

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2015

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____.

Commission File Number 001-35366

FORTRESS BIOTECH, INC.
(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5157386
(IRS Employer
Identification No.)

3 Columbus Circle, 15th Floor
New York, New York 10019
(Address of principal executive offices)

Fortress Biotech, Inc., 24 New England Executive Park, Suite 105, Burlington, MA 01803
(Former name and former address)

(781) 652-4500
(Issuer's telephone number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of August 7, 2015, there were 46,833,715 shares of Common Stock of the issuer outstanding.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Quarterly Report on Form 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Condensed Consolidated Balance Sheets
(Dollars in thousands except for share amounts)

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 41,037	\$ 49,759
Marketable securities, at fair value (Note 3)	20,000	20,002
Prepaid expenses and other current assets	997	702
Total current assets	<u>62,034</u>	<u>70,463</u>
Property and equipment, net	90	52
Restricted cash	14,586	14,586
Long-term investments, at fair value (Note 11)	5,567	4,160
Intangible asset - license (Note 6)	1,250	-
Other assets	172	64
Total assets	<u>\$ 83,699</u>	<u>\$ 89,325</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 583	\$ 366
Interest payable	26	28
Accrued expenses	4,386	3,683
Total current liabilities	<u>4,995</u>	<u>4,077</u>
Notes payable, long-term, net (net of debt discount of \$777 and \$6 at June 30, 2015 and December 31, 2014, respectively)	23,232	14,003
Other long-term liabilities	264	722
Total liabilities	<u>28,491</u>	<u>18,802</u>
Commitments and contingencies		
Stockholders' equity		
Convertible Preferred stock, \$.001 par value, 129,767 Series C shares authorized, 0 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	-	-
Common Stock, \$.001 par value, 100,000,000 shares authorized, 46,833,715 and 46,494,034 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	47	46
Additional paid-in-capital	215,793	212,205
Accumulated deficit	(159,959)	(141,728)
Total stockholders' equity attributed to the Company	<u>55,881</u>	<u>70,523</u>
Non-controlling interest (Note 5)	(673)	-
Total stockholders' equity	<u>55,208</u>	<u>70,523</u>
Total liabilities and stockholders' equity	<u>\$ 83,699</u>	<u>\$ 89,325</u>

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

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Condensed Consolidated Statements of Operations
(Dollars in thousands except for share and per share amounts)
(Unaudited)

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue	\$ -	\$ -	\$ 500	\$ -
Operating expenses				
Research and development	2,411	2,377	4,066	6,865
Research and development – licenses acquired	1,548	-	8,987	-
General and administrative	3,803	2,386	7,280	4,481
Total operating expenses	<u>7,762</u>	<u>4,763</u>	<u>20,333</u>	<u>11,346</u>
Loss from operations	(7,762)	(4,763)	(19,833)	(11,346)
Other income (expenses)				
Interest income	74	171	156	350
Interest expenses	(352)	(119)	(683)	(1,085)
Change in fair value of investments	1,622	-	1,407	-
Total other income (expenses)	<u>1,344</u>	<u>52</u>	<u>880</u>	<u>(735)</u>
Net loss	<u>(6,418)</u>	<u>(4,711)</u>	<u>(18,953)</u>	<u>(12,081)</u>
Less: net loss attributable to non-controlling interest	243	-	722	-
Net loss attributable to common stockholders	<u>\$ (6,175)</u>	<u>\$ (4,711)</u>	<u>\$ (18,231)</u>	<u>\$ (12,081)</u>
Basic and diluted net loss per common share	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.47)</u>	<u>\$ (0.34)</u>
Weighted average common shares outstanding—basic and diluted	<u>39,119,606</u>	<u>36,005,294</u>	<u>38,848,660</u>	<u>35,953,234</u>

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

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	For the six months ended June 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net Loss	\$ (18,953)	\$ (12,081)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	11	11
Noncash interest expense	167	555
Amortization of debt discount	84	-
Stock-based compensation expenses - Fortress	3,395	2,598
Change in fair value of investment	(1,407)	-
Asset impairment loss	-	723
Unrealized gain on marketable securities	2	-
Increase (decrease) in cash resulting from changes in assets and liabilities:		
Prepaid expenses and other current assets	(295)	124
Accounts payable and accrued expenses	920	(1,486)
Interest payable	(2)	(84)
End of term fee associated with Hercules Note	-	(398)
Other long term liabilities	(624)	(50)
Net Cash used in Operating Activities	<u>(16,702)</u>	<u>(10,088)</u>
Cash Flows from Investing Activities:		
Purchase of short- term investment	-	(295)
Purchase of long-term investment	-	(250)
Purchase of property and equipment	(49)	-
Purchase of license	(1,250)	-
Payment to related parties - CB Pharma Acquisition Corp	(108)	-
Net Cash used in Investing Activities	<u>(1,407)</u>	<u>(545)</u>
Cash Flows from Financing Activities:		
Payment of Hercules Note	-	(13,655)
Proceeds from issuance of common stock	-	606
Proceeds from the exercise of stock options	216	-
Proceeds from issuance of common stock under ESPP	26	-
Payment of costs related to the issuance of common stock	-	(32)
Proceeds from IDB note	-	14,009
Payment of debt issue costs associated with IDB Note	-	(9)
Proceeds from NSC note	10,000	-
Payment of debt issue costs associated with NSC Note	(855)	-
Transfer of restricted cash	-	(14,009)
Net Cash provided by (used in) Financing Activities	<u>9,387</u>	<u>(13,090)</u>
Net decrease in cash and cash equivalents	(8,722)	(23,723)
Cash and cash equivalents at beginning of period	49,759	99,521
Cash and cash equivalent at end of period	<u>\$ 41,037</u>	<u>\$ 75,798</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	80	614
Supplemental disclosure of non-cash financing and investing activities:		
Issuance of restricted stock	1	4

