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RAPTOR PHARMACEUTICAL CORP

FORM 10QSB

(Quarterly Report of Financial Condition)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2000

OR

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

For the transition period from to

Commission file number 000-25571

AXONYX INC.

(Exact name of registrant as specified in its charter)

NEVADA	86-0883978
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

825 THIRD AVENUE, 40TH FLOOR, NEW YORK, NEW YORK 10022

(Address of principal executive offices) (Zip Code)

(212) 688-4770

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes__ No__

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,214,019 shares of common stock as of May 11, 2000.

Transitional Small Business Disclosure Format (check one);

AXONYX INC.

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PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

AXONYX INC.
(a development stage company)

BALANCE SHEETS

ASSETS	March 31, 2000 (unaudited)	December 31, 1999
Current Assets:		
Cash and cash equivalents	$ 4,873,000	$ 5,409,000
Stock subscription receivable	-	298,000
Other	25,000	22,000
Total current assets	4,898,000	5,729,000
Equipment, net	24,000	15,000
Other Assets:		
Investments	3,800,000	-
Deposit	27,000	-
	3,827,000	-
	$ 8,749,000	$ 5,744,000
LIABILITIES		
Current liabilities:		
Accrued expenses	$ 171,000	$ 353,000
Deferred revenue	42,000	104,000
	213,000	457,000
STOCKHOLDERS' EQUITY		
Preferred stock - $.001 par value, 5,000,000 shares authorized; none issued		
Common Stock - $.001 par value, 25,000,000 shares authorized; 14,261,970 and 13,579,076 shares issued and outstanding, respectively.	14,000	13,000
Additional paid-in capital	15,779,000	11,655,000
Unearned compensation - stock/options	-	(29,000)
Deficit accumulated during development stage	(7,257,000)	(6,352,000)
Total stockholders' equity	8,536,000	5,287,000
	$ 8,749,000	$ 5,744,000

AXONYX INC.
(a development stage company)

STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31, 2000	Three months ended March 31, 1999	January 9, 1997 (inception) through March 31, 2000
Revenue	$ 63,000	$ -	$ 209,000
Costs and expenses:			
Research and development	614,000	520,000	4,449,000
General and administrative	396,000	369,000	3,107,000
	1,010,000	889,000	7,556,000
Loss from operations	(947,000)	(889,000)	(7,347,000)
Interest expense	-	-	(23,000)
Interest income	42,000	9,000	113,000
Net loss	$ (905,000)	$ (880,000)	$(7,257,000)
Net loss per common share	$ (0.07)	$ (0.07)	
Weighted average shares-basic and diluted	13,879,009	12,230,002	

AXONYX INC.
(a development stage company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

	COMMON STOCK					
	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	UNEARNED COMPENSATION STOCK OPTIONS	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL STOCKHOLDERS' EQUITY
BALANCE - DECEMBER 31, 1999	13,579,076	$ 13,000	$11,655,000	$ (29,000)	$ (6,352,000)	$ 5,287,000
Issuance of common stock and warrants, net	670,600	1,000	3,860,000			3,861,000
Stock options granted			126,000	(126,000)		-
Shares issuable to New York University and scientists	12,294		138,000			138,000
Amortization				155,000		155,000
Net Loss	-	-	-	-	(905,000)	(905,000)
BALANCE - MARCH 31, 2000	14,261,970	$ 14,000	$15,779,000	$ -	$ (7,257,000)	$ 8,536,000

AXONYX INC.
(a development stage company)

STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31, 2000	Three months ended March 31, 1999	January 9, 1997 (inception) through March 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$ (905,000)	$ (880,000)	$(7,257,000)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	1,000	1,000	4,000
Issuance and amortization of compensatory stock options	155,000	151,000	643,000
Cost of services paid with common stock	138,000	399,000	3,201,000
Changes in:			
other assets	(30,000)	(9,000)	(48,000)
accrued expenses and deferred revenue	(244,000)	(19,000)	213,000
Net cash used in operating activities	(885,000)	(357,000)	(3,244,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment	(10,000)	(9,000)	(28,000)
Investments	(3,800,000)	-	(3,800,000)
Net cash used in investing activities	(3,810,000)	(9,000)	(3,828,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from convertible notes payable		-	200,000
Net proceeds from issuance of common stock and warrants	4,159,000	720,000	11,797,000
Cost of merger	-	-	(52,000)
Net cash provided by financing activities	4,159,000	720,000	11,945,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(536,000)	354,000	4,873,000
Cash and cash equivalents at beginning of period	5,409,000	1,558,000	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$4,873,000	$1,912,000	$ 4,873,000

AXONYX INC.
(a development stage company)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

(1) FINANCIAL STATEMENT PRESENTATION

The unaudited financial statements of Axonyx Inc. (the "Company") herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary to present fairly the results of operations for the interim periods presented. Certain information and footnote disclosure normally included in the financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. However, management believes that the disclosures are adequate to make the information presented not misleading. These financial statements and notes thereto should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 1999 included in the Company's Form 10-KSB filing. The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

(2) PRIVATE PLACEMENT:

The Company completed its private equity financing in Europe. During the period January 1, 2000 through March 31, 2000 the Company sold 156.5 units at $25,000 per unit. Each unit consists of 4,000 shares of common stock and 2,000 warrants to purchase common stock at $11.00 per share. In connection with the private placement the Company issued 39,600 shares of common stock and warrants to purchase 19,800 shares of common stock at $11.00 per share as finder's fees.

(3) EXERCISE OF RIGHT TO LICENSE BY ARES SERONO

On May 2, 2000 Ares Serono International, S.A. ("Ares Serono") informed Axonyx that it is exercising its right to license certain of Axonyx's patent rights under the Development Agreement and Right to License signed with Axonyx in May 1999. The two companies are currently negotiating the final terms of a licensing agreement. Under the Development Agreement Ares Serono undertook research on Axonyx's Amyloid Inhibitory Peptides ("AIPs") and Prion Inhibitory Peptides ("PIPs") technology for a one year term, with a right to sublicense Axonyx's patent rights to the AIPs and the PIPs. Under a licensing agreement Ares Serono would continue the research and development of the AIP & PIP technologies initiated during the term of the Development Agreement. In addition, within 30 days of signing a license agreement with Axonyx, Ares Serono will pay Axonyx a nonrefundable licence fee of $1.5 million.

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

THIS QUARTERLY REPORT ON FORM 10-QSB CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACTS, INCLUDED IN OR INCORPORATED BY REFERENCE INTO THIS FORM 10-QSB, ARE FORWARD-LOOKING STATEMENTS. IN ADDITION, WHEN USED IN THIS DOCUMENT, THE WORDS "ANTICIPATE," "ESTIMATE," "PROJECT," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS INCLUDING THOSE RISKS DESCRIBED IN THE COMPANY'S REPORT ON THIS FORM 10-QSB SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED OR PROJECTED. ALTHOUGH THE COMPANY BELIEVES THAT THE EXPECTATIONS INCLUDED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, THE COMPANY CANNOT GIVE ANY ASSURANCES THAT THESE EXPECTATIONS WILL PROVE TO BE CORRECT.

The following discussion and analysis should be read in conjunction with the financial statements of the Company and the notes thereto appearing in

Part I Item 1.

Axonyx Inc. ("Axonyx" or the "Company") is engaged in the business of identifying and acquiring novel post-discovery central nervous system (CNS) drug candidates to advance through clinical development towards regulatory approval. The Company is engaged in the business of acquiring patent rights and developing CNS pharmaceutical compounds and diagnostics with significant potential market impact. The Company has acquired worldwide exclusive patent rights to three main classes of therapeutic compounds designed for the treatment of Alzheimer's Disease (AD), Moderate Cognitive Impairment (MCI), and related diseases. The Company licensed these patent rights from New York University (NYU) and, via a sublicense, from the National Institutes of Health\National Institute on Aging (NIA) (the "Licensors") and has an ongoing research and development relationship with both Licensors.

