequently, approximately 52% of the proceeds of the borrowing were attributed to the debt instrument. The 48% value attributed to the warrant is being amortized as additional interest expense over the life of the note. During the year ended December 31, 2014, \$21,285 was charged to interest expense from the amortization of debt discount related to the value attributed to the warrants.

During the year ended December 31, 2014, \$24,865 was charged to interest expense from the amortization of debt discount related to the value attributed to the beneficial conversion feature.

The 10% Convertible Notes Payable consist of the following at December 31, 2014:

| | December 31, 2014 |
|-----------------------------------|--------------------------|
| Principal amount of notes payable | \$ 369,500 |
| Add accrued interest payable | 4,093 |
| | <u>373,593</u> |
| Less unamortized discounts: | |
| Stock warrants | (155,264) |
| Beneficial conversion feature | (168,086) |
| | <u>\$ 50,243</u> |

As of December 31, 2014, the 10% Convertible Notes Payable were convertible into 10,674,107 shares of the Company's common stock, including 116,964 shares attributable to accrued interest of \$4,093 payable as of such date.

Note Payable to Related Party

On June 25, 2012, the Company borrowed 465,000,000 Won (the currency of South Korea, equivalent to approximately \$400,000 US dollars) from and executed a secured note payable to SY Corporation Co., Ltd., formerly known as Samyang Optics Co. Ltd. ("SAMYANG"), an approximately 20% common stockholder of the Company at that time. The note accrues simple interest at the rate of 12% per annum and has a maturity date of June 25, 2013, although SAMYANG was permitted to demand early repayment of the promissory note on or after December 25, 2012. SAMYANG did not demand early repayment. The Company has not made any payments on the promissory note. At June 30, 2013 and subsequently, the promissory note was outstanding and in technical default, although SAMYANG has not issued a notice of default or a demand for repayment. The Company believes that SAMYANG is in default of its obligations under its January 2012 license agreement, as amended, with the Company, but the Company has not yet issued a notice of default. The Company is endeavoring to enter into discussions with SAMYANG with a view toward a comprehensive resolution of the aforementioned matters.

Pursuant to the terms of this borrowing arrangement, SAMYANG was granted the right to designate a representative to serve on the Company's Board of Directors, pursuant to which SAMYANG designated Dr. Moogak Hwang, Ph.D. as its representative. In this regard, the Company elected Dr. Hwang to its Board of Directors on August 3, 2012. Dr. Hwang resigned from the Company's Board of Directors effective September 30, 2013.

The promissory note is secured by collateral that represents a lien on certain patents owned by the Company, including composition of matter patents for certain of the Company's high impact ampakine compounds and the low impact ampakine compounds CX2007 and CX2076, and other related compounds. The security interest does not extend to the Company's patents for its ampakine compounds CX1739 and CX1942, or to the patent for the use of ampakine compounds for the treatment of respiratory depression.

In connection with this financing, the Company issued to SAMYANG two-year detachable warrants to purchase 4,000,000 shares of the Company's common stock at a fixed exercise price of \$0.056 per share. The warrants have a call right for consideration of \$0.001 per share, in favor of the Company, to the extent that the weighted average closing price of the Company's common stock exceeds \$0.084 per share for each of ten consecutive trading days, subject to certain circumstances. Additionally, an existing license agreement with SAMYANG was expanded to include rights to ampakine CX1739 in South Korea for the treatment of sleep apnea and respiratory depression. The warrants expired unexercised on June 25, 2014.

The Company used the Black-Scholes option-pricing model to estimate the fair value of the two-year detachable warrants to purchase 4,000,000 shares of the Company's common stock at a fixed exercise price of \$0.056 per share. The Company applied the relative fair value method to allocate the proceeds from the borrowing to the note payable and the detachable warrants. The Company did not consider the expansion of the existing license agreement with Samyang to have any significant value. Consequently, approximately 64% of the proceeds of the borrowing were attributed to the debt instrument.

The 36% value attributed to the warrant was being amortized as additional interest expense over the life of the note. Additionally, financing costs aggregating \$21,370 incurred in connection with the transaction were also amortized over the expected life of the note. In that repayment could be demanded after six months, that period was used as the expected life of the note payable for amortization purposes.

Note payable to Samyang consists of the following at December 31, 2014 and 2013:

| | <u>December 31, 2014</u> | <u>December 31, 2013</u> |
|---|--------------------------|--------------------------|
| Principal amount of note payable | \$ 399,774 | \$ 399,774 |
| Accrued interest payable | 122,618 | 73,979 |
| Foreign currency transaction adjustment | 3,865 | 47,502 |
| | <u>\$ 526,257</u> | <u>\$ 521,255</u> |

Notes Payable to Chairman

On June 25, 2013, the Arnold Lippa Family Trust, an affiliate of Dr. Arnold S. Lippa, the Company's Chairman and Chief Executive Officer, began advancing funds to the Company in order to meet minimum operating needs. At December 31, 2013, Dr. Lippa had advanced a total of \$75,000 to the Company. Such advances reached a maximum of \$150,000 on March 3, 2014 and were due on demand with interest at a rate per annum equal to the "Blended Annual Rate", as published by the U.S. Internal Revenue Service of approximately 0.22% for the period outstanding. In March 2014, the Company repaid the working capital advances, including accrued interest of \$102, with the proceeds from the private placement of its Series G 1.5% Convertible Preferred Stock.

4. Project Advance

In June 2000, the Company received \$247,300 from the Institute for the Study of Aging (the "Institute") pursuant to a note (the "Note") and Agreement to Accept Conditions of Loan Support (the "Loan Support Agreement") to fund testing of CX516, one of the Company's ampakine compounds, in patients with mild cognitive impairment ("MCI"). Patients with MCI represent the earliest clinically-defined group with memory impairment beyond that expected for normal individuals of the same age and education, but such patients do not meet the clinical criteria for Alzheimer's disease. During 2002 and 2003, the Company conducted a double-blind, placebo-controlled clinical study with 175 elderly patients displaying MCI and issued a final report on June 21, 2004. CX516 did not improve the memory impairments observed in these patients.

Pursuant to the Note and Loan Support Agreement, if the Company complied with certain conditions, including the completion of the MCI clinical trial, the Company would not be required to make any repayments unless and until the Company enters one of its ampakine compounds into a Phase 3 clinical trials for Alzheimer's disease. Upon initiation of such clinical trials, repayment would include the principal amount plus accrued interest computed at a rate equal to one-half of the prime lending rate. In the event of repayment, the Institute could elect to receive the outstanding principal balance and any accrued interest thereon in shares of the Company's common stock. The conversion price for such form of repayment was fixed at \$4.50 per share and was subject to adjustment if the Company paid a dividend or distribution in shares of common stock, effected a stock split or reverse stock split, effected a reorganization or reclassification of its capital stock, or effected a consolidation or merger with or into another corporation or entity. Included in the consolidated balance sheets is principal and accrued interest with respect to this funding agreement in the amount of \$334,096 at December 31, 2013.

On September 2, 2014, the Company entered into a Release Agreement (the "Release Agreement") with the Institute to settle this outstanding obligation, which had an outstanding balance of \$336,809, including accrued interest of \$89,509, on such date. Pursuant to the terms of the Release Agreement, the Institute received 1,000,000 shares of the Company's common stock as settlement of all obligations of the Company under the Note and the Loan Support Agreement. Such common shares are "restricted securities" as defined under Rule 144 promulgated under the Securities Act of 1933, as amended, and are not subject to any registration rights. The Release Agreement also includes a mutual release between the Company and the Institute, releasing each party from all claims up until the date of the Release Agreement. The 1,000,000 common shares issued were valued at \$49,000, based on the closing price of the Company's common stock on September 2, 2014 of \$0.049 per share. The settlement resulted in the Company recognizing a gain of \$287,809 during the year ended December 31, 2014.

5. Settlements

During the three months ended March 31, 2014, the Company executed settlement agreements with four former executives that resulted in the settlement of potential claims totaling \$1,336,264 that had been previously accrued in 2012 and 2013. The Company made cash payments of \$118,084 and issued stock options to purchase 4,300,000 shares of common stock exercisable at \$0.04 per share for periods ranging from five to ten years. The stock options were valued pursuant to the Black-Scholes option-pricing model at \$179,910. In addition to other provisions, the settlement agreements included mutual releases. The settlements resulted in the Company recognizing a gain of \$1,038,270 during the year ended December 31, 2014.

During the three months ended June 30, 2014, the Company executed settlement agreements with two former professional service providers that resulted in the settlement of potential claims totaling \$496,514 for a cost of \$60,675 in cash, plus the issuance of stock options to purchase 1,250,000 shares of common stock exercisable at \$0.04 per share for a period of five years, and valued pursuant to the Black-Scholes option-pricing model at \$42,250 in the aggregate. In addition to other provisions, the settlement agreements included mutual releases. The settlements resulted in the Company recognizing a gain of \$393,590 during the year ended December 31, 2014.

On September 2, 2014, the Company recognized a gain of \$287,809 resulting from the settlement of an obligation to the Institute for the Study of Aging. Additional information with respect to this settlement is provided at Note 4.