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

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Description of Business

Fortress Biotech, Inc., formerly Coronado Biosciences, Inc. (“Fortress” or “the Company”) is a biopharmaceutical company dedicated to acquiring, developing and commercializing novel pharmaceutical and biotechnology products. On April 27, 2015, the Company changed its name from Coronado Biosciences, Inc. to Fortress Biotech, Inc. Fortress plans to develop and commercialize products both within Fortress and within subsidiary companies, also known as Fortress Companies. In addition to its internal development programs, the Company will leverage its biopharmaceutical business expertise and drug development capabilities to help the Fortress Companies achieve their goals. Additionally, the Company will provide funding and management services to each of the Fortress Companies and, from time to time, the Company and the Fortress Companies will seek licensing, partnerships, joint ventures and/or public and private financings to accelerate and provide additional funding to support their research and development programs.

As of June 30, 2015, the Company has several consolidated Fortress Companies, which contain product licenses, Journey Medical Corporation (“JMC”), Coronado SO Co. (“Coronado SO”), Checkpoint Therapeutics, Inc. (“Checkpoint”), Mustang Bio, Inc. (“Mustang”), Helocyte Inc. (“Helocyte”) formerly Helocyte Biosciences (“Helocyte”), and other consolidated Fortress subsidiaries, which have minimal activity: Avenue Therapeutics, Inc. (“Avenue”), Innimmune Limited, CB Securities Corporation (holds treasury bills classified as marketable securities), Cyprium Inc., and Altamira Bio Inc.

Fortress

Epidermal Growth Factor Receptors (“EGFR”) Inhibitors

In March 2015, the Company entered into an exclusive license agreement with NeuPharma, Inc. (“NeuPharma”) to develop and commercialize novel irreversible, 3rd Generation EGFR inhibitors on a worldwide basis other than certain Asian countries. The program is currently in pre-clinical development (see Note 4).

Fortress Companies

Checkpoint Therapeutics, Inc.

In March 2015, the Company formed Checkpoint, a Fortress Company, to develop a portfolio of fully human immuno-oncology targeted antibodies generated in the laboratory of Dr. Wayne Marasco, MD, PhD, a Professor in the Department of Cancer Immunology and AIDS at the Dana-Farber Cancer Institute (“Dana-Farber”). The portfolio includes antibodies targeting Programmed-death Ligand 1 (“PD-L1”), glucocorticoid-induced TNFR-related protein (“GITR”) and carbonic anhydrase 9 (“CAIX”). Checkpoint plans to develop these novel immuno-oncology and checkpoint inhibitor antibodies on their own and in combination with each other, as data suggests that combinations of these targets can work synergistically together. The Company expects clinical trials to start in the second half of 2016 (see Note 4).

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Notes to Unaudited Condensed Consolidated Financial Statements

In connection with the license agreement with Dana-Farber, Checkpoint entered into a collaboration agreement with TG Therapeutics, Inc. (“TGTX”) to develop and commercialize the Anti-PD-L1 and Anti-GITR antibody research programs in the field of hematological malignancies. Michael Weiss, the Company’s Executive Vice Chairman, Strategic Development is also Co-Portfolio Manager and a Partner of Opus Point Partners Management, LLC (“OPPM”) with Dr. Rosenwald, the Company’s Chairman and Chief Executive Officer. Further, Michael Weiss is the Executive Chairman, Interim President and Chief Executive Officer and a stockholder of TGTX. Checkpoint retains the right to develop and commercialize these antibodies in the field of solid tumors. Both programs are currently in pre-clinical development.

Mustang Bio, Inc.

In March 2015, the Company formed Mustang to develop immunotherapies based on Chimeric Antigen Receptor Technology (“CAR-T”) and Mustang entered into a license agreement with the City of Hope (“COH”) to acquire such technology. In connection with the license agreement, Mustang also entered into a Sponsored Research Agreement with the COH in which Mustang will fund continued research at COH of CAR-T (see Note 4).

Coronado SO Company

In February 2015, Coronado SO entered into an exclusive license agreement with a third party for a topical product used in the treatment of Hand-Foot Syndrome, a common painful side effect of chemotherapeutics (see Note 4).

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Notes to Unaudited Condensed Consolidated Financial Statements

Journey Medical Corporation

In March 2015, JMC, the Company's dermatology focused subsidiary, entered into a license and supply agreement to acquire rights to distribute a dermatological product for the treatment of acne (see Note 6).

Avenue Therapeutics, Inc.

In February 2015, the Company purchased an exclusive license to an intravenous ("IV") formulation of Tramadol for the U.S. market from Revogenex Ireland Ltd ("Revogenex"). Tramadol is a centrally acting synthetic opioid analgesic for moderate to moderately severe pain and is available as immediate release or extended-release tablets in the U.S. The Company intends to transfer the IV Tramadol license and rights to Avenue during the second half of 2015 in order to establish a Fortress Company focused on the acquisition, license, development and commercialization of products principally for use in the acute/intensive care hospital setting (see Note 4).

Helocyte Biosciences, Inc.

On July 1, 2015, DiaVax Biosciences, Inc., which was formed in March 2015, filed a Certificate of Amendment with the State of Delaware, changing its name to Helocyte Biosciences, Inc. ("Helocyte"). Helocyte was formed to develop novel immunotherapies for the prevention and treatment of cytomegalovirus ("CMV"), a common virus that affects people of all ages. On April 2, 2015, Helocyte, entered into an agreement with the City of Hope ("COH") to secure exclusive worldwide rights (the "License"), for two T-cell immunotherapeutic vaccines for controlling CMV in allogeneic hematopoietic stem cell transplant (HSCT) and solid organ transplant (SOT) recipients. Known as Triplex and PepVax, the programs are expected to enter Phase II clinical studies later this year and are supported by grants paid and payable to COH from the National Cancer Institute. In connection with the licensing of Triplex and PepVax, Helocyte further entered into an option agreement with COH (the "Option") for exclusive worldwide rights to Pentamer, a universal immunotherapeutic vaccine being developed for the prevention of CMV transmission in utero and exercised this option on April 28, 2015 (see Note 4).

