NEURO-HITECH PHARMACEUTICALS INC
Form 10QSB
May 15, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2006

¨ 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 333-125699

NEURO-HITECH PHARMACEUTICALS, INC.
(Exact name of Small Business Issuer as Specified in its Charter)

Delaware	20-4121393
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

One Penn Plaza, Suite 2514, New York, NY 10119

(Address of Principal Executive Offices)

(212) 798-8100

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year If Changed Since Last Report)

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: May 8, 2006

Common Stock 9,441,506
Class A Common Stock 100

Transitional Small Business Disclosure Format (check one):
Yes x No

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Neuro-Hitech Pharmaceuticals, Inc
Balance Sheets

		(Unaudited)
ASSETS		**31-Mar-06**
Current Assets		
Cash & Cash Equivalents	**$**	**4,256,532**
Accounts Receivable		**74,490**
Inventory		**24,552**
Prepaid Expenses		**329,215**
Total Current Assets		**4,684,789**
Total Assets	**$**	**4,684,789**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable & Accrued Expenses	**$**	**474,840**
Total current Liabilities		**474,840**
Stockholders' Equity (Deficit):		
Preferred Stock		
Authorized: 5,000,000, Issued & Outstanding: 0 $.001 Par Value		
Common Stock Class A		**-**
Authorized: 100, Issued & Outstanding: 100 $.001 Par Value		
Common Stock:		
Authorized: 44,999,900, Issued & Outstanding: 9,441,606 $.001 Par Value		**9,441**
Common Stock:		
Authorized: 8,654,112 Issued & Outstanding $.01 Par .Value		**-**
Paid in Capital		**7,738,368**
Accumulated Deficit		**(3,537,860)**
Total Stockholders' Equity (Deficit)		**4,209,949**
Total Liabilities and Stockholders' Equity	**$**	**4,684,789**

The accompanying notes are an integral part of these consolidated financial statements.

Neuro-Hitech Pharmaceuticals, Inc
Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2006	2005
Sales	**$ 68,040**	**$ 56,700**
Cost of Goods Sold	**(28,198)**	**(19,449)**
Gross Profit	**39,842**	**37,251**
Operating Expenses		
Selling, general and administrative	**(223,711)**	**(90,547)**
Research and Development	**(669,012)**	**(106,396)**
Stock Based Compensation	**(89,012)**	**-**
Total Operating Expenses	**(981,736)**	**(196,943)**
Operating (Loss)	**(941,893)**	**(159,692)**
Other Income		
Interest/Dividend Income	**30,479**	**2,561**
Total Other Expenses	**30,479**	**2,561**
(Loss) before Provisions for IncomeTaxes	**(911,415)**	**(157,131)**
Provisions for IncomeTaxes	**-**	**-**
Net (Loss)	**(911,415)**	**(157,131)**
Basic and Diluted Loss per common share:	**(0.10)**	**(0.02)**
Weighted Average Number of Common Shares:	**8,974,839**	**8,654,112**

The accompanying notes are an integral part of these consolidated financial statements.

Neuro-Hitech Pharmaceuticals, Inc
Statement of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	**(911,415)**	**(157,131)**
Adjustments to Reconcile Net loss to net cash used in Operating Activities:		
Stock Based Compensation Expense	**89,012**	**-**
Change in operating assets and liabilities:		
(Increase) Decrease in Assets:		
Accounts Receivable	**(22,365)**	**(33,945)**
Pre Payments	**(329,215)**	**91,040**
Inventory	**(24,552)**	**(6,051)**
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	**282,585**	**32,843**
Total adjustments	**(4,535)**	**83,887**
Net cash used in operating activities	**(915,950)**	**(73,244)**
Cash flows from financing activities:	**-**	**-**
Net Proceeds from Private Placement	**4,085,874**	**-**
Net Proceeds from Sale of Stock	**996,002**	**-**
Net cash used in Financing activities	**5,081,876**	**-**
Net increase (decrease) in cash and cash equivalents	**4,165,926**	**(73,244)**
Cash and cash equivalents, beginning of period	**90,606**	**504,692**
Cash and cash equivalents, end of period	**4,256,532**	**431,448**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)