6. Stockholders' Deficiency

Preferred Stock

The Company has authorized a total of 5,000,000 shares of preferred stock, par value \$0.001 per share. As of December 31, 2013, 1,250,000 shares were designated as 9% Cumulative Convertible Preferred Stock (non-voting, "9% Preferred Stock"); 37,500 shares were designated as Series B Convertible Preferred Stock (non-voting, "Series B Preferred Stock"); and 205,000 shares were designated as Series A Junior Participating Preferred Stock (non-voting, "Series A Junior Participating Preferred Stock"). On March 14, 2014, the Company filed a Certificate of Designation, Preferences, Rights and Limitations, (the "Certificate of Designation") of its Series G 1.5% Convertible Preferred Stock with the Secretary of State of the State of Delaware to amend the Company's certificate of incorporation. The number of shares designated as Series G 1.5% Convertible Preferred Stock is 1,700 (which shall not be subject to increase without the written consent of a majority of the holders of the Series G 1.5% Convertible Preferred Stock or as otherwise set forth in the Certificate of Designation). Accordingly, as of December 31, 2014, 3,505,800 shares of preferred stock were undesignated and may be issued with such rights and powers as the Board of Directors may designate.

In July 2009, the Company completed a private placement of 4,029 shares of its Series F Convertible Preferred Stock with a stated value of \$1,000 per share and warrants to purchase an aggregate of 6,060,470 shares of its common stock to a single institutional investor. The warrants issued to the investor had an exercise price of \$0.2699 per share and were exercisable on or before January 31, 2013. The warrants expired unexercised. As of December 31, 2009, the Series F Convertible Preferred Stock had fully converted into 12,120,938 shares of the Company's common stock at a conversion price of \$0.3324 per share.

There were no shares of 9% Preferred Stock or Series A Junior Participating Preferred Stock outstanding as of December 31, 2014 or 2013.

Series B Preferred Stock outstanding as of December 31, 2014 and 2013 consisted of 37,500 shares issued in a May 1991 private placement. Each share of Series B Preferred Stock is convertible into approximately 0.09812 shares of common stock at an effective conversion price of \$6.795 per share of common stock, which is subject to adjustment under certain circumstances. As of December 31, 2014 and 2013, the shares of Series B Preferred Stock outstanding are convertible into 3,679 shares of common stock. The Company may redeem the Series B Preferred Stock for \$25,001, equivalent to \$0.6667 per share, an amount equal to its liquidation preference, at any time upon 30 days prior notice.

Series G 1.5% Convertible Preferred Stock

On March 18, 2014, the Company entered into Securities Purchase Agreements with various accredited investors (the “Initial Purchasers”), pursuant to which the Company sold an aggregate of 753.22 shares of its Series G 1.5% Convertible Preferred Stock for a purchase price of \$1,000 per share, or an aggregate purchase price of \$753,220. This financing represented the initial closing on the private placement (the “Private Placement”). The Initial Purchasers in this tranche of the Private Placement consisted of (i) Dr. Arnold S. Lippa, the Company’s Chairman, Chief Executive Officer and a member of the Company’s Board of Directors, who invested \$250,000 for 250 shares of Series G 1.5% Convertible Preferred Stock, and (ii) new, non-affiliated, accredited investors. Neither the Series G 1.5% Convertible Preferred Stock nor the underlying shares of common stock have any registration rights.

The placement agents and selected dealers in connection with the initial tranche of the Private Placement received cash fees totaling \$3,955 as compensation and an obligation of the Company to issue warrants to acquire 12,865,151 shares of common stock, totaling approximately 5.6365% of the shares of common stock into which the Series G 1.5% Convertible Preferred Stock may convert, issuable upon completion of all closings of the Private Placement and exercisable for five years, at a fixed price of \$0.00396, which is 120% of the conversion price at which the Series G 1.5% Convertible Preferred Stock may convert into the Company’s common stock. The stock warrants issuable to the placement agents and selected dealers in connection with the initial tranche of the Private Placement were valued pursuant to the Black-Scholes option-pricing model at \$443,848.

Aurora Capital LLC was one of the placement agents. Both Dr. Arnold S. Lippa and Jeff E. Margolis, officers and directors of the Company since March 22, 2013, have indirect ownership interests in Aurora Capital LLC through interests held in its members, and Jeff E. Margolis is also an officer of Aurora Capital LLC.

The Series G 1.5% Convertible Preferred Stock has a stated value of \$1,000 per share and a stated dividend at the rate per share (as a percentage of the Stated Value per share) of 1.5% per annum, payable quarterly within 15 calendar days of the end of each fiscal quarter of the Company, in duly authorized, validly issued, fully paid and non-assessable shares of Series G 1.5% Convertible Preferred Stock, which may include fractional shares of Series G 1.5% Convertible Preferred Stock. The Company recorded a dividend on the Series G 1.5% Convertible Preferred Stock of \$10,926 during the year ended December 31, 2014, which was paid through the issuance of an additional 10.9 shares of Series G 1.5% Convertible Preferred Stock.

The Series G 1.5% Convertible Preferred Stock became convertible, beginning 60 days after the last share of Series G 1.5% Convertible Preferred Stock is issued in the Private Placement, at the option of the holder, into common stock at the applicable conversion price, at a rate determined by dividing the Stated Value of the shares of Series G 1.5% Convertible Preferred Stock to be converted by the conversion price, subject to adjustments for stock dividends, splits, combinations and similar events as described in the form of Certificate of Designation. As the stated value of the Series G 1.5% Convertible Preferred Stock is \$1,000 per share, and the fixed conversion price is \$0.0033, each share of Series G 1.5% Convertible Preferred Stock is convertible into 303,030.3 shares of common stock. In addition, the Company has the right to require the holders of the Series G 1.5% Convertible Preferred Stock to convert such shares into common stock under certain enumerated circumstances as set forth in the Certificate of Designation.

Upon either (i) a Qualified Public Offering (as defined in the Certificate of Designation) or (ii) the affirmative vote of the holders of a majority of the Stated Value of the Series G 1.5% Convertible Preferred Stock issued and outstanding, all outstanding shares of Series G 1.5% Convertible Preferred Stock, plus all accrued or declared, but unpaid, dividends thereon, shall be mandatorily converted into such number of shares of common stock determined by dividing the Stated Value of such Series G 1.5% Convertible Preferred Stock (together with the amount of any accrued or declared, but unpaid, dividends thereon) by the Conversion Price (as defined in the Certificate of Designation).

If not earlier converted, the Series G 1.5% Convertible Preferred Stock shall be redeemed by conversion on the two year anniversary of the date the last share of Series G 1.5% Convertible Preferred Stock is issued in the Private Placement at the Conversion Price.

Except as described in the Certificate of Designation, holders of the Series G 1.5% Convertible Preferred Stock will vote together with holders of the Company common stock on all matters, on an as-converted to common stock basis, and not as a separate class or series (subject to limited exceptions).

In the event of any liquidation or winding up of the Company prior to and in preference to any Junior Securities (including common stock), the holders of the Series G 1.5% Convertible Preferred Stock will be entitled to receive in preference to the holders of the Company common stock a per share amount equal to the Stated Value, plus any accrued and unpaid dividends thereon.

Purchasers in the Private Placement of the Series G 1.5% Convertible Preferred Stock executed written consents in favor of (i) approving and adopting an amendment to the Company's certificate of incorporation that increases the number of authorized shares of the Company to 1,405,000,000, 1,400,000,000 of which are shares of common stock and 5,000,000 of which are shares of preferred stock, and (ii) approving and adopting the Cortex Pharmaceuticals, Inc. 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

The shares of Series G 1.5% Convertible Preferred Stock were offered and sold without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act as provided in Rule 506(b) of Regulation D promulgated thereunder. The shares of Series G 1.5% Convertible Preferred Stock and the Company's common stock issuable upon conversion of the shares of Series G 1.5% Convertible Preferred Stock have not been registered under the Securities Act or any other applicable securities laws, and unless so registered, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

On April 17, 2014, the Company entered into Securities Purchase Agreements with various accredited investors (together with the Initial Purchasers as defined above, the "Purchasers"), pursuant to which the Company sold an aggregate of an additional 175.28 shares of its Series G 1.5% Convertible Preferred Stock, for a purchase price of \$1,000 per share, or an aggregate purchase price of \$175,280. This was the second and final closing on the Private Placement, in which a total of 928.5 shares of Series G 1.5% Convertible Preferred Stock were sold for an aggregate purchase price of \$928,500. The Purchasers in the second and final tranche of the Private Placement consisted of new, non-affiliated, accredited investors and non-management investors who had also invested in the first closing. One of the investors in this second and final closing was an affiliate of an associated person of Aurora Capital LLC. Neither the Series G 1.5% Convertible Preferred Stock nor the underlying shares of common stock have any registration rights.

The placement agents and selected dealers in connection with the second tranche of the Private Placement received cash fees of \$3,465 as compensation and an obligation of the Company to issue warrants to acquire 6,386,120 shares of common stock, totaling approximately 12% of the shares of common stock into which the Series G 1.5% Convertible Preferred Stock may convert, issuable upon completion of all closings of the Private Placement and exercisable for five years, at a fixed price of \$0.00396, which is 120% of the conversion price at which the Series G 1.5% Convertible Preferred Stock may convert into the Company's common stock. The stock warrants issuable to the placement agents and selected dealers in connection with the second closing of the Private Placement were valued pursuant to the Black-Scholes option-pricing model at \$220,321.