The Company's current business strategy is to pursue three different types of products for the treatment of AD, one for prion-related diseases, and a diagnostic test for AD. The AD targeted approaches include: (1) Phenserine, an analog of physostigmine and a potent inhibitor of acetylcholinesterase, (2) a butyrylcholinesterase inhibitor which will be chosen from a group of selectively acting compounds, the best studied of which is Cymserine, and (3) compounds called Amyloid Inhibitory Peptides (AIPs) which may prevent and reverse the formation of amyloid plaques in AD and in diseases of peripheral amyloidosis. The Company is also conducting research on compounds called Prion Inhibitory Peptides (PIPs) designed for the diagnosis and treatment of prion diseases such as Bovine Spongiform Encephalopathy (also known as "Mad Cow Disease") and the human form of the disease, Creutzfeldt-Jakob Disease, new variant. In the area of diagnostics, the Company has entered into an agreement with the

University of Melbourne (Australia) for collaborative research on the development of a diagnostic test for AD.

Axonyx's plan is to: (1) identify, acquire and exploit rights to new technologies and compounds relating to AD and other neurological disorders; (2) enhance the value of those assets through further research and clinical testing;
(3) perform clinical studies towards regulatory approval and market its drugs and diagnostic tests through profitable licensing agreements with major pharmaceutical companies; and (4) work to develop other promising compounds in-house and in collaboration with third parties such as its current Licensors at NYU and the NIA, and through corporate joint ventures with companies such as Ares Serono International, S.A., a subsidiary of which signed a Development Agreement and Right to License Agreement with Axonyx in May 1999. Axonyx intends to develop other corporate partnerships with established and well capitalized pharmaceutical companies for the clinical development of its compounds and for their production, commercialization and marketing. The Company expects to derive its revenues from patent sub-licensing fees, royalties from pharmaceutical sales, appropriate milestone payments, and research and development contracts.

In May 1999, the Company entered into a Development Agreement and Right to License with a wholly owned subsidiary of Ares Serono International, S.A., a Swiss pharmaceutical company, ("Ares Serono"). Under the agreement Ares Serono is undertaking research on the AIPs and PIPs for a one year term, with a right to sublicense Axonyx's patent rights to the AIPs and the PIPs. In addition to pursuing significant new research on the AIPs and PIPs, Ares Serono paid Axonyx an up front fee for the right to sublicense. On May 2, 2000 Ares Serono informed Axonyx that it is exercising its right to license under the Development Agreement and the two companies are currently negotiating the final terms of a licensing agreement. Under a licensing agreement Ares Serono would continue the research and development of the AIP & PIP technologies initiated during the term of the Development Agreement. Any patent rights or know-how developed by Ares Serono arising out of the conduct of the research shall revert to Axonyx if the parties do not sign a licensing agreement.

On October 1, 1999 Axonyx Inc. signed a Sponsored Research Agreement with the University of Melbourne (Australia). Under the Agreement, Axonyx commits to fund a research project at the University of Melbourne to develop a diagnostic test for Alzheimer's Disease. Axonyx undertakes to fund this research for a three year period for approximately $60,000 per year. Each party will own the resulting intellectual property as tenants in common in equal shares. Axonyx also undertakes to pay the expenses associated with the filing and prosecution of any patent applications covering the intellectual property resulting from the research project. In addition, the University of Melbourne granted Axonyx an option to acquire an exclusive worldwide license to the intellectual property or patent resulting from the research project, and to an existing patent application covering an Alzheimer's Disease diagnostic test on basic licensing terms outlined in the Sponsored Research Agreement.

If the Company signs a licensing agreement with Ares Serono, it will receive a $1.5 million fee within thirty days. There can be no assurance that additional revenues from patent licensing or research and development contracts will be generated in fiscal year 2000.