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Notes to Unaudited Condensed Consolidated Financial Statements

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results for the periods presented. Certain information and footnote disclosures normally included in the Company's annual financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed consolidated financial statement results are not necessarily indicative of results to be expected for the full fiscal year or any future period.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's Form 10-K, which was filed with the United States Securities and Exchange Commission, or SEC, on March 16, 2015, from which the Company derived the balance sheet data at December 31, 2014.

The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries: Innmune Limited, Coronado SO, Cyprium Inc., Altamira Bio Inc., JMC, CB Securities Corporation, Avenue, Checkpoint, Mustang and Helocyte. All intercompany balances and transactions have been eliminated.

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with GAAP 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 unaudited condensed consolidated financial statements and the reported amounts of expenses during the reporting period.

Use of Estimates

The Company's unaudited condensed consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The Company's significant estimates include, but are not limited to, useful lives assigned to long-lived assets, fair value of stock options and warrants, common stock issued to acquire licenses, investments, accrued expenses, provisions for income taxes and contingencies. Due to the uncertainty inherent in such estimates, actual results may differ from these estimates.

Reclassifications

The Company reclassified debt issuance costs from other assets to notes payable, long-term, net on the unaudited condensed consolidated balance sheets for all periods presented pursuant to the early adoption of Accounting Standards Update ("ASU") No. 2015-03 - *Simplifying the Presentation of Debt Issuance Costs*.

Restricted Cash

The Company records cash held in trust or pledged to secure certain debt obligations as restricted cash. As of June 30, 2015, the Company has \$14.6 million of restricted cash securing a note payable of \$14.0 million and a pledge to secure a letter of credit in connection with a lease of \$0.6 million.

Fair Value Measurement

The Company follows accounting guidance on fair value measurements for financial assets and liabilities measured at fair value on a recurring basis. Under the accounting guidance, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
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Notes to Unaudited Condensed Consolidated Financial Statements

The accounting guidance requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, for similar assets or liabilities that are directly or indirectly observable in the marketplace.

Level 3: Unobservable inputs which are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Certain of the Company's financial instruments are not measured at fair value on a recurring basis, but are recorded at amounts that approximate their fair value due to their liquid or short-term nature, such as accounts payable, accrued expenses and other current liabilities. The carrying value of the amount owed to Ovamed upon the acquisition of certain manufacturing rights in December 2012 under the amendment to the sublicense agreement with Ovamed included in current liabilities in the June 30, 2015 Unaudited Condensed Consolidated Balance Sheet and both current liabilities and long-term liabilities in the December 31, 2014 Consolidated Balance Sheet, has been recorded at its net present value, which approximates its fair value (see Note 11).

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value, determined based on discounted cash flows. During the three and six month period ended June 30, 2014, in relation to the abandonment of its lease in Woburn, MA, the Company recorded an impairment loss of \$0.4 million as a result of the write-off of its construction in progress long-lived asset.

Investments at Fair Value

The Company elected the fair value option for its investment in a third-party company developing a laser device to treat migraine headaches, and its investment in CB Pharma Acquisitions Corp ("CB Pharma"). As of June 30, 2015 the fair value of these investments approximate \$5.6 million (see Note 11).

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument by instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected, are recognized as a change in fair value of investments, in the Unaudited Condensed Consolidated Statements of Operations.

Revenue Recognition

The Company recognizes revenue for the performance of services or the shipment of products when each of the following four criteria is met: (i) persuasive evidence of an arrangement exists; (ii) products are delivered or as services are rendered; (iii) the sales price is fixed or determinable; and (iv) collectability is reasonably assured.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Notes to Unaudited Condensed Consolidated Financial Statements

The Company follows ASC 605-25, *Revenue Recognition - Multiple-Element Arrangements* and ASC 808, *Collaborative Arrangements*, if applicable, to determine the recognition of revenue under the collaborative research, development and commercialization agreements. The terms of these agreements generally contain multiple elements, or deliverables, which may include (i) grants of licenses, or options to obtain licenses, to intellectual property, (ii) research and development services, (iii) drug product manufacturing, and/or (iv) participation on joint research and/or joint development committees. The payments the Company may receive under these arrangements typically include one or more of the following: non-refundable, up-front license fees; option exercise fees; funding of research and/or development efforts; amounts due upon the achievement of specified objectives; and/or royalties on future product sales.

ASC 605-25 provides guidance relating to the separability of deliverables included in an arrangement into different units of accounting and the allocation of arrangement consideration to the units of accounting. The evaluation of multiple-element arrangements requires management to make judgments about (i) the identification of deliverables, (ii) whether such deliverables are separable from the other aspects of the contractual relationship, (iii) the estimated selling price of each deliverable, and (iv) the expected period of performance for each deliverable.

To determine the units of accounting under a multiple-element arrangement, management evaluates certain separation criteria, including whether the deliverables have stand-alone value, based on the relevant facts and circumstances for each arrangement. Management then estimates the selling price for each unit of accounting and allocates the arrangement consideration to each unit utilizing the relative selling price method. The allocated consideration for each unit of accounting is recognized over the related obligation period in accordance with the applicable revenue recognition criteria.