As the stated value of the Series G 1.5% Convertible Preferred Stock is \$1,000 per share, and the fixed conversion price is \$0.0033, each share of Series G 1.5% Convertible Preferred Stock is convertible into 303,030.3 shares of common stock. The aggregate of 928.5 shares of Series G 1.5% Convertible Preferred Stock sold in all of the closings of the Private Placement are convertible into a total of 281,363,634 shares of common stock.

The warrants that the placement agents and selected dealers received in connection with all closings of the Private Placement, which were issued effective April 17, 2014, represent the right to acquire 19,251,271 shares of common stock exercisable for five years at a fixed price of \$0.00396, which is 120% of the conversion price at which the Series G 1.5% Convertible Preferred Stock may convert into the Company's common stock.

Aurora Capital LLC was one of the placement agents for this financing, and Aurora and its designees and/or affiliates received fees in connection with this financing in the form of cash of \$2,800 and warrants to purchase 10,427,029 shares of common stock during the year ended December 31, 2014.

Effective August 25, 2014, a finder's warrant issued on April 17, 2014 in conjunction with the Private Placement of the Series G 1.5% Convertible Preferred Stock, representing the right to acquire a total of 2,112,879 shares of common stock, was exercised in full on a cashless basis, resulting in the net issuance of 1,942,124 shares of common stock.

Effective September 5, 2014, a finder's warrant issued on April 17, 2014 in conjunction with the Private Placement of the Series G 1.5% Convertible Preferred Stock, representing the right to acquire a total of 2,412,878 shares of common stock, was exercised in part (50%, or 1,206,439 shares) on a cashless basis, resulting in the net issuance of 1,126,814 shares of common stock.

Effective September 26, 2014, a finder's warrant issued on April 17, 2014 in conjunction with the Private Placement of the Series G 1.5% Convertible Preferred Stock, representing the right to acquire a total of 1,400,000 shares of common stock, was exercised in full on a cashless basis, resulting in the net issuance of 1,326,080 shares of common stock.

Effective December 16, 2014, 66.68888 shares of Series G 1.5% Convertible Preferred Stock, including 0.68888 dividend shares, were converted into 20,208,752 shares of common stock on a cashless basis.

As of December 31, 2014, the Series G 1.5% Convertible Preferred Stock was convertible into 264,465,728 shares of the Company's common stock, including 3,102,094 shares attributable to the 1.5% dividend on such shares of \$10,237 accrued as of that date.

Common Stock

In October 2011, the Company completed a private placement of \$500,000 in securities with Samyang Value Partners Co., Ltd., a wholly-owned subsidiary of Samyang. The transaction included the issuance of 6,765,466 shares of the Company's common stock and two-year warrants to purchase an additional 1,691,367 shares of its common stock. The warrants had an exercise price of \$0.1035 per share and a call right in favor of the Company. None of those warrants were exercised, and consequently, those warrants to purchase 1,691,367 shares of the Company's common stock expired unexercised in October 2013. Related to this private placement, the Company and Samyang entered into a non-binding memorandum of understanding ("MOU") regarding a potential license agreement for rights to the ampakine CX1739 for the treatment of neurodegenerative diseases in South Korea. The MOU also provided Samyang with rights of negotiation to expand its territory into other South East Asian countries, excluding Japan, Taiwan and China, and to include rights to the high impact ampakine CX1846 for the potential treatment of neurodegenerative diseases. The related license agreement was subsequently completed in January 2012.

As discussed above, the holders of the Series G 1.5% Convertible Preferred Stock approved and adopted an amendment to increase the number of authorized shares of the Company to 1,405,000,000, 1,400,000,000 of which are shares of common stock and 5,000,000 of which are shares of preferred stock. The Company also sought, and on April 17, 2014 obtained by written consent, sufficient votes of the holders of its common stock, voting as a separate class, to effect the amendment. A certificate of Amendment to the Company's Certificate of Incorporation to effect the increase in the authorized shares was filed with the Secretary of State of the State of Delaware on April 17, 2014.

On April 14, 2014, the Board of Directors of the Company awarded a total of 57,000,000 shares of common stock of the Company, including awards of 15,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time, and 4,000,000 shares and 8,000,000 shares to two other individuals. The individual who received the 8,000,000 shares was an associated person of Aurora Capital LLC, a related party. These awards were made to those individuals on that date as compensation for services rendered through March 31, 2014. Prior to these awards, none of the officers or directors of the Company had earned or received any cash compensation from the Company since joining the Company in March and April 2013, and there were no prior compensation arrangements or agreements with such individuals. As the initial closing of the Series G 1.5% Convertible Preferred Stock was completed on March 18, 2014, and such closing represented approximately 81% of the total amount of such financing, the Company's Board of Directors determined that it was appropriate at that time to compensate such officers for the period since they joined the Company in March and April 2013 through March 31, 2014. Such compensation was concluded on April 14, 2014 with the issuance of the aforementioned stock awards. Accordingly, as a result of these factors, the fair value of these stock awards of \$2,280,000 was charged to operations effective as of March 18, 2014. The stock awards were valued at \$0.04 per share, which was the closing price of the Company's common stock on March 18, 2014. These stock awards were made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan.

On September 3, 2014, James Sapirstein and Kathryn MacFarlane were appointed to the Board of Directors of the Company, and in connection therewith, pursuant to the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan, they were awarded an aggregate of 4,000,000 shares of common stock of the Company, consisting of 2,000,000 shares to each new director, vesting 50% upon appointment to the Board of Directors, 25% on September 30, 2014 and 25% on December 31, 2014. The stock awards were valued at \$0.049 per share, which was the closing price of the Company's common stock on September 3, 2014. During the year ended December 31, 2014, the Company recorded a charge to operations of \$196,000 with respect to these stock awards.

On September 18, 2014, Dr. John Greer, Ph.D. was appointed to the position of Chairman of the Company's Scientific Advisory Board. Dr. Greer is the Director of the Neuroscience and Mental Health Institute at the University of Alberta, holds two grants regarding research into neuromuscular control of breathing, and is the inventor on the use patents licensed by the Company with respect to ampakines. In connection with the appointment of Dr. Greer as Chairman of the Company's Scientific Advisory Board on September 18, 2014, the Board of Directors awarded 2,000,000 shares of common stock of the Company to Dr. Greer (through his wholly-owned consulting company, Progress Scientific, Inc.), vesting 25% upon appointment, 25% on September 30, 2014, 25% on December 31, 2014, and 25% on March 31, 2015. The stock award was valued at \$0.066 per share, which was the closing price of the Company's common stock on September 18, 2014. This stock award was made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan. During the year ended December 31, 2014, the Company recorded a charge to operations of \$99,000 with respect to this stock award. At December 31, 2014, total unrecognized compensation expense for the outstanding unvested stock awards was \$33,000, which will be recognized during the three months ending March 31, 2015.

Richard Purcell was appointed as the Company's Senior Vice President of Research and Development effective October 15, 2014. In conjunction with his appointment, the Company has agreed to issue to Mr. Purcell 2,000,000 shares of the Company's common stock, with 25% of such stock grant vesting and issuable every three months after the date of his appointment (i.e., on January 15, 2015, April 15, 2015, July 15, 2015 and October 15, 2015), subject to Mr. Purcell's continued relationship with the Company on each of the vesting dates. The stock grant is being made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan. Based on the Company's closing stock price on October 15, 2014 of \$0.078 per share, the Company will recognize a charge to operations with respect to the stock grant of \$39,000 on each of January 15, 2015, April 15, 2015, July 15, 2015 and October 15, 2015.

Information with respect to common stock purchase warrants issued to finders and placement agents in connection with the sale of the Notes and Warrants is provided at Note 3 under “10% Convertible Notes Payable.”

Information with respect to the issuance of common stock in 2014 upon the exercise of common stock purchase warrants issued to finders and placement agents in connection with the Private Placement of the Series G 1.5% Convertible Preferred Stock is provided above at “Series G 1.5% Convertible Preferred Stock.”

Common Stock Warrants

In connection with the private placement of the Company’s Series F Convertible Preferred Stock in July 2009, the Company issued warrants to purchase an aggregate of 6,060,470 shares of its common stock to a single institutional investor. The warrants had an exercise price of \$0.2699 per share and were exercisable on or before January 31, 2013. The Company also issued warrants to purchase an additional 606,047 shares of the Company’s common stock to the placement agent for that transaction. These warrants had an exercise price of \$0.3656 per share and were subject to the same exercisability term as the warrants issued to the investor. The warrants issued to the investor and to the placement agent were subject to a call provision in favor of the Company. None of these investor or placement agent warrants were exercised, and consequently, these warrants to purchase 6,666,517 shares of the Company’s common stock expired unexercised in January 2013.

In connection with a private placement of debt on June 25, 2012, the Company issued to Samyang two-year detachable warrants to purchase 4,000,000 shares of the Company’s common stock at a fixed exercise price of \$0.056 per share. The warrants had a call right for consideration of \$0.001 per share, in favor of the Company, to the extent that the weighted average closing price of the Company’s common stock exceeded \$0.084 per share for each of ten consecutive trading days, subject to certain circumstances. The warrants expired unexercised in June 2014.