(1) Nature and Continuance of Operations

Neuro-Hitech Pharmaceuticals, Inc. (the "Company") is an early stage pharmaceutical company engaged in the development and commercialization of Huperzine A ("HupA") for a variety of degenerative neurological disorders. Through a collaboration with the Alzheimer's Disease Cooperative Study ("ADCS"), formed in 1991 as a cooperative agreement between the National Institute of Aging and the University of California San Diego, for advancing the research of drugs for treating patients with Alzheimer's disease ("AD"), the National Institutes of Health ("NIH") and Georgetown University Medical Center ("Georgetown"), the Company has completed Phase I studies and is currently conducting Phase II clinical trials for HupA. HupA is a cholinesterase inhibitor that the Company believes may be effective in the treatment of AD and Mild Cognitive Impairment ("MCI"), although, to date, its efforts have been focused upon HupA's effectiveness in AD.

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information. They may not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. In the opinion of Management, all adjustments considered necessary to make the interim financials not misleading, consisting solely of normal recurring adjustments, have been made.

The results of operations for such interim periods are not necessarily indicative of results of operations for a full year. The unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company and management's discussion and analysis of financial condition and results of operations included in the Annual Report on Form 10-KSB for the year ended December 31, 2005.

(2) Summary of Significant Accounting Policies

Accounting Policies

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the December 31, 2005 Form 10-KSB.

Basic and Diluted Loss Per Share

Basic earnings (loss) per share reflect the amount of earnings (loss) for the period available to each share of common stock outstanding during the reporting period. Diluted earnings (loss) per share reflect basic earnings (loss) per share, while giving effect to all dilutive potential common shares that were outstanding during the period, such as common shares that could result from the potential exercise or conversion of securities (options or warrants) into common stock.

As of March 31, 2006 options and warrants issued to employees and consultants pursuant to the Company's long-term stock incentive plan to purchase an aggregate of 800,000 shares of common stock at $2.50 per share were authorized. Approximately 625,000 options are outstanding to date. In connection with a private placement of its securities, in January 2006, the Company granted warrants to purchase an aggregate of 537,500 shares of common stock at prices ranging from $2.50 to $5.00. In June 1997 the Company granted warrants to purchase an aggregate of 82,000 shares

of common stock for approximately $.92 per share.

For the three month periods ended March 31, 2006 the Company recorded a loss and as a result, the average number of common shares used in the calculation of basic and diluted loss per share have not been adjusted for the effects of potential common shares from unexercised stock options and warrants.

Stock-Based Compensation

In 2006, the Company began to recognize expense of options or similar instruments issued to employees using the fair-value-based method of accounting for stock-based payments in compliance with SFAS 123(R) “Share-Based Payment.” For the three months ended March 31,2006, the Company recognized $89,012 of stock compensation expense. As of March 31, 2006, there was approximately $1,192,775 of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 2.8 years.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At December 31, 2005 and March 31, 2006, a full deferred tax asset valuation allowance has been provided and no deferred tax asset has been recorded.

(3) Capital Stock

On January 17, 2006, Northern Way Resources, Inc., a Nevada corporation (“Northern-NV”) was merged with and into Northern Way Resources Inc., a Delaware corporation (“Northern-DE”) for the sole purpose of changing its state of incorporation from Nevada to Delaware pursuant to an Agreement and Plan of Merger dated January 12, 2006 (“Reincorporation Merger Agreement”), which was approved through an action by written consent of a majority of the stockholders on January 12, 2006 (“Reincorporation Merger”). Under the terms of the Reincorporation Merger, each share of Northern-NV was exchanged for one share of Northern-DE. In connection with the Reincorporation Merger, Northern-DE changed its name to Neurotech Pharmaceuticals, Inc. (“Neurotech”).