If there are deliverables in an arrangement that are not separable from other aspects of the contractual relationship, they are treated as a combined unit of accounting, with the allocated revenue for the combined unit recognized in a manner consistent with the revenue recognition applicable to the final deliverable in the combined unit. Payments received prior to satisfying the relevant revenue recognition criteria are recorded as deferred revenue in the Unaudited Condensed Consolidated Balance Sheets and recognized as revenue in the Unaudited Condensed Consolidated Statements of Operations when the related revenue recognition criteria are met.

Intangible Asset License

The Company records the costs of acquired product license rights as intangible asset licenses in the Condensed Consolidated Balance Sheets. Upon commencement of product sales, license rights will be amortized over the expected life of the product into product expense in the Unaudited Condensed Consolidated Statements of Operations. As of June 30, 2015, product sales of the Company's intangible asset license had not yet commenced (see Note 6).

Stock-Based Compensation

The Company expenses stock-based compensation to employees over the requisite service period based on the estimated grant-date fair value of the awards and forfeiture rates. For stock-based compensation awards to non-employees, the Company remeasures the fair value of the non-employee awards at each reporting period prior to vesting and finally at the vesting date of the award. Changes in the estimated fair value of these non-employee awards are recognized as compensation expense in the period of change.

The Company estimates the fair value of stock options grants using the Black-Scholes option pricing model and the assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

Income Taxes

The Company records income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. The Company establishes a valuation allowance if it is more likely than not that the deferred tax assets will not be recovered based on an evaluation of objective verifiable evidence. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
(Formerly Coronado Biosciences, Inc.)
Notes to Unaudited Condensed Consolidated Financial Statements

Non-Controlling Interests

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third parties. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests (see Note 5).

Comprehensive Loss

The Company's comprehensive loss is equal to its net loss for all periods presented.

Recently Issued Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. ASU No. 2015-03 is effective for the interim and annual periods ending after December 15, 2015, with early adoption permitted. As of June 30, 2015, the Company adopted ASU No. 2015-03 and such adoption resulted in debt issuance costs for all periods presented to be reclassified notes payable, long-term, net.

In the first quarter of 2015, the Company adopted ASU No. 2014-08, Reporting *Discontinued operations and Disclosures of Disposals of Components of an Entity* issued by the FASB ASU No. 2014-08 changes the definition of a discontinued operation to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results (e.g., a disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity). The Company's adoption of ASU No. 2014-08 did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, which eliminates from GAAP the concept of extraordinary items. If an event or transaction meets the criteria for extraordinary classification, it is segregated from the results of ordinary operations and is shown as a separate item in the income statement, net of tax. ASU 2015-01 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company is currently assessing the adoption and impact of this ASU, however, the Company does not anticipate that adoption of this ASU will impact consolidated financial position and results of operations.

In May 2014, the FASB issued Accounting Standard Update No. 2014-09, *Revenue from Contracts with Customers*, ("ASU 2014-09") an updated standard on revenue recognition. ASU 2014-09 provides enhancements to the quality and consistency of how revenue is reported by companies while also improving comparability in the financial statements of companies reporting using International Financial Reporting Standards or GAAP. The main purpose of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. In July 2015, the FASB voted to approve a one-year deferral of the effective date of ASU 2014-09, which will be effective for the Company in the first quarter of fiscal year 2018 and may be applied on a full retrospective or modified retrospective approach. The Company is evaluating the impact of implementation and transition approach of this standard on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern*, which defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. ASU No. 2014-15 is effective for annual reporting periods ending after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU No. 2014-15 and its related disclosures.

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3. Marketable Securities

Marketable securities, classified as trading, consist of the following:

(\$ in thousands)	As of June 30, 2015		
	Cost	Unrealized Gain/(Loss)	Fair Value
U.S. treasury bill	\$ 19,998	\$ 2	\$ 20,000

(\$ in thousands)	As of December 31, 2014		
	Cost	Unrealized Gain/(Loss)	Fair Value
U.S. treasury bill	\$ 19,998	\$ -	\$ 19,998
Mutual fund	4	-	4
	<u>\$ 20,002</u>	<u>\$ -</u>	<u>\$ 20,002</u>

The contractual term to maturity of all marketable securities held by the Company as of June 30, 2015 is less than one year.

4. Licenses Acquired

In accordance with ASC 730-10-25-1, *Research and Development*, costs incurred in obtaining technology licenses are charged to research and development expense if the technology licensed has not reached technological feasibility and has no alternative future use. The assets purchased by the Company, Mustang, Checkpoint and Coronado SO require substantial completion of research and development, regulatory and marketing approval efforts in order to reach technological feasibility. For the six months ended June 30, 2015, the purchase price of licenses totaled approximately \$9.0 million and was classified as research and development-licenses acquired in the Company's Unaudited Condensed Consolidated Statements of Operations. For the six months ended June 30, 2015, the Company's research and development-licenses is made up of the following:

(\$ in thousands)	For the Six Months Ended June 30, 2015
Fortress:	
EGFR inhibitors	\$ 1,000
IV Tramadol (1)	3,000
Fortress Companies:	
Mustang	2,147
Checkpoint	1,033
Coronado SO	1,607
Helocyte	200
Total	<u>\$ 8,987</u>

(1) The Company intends to transfer this license to Avenue.

Research and Development Licenses Acquired

Fortress

Epidermal Growth Factor Receptors ("EGFR") Inhibitors

In March 2015, the Company entered into an exclusive license agreement with NeuPharma to develop and commercialize novel irreversible, 3rd Generation EGFR inhibitors on a worldwide basis other than certain Asian countries. Under the terms of the agreement, the Company paid NeuPharma an up-front licensing fee of \$1.0 million included in research and development-licenses acquired on the Unaudited Condensed Consolidated Statement of Operations. The Company will also make development and sales-based milestone payments and will pay a tiered single digit royalty on net sales.