Information with respect to the issuance and exercise of common stock purchase warrants with respect to finders and placement agents in connection with the private placement of the Series G 1.5% Convertible Preferred Stock is provided above at “Series G 1.5% Convertible Preferred Stock.” Information with respect to the issuance of common stock purchase warrants in connection with the Convertible Note Payable and Warrant Purchase Agreement is provided at Note 3.

A summary of warrant activity for the year ended December 31, 2014 is presented below.

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years) |
|---|---------------------|---------------------------------------|--|
| Warrants outstanding at December 31, 2013 | 4,000,000 | \$ 0.05600 | |
| Issued | 30,405,414 | 0.01535 | |
| Exercised | (4,719,318) | 0.00396 | |
| Expired | (4,000,000) | 0.05600 | |
| Warrants outstanding at December 31, 2014 | <u>25,686,096</u> | <u>\$ 0.01744</u> | <u>2.74</u> |
| Warrants exercisable at December 31, 2013 | <u>4,000,000</u> | <u>\$ 0.05600</u> | |
| Warrants exercisable at December 31, 2014 | <u>25,686,096</u> | <u>\$ 0.01744</u> | <u>2.74</u> |

The exercise prices of common stock warrants outstanding and exercisable are as follows at December 31, 2014:

| Exercise Price | Warrants Outstanding (Shares) | Warrants Exercisable (Shares) | Expiration Date |
|----------------|-------------------------------------|-------------------------------------|--------------------|
| \$ 0.00396 | 14,531,953 | 14,531,953 | April 17, 2019 |
| \$ 0.03500 | 11,154,143 | 11,154,143 | September 15, 2015 |
| | <u>25,686,096</u> | <u>25,686,096</u> | |

Based on a fair market value of \$0.0451 per share on December 31, 2014, the intrinsic value of exercisable in-the-money stock warrants was \$710,501 as of December 31, 2014.

A summary of warrant activity for the year ended December 31, 2013 is presented below.

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years) |
|---|---------------------|---------------------------------------|--|
| Warrants outstanding at December 31, 2012 | 12,357,884 | \$ 0.18200 | |
| Issued | — | — | |
| Exercised | — | — | |
| Expired | (8,357,884) | 0.24300 | |
| Warrants outstanding at December 31, 2013 | <u>4,000,000</u> | <u>\$ 0.05600</u> | <u>0.48</u> |
| Warrants exercisable at December 31, 2012 | 12,357,884 | \$ 0.18200 | |
| Warrants exercisable at December 31, 2013 | <u>4,000,000</u> | <u>\$ 0.05600</u> | <u>0.48</u> |

The exercise prices of common stock warrants outstanding and exercisable are as follows at December 31, 2013:

| Exercise Price | Warrants Outstanding (Shares) | Warrants Exercisable (Shares) | Expiration Date |
|----------------|-------------------------------------|-------------------------------------|-----------------|
| \$ 0.056 | 4,000,000 | 4,000,000 | June 25, 2014 |

Based on a fair market value of \$0.0261 per share on December 31, 2013, there were no exercisable in-the-money common stock warrants as of December 31, 2013.

Stock Options

On March 30, 2006, the Company's Board of Directors approved the 2006 Stock Incentive Plan (the "2006 Plan"), which subsequently was approved by the Company's stockholders on May 10, 2006. Upon the approval of the 2006 Plan, no further options were granted under any prior plans. The 2006 Plan provided for the granting of options and rights to purchase up to an aggregate of 9,863,799 shares of the Company's authorized but unissued common stock (subject to adjustment under certain circumstances, such as stock splits, recapitalizations and reorganization) to qualified employees, officers, directors, consultants and other service providers.

Under the 2006 Plan, the Company was able to issue a variety of equity vehicles to provide flexibility in implementing equity awards, including incentive stock options, nonqualified stock options, restricted stock grants, stock appreciation rights, stock payment awards, restricted stock units and dividend equivalents. The exercise price of stock options offered under the 2006 Plan must be at least 100% of the fair market value of the common stock on the date of grant. If the person to whom an incentive stock option is granted is a 10% stockholder of the Company on the date of grant, the exercise price per share shall not be less than 110% of the fair market value on the date of grant. Pursuant to the 2006 Plan, options are generally forfeited ninety days from the date of termination of an optionee's continuous service if such termination occurs for any reason other than permanent disability or death. The Company is no longer making awards under the 2006 Plan.

In connection with the initial closing of the Private Placement completed on March 18, 2014, the stockholders of the Company holding a majority of the votes to be cast on the issue approved the adoption of the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan (the "2014 Plan"), which had been previously adopted by the Board of Directors of the Company, subject to stockholder approval. The Plan permits the grant of options and restricted stock with respect to up to 105,633,002 shares of common stock, in addition to stock appreciation rights and phantom stock, to directors, officers, employees, consultants and other service providers of the Company.

During the three months ended March 31, 2014, the Company executed settlement agreements with four former executives that resulted in the settlement of potential claims totaling \$1,336,264. In conjunction with such settlement agreements, the Company issued stock options to purchase 4,300,000 shares of common stock exercisable at \$0.042 per share for periods ranging from five to ten years. The stock options were valued pursuant to the Black-Scholes option-pricing model at \$179,910.

During the three months ended June 30, 2014, the Company executed settlement agreements with two former professional service providers that resulted in the settlement of potential claims totaling \$496,514. In conjunction with such settlement agreements, the Company issued stock options to purchase 1,250,000 shares of common stock exercisable at \$0.04 per share for a period of five years. The stock options were valued pursuant to the Black-Scholes option-pricing model at \$42,250.

None of the options outstanding prior to July 17, 2014 were issued pursuant to the Company's stock option plans.

On July 17, 2014, the Board of Directors of the Company awarded stock options to purchase a total of 15,000,000 shares of common stock of the Company, consisting of options for 5,000,000 shares to each of the Company's three executive officers, who were also all of the directors of the Company at that time. The stock options were awarded as compensation for those individuals through December 31, 2014. The stock options vested in three equal installments on July 17, 2014 (at issuance), September 30, 2014, and December 31, 2014, and expire on July 17, 2019. The exercise price of the stock options was established on the grant date at \$0.05 per share, as compared to the closing market price of the Company's common stock on such date of \$0.044 per share, reflecting an exercise price premium of \$0.006 per share or 13.6%. These awards were made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan. During the year ended December 31, 2014, the Company recorded a charge to operations of \$655,500 with respect to these stock options, reflecting the grant date fair value of the stock options calculated pursuant to the Black-Scholes option-pricing model.

Information with respect to common stock awards issued to officers and directors in 2014 as compensation is provided above under "Common Stock."

A summary of stock option activity for the year ended December 31, 2014 is presented below.

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years) |
|--|---------------------|--|--|
| Options outstanding at December 31, 2013 | 5,166,668 | \$ 0.060 | |
| Granted | 20,550,000 | 0.048 | |
| Expired | — | — | |
| Forfeited | — | — | |
| Options outstanding at December 31, 2014 | <u>25,716,668</u> | <u>\$ 0.050</u> | <u>5.45</u> |
| Options exercisable at December 31, 2013 | 5,166,668 | \$ 0.060 | |
| Options exercisable at December 31, 2014 | <u>25,716,668</u> | <u>\$ 0.050</u> | <u>5.45</u> |

As of December 31, 2014, all outstanding options were fully vested. Accordingly, there was no deferred compensation expense to be recognized in future periods for outstanding but unvested stock options.

The exercise prices of common stock options outstanding and exercisable were as follows at December 31, 2014:

| Exercise Price | Options Outstanding (Shares) | Options Exercisable (Shares) | Expiration Date |
|-----------------------|-------------------------------------|-------------------------------------|------------------------|
| \$ 0.040 | 2,400,000 | 2,400,000 | March 13, 2019 |
| \$ 0.040 | 1,250,000 | 1,250,000 | April 14, 2019 |
| \$ 0.043 | 1,100,000 | 1,100,000 | March 14, 2024 |
| \$ 0.049 | 800,000 | 800,000 | February 28, 2024 |
| \$ 0.050 | 15,000,000 | 15,000,000 | July 17, 2019 |
| \$ 0.060 | 3,083,334 | 3,083,334 | July 17, 2022 |
| \$ 0.060 | 2,083,334 | 2,083,334 | August 10, 2022 |
| | <u>25,716,668</u> | <u>25,716,668</u> | |

Based on a fair market value of \$0.0451 per share on December 31, 2014, the intrinsic value of exercisable in-the-money stock options was \$20,925 as of December 31, 2014.

A summary of stock option activity for the year ended December 31, 2013 is presented below.