On January 24, 2006 Neurotech entered into an Agreement of Merger and Plan of Reorganization by and among Neurotech, Marco Hi-Tech JV Ltd., a privately held New York corporation, and Marco Acquisition I, Inc., a newly formed wholly-owned Delaware subsidiary of Neurotech ("Acquisition Sub"). Upon closing of the merger transactions contemplated under the Merger Agreement Acquisition Sub was merged with and into Marco, and Marco became a wholly-owned subsidiary of Neurotech.

On January 25, 2006, Neurotech filed a Certificate of Amendment to its Certificate of Incorporation in the State of Delaware in order to change its name to Neuro-Hitech Pharmaceuticals, Inc. (“Neuro-Hitech”).

Immediately after the closing of the Merger on January 24, 2006, there were 7,691,506 shares of Neuro-Hitech Common Stock issued and outstanding and 100 shares of Neuro-Hitech Class A Common Stock issued and

outstanding.

Subsequent to the closing of the Merger, Neuro-Hitech completed a private offering to accredited investors of units, with each unit consisting of (i)10,000 shares of Neuro-Hitech Common Stock and (ii) a detachable, transferable three-year warrant to purchase 2,500 shares of Neuro-Hitech Common Stock, and received gross proceeds of $4,375,000 at the completion of the private offering. $3,250,000 of the proceeds were accepted by Neuro-Hitech on January 24, 2006, $862,500 in private placement proceeds were accepted by Neuro-Hitech on January 27, 2006, $237,500 in private placement were accepted by Neuro-Hitech on February 2, 2006 and $25,000 in private placement were accepted by Neuro-Hitech on March 2, 2006.

(4) Material Definitive Agreements

On March 15, 2006, the Company entered into a Development Agreement with Xel Herbaceuticals, Inc. ("XEL") for XEL to develop a Huperzine A Transdermal Delivery System (the "Product"). Under the terms of the Agreement, the Company paid XEL a $250,000 fee upon the execution of the Agreement and will pay XEL $92,500 per month during the development of the Product, which development is estimated to take approximately 16 months. The monthly payment is subject to quarterly adjustment and subject to a limit on aggregate development cost overruns of $250,000. XEL has agreed to pay any cost overruns in excess of $250,000.

On February 1, 2006, the Company entered into an exclusive development agreement with Org Syn Laboratory, Inc. ("Org Syn") for the development by Org Syn of synthetic Huperzine A, in accordance with the terms of the Agreement. Org Syn is entitled to receive an aggregate of $175,894 upon the execution of the Agreement, $175,916 six months from the execution date and an additional $67,664 seven months from the execution date (subject to the achievement of certain milestones) for services rendered under the Agreement.

(5) New Authoritative Pronouncements

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") 155, Accounting for Certain Hybrid Financial Instruments an amendment of SFAS 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 155, provides the framework for fair value remeasurement of any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation as well as establishes a requirement to evaluate interests in securitized financial assets to identify interests. SFAS 155 further amends FASB 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The guidance SFAS 155 also clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133 and concentrations of credit risk in the form of subordination are not embedded derivatives. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. SFAS 155 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2006, FASB issued SFAS 156, Accounting for Servicing of Financial Assets-an amendment of SFAS 140. SFAS 156 requires the recognition of a servicing asset or servicing liability under certain circumstances when an obligation to service a financial asset by entering into a servicing contract. SFAS 156 also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value utilizing the amortization method or fair market value method. SFAS 156 is effective at the beginning of the first fiscal year that begins after September 15, 2006. SFAS 156 is not expected to have a material impact on the Company's consolidated financial statements.

The Company expects that the adoption of the new statements will not have a significant impact on its financial statements.

Item 2. Management's Discussion and Analysis or Plan of Operation

All references to the "Company" for periods prior to the closing of the Merger refer to Marco, and references to the "Company" for periods subsequent to the closing of the Merger refer to Neuro-Hitech and its subsidiaries.

THE FOLLOWING DISCUSSION SHOULD BE READ TOGETHER WITH THE INFORMATION CONTAINED IN THE FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-QSB .