Fortress Companies

Checkpoint Therapeutics, Inc.

License Agreement with Dana-Farber Cancer Institute

In March 2015 Checkpoint entered into a license agreement with Dana-Farber to develop a portfolio of fully human immuno-oncology targeted antibodies. Under the terms of the agreement, Checkpoint paid Dana-Farber an up-front licensing fee of \$1.0 million and on May 11, 2015, Checkpoint granted Dana-Farber 500,000 shares both of which have been included in research and development licenses acquired on the Unaudited Condensed Consolidated Statements of Operations. Also under the terms of the agreement, Checkpoint will pay development and sales-based milestone payments and royalties on net sales. The portfolio of antibodies licensed

from Dana-Farber includes antibodies targeting Programmed-death Ligand 1 (“PD-L1”), glucocorticoid-induced TNFR-related protein (“GITR”) and carbonic anhydrase 9 (“CAIX”). Checkpoint plans to develop these novel immuno-oncology and checkpoint inhibitor antibodies on their own and in combination with each other, as data suggests that combinations of these targets can work synergistically together. Checkpoint expects clinical trials to start in the second half of 2016.

Dr. Wayne Marasco, MD, PhD a professor in the Department of Cancer Immunology and AIDS at Dana-Farber whose laboratory generated the immune-oncology targeted antibodies, will chair the Scientific Advisory Board of Checkpoint. As payment for these services Checkpoint granted Dr. Marasco 1,500,000 shares of restricted stock will pay Dr. Marasco \$0.2 million a year paid quarterly for these services.

An independent consultant valued the restricted stock Checkpoint granted to Dr. Marasco utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8% and a weighted average cost of capital of 30%, net of debt utilized resulting in a value of \$0.065 per share or \$0.1 million. Under the terms of the stock grant, the shares vest 25% on the first anniversary of the grant date and monthly thereafter for 48 months.

During the three and six months ended June 30, 2015, Checkpoint recorded expense of approximately \$9,000 and \$12,000, respectively, in research and development related on the Unaudited Condensed Consolidated Statements of Operations to Dr. Marasco’s grant.

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The 500,000 shares Checkpoint granted to Dana-Farber, vested immediately. The shares were valued by an independent consultant utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8% and a weighted average cost of capital of 30%, net of debt utilized resulting in a value of \$0.065 per share. During the three months ended June 30, 2015, Checkpoint recorded expense of \$32,500 in research and development – licenses acquired on the Unaudited Condensed Consolidated Statements of Operations.

Collaboration Agreement with TG Therapeutics

In connection with the license agreement with Dana-Farber, Checkpoint entered into a collaboration agreement with TGTX to develop and commercialize the Anti-PD-L1 and Anti-GITR antibody research programs in the field of hematological malignancies. Under the terms of the agreements, Checkpoint retains the right to develop and commercialize these antibodies in the field of solid tumors. Both programs are currently in pre-clinical development. TGTX paid Checkpoint \$0.5 million, representing an up-front licensing fee, and will make additional development and sales-based milestone payments as well as pay a tiered single digit royalty on net sales. During the three and six months ended June 30, 2015, the Company recognized \$0 and \$0.5 million, respectively, in revenue from its collaboration agreement with TGTX in the Unaudited Condensed Consolidated Statements of Operations.

Mustang Bio, Inc.

License Agreement with the City of Hope

In March 2015, Mustang entered into a license agreement with the City of Hope (“COH”) to acquire CAR-T technology. Pursuant to the agreement, in April 2015, Mustang paid the COH an upfront fee of \$2.0 million which is included in research and development-licenses acquired in the Unaudited Condensed Consolidated Statements of Operations and granted 1,000,000 shares of Mustang common stock, with additional milestones due to the COH upon the achievement of certain development goals and royalty payments for sales of the product. In addition, Mustang entered into a Sponsored Research Agreement with the COH in which Mustang will fund continued research in the amount of \$2.0 million per year, payable in four equal installments, over the next five years.

An independent consultant valued the stock grant to the COH utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8%, weighted average cost of capital of 30%, and net of debt utilized, resulting in a value of \$0.147 per share or \$0.1 million. During the six months ended June 30, 2015, \$0.1 million of expense was included in research and development-licenses acquired on the Unaudited Condensed Consolidated Statements of Operations.

Coronado SO Company

License Agreement

In February 2015, Coronado SO entered into an exclusive license agreement with a third party for a topical product used in the treatment of Hand-Foot Syndrome, a common painful side effect of chemotherapeutics. Coronado SO paid \$0.9 million upfront, included in research and development-licenses acquired on the Unaudited Condensed Consolidated Statements of Operations, issued a stock grant of 150,000 shares of common stock of Coronado SO and will pay an additional \$0.5 million nine months from the execution date. Additional milestone payments are due upon the achievement of certain development milestones and royalties will become due on sales of the product. During the six months ended June 30, 2015, \$1.4 million was recorded and is included in research and development-licenses acquired on the Unaudited Condensed Consolidated Statements of Operations.

An independent consultant valued the stock grant to the third party utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8% and a weighted average cost of capital of 30%, and net of debt utilized, resulting in a value of \$1.19 per share or \$0.2 million, included in research and development-licenses acquired on the Unaudited Condensed Consolidated Statements of Operations.

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Avenue Therapeutics, Inc.

License Agreement with Revogenex Ireland Ltd

In February 2015, the Company purchased an exclusive license to an intravenous (“IV”) formulation of Tramadol for the U.S. market from Revogenex Ireland Ltd (“Revogenex”), a privately held company in Dublin, Ireland. Fortress made an upfront payment of \$2.0 million to Revogenex upon execution of the exclusive license included in research and development licenses-acquired on the Unaudited Condensed Consolidated Statements of Operations and on June 17, 2015, paid an additional \$1.0 million after receiving all the assets acquired in this agreement. Under the terms of the agreement Revogenex is eligible to receive additional milestone payments upon the achievement of certain development milestones, in addition to royalty payments for sales of the product. Tramadol is a centrally acting synthetic opioid analgesic for moderate to moderately severe pain and is available as immediate release or extended-release tablets in the U.S.