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in Years) |
|--|-------------------------|--|---|
| Options outstanding at December 31, 2012 | 10,754,155 | \$ 0.557 | |
| Granted | — | — | |
| Expired | — | — | |
| Forfeited | (5,587,487) | 1.018 | |
| Options outstanding at December 31, 2013 | <u>5,166,668</u> | <u>\$ 0.060</u> | <u>8.61</u> |
| Options exercisable at December 31, 2012 | 10,754,155 | \$ 0.557 | |
| Options exercisable at December 31, 2013 | <u>5,166,668</u> | <u>\$ 0.060</u> | <u>8.61</u> |

The exercise prices of common stock options outstanding and exercisable were as follows at December 31, 2013:

| Exercise Price | Options Outstanding (Shares) | Options Exercisable (Shares) | Expiration Date |
|-----------------------|-------------------------------------|-------------------------------------|------------------------|
| \$ 0.060 | 3,083,334 | 3,083,334 | July 17, 2022 |
| \$ 0.060 | 2,083,334 | 2,083,334 | August 10, 2022 |
| | <u>5,166,668</u> | <u>5,166,668</u> | |

Based on a fair market value of \$0.0261 per share on December 31, 2013, there were no exercisable in-the-money common stock options as of December 31, 2013.

For the years ended December 31, 2014 and 2013, stock-based compensation costs included in the statements of operations consisted of general and administrative expenses of \$3,131,500 and \$0, respectively, and research and development expenses of \$99,000 and \$0, respectively.

Pier Contingent Stock Consideration

In connection with the merger transaction with Pier effective August 10, 2012, Cortex issued 58,417,893 newly issued shares of its common stock with an aggregate fair value of \$3,271,402 (\$0.056 per share), based upon the closing price of Cortex's common stock on August 10, 2012. The shares of common stock were issued to stockholders, convertible note holders, warrant holders, option holders, and certain employees and vendors of Pier in satisfaction of their interests and claims. The common stock issued by Cortex represented approximately 41% of the 144,041,556 common shares outstanding immediately following the closing of the transaction.

Pursuant to the terms of the transaction, Cortex agreed to issue additional contingent consideration, consisting of up to 18,314,077 shares of common stock, to Pier's former security holders and certain other creditors and service providers (the "Pier Stock Recipients") that received the Company's common stock as part of the Pier transaction if certain of the Company's stock options and warrants outstanding immediately prior to the closing of the merger were subsequently exercised. In the event that such contingent shares were issued, the ownership percentage of the Pier Stock Recipients, following their receipt of such additional shares, could not exceed their ownership percentage as of the initial transaction date.

The stock options and warrants outstanding at June 30, 2012 were all out-of-the-money on August 10, 2012. During late July and early August 2012, the Company issued options to officers and directors at that time to purchase a total of 7,361,668 shares of common stock exercisable for ten years at \$0.06 per share. By October 1, 2012, these options were also out-of-the-money and continued to be out-of-the-money through December 31, 2013. All of the aforementioned options and warrants became increasingly out-of-the-money as December 31, 2012 approached (with most options and warrants being out of the money by multiples of the exercise price at such date), reflecting the fact that the Company's prospects were very negative. The Company was unable to raise operating capital subsequent to its acquisition of Pier, had run out of working capital and essentially ceased business operations during the fourth quarter of 2012, had not filed its September 30, 2012 Form 10-Q Quarterly Report with the U.S. Securities and Exchange Commission due on November 14, 2012, had accepted the resignations of most of its officers and directors, and had prepared to shut-down and liquidate. There were no stock options or warrants exercised subsequent to August 10, 2012 that triggered additional contingent consideration, and the only remaining stock options outstanding that could still trigger the additional contingent consideration generally remained out-of-the-money through December 31, 2014. As of December 31, 2014, 2,111,445 contingent shares of common stock remained issuable under the Pier merger agreement due to expirations and forfeitures of stock options and warrants occurring since August 10, 2012.

The Company concluded that the issuance of any of the contingent shares to the Pier Stock Recipients was remote, given the large spread between the exercise prices of these stock options and warrants as compared to the common stock trading range, the subsequent expiration or forfeiture of most of the options and warrants, the Company's distressed financial condition and capital requirements, and that these stock options and warrants have generally remained out-of-the-money through December 31, 2014, and have continued to expire, as time passes. Accordingly, the Company considered the fair value of the contingent consideration to be immaterial and therefore did not ascribe any value to such contingent consideration; if any such shares are ultimately issued to the former Pier stockholders, the Company will recognize the fair value of such shares as a charge to operations.

Common Shares Reserved for Issuance

As of December 31, 2014, the Company had reserved an aggregate of 3,679 shares for issuance upon conversion of the Series B Preferred Stock; 25,686,096 shares for issuance upon exercise of warrants; 25,716,668 shares for issuance upon exercise of outstanding stock options; 25,633,002 shares to cover equity grants available for future issuance pursuant to the 2014 Plan; 264,465,728 shares for issuance upon conversion of the Series G 1.5% Convertible Preferred Stock; 10,674,107 shares for issuance upon conversion of the 10% Convertible Notes; and 2,111,445 shares issuable as contingent shares pursuant to the Pier merger. The Company expects to satisfy such stock obligations through the issuance of authorized but unissued shares of common stock.

7. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of December 31, 2014 and 2013 are summarized below.

| | December 31, | |
|--|---------------------|--------------|
| | 2013 | 2013 |
| Capitalized research and development costs | \$ 150,000 | \$ 148,000 |
| Research and development credits | 3,239,000 | 3,239,000 |
| Stock-based compensation | 468,000 | 126,000 |
| Net operating loss carryforwards | 35,977,000 | 35,450,000 |
| Accrued compensation | 59,000 | 603,000 |
| Accrued interest due to related party | 109,000 | 89,000 |
| Other, net | 32,000 | 38,000 |
| Total deferred tax assets | 40,034,000 | 39,693,000 |
| Valuation allowance | (40,034,000) | (39,693,000) |
| Net deferred tax assets | <u>\$ —</u> | <u>\$ —</u> |

In assessing the potential realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the Company attaining future taxable income during the periods in which those temporary differences become deductible. As of December 31, 2014 and 2013, management was unable to determine that it was more likely than not that the Company's deferred tax assets will be realized, and has therefore recorded an appropriate valuation allowance against deferred tax assets at such dates.

No federal tax provision has been provided for the years ended December 31, 2014 and 2013 due to the losses incurred during such periods. The Company's effective tax rate is different from the federal statutory rate of 35% due primarily to net losses that receive no tax benefit as a result of a valuation allowance recorded for such losses.

Reconciled below is the difference between the income tax rate computed by applying the U.S. federal statutory rate and the effective tax rate for the years ended December 31, 2014 and 2013.

| | Years Ended December 31, | |
|--|---------------------------------|-------------|
| | 2014 | 2013 |
| U. S. federal statutory tax rate | (35.0)% | (35.0)% |
| Stock-based compensation | 27.5% | —% |
| Adjustment to deferred tax asset for expirations and forfeitures related to stock-based compensation | —% | 61.0% |
| Change in valuation allowance | 7.6% | (26.3)% |
| Other | (0.1)% | 0.3% |
| Effective tax rate | <u>0.0%</u> | <u>0.0%</u> |

As of December 31, 2014, the Company had federal and state tax net operating loss carryforwards of approximately \$87,287,000 and \$92,990,000, respectively. The state tax net operating loss carryforward consists of \$91,940,000 for California purposes and \$1,050,000 for New Jersey purposes. The difference between the federal and state tax loss carryforwards was primarily attributable to the capitalization of research and development expenses for California franchise tax purposes. The federal and state net operating loss carryforwards will expire at various dates from 2014 through 2034. The Company also had federal and California research and development tax credit carryforwards that totaled approximately \$2,093,000 and \$1,146,000, respectively, at December 31, 2014. The federal research and development tax credit carryforwards will expire at various dates from 2014 through 2032. The California research and development tax credit carryforward does not expire and will carryforward indefinitely until utilized. The utilization of California carryforwards is limited by the Company's withdrawal from that state effective December 31, 2014.

While the Company has not performed a formal analysis of the availability of its net operating loss carryforwards under Internal Revenue Code Sections 382 and 383, management expects that the Company's ability to use its net operating loss carryforwards will be limited in future periods.

8. Related Party Transactions

In 2012, Aurora Capital LLC provided investment banking services to Pier, a company that the Company acquired by merger on August 10, 2012. For those services, on August 10, 2012 Aurora Capital LLC received 2,971,792 shares of the Company's common stock in payment of its fee of \$194,950. Both Dr. Arnold S. Lippa and Jeff E. Margolis, officers and directors of the Company since March 22, 2013, have indirect ownership interests in Aurora Capital LLC through interests held in its members, and Jeff. E. Margolis is also an officer of Aurora Capital LLC.

On March 31, 2013, the Company accrued \$85,000 as reimbursement for legal fees incurred by Aurora Capital LLC in conjunction with the removal of the Company's prior Board of Directors on March 22, 2013.

See Note 6 for a description of other transactions between the Company and Aurora Capital LLC.

See Notes 3 and 6 for a description of transactions with Samyang, a significant stockholder of and lender to the Company.

9. Commitments and Contingencies

Pending or Threatened Legal Actions and Claims

The Company is periodically the subject of various pending and threatened legal actions and claims. In the opinion of management of the Company, adequate provision has been made in the Company's financial statements with respect to such matters.

A former director of the Company, who joined the Company's Board of Directors on August 10, 2012 in conjunction with the Pier transaction and who resigned from the Company's Board of Directors on September 28, 2012, has asserted certain claims for consulting compensation against the Company. In the opinion of management, the Company has made adequate provision for any liability relating to this matter in its consolidated financial statements at December 31, 2014 and 2013.