History

We were originally formed on February 1, 2005, as Northern Way Resources, Inc., a Nevada corporation, for the purpose of acquiring exploration and early stage natural resource properties. On January 24, 2006, we entered into an Agreement and Plan of Reorganization (the "Merger Agreement") by and among us, Marco Hi-Tech JV Ltd., a privately held New York corporation ("Marco"), and Marco Acquisition I, Inc., a newly formed wholly-owned Delaware subsidiary of ours ("Acquisition Sub"). Upon closing of the transactions contemplated under the Merger Agreement (the "Merger"), Acquisition Sub was merged with and into Marco, and Marco became a wholly-owned subsidiary of ours. The merger was consummated on that date and in connection with that merger, we changed our name to Neuro-Hitech Pharmaceuticals, Inc.

Marco was incorporated in the State of New York on December 11, 1996. Through 2005, Marco conducted analytical work and clinical trials of HupA and was focused primarily on licensing proprietary HupA technology from independent third-party developers and investigators, including the Mayo Foundation, and until such time operated with no full-time employees and minimal internal resources. In addition, from time to time, Marco has imported and sold inventories of natural huperzine and other dietary supplement ingredients to vitamin and supplement suppliers to generate revenues. In 2005, Marco decided to raise additional capital to pursue additional approvals and undertake necessary studies for the development and commercialization of HupA, including funding development and securing rights to third-party transdermal patch technology and may change its manner of operations to reflect increased activity, including personnel needs.

Overall Operating Results

We had revenues from operations of $68,040 in the quarter ended March 31, 2006, a 20.0% increase from the $56,700 in revenue achieved from quarter ended March 31, 2005. The increase in revenue was a result of an increase in product sales to our single customer of natural huperzine and the sale of natural huperzine to certain strategic partners.

Cost of goods sold as a percentage of our revenue was 42% for the quarter ended March 31, 2006, compared with 35% for the quarter ended March 31, 2005. The increase in our cost of goods sold as a percentage of our revenue is largely attributable to the reduced price at which we sell natural huperzine to certain strategic partners. Our total selling, general and administrative expenses increased 147.1% from $90,547 in the quarter ended March 31, 2005 to $223,711 in the quarter ended March 31, 2006. The increase in these expenses is attributable to an increase in D&O insurance, compliance expenses associated with being a public company and legal costs.

Our research and development costs increased 528.8% from $106,396 in the quarter ended March 31, 2005 to $669,012 in the quarter ended March 31, 2006 largely as a result of an increase in the payments to sponsored third parties to perform research and conduct clinical trials. In 2006, we also incurred other expenses that we did not incur in 2005 as a result of accounting for stock options.

Plan of Operation

The Company is an early stage pharmaceutical company engaged in the development and commercialization of HupA for Alzheimer's disease and other degenerative neurological disorders. Through a collaboration with ADCS, and Georgetown, the Company has completed Phase I studies and is currently conducting Phase II clinical trials for HupA. HupA is a cholinesterase inhibitor that the Company believes may be effective in the treatment of AD and MCI, although, to date, its efforts have been focused upon HupA's effectiveness in AD.

The Company's current strategy is to make HupA available in both oral and transdermal form. As part of these efforts, on March 15, 2006, the Company entered into a development agreement with XEL to develop a transdermally delivered product. The Company believes that HupA can effectively be delivered transdermally because of its low dosage requirement, and low molecular weight. The Company currently intends to focus upon the development of collaborative, joint and strategic alliances and licensing arrangements with various pharmaceutical companies for marketing the Company's products once FDA approval is obtained although there is no assurance that FDA approval will be obtained. The Company presently believes the estimated additional costs to bring the product to market as an oral dose drug, after completing two Phase III clinical trials, will be substantial and no assurances as to future cost can be made.

Upon obtaining FDA approval for HupA, it is anticipated that the Company's collaborative partners, if the Company is successful in obtaining collaborative partners, will be primarily responsible for the sale and distribution of HupA products. Efforts will be made to reach licensing agreements with collaborative partners to participate in earlier phases of the drug development process for the Company's products, reducing the likelihood of the need for it to obtain financing for the additional development costs. This strategy may enable the Company to gain access to the marketing expertise and resources of the Company's potential partners, and to lower its capital requirements.