The Company intends to transfer the IV Tramadol license and rights to Avenue during the second half of 2015 in order to establish a Fortress Company focused on the acquisition, license, development and commercialization of products principally for use in the acute/intensive care hospital setting.

During the three month ended June 30, 2015, Avenue granted 150,000 shares to two consultants in exchange for services provided and 1,000,000 shares to its acting Chief Executive Officer, Lucy Lu, who is also the Chief Financial Officer of Fortress, for services provided. Dr. Lucy Lu’s grant vests 50% in four annual equal tranches of 12.5%, with the remaining 50% vesting upon the achievement of certain performance goals. In connection with these grants for both the three and six months ended June 30, 2015, \$23,000 was recorded on the Unaudited Condensed Consolidated Statements of Operations.

An independent consultant valued the stock utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8%, weighted average cost of capital of 30%, and net of debt utilized, resulting in a value of \$0.146 per share of Avenue.

Helocyte Biosciences, Inc.

License Agreement with COH

On April 2, 2015, Helocyte, entered into an agreement with COH to secure the exclusive license to the worldwide rights, for two T-cell immunotherapeutic vaccines for controlling CMV in allogeneic hematopoietic stem cell transplant (HSCT) and solid organ transplant (SOT) recipients, for an upfront payment of \$150,000. As further consideration for the license, Helocyte is to grant to the COH, upon their acceptance of the terms of the grant, 500,000 shares of Helocyte common stock. Known as Triplex and PepVax, the programs are expected to enter Phase II clinical studies later this year and are supported by grants paid and payable to COH by the National Cancer Institute. In connection with the licensing of Triplex and PepVax, Helocyte further entered into an option agreement with City of Hope (the “Option”) for exclusive worldwide rights to Pentamer, a universal immunotherapeutic vaccine being developed for the prevention of CMV transmission in utero. On April 28, 2015, Helocyte exercised the Option and secured exclusive worldwide rights to the Pentamer vaccine from the COH for an upfront payment of \$50,000. If Helocyte successfully develops and commercializes PepVax, Triplex and Pentamer, City of Hope will receive additional milestone and other payments. During the three and six months ended June 30, 2015, Helocyte recorded an expense of \$0.2 million in research and development-licenses acquired on the Unaudited Condensed Consolidated Statements of Operations.

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5. Non-Controlling Interests

Non-controlling interests in consolidated entities are as follows:

(\$ in thousands)

	As of June 30, 2015				
	Avenue	Coronado SO	Mustang	Checkpoint	Total
NCI equity share	2	23	15	9	49
Net loss attributed to non-controlling interest	(34)	(230)	(267)	(191)	(722)
Non-controlling in consolidated entities	\$ (32)	\$ (207)	\$ (252)	\$ (182)	\$ (673)

The components of non-controlling interests in loss of consolidated entities are as follows:

(\$ in thousands)

	For the six months ended June 30, 2015				
	Avenue	Coronado SO	Mustang	Checkpoint	Total
Non-controlling interests in loss of consolidated entities	\$ (34)	\$ (230)	\$ (267)	\$ (191)	\$ (722)
Non-controlling ownership (See Note 4)	11.5%	13.0%	10.0%	20.0%	

6. Intangible Asset License

Journey Medical Corporation

In March 2015, Journey Medical Corporation (“JMC”) entered into a license and supply agreement to acquire the rights to distribute a dermatological product for the treatment of acne. JMC made an upfront payment of \$1.3 million and will incur another fee of \$0.7 million upon receipt of the product. Further payments will be made based on a revenue sharing arrangement.

The Company recorded the upfront payment as an intangible asset on the Unaudited Condensed Consolidated Balance Sheets as of June 30, 2015 and will amortize it over the deemed life of the product or agreement; whichever is shorter, upon the commencement of sales, which the Company expects will commence in late 2015 or early 2016. The product is fully developed and approved but sales cannot commence until manufacturing regulatory clearance is obtained.

7. Net Loss per Common Share

Basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common stock and common stock equivalents outstanding for the period.

A calculation of basic and diluted net loss per common share follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
(\$ in thousands except share and per share amounts)				
Net loss	(6,175)	(4,711)	(18,231)	(12,081)
Weighted average common shares outstanding—basic and diluted	39,119,606	36,005,294	38,848,660	35,953,234
Basic and diluted net loss per common share	\$ (0.16)	\$ (0.13)	\$ (0.47)	\$ (0.34)

Included in common stock issued and outstanding as of June 30, 2015 are 7,704,269 shares of unvested restricted stock, which are excluded from the weighted average common stock outstanding since its effect would be anti-dilutive.

The Company’s potential dilutive securities which consist of unvested restricted stock, options, and warrants have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average common stock outstanding used to calculate both basic and diluted net loss per share is the same.