The Company's patent legal counsel has recorded a lien against certain of the Company's patents and patent applications relating to its ampakine technology in the United States Patent and Trademark Office with respect to outstanding delinquent invoices payable to the law firm aggregating approximately \$158,000, which amount is included in accounts payable and accrued expenses in the Company's consolidated balance sheets at December 31, 2014 and 2013. The Company is in discussions with the law firm to resolve this matter and obtain release of the lien, as well as to structure a mutually agreeable operating framework for future patent legal services.

Pier Registration Statement Filing Obligation

In conjunction with the Pier transaction effective August 10, 2012, the Company agreed to file a registration statement on Form S-1 under the Securities Act of 1933, as amended, with the SEC within ninety days after the closing of the transaction covering the shares of common stock issued to the former Pier stockholders, as well as the contingent shares, and to take certain other actions to maintain the effectiveness of such registration statement for a period not exceeding three years. The Company has not filed this registration statement. The Agreement and Plan of Merger did not provide for any financial penalties in the event that the Company failed to comply with the registration statement filing requirements.

Lease Commitment

On May 14, 2012, the Company executed a three-year lease for approximately 5,000 square feet of office space beginning June 1, 2012 at a monthly rate of \$9,204. During December 2012, the Company substantially vacated its operating facility prior to the scheduled termination of the lease agreement in May 2015. In May 2013, a settlement with the landlord was reached, resulting in a gain of \$1,990 during the year ended December 31, 2013, and the lease was terminated.

University of California, Irvine License Agreements

The Company entered into a series of license agreements in 1993 and 1998 with UCI that granted the Company proprietary rights to certain chemical compounds that acted as ampakines and their therapeutic uses. These agreements granted the Company, among other provisions, exclusive rights: (i) to practice certain patents and patent applications, as defined in the license agreement, that were then held by UCI; (ii) to identify, develop, make, have made, import, export, lease, sell, have sold or offer for sale any related licensed products; and (iii) to grant sub-licenses of the rights granted in the license agreements, subject to the provisions of the license agreements. The Company was required, among other terms and conditions, to pay UCI a license fee, royalties, patent costs and certain additional payments.

Under such license agreements, the Company was required to make minimum annual royalty payments of approximately \$70,000. The Company was also required to spend a minimum of \$250,000 per year to advance the ampakine compounds until the Company began to market an ampakine compound. The commercialization provisions in the agreements with UCI required the Company to file for regulatory approval of an ampakine compound before October 2012. In March 2011, UCI agreed to extend the required date for filing regulatory approval of an ampakine compound to October 2015. During December 2012, the Company informed UCI that it would be unable to make the annual payment due to a lack of funds. The Company believes that this notice, along with its subsequent failure to make its minimum annual payment obligation, constituted a default and termination of the license agreements.

On April 15, 2013, the Company received a letter from UCI indicating that the license agreements between UCI and the Company had been terminated due to the Company's failure to make certain payments required to maintain the agreements. Since the patents covered in these license agreements had begun to expire and the therapeutic uses described in these patents were no longer germane to the Company's new focus on respiratory disorders, the loss of these license agreements is not expected to have a material impact on the Company's current drug development programs. In the opinion of management, the Company has made adequate provision for any liability relating to this matter in its consolidated financial statements at December 31, 2014 and 2013.

University of Alberta License Agreement

On May 8, 2007, the Company entered into a license agreement, as amended, with the University of Alberta granting the Company exclusive rights to practice patents held by the University of Alberta claiming the use of ampakines for the treatment of various respiratory disorders. The Company agreed to pay the University of Alberta a licensing fee and a patent issuance fee, which were paid, and prospective payments consisting of a royalty on net sales, sublicense fee payments, maintenance payments and milestone payments. The prospective maintenance payments commence on the enrollment of the first patient into the first Phase 2B clinical trial and increase upon the successful completion of the Phase 2B clinical trial. As the Company does not at this time anticipate scheduling a Phase 2B clinical trial, no maintenance payments are currently due and payable to the University of Alberta. In addition, no other prospective payments are currently due and payable to the University of Alberta.

University of Illinois 2014 Exclusive License Agreement

On June 27, 2014, the Company entered into an Exclusive License Agreement (the "2014 License Agreement") with the University of Illinois, the material terms of which were similar to the License Agreement between the parties that had been previously terminated on March 21, 2013. The 2014 License Agreement became effective on September 18, 2014, upon the completion of certain conditions set forth in the 2014 License Agreement, including (i) the payment by the Company of a \$25,000 licensing fee, (ii) the payment by the Company of outstanding patent costs aggregating \$15,840, and (iii) the assignment to the University of Illinois of rights the Company held in certain patent applications, all of which conditions were fulfilled. In exchange for certain milestone and royalty payments, the 2014 License Agreement granted the Company (i) exclusive rights to several issued and pending patents in numerous jurisdictions and (ii) the non-exclusive right to certain technical information that is generated by the University of Illinois in connection with certain clinical trials as specified in the 2014 License Agreement, all of which relate to the use of cannabinoids for the treatment of sleep related breathing disorders. The Company is developing dronabinol (Δ^9 -tetrahydrocannabinol), a cannabinoid, for the treatment of OSA, the most common form of sleep apnea.

National Institute on Drug Abuse Grant

On September 18, 2014, the Company entered into a contract with the National Institute on Drug Abuse, a division of the National Institutes of Health. The funding under the contract is a Phase 1 award granted under the Small Business Innovation Research Funding Award Program. The purpose of the project is to determine the most useful injectable route of administration for CX1942, the Company's proprietary, soluble amphetamine molecule, a potential rescue medication for drug-induced respiratory depression and lethality. The grant is entitled "Novel Treatment of Drug-Induced Respiratory Depression" and is valued at \$148,583, which is to be paid in increments over the expected six-month duration of the study which commenced in October 2014. The study will measure the potency, latency to onset and duration of action of CX1942 administered to rats. The Company anticipates that the data obtained from the study will be used to determine the designs of those preclinical studies necessary for initiating Phase 1 clinical studies. The preclinical studies are being performed in collaboration with Dr. David Fuller of the University of Florida and Dr. John Greer of the University of Alberta, Chairman of the Company's Scientific Advisory Board.

Indemnification of Directors and Officers

On September 3, 2014, in conjunction with the appointment of James Sapirstein and Kathryn MacFarlane to the Company's Board of Directors as independent directors, and in conformity with the Company's corporate policy of indemnifying all directors and officers, the Board of Directors authorized and approved indemnification agreements for all directors and officers of the Company. Pursuant to the indemnification agreements, the Company will indemnify each director or officer when such individual is a party or is threatened to become a party, by virtue of being a director or officer of the Company, from the costs and expenses, fines and certain other amounts in connection with certain proceedings, including proceedings in the right of the Company, so long as such director or officer acted in good faith and reasonably believed that such actions were in the best interests of the Company.

Senior Vice President of Research and Development

Richard Purcell was appointed as the Company's Senior Vice President of Research and Development effective October 15, 2014. Mr. Purcell's commitment to the Company is for 30 hours per week in order to allow him to comply with his previous professional commitments. Mr. Purcell provides his services to the Company on a month-to-month basis through his consulting firm, DNA Healthlink, Inc., with which the Company has contracted for his services, for a monthly cash fee of \$12,500. The Company has also agreed to issue to Mr. Purcell additional compensation in the form of 2,000,000 shares of the Company's common stock, with 25% of such stock grant vesting and issuable every three months after the date of his appointment (i.e., on January 15, 2015, April 15, 2015, July 15, 2015 and October 15, 2015), subject to Mr. Purcell's continued relationship with the Company on each of the vesting dates. The stock grant is being made under the Company's 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan. Based on the Company's closing stock price on October 15, 2014 of \$0.078 per share, the Company will recognize a charge to operations with respect to the stock grant of \$39,000 on each of January 15, 2015, April 15, 2015, July 15, 2015 and October 15, 2015.

10. Subsequent Events

Convertible Note and Warrant Financing

On February 2, 2015, the Company sold an additional \$210,000 of principal amount of its 10% Convertible Notes Payable and Warrants to various accredited investors. The Company terminated this financing effective February 18, 2015.

Conversion of Series G 1.5% Convertible Preferred Stock

On January 19, 2015, 25.320031 shares of Series G 1.5% Convertible Preferred Stock, including 0.320031 dividend shares, were converted into 7,672,737 shares of common stock on a cashless basis.

Debt Settlements

Effective January 29, 2015, the Company executed a settlement agreement with its former Vice President and Chief Financial Officer, as amended on February 4, 2015, that resulted in the settlement of potential claims for a total cash payment of \$26,000 to be paid on or before June 30, 2015 (of which \$6,000 was paid on execution), plus the issuance of a stock option to purchase 500,000 shares of common stock exercisable at \$0.0512 per share for a period of five years, and valued pursuant to the Black-Scholes option-pricing model at \$25,450. In addition to other provisions, the settlement agreement included mutual releases.

The Company continues to explore ways to reduce its indebtedness, and might in the future enter additional settlements of potential claims, including, without limitation, those by other former executives or third party creditors.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORTEX PHARMACEUTICALS, INC.

Date: March 30, 2015

By: /s/ Arnold S. Lippa, Ph.D.