A marketing study funded by the Company has shown patient compliance is a crucial factor in determining patient and doctor choice in choosing a medication for AD. Often it is the responsibility of a caregiver to remind the patient to take the orally given medications. Recognizing this, the Company hopes to develop and license a multi-day transdermal patch, which, if successfully realized, will be able to be applied to the patient for more than one day. Although the Company's primary focus is the commercialization of HupA, the Company may also investigate and consider other drugs and compounds with neurological applications.

Capital Resources and Cash Requirements

Between January 2006 and March 2006, the Company received total gross proceeds of $4,375,000 from a private placement of securities to certain accredited investors that purchased an aggregate of 1,750,000 shares of the Company's common stock and warrants to purchase 437,500 shares of the Company's common stock (the "Offering").

The principal purposes of the funding from the Offering are to continue clinical trials, development of transdermal technologies, synthetic processes of HupA and general working capital. The Company may also use funds from the Offering to acquire additional products or technologies and for other working capital needs, such as the costs related to being a public company including SEC compliance. The proceeds of the Offering are not expected to be sufficient to provide funding to pursue many avenues of investigation of the technology, and are planned to be primarily devoted to clinical testing and development of transdermal patch technology.

On February 1, 2006, Neuro-Hitech Pharmaceuticals, Inc. entered into an exclusive development agreement with Org Syn Laboratory, Inc. ("Org Syn") for the development by Org Syn of synthetic Huperzine A, in accordance with the terms of the Agreement. Org Syn is entitled to receive an aggregate of $175,894 upon the execution of the Agreement, $175,916 six months from the execution date and an additional $67,664 seven months from the execution date (subject to the achievement of certain milestones) for services rendered under the Agreement.

On March 15, 2006, the Company entered into a Development Agreement with Xel Herbaceuticals, Inc. (“XEL”) for XEL to develop a Huperzine A Transdermal Delivery System (the “Product”). Under the terms of the Agreement, the Company paid XEL a $250,000 fee upon the execution of the Agreement and will pay XEL $92,500 per month during the development of the Product, which development is estimated to take approximately 16 months. The monthly payment is subject to quarterly adjustment and subject to a limit on aggregate development cost overruns of $250,000. XEL has agreed to pay any cost overruns in excess of $250,000.

The Company has not yet determined all of its expected expenditures, accordingly, management will have significant flexibility in applying a substantial portion of the net proceeds of the Offering. Pending use of the net proceeds as described above, the Company may invest the net proceeds of the Offering in short-term, interest-bearing, investment-grade securities or accounts.

The amounts and timing of the Company's actual expenditures will depend upon numerous factors, including the progress of the Company's efforts. The foregoing discussion represents the Company's best estimate of its allocation of the net proceeds of the Offering based upon current plans and estimates regarding anticipated expenditures. Actual expenditures may vary substantially from these estimates, and the Company may find it necessary or advisable to reallocate the net proceeds within the above-described uses or for other purposes.

The Company anticipates, based on current plans and assumptions relating to operations, that the net proceeds of the Offering will be sufficient to satisfy its contemplated cash requirements to implement its business plan for at least twelve months. In the event that the proceeds of the Offering prove to be insufficient to fund the implementation of its business plan (due to a change in the Company's plans or a material inaccuracy in its assumptions, or as a result of unanticipated expenses, technical difficulties or other unanticipated problems), the Company will be required to seek additional financing sooner than currently anticipated in order to proceed with such implementation. Additional funds may not be available on acceptable terms, if at all. If adequate funds are unavailable from any available source, the Company may have to delay, reduce the scope of or eliminate one or more of its research or development programs or product launches or marketing efforts which may materially harm the Company's business, financial condition and results of operations.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet dates, and the recognition of revenues and expenses for the reporting periods. These estimates and assumptions are affected by management's application of accounting policies.