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The following shares of potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding, as the effect of including such securities would be anti-dilutive:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Warrants to purchase Common Stock	685,061	692,916	685,061	702,353
Options to purchase Common Stock	2,071,032	2,187,076	2,114,126	2,384,348
Unvested Restricted Stock	6,912,530	6,308,368	6,749,641	5,662,528
Unvested Restricted Stock Units	11,000	-	6,884	-
Total	<u>9,679,623</u>	<u>9,188,360</u>	<u>9,555,712</u>	<u>8,749,229</u>

8. Debt and Interest

Debt

Long-term debt consists of the following as of June 30, 2015 and December 31, 2014:

<i>(\$ in Thousands)</i>	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>Interest Rate</u>	<u>Maturity</u>
IDB Note	\$ 14,009	\$ 14,009	2.25%	Feb - 2017
NSC Note	10,000	-	8.00%	Mar - 2018
Total notes payable, long term	<u>24,009</u>	<u>14,009</u>		
Discount of notes payable	777	-		
Total notes payable, long term, net	<u>\$ 23,232</u>	<u>\$ 14,009</u>		

Israel Discount Bank Note ("IDB Note")

At June 30, 2015, the Company had \$14.0 million outstanding under the IDB Note. Effective March 31, 2015, the Company extended the maturity date to February 2017. The Company pays interest only on the note through maturity.

NSC Note

In March 2015, the Company closed a private placement of a promissory note for \$10 million through National Securities Corporation's NSC Biotech Venture Fund I LLC, (the "NSC Note"). The Company will use the proceeds from the NSC Note to acquire medical technologies and products. The note matures in 36 months, provided that during the first 24 months the Company can extend the maturity date by six months. No principal amount will be due for the first 24 months (or the first 30 months if the maturity date is extended). Thereafter, the note will be repaid at the rate of 1/12 of the principal amount per month for a period of 12 months. Interest on the note is 8% payable quarterly during the first 24 months (or the first 30 months if the note is extended) and monthly during the last 12 months. National Securities Corporation ("NSC"), a wholly owned subsidiary of National Holdings, Inc., acted as the sole placement agent for the NSC Note. The Company paid NSC a fee of \$0.9 million during the six months ended June 30, 2015, in connection with the note. At June 30, 2015 the Company recorded the fee as a discount to notes payable on the Unaudited Condensed Consolidated Balance Sheets and will amortize it over the life of the NSC Note. The effective interest rate on the NSC Note approximates 9%.

The NSC Note, was amended and restated on July 29, 2015, to provide that any time a Fortress Company receives from the Company any proceeds from the NSC Note, the Company may, in its sole discretion, cause the Fortress Company to issue to NSC Biotech Venture Fund I LLC a new promissory note (the "Amended NSC Note") on identical terms as the NSC Note (giving effect to the passage of time with respect to maturity). The Amended NSC Note will equal the dollar amount of the Fortress Company's share of the NSC Note and reduce the Company's obligations under the NSC Note by such amount. The Company will guarantee the Amended NSC Note until the Fortress Company either completes an initial public offering of its securities or raises sufficient equity capital so that it has cash equal to five times the Amended NSC Note.

In connection with the transfer of NSC Note proceeds to a Fortress Company, NSC will receive a warrant to purchase the Fortress Company's stock equal to 25% of the NSC Note proceeds transferred to that Fortress Company divided by the lowest price at which the Fortress Company sells its equity in its first third party financing. The warrants issued will have a term of 10 years and an exercise price equal to the par value of the Fortress Company's common stock. As of June 30, 2015, no portion of the proceeds has been transferred to a Fortress Company and therefore, there are no warrants issued to NSC.

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Interest

The following table shows the details of interest expense for all of debt arrangements during the periods presented. Interest expense includes contractual interest and amortization of the debt discount and amortization of fees represents fees associated with loan transaction costs, amortized over the life of the loan:

<i>(\$ in Thousands)</i>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
IDB Note				
Interest	\$ 82	\$ 80	\$ 153	\$ 121
Amortization of fees	1	1	2	2
Total IDB Note	<u>83</u>	<u>81</u>	<u>155</u>	<u>123</u>
NSC Debt				
Interest	208	-	279	-
Amortization of fees	61	-	82	-
Total NSC Debt	<u>269</u>	<u>-</u>	<u>361</u>	<u>-</u>
Ovamed Manufacturing Agreement				
Interest	-	38	167	75
Total Ovamed	<u>-</u>	<u>38</u>	<u>167</u>	<u>75</u>
Hercules Debt				
Interest (1)	-	-	-	845
Amortization of fees	-	-	-	42
Total Hercules Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>887</u>
Total Interest Expense	<u>\$ 352</u>	<u>\$ 119</u>	<u>\$ 683</u>	<u>\$ 1,085</u>

(1) Interest expense related to the Hercules Note was \$0.8 million, including \$0.4 million related to accretion of the debt discount.

9. Property and Equipment

Property and equipment consisted of the following:

<i>(\$ in thousands)</i>	<u>Useful Life (Years)</u>	<u>As of June 30, 2015</u>	<u>As of December 31, 2014</u>
Computer equipment	3	\$ 13	\$ 13
Furniture & fixtures	5	69	69
Leasehold improvements	5	12	12
Construction in progress	N/A	49	-
Total property and equipment		<u>143</u>	<u>94</u>
Less: Accumulated depreciation		(53)	(42)
Property and equipment, net		<u>\$ 90</u>	<u>\$ 52</u>

Depreciation expense for the three months ended June 30, 2015 and 2014 was \$5,000 and \$6,000, respectively. Depreciation expense for the six months ended June 30, 2015 and 2014 was \$11,000 and \$11,000, respectively.