Arnold S. Lippa, Ph.D.

President and Chief Executive Officer

We, the undersigned directors and officers of Cortex Pharmaceuticals, Inc., do hereby constitute and appoint each of Arnold S. Lippa, Ph.D., Jeff E. Margolis, and Robert N. Weingarten as our true and lawful attorneys-in-fact and agents with power of substitution, to do any and all acts and things in our name and behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys-in-fact and agents, or either of them, may deem necessary or advisable to enable said corporation to comply with the Securities and Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-K, including specifically but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto; and we do hereby ratify and confirm all that said attorney-in-fact and agent, shall do or cause to be done by virtue hereof.

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

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|----------------|
| <u>/s/ Arnold S. Lippa, Ph.D.</u> Arnold S. Lippa, Ph.D. | President, Chief Executive Officer (Principal Executive Officer), Director and Chairman of the Board | March 30, 2015 |
| <u>/s/ Robert N. Weingarten</u> Robert N. Weingarten | Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director | March 30, 2015 |
| <u>/s/ Jeff E. Margolis</u> Jeff E. Margolis | Vice President, Treasurer, Secretary and Director | March 30, 2015 |
| <u>/s/ James E. Sapirstein</u> James E. Sapirstein | Director | March 30, 2015 |
| <u>/s/ Kathryn MacFarlane</u> Kathryn MacFarlane | Director | March 30, 2015 |

Cortex Pharmaceuticals, Inc.
Annual Report on Form 10-K
Year Ended December 31, 2013
Exhibit Index

| Exhibit Number | Description |
|---------------------------|---|
| 2.1 | Agreement and Plan of Merger, dated as of August 10, 2012, by and among Cortex Pharmaceuticals, Inc., Pier Acquisition Corp. and Pier Pharmaceuticals, Inc., incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 16, 2012. |
| 3.1 | Second Restated Certificate of Incorporation dated May 19, 2010, incorporated by reference to the same numbered Exhibit to the Company's Current Report on Form 8-K filed May 24, 2010. |
| 3.2 | By-Laws of the Company, as adopted March 4, 1987, and amended on October 8, 1996, incorporated by reference to the same numbered Exhibit to the Company's Annual Report on Form 10-KSB filed October 15, 1996. |
| 3.3 | Certificate of Designation, Preferences, Rights and Limitations of Series G 1.5% Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 24, 2014. |
| 3.4 | Certificate of Amendment of the Certificate of Incorporation of Cortex Pharmaceuticals, Inc., incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on April 18, 2014. |
| 3.5 | Certificate of Amendment of By-Laws of the Company, incorporated by reference to the same numbered Exhibit to the Company's Report on Form 8-K filed November 15, 2007. |
| 4.3 | Placement Agency Agreement, dated August 24, 2007, by and between Cortex Pharmaceuticals, Inc. and JMP Securities LLC and Rodman and Renshaw, LLC, Form of Subscription Agreement and Form of Common Stock Purchase Warrant issued by Cortex Pharmaceuticals, Inc., incorporated by reference to Exhibits 1.1, 1.2 and 4.1, respectively, to the Company's Report on Form 8-K filed August 27, 2007. |
| 4.4 | Placement Agency Agreement, dated April 13, 2009, by and between the Company and Rodman & Renshaw, LLC, Form of Securities Purchase Agreement and Form of Common Stock Purchase Warrant issued by the Company, incorporated by reference to Exhibits 1.1, 1.2 and 4.1, respectively, to the Company's Current Report on Form 8-K filed April 17, 2009. |
| 10.1 | License Agreement dated March 27, 1991 between the Company and the Regents of the University of California, incorporated by reference to the same numbered Exhibit to the Company's Amendment on Form 8 filed November 27, 1991 to the Company's Annual Report on Form 10-K filed September 30, 1991. (Portions of this Exhibit are omitted and were filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 under the Securities Exchange Act of 1934). |
| 10.2 | License Agreement dated June 25, 1993, as amended, between the Company and the Regents of the University of California, incorporated by reference to the same numbered Exhibit to the Company's Quarterly Report on Form 10-Q filed February 12, 2004. (Portions of this exhibit are omitted and were filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934). |

- 10.3. Amended and Restated 1996 Stock Incentive Plan, incorporated by reference to the same numbered Exhibit to the Company's Quarterly Report on Form 10-Q as filed on November 14, 2002.*
- 10.4. Employment agreement dated May 17, 2000, between the Company and James H. Coleman, incorporated by reference to Exhibit 10.69 to the Company's Report on Form 10-QSB filed February 12, 2001.*
- 10.5. Severance agreement dated October 26, 2000, between the Company and Maria S. Messinger, incorporated by reference to Exhibit 10.70 to the Company's Quarterly Report on Form 10-QSB filed February 12, 2001.*
- 10.6. Employment agreement dated October 29, 2002 between the Company and Roger G. Stoll, Ph.D., incorporated by reference to Exhibit 10.74 to the Company's Quarterly Report on Form 10-Q, as filed on November 14, 2002.*
- 10.7. First Amendment dated August 8, 2003 to the employment agreement between the Company and Roger G. Stoll, Ph.D., incorporated by reference to Exhibit 10.76 to the Company's Annual Report on Form 10-K filed September 19, 2003.*
- 10.8. Form of Incentive/Nonqualified Stock Option Agreement under the Company's Amended and Restated 1996 Stock Incentive Plan, incorporated by reference to Exhibit 10.80 to the Company's Annual Report on Form 10-K filed on September 27, 2004.*
- 10.9. Form of Restricted Stock Award under the Company's Amended and Restated 1996 Stock Incentive Plan, incorporated by reference to Exhibit 10.81 to the Company's Annual Report on Form 10-K filed on September 27, 2004.*
- 10.10. Amendment dated January 1, 2004 to the employment agreement dated May 17, 2000 between the Company and James H. Coleman, incorporated by reference to Exhibit 10.82 to the Company's Annual Report on Form 10-K filed on September 27, 2004.*
- 10.11. Second Amendment dated November 10, 2004 to the employment agreement dated October 29, 2002 between the Company and Roger G. Stoll, Ph.D., incorporated by reference to Exhibit 10.86 to the Company's Quarterly Report on Form 10-Q filed on November 15, 2004.*
- 10.12. Form of Notice of Grant of Stock Options and Stock Option Agreement under the Company's Amended and Restated 1996 Stock Incentive Plan, incorporated by reference to Exhibit 10.88 to the Company's Annual Report on Form 10-K filed March 21, 2005.*
- 10.13. Stock Ownership Policy for the Company's Directors and Executive Officers as adopted by the Company's Board of Directors on December 16, 2004, incorporated by reference to Exhibit 10.89 to the Company's Annual Report on Form 10-K filed March 21, 2005.*
- 10.14. Third Amendment dated August 13, 2005 to the employment agreement dated October 29, 2002 between the Company and Roger G. Stoll, Ph.D., incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed August 17, 2005.*
- 10.15. Employment letter of agreement dated January 9, 2006 between the Company and Mark Varney, Ph.D., incorporated by reference to Exhibit 10.92 to the Company's Annual Report on Form 10-K filed March 16, 2006.*
- 10.16. Non-qualified Stock Option Agreement dated January 30, 2006 between the Company and Mark Varney, Ph.D., incorporated by reference to Exhibit 10.93 to the Company's Quarterly Report on Form 10-Q filed May 9, 2006.*

- 10.17 Cortex Pharmaceuticals, Inc. 2006 Stock Incentive Plan, incorporated by reference to Exhibit 10.94 to the Company's Report on Form 8-K filed May 11, 2006.*
- 10.18 Form of Notice of Grant of Stock Options and Stock Option Agreement under the Company's 2006 Stock Incentive Plan, incorporated by reference to Exhibit 10.96 to the Company's Quarterly Report on Form 10-Q filed August 8, 2006.*
- 10.19 Form of Incentive/Non-qualified Stock Option Agreement under the Company's 2006 Stock Plan, incorporated by reference to Exhibit 10.97 to the Company's Quarterly Report on Form 10-Q filed August 8, 2006.*
- 10.20 Negative Equity Agreement dated February 1, 2007 between the Company and Mark A. Varney, Ph.D., incorporated by reference to Exhibit 10.100 to the Company's Quarterly Report on Form 10-Q filed May 10, 2007.*
- 10.21 Amendment No. 1 to the Company's 2006 Stock Incentive Plan, incorporated by reference to Exhibit 10.101 to the Company's Current Report on Form 8-K filed May 15, 2007.*
- 10.22 Amendment to the Exclusive License Agreement between the Company and The Regents of the University of California, dated as of June 1, 2007, incorporated by reference to Exhibit 10.102 to the Company's Current Report on Form 8-K filed June 7, 2007.
- 10.23 Patent License Agreement between the Company and the University of Alberta, dated as of May 9, 2007, incorporated by reference to Exhibit 10.105 to the Company's Annual Report on Form 10-K filed March 17, 2008. (Portions of this Exhibit are omitted and were filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 under the Securities Exchange Act of 1934).
- 10.24 Severance Agreement dated May 2, 2008, between the Company and Steven A. Johnson, Ph.D., incorporated by reference to Exhibit 10.107 to the Company's Quarterly Report on Form 10-Q filed May 8, 2008.*
- 10.25 Fourth Amendment, dated July 11, 2008, to the employment agreement dated October 29, 2002 between the Company and Roger G. Stoll, Ph.D., incorporated by reference to Exhibit 10.109 to the Company's Report on Form 8-K filed July 17, 2008.*
- 10.26 Amendment No. 2 to Employment Agreement, dated as of December 22, 2008, between the Company and James H. Coleman, incorporated by reference to Exhibit 10.110 to the Company's Report on Form 8-K filed December 23, 2008.*
- 10.27 Amendment No. 1 Severance Agreement, dated as of December 22, 2008, between the Company and Maria S. Messinger, incorporated by reference to Exhibit 10.111 to the Company's Report on Form 8-K filed December 23, 2008.*
- 10.28 Employment Agreement, dated as of December 19, 2008, between the Company and Mark A. Varney, Ph.D., incorporated by reference Exhibit 10.112 to the Company's Report on Form 8-K filed December 23, 2008.*
- 10.29 Form of Retention Bonus Agreement, dated March 13, 2009, between the Company and each of its executive officers, incorporated by reference to Exhibit 10.113 to the Company's Current Report on Form 8-K filed March 19, 2009.*