RESULTS OF OPERATIONS

Since the commencement of operations of its predecessor in January 1997, the Company's efforts have been principally devoted to research and development of its licensed pharmaceutical compounds, corporate consolidation, and raising capital.

For the three months ended March 31, 2000, the Company recognized revenue in the amount of $63,000 in connection with Development Agreement and Right to License with Ares Serono.

For the three months ended March 31, 2000 the Company incurred a loss from operations of $947,000 compared to a loss from operations of $889,000 for the three months ended March 31, 1999. The increase is due to additional research and development activities and an increase in general and administrative expenses. The Company expects to incur additional losses for the foreseeable future.

For the three months ended March 31, 2000 the Company incurred research and development costs of $614,000 compared to $520,000 for the three months ended March 31, 1999. The increase is due primarily to the hiring of a scientific director, an increase in research activities, offset by a decrease in charges associated with the issuance of common shares to New York University and certain scientists.

For the three months ended March 31, 2000 the Company incurred general and administrative costs of $396,000 compared to $369,000 for the three months ended March 31, 1999. The increase is due to hiring employees, and an overall increase in costs due to the Company's commencement of activities associated with patent support, investor relations and marketing the Company's research and development activities.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2000, the Company had $4,873,000 in cash and cash equivalents. To maximize potential yields, the Company has made investments in bonds in the amount of $3,800,000. These bonds are long term and are subject to the risks associated with changes in interest rates and other related risks. The Company does not have any available lines of credit. Since inception the Company has financed its operations through loans from a shareholder, licensing revenues, and from private placements of equity securities.

The Company estimates that it currently has sufficient capital resources to meet its budgetary needs for the next twelve months ending March 2001. The Company received $4.76 million total gross proceeds from its equity private offering of units that terminated on February 1, 2000. The Company filed a registration statement on Form SB-2 on May 3, 2000 to register 1,060,000 shares of common stock, of which 1,005,000 shares are issuable upon exercise of common stock purchase warrants at $3.75 per share, and is pursuing sub-licensing and other collaborative arrangements that may generate additional capital for the Company. However, there can be no assurance that the Company will generate additional revenues, that a significant number of warrant holders will exercise their warrants, or that potential financings through bank borrowings, debt or equity offerings, or otherwise, will be available on acceptable terms or at all.

SUBSEQUENT EVENTS

On April 3, 2000 the shares of common stock of Axonyx began trading on the Nasdaq SmallCap Market under the stock symbol AXYX. Prior to that date the shares of common stock of Axonyx were traded on the OTC Bulletin Board.

On May 3, 2000 the Company filed a registration statement on Form SB-2 to register 1,060,000 shares of common stock, of which 1,005,000 shares are issuable upon exercise of common stock purchase warrants at $3.75 per share.

On May 5, 2000, the Company notified the holders of warrants to purchase 1,005,000 shares of common stock that the Company is calling the warrants for exercise. Under the call provision of the warrants the Company has the right to call the warrants for exercise if the average closing bid price for the Company's common stock is equal to or greater than $7.50 for any consecutive period of thirty days. Under the call notice, the holders were notified that they must exercise the warrants prior to May 26, 2000. This call period was subsequently extended by the Board to 11:59 p.m. Pacific Standard Time on June 9, 2000. Any warrants outstanding after that date will be terminated. The warrants were issued in a private placement of units in 1998 and are exercisable at $3.75 per share. The shares underlying the warrants are covered by a registration statement filed by the Company on May 3, 2000.

IMPACT OF THE YEAR 2000 ON COMPANY RESEARCH AND DEVELOPMENT

There has been no adverse effect on the computers, software and other equipment utilizing microprocessors of Axonyx, its licensors and collaborating research facilities related to the year 2000 date change. Axonyx and these other third parties took steps to insure that their operations were not adversely affected by Year 2000 software failures.