Item 3. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, 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, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation

The Company carried out an evaluation, under the supervision, and with the participation, of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2006. Based on the foregoing, the Company's Chief Executive Officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2006.

There have been no significant changes during the quarter covered by this report in the Company's internal control over financial reporting or in other factors that could significantly affect the internal control over financial reporting.

PART II OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On each of January 24, 2006, January 27, 2006, January 30, 2006 and March 2, 2006, the Company received gross proceeds of $3,250,000, $862,500, $237,500 and $25,000, respectively, from a private placement of the Company's securities to certain accredited investors that purchased an aggregate of 1,750,000 shares of the Company's common stock and warrants to purchase 437,500 shares of the Company's common stock (the "Offering").

The Offering was made solely to "accredited investors," as that term is defined in Regulation D under the Securities Act. None of the Warrants or our Common Stock, or shares of our Common Stock underlying such securities, were registered under the Securities Act, or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(2) and Regulation D (Rule 506) under the Securities Act and corresponding provisions of state securities laws, which exempts transactions by an issuer not involving any public offering.

All sales in connection with the Offering were made by officers and directors of the Company.

The Company entered into a registration rights agreement in connection with the Offering obligating the Company file a registration statement for the resale under the Securities Act the 1,750,000 shares issued in the Offering and the 437,500 shares issuable upon exercise of the warrants issued in the Offering by April 2006. The Company has determined to defer the filing of the registration statement, and as a result, under the terms of the agreement, the Company is obligated to issue to the holder of these shares and warrants additional shares with a fair market value of one percent for each 30 days the registration is deferred, up to a maximum of six percent of the original investment.

Item 4. Submission of Matters to a Vote of Security Holders.

On January 17, 2006, Northern Way Resources, Inc., a Nevada corporation ("Northern-NV") was merged with and into Northern Way Resources Inc., a Delaware corporation ("Northern-DE") for the sole purpose of changing its state of incorporation from Nevada to Delaware pursuant to an Agreement and Plan of Merger dated January 12, 2006 ("Reincorporation Merger Agreement"), which was approved through an action by written consent of a majority of the stockholders on January 12, 2006 ("Reincorporation Merger"). Under the terms of the Reincorporation Merger, each share of Northern-NV was exchanged for one share of Northern-DE. In connection with the Reincorporation Merger, Northern-DE changed its name to Neurotech Pharmaceuticals, Inc. ("Neurotech").

On January 24, 2006 Neurotech entered into an Agreement of Merger and Plan of Reorganization (the "Merger Agreement") by and among Neurotech, Marco Hi-Tech JV Ltd., a privately held New York corporation ("Marco"), and Marco Acquisition I, Inc., a newly formed wholly-owned Delaware subsidiary of Neurotech ("Acquisition Sub"). Upon closing of the merger transactions contemplated under the Merger Agreement (the "Merger"), Acquisition Sub was merged with and into Marco, and Marco became a wholly-owned subsidiary of Neurotech. The Merger and Merger Agreement were approved through an action by written consent of a majority of the stockholders of Neurotech on January 19, 2006. The adoption of the 2006 Incentive Stock Plan and the 2006 Non-Employees Directors Stock Option Plan were also approved through action by written consent of a majority of the stockholders of Neurotech.

On January 25, 2006, Neurotech filed a Certificate of Amendment to its Certificate of Incorporation in order to change its name to Neuro-Hitech Pharmaceuticals, Inc. The adoption of that amendment was approved on January 24, 2006 through an action by written consent of a majority of the stockholders of Neurotech.

Item 6. Exhibits.

Exhibit List

Exhibit No.	Description
10.1	Development Agreement dated February 1, 2006, between the Company and Org Syn Laboratory, Inc.
10.2	Development Agreement dated March 15, 2006, between the Company and Xel Herbaceuticals, Inc.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Neuro-Hitech Pharmaceuticals, Inc.
(Registrant)

Date: May 15, 2006

/s/ Reuben Seltzer
Reuben Seltzer
President and Chief Executive Officer

Date: May 15, 2006

/s/ David Barrett
David Barrett
Chief Financial Officer