- 10.30 Securities Purchase Agreement, dated July 29, 2009, by and between the Company and the Investor, including a form of Registration Rights Agreement attached as Exhibit B thereto and a form of Common Stock Purchase Warrant attached as Exhibit C thereto, incorporated by reference to Exhibit 10.114 to the Company's Current Report on Form 8-K filed July 30, 2009.
- 10.31 Amendment No. 2 to the Company's 2006 Stock Incentive Plan, effective as of June 5, 2009, incorporated by reference Exhibit 10.115 to the Company's Quarterly Report on Form 10-Q filed August 14, 2009.*
- 10.32 Amendment No. 3 to the Company's 2006 Stock Incentive Plan, incorporated by reference to Exhibit 10.118 to the Company's Current Report on Form 8-K filed May 24, 2010.*
- 10.33 Sixth Amendment dated August 12, 2010 to the employment agreement dated October 29, 2002 between the Company and Roger G. Stoll, incorporated by reference to Exhibit 10.119 to the Company's Report on Form 8-K filed August 18, 2010.*
- 10.34 Amendment to the License Agreement between the Company and The Regents of the University of California, dated as of August 24, 2010, incorporated by reference to Exhibit 10.120 to the Company's Report on Form 8-K filed August 30, 2010
- 10.35 Fifth Amendment to the License Agreement between the Company and The Regents of the University of California, dated as of March 15, 2011, incorporated by reference to Exhibit 10.121 to the Company's Current Report on Form 8-K filed March 21, 2011.
- 10.36 Asset Purchase Agreement dated March 15, 2011 by and between the Company and Biovail Laboratories SRL, incorporated by reference to Exhibit 10.122 to the Company's Quarterly Report on Form 10-Q filed May 23, 2011. (Portions of this exhibit are omitted and were filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934).
- 10.37 First Amendment dated August 2, 2011 to the Employment Agreement dated December 19, 2008 between the Company and Mark A. Varney, Ph.D., incorporated by Exhibit 10.123 to the Company's Current Report on Form 8-K filed August 8, 2011.*
- 10.38 Seventh Amendment dated August 2, 2011 to the Employment Agreement dated October 29, 2002 between the Company and Roger G. Stoll, Ph.D., incorporated by reference to Exhibit 10.124 to the Company's Current Report on Form 8-K filed August 8, 2011.*
- 10.39 Patent Assignment and Option and Amended and Restated Agreement dated June 10, 2011 between the Company and Les Laboratoires Servier, incorporated by reference to Exhibit 10.125 to the Company's Quarterly Report on Form 10-Q filed August 18, 2011. (Portions of this exhibit are omitted and were filed separately with the Secretary of the Commission pursuant to the Company's application requesting confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934.
- 10.40 Securities Purchase Agreement, dated January 15, 2010, by and between the Company and Samyang Optics Co. Ltd., including a form of Promissory Note attached as Exhibit A thereto and a form of Common Stock Purchase Warrant attached as Exhibit B thereto, incorporated by reference to Exhibit 10.116 to the Company's Current Report on Form 8-K filed January 21, 2010.

- 10.41 Securities Purchase Agreement, dated October 20, 2011, by and between the Company and Samyang Value Partners Co., Ltd., including a form of Common Stock Purchase Warrant attached as Exhibit C thereto, incorporated by reference to Exhibit 10.127 to the Company's Annual Report on Form 10-K filed March 30, 2012.
- 10.42 Lease Agreement, dated May 17, 2012, for the Company's facilities in Irvine, California, incorporated by reference to Exhibit 10.128 to the Company's Quarterly Report on Form 10-Q filed on August 16, 2012.
- 10.43 Securities Purchase Agreement, dated June 25, 2012, by and between the Company and Samyang Optics Co. Ltd., including a form of Promissory Note attached as Exhibit A thereto, a form of Common Stock Purchase Warrant attached as Exhibit B thereto, and a form of Security Agreement attached as Exhibit C thereto, incorporated by reference to Exhibit 10.129 to the Company's Quarterly Report on Form 10-Q filed on August 16, 2012.
- 10.44 Form of Securities Purchase Agreement, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 24, 2014.
- 10.45 Cortex Pharmaceuticals, Inc. 2014 Equity, Equity-Linked and Equity Derivative Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 24, 2014.*
- 10.46 Exclusive License Agreement, dated as of June 27, 2014, by and between the Board of Trustees of the University of Illinois, a body corporate and politic of the State of Illinois, and Cortex Pharmaceuticals, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 1, 2014.
- 10.47 Form of Non-Statutory Stock Option Award Agreement, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 23, 2014.*
- 10.48 Form of Incentive Stock Option Award Agreement, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 23, 2014.*
- 10.49 Form of Restricted Stock Award Agreement, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 23, 2014.*
- 10.50 Release Agreement, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 5, 2014.
- 10.51 Convertible Note and Warrant Agreement, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 12, 2014.
- 21** Subsidiaries of the Registrant.
- 23.1** Consent of Haskell & White LLP, Independent Registered Public Accounting Firm.
- 24** Power of Attorney (included as part of the signature page of this Annual Report on Form 10-K).
- 31.1** Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
- 31.2** Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
- 32** Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350.
- 101.INS** XBRL Instance Document.
- 101.SCH** XBRL Taxonomy Extension Schema Document.
- 101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document†
- 101.DEF** XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB** XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document.

* Each of these Exhibits constitutes a management contract, compensatory plan or arrangement.

** Filed herewith.

Subsidiaries of the Registrant

Pier Pharmaceuticals, Inc. incorporated in the state of Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (No. 333-161143, No. 333-155749, No. 333-138844, No. 333-122026, No. 333-112043, and No. 333-108948) on Form S-3 of Cortex Pharmaceuticals, Inc. and in the related Prospectuses and in the Registration Statements (No. 333-143374, No. 333-134490, No. 333-102042, No. 333-82477, and No. 333-20777) on Form S-8 and pertaining to the 2006 and 1996 Stock Incentive Plans, the Mark A. Varney Non-Qualified Stock Option Agreement dated January 30, 2006 and the Leslie Street Non-Qualified Stock Option Agreement dated March 5, 2007, the 1989 Incentive Stock Option, Nonqualified Stock Option and Stock Purchase Plan, the 1989 Special Nonqualified Stock Option and Stock Purchase Plan, and the Executive Stock Plan, of Cortex Pharmaceuticals, Inc. of our report dated March 30, 2015, with respect to the financial statements of Cortex Pharmaceuticals, Inc. included in its Annual Report on Form 10-K for the year ended December 31, 2014, and to the reference to us under the heading "Experts" in the Prospectuses, which is part of the Registration Statements on Form S-3 referred to above.

Our report dated March 30, 2015 contains an explanatory paragraph that states the Company does not have sufficient working capital to fund its operations and commitments. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HASKELL & WHITE LLP

Irvine, California
March 30, 2015

CERTIFICATION

I, Arnold S. Lippa, Ph.D., certify that:

1. I have reviewed this annual report on Form 10-K of Cortex Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2015

/s/ Arnold S. Lippa, Ph.D.

Arnold S. Lippa, Ph.D.
President, Chief Executive Officer and Chairman of the Board

CERTIFICATION

I, Robert N. Weingarten, certify that:

1. I have reviewed this annual report on Form 10-K of Cortex Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2015

/s/ Robert N. Weingarten

Robert N. Weingarten
Vice President and Chief Financial Officer

CERTIFICATION

Arnold S. Lippa, Ph.D., President, Chief Executive Officer and Chairman of the Board of Cortex Pharmaceuticals, Inc. (the "Company"), and Robert N. Weingarten, Chief Financial Officer of the Company, each hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, 18 U.S.C. Section 1350, that:

- (1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2014 (the "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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 30, 2015

/s/ Arnold S. Lippa, Ph.D.

Arnold S. Lippa, Ph.D.

President, Chief Executive Officer and Chairman of the Board

Dated: March 30, 2015

/s/ Robert N. Weingarten

Robert N. Weingarten

Vice President and Chief Financial Officer

This certification accompanies the Annual Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.