YEAR 2000 IMPACT ON INTERNAL BUSINESS OPERATIONS

There has been no adverse effect on Axonyx's computer software programs and operating systems used in its internal operations due to the year 2000 date change. The Company verified that these software programs and operating systems are year 2000 compliant with operating ranges well beyond that date.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Between November 1, 1999 and February 1, 2000, the Company undertook an equity offering of units in Europe to a limited number of accredited and otherwise qualified investors based on their financial resources and knowledge of investments, with each unit priced at $25,000 per unit (the "November 1999 Offering"). Each unit ("Unit") consists of 4,000 shares of common stock, par value $0.001, and 2,000 Stock Purchase Warrants (the "Warrants") at a price of $25,000 per Unit. Each Warrant entitles the holder to purchase one share at a price of $11.00 until their expiration on August 1, 2004. As of February 1, 2000, the termination date of the private offering, the Company had sold 190.5 Units. Axonyx received gross proceeds of

$4,762,500 in the November 1999 Offering. The issuance of securities in this private offering is exempt from the registration requirements of the Securities Act pursuant to Regulation D, Rule 506 of the Securities Act.

On January 21, 2000 Dr. Blas Frangione exercised certain options granted under an Option Agreement dated April 3, 1997. Axonyx issued 75,473 shares of common stock to Dr. Frangione upon exercise of the options. The issuance of the securities was exempt from the registration requirements of the Securities Act pursuant to the exemption set forth in Section 4(2).

On February 10, 2000, New York University exercised certain options granted under an Option Agreement dated April 3, 1997. Axonyx issued 150,944 shares of common stock to NYU upon exercise of the options. The issuance of the securities was exempt from the registration requirements of the Securities Act pursuant to the exemption set forth in Section 4(2).

On April 20, 2000, Axonyx issued an aggregate of 36,800 shares of common stock and warrants to purchase 18,400 shares of common stock to three non-U.S. corporations. The securities were issued to these firms pursuant to Finder's Agreements with each firm in relation to the November 1999 Offering. Each warrant entitles the holder to purchase one share at a price of $11.00 until their expiration on August 1, 2004. The issuance of the securities was exempt from the registration requirements of the Securities Act pursuant to the exemption set forth in Section 4(2).

On April 20, 2000, Axonyx issued 2,800 shares of common stock and warrants to purchase 1,400 shares of common stock to an individual pursuant to a Finder's Agreement in relation to the November 1999 Offering. Each warrant entitles the holder to purchase one share at a price of $11.00 until its expiration on August 1, 2004. The issuance of the securities was exempt from the registration requirements of the Securities Act pursuant to the exemption set forth in Section 4(2).

On April 27, 2000, Axonyx issued 30,000 shares of common stock to Intertrend Management Ltd. upon the exercise of options granted to Intertrend pursuant to a Stock Option Agreement dated January 5, 1999. The issuance of the securities was exempt from the registration requirements of the Securities Act pursuant to the exemption set forth in Section 4(2).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits required by Item 601 of Regulation S-K.

The following exhibits are filed as part of this report:

27.1 Financial Data Schedule

(b) Reports on 8-K

None.

SIGNATURE

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

AXONYX INC.

By: /s/ Marvin S. Hausman, M.D.

Marvin S. Hausman, M.D.
President and Chief Executive Officer

By: /s/ Michael M. Strage

Michael M. Strage
Treasurer and Principal Financial and

Accounting Officer

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
CASH	4,873,000
SECURITIES	3,800,000
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	4,898,000
PP&E	28,000
DEPRECIATION	4,000
TOTAL ASSETS	8,749,000
CURRENT LIABILITIES	213,000
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	14,000
OTHER SE	8,522,000
TOTAL LIABILITY AND EQUITY	8,749,000
SALES	0
TOTAL REVENUES	63,000
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	614,000 [1]
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	(905,000)
INCOME TAX	0
INCOME CONTINUING	(905,000)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(905,000)
EPS BASIC	(.07)
EPS DILUTED	(.07)

[1] Research and Development.

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