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10. Accrued Expenses and Other Long-Term Liabilities

In December 2012, the Company acquired certain manufacturing rights from Ovamed GmbH (“Ovamed”) and agreed to pay an aggregate of \$1.5 million, in three installments of \$0.5 million on December 12, 2014, 2015 and 2016, respectively. As of June 30, 2015, the Company had not made any payments to Ovamed. On February 27, 2015, Ovamed, the Company’s supplier and manufacturer of TSO, filed for insolvency in Germany, a process similar to U.S. bankruptcy. The accrual is recorded on the Company’s Unaudited Condensed Consolidated Balance Sheets as a current accrued expense of \$1.5 million as of June 30, 2015, as a result of the bankruptcy notification. This obligation was recorded at its full value; accretion of the obligation was nil and \$38,000 for the three month period ended June 30, 2015 and 2014, respectively, and \$167,000 and \$75,000 for the six months ended June 30, 2015 and 2014, respectively, and is recorded as interest expense Unaudited Condensed Consolidated Statements of Operations. On April 20, 2015, the Company decided to no longer pursue the development of TSO. As a result, the Company terminated all on-going TSO trials including its Phase 2A clinical trial in pediatric patients with autism spectrum disorder. A preliminary analysis of data from this trial failed to demonstrate any signal of activity.

Accrued expenses and other long-term liabilities consisted of the following:

	June 30, 2015	December 31, 2014
Accrued expenses:		
Professional fees	\$ 359	\$ 837
Salaries, bonuses and related benefits	640	598
Accrued milestone, CNDO SO	500	-
Accrued severance	6	38
Ovamed manufacturing rights - short term component	1,500	1,000
Research and development	623	832
Lease impairment	165	165
Other	593	213
Total accrued expenses	\$ 4,386	\$ 3,683
Other long-term liabilities:		
Ovamed manufacturing rights – long-term component	-	334
Long-term lease abandonment charge	144	268
Deferred rent	120	120
Total other long-term liabilities	\$ 264	\$ 722

11. Investments at Fair Value

From time to time, the Company invests in marketable securities, which are classified as trading securities and are stated at fair value as determined by quoted market prices. As of both June 30, 2015 and December 31, 2014, the Company held approximately \$20.0 million in marketable securities, which consisted of a U.S. treasury bill and mutual funds.

The fair value of the Company’s investment of \$250,000 in a third-party company developing a laser device to treat migraine headaches, approximated cost, as of June 30, 2015 and December 31, 2014. During the six month ended June 30, 2015, the Company evaluated operating results and other qualitative and quantitative factors pertaining to this investment to arrive at this determination.

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As of June 30, 2015, the Company valued its investment in CB Pharma, a publicly traded company, utilizing the following assumptions: volatility of 25.4%, and no dividend rate; yielding an underlying value of \$9.52 per ordinary share for the insider shares and \$9.52 per ordinary share for the private placement units. The rights and warrants were valued utilizing a binomial-lattice model which assumes a volatility of 25.4%, a risk free rate of return of 1.63% and a strike price of \$11.50 per share, and applied a probability factor (implied likelihood of a successful business combination occurring within 18 months from the IPO date) arriving at an estimated value of \$0.86 for each warrant and \$0.87 for each right. Based upon the valuation, the Company recorded a change in fair-value of investment of \$1.4 million; increasing the fair value of the investment to \$5.3 million as of June 30, 2015. As of June 30, 2015, CB Pharma had net assets, of approximately \$42.9 million. Operations since inception have been insignificant. The Company has a working capital commitment of up to \$0.5 million to fund CB Pharma Operations, of which \$0.1 million has been paid. As of June 30, 2015, the fair value of this commitment was insignificant.

Certain of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate their fair value due to their liquid or short-term nature, such as accounts payable, accrued expenses and other current liabilities.

The following tables classify into the fair value hierarchy financial instruments measured at fair value on a recurring basis in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2015 (unaudited) and December 31, 2014:

(\$ in thousands)	Fair Value Measurement as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities:				
U.S. treasury bills	\$ 20,000	\$ -	\$ -	\$ 20,000
Total marketable securities	20,000	-	-	20,000
Long-term investments, at fair value	-	-	5,567	5,567
Total	\$ 20,000	\$ -	\$ 5,567	\$ 25,567

(\$ in thousands)	Fair Value Measurement as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities:				
U.S. treasury bills	\$ 19,998	\$ -	\$ -	\$ 19,998
Mutual funds	4	-	-	4
Total marketable securities	20,002	-	-	20,002
Long-term investments, at fair value	-	-	4,160	4,160
Total	\$ 20,002	\$ -	\$ 4,160	\$ 24,162

The fair value of marketable securities are determined using quoted market prices from daily exchange-traded markets based on the closing price as of the balance sheet date.

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The table below provides a roll-forward of the changes in fair value of Level 3 financial instruments, as of June 30, 2015:

<i>(\$ in thousands)</i>	Other	CB Pharma	Total
Balance at December 31, 2014	\$ 250	\$ 3,910	\$ 4,160
Purchases	-	-	-
Change in fair value of investment	-	1,407	1,407
Balance at June 30, 2015	<u>\$ 250</u>	<u>\$ 5,317</u>	<u>\$ 5,567</u>

For the three and six months ended June 30, 2015, no transfers occurred between Level 1, Level 2 and Level 3 instruments.

12. Stockholders' Equity

Stock-based Compensation

As of June 30, 2015, the Company had three equity compensation plans: the Fortress Biotech, Inc. 2007 Stock Incentive Plan, the Fortress Biotech, Inc. 2013 Stock Incentive Plan, and the Fortress Biotech, Inc. 2012 Employee Stock Purchase Plan.

The following table summarizes the stock-based compensation expense from stock option awards, restricted common stock awards, employee stock purchase programs and warrants granted by Fortress for the three and six months ended June 30, 2015 and 2014:

<i>(\$ in thousands)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Employee awards	\$ 1,525	\$ 1,452	\$ 2,988	\$ 2,574
Non-employee awards	7	11	14	24
Fortress Companies (1)	35	-	393	-
Total stock-based compensation expense	<u>\$ 1,574</u>	<u>\$ 1,463</u>	<u>\$ 3,395</u>	<u>\$ 2,598</u>

(1) Includes for Avenue \$22,900 for compensation expense on stock grants, Coronado SO \$178,500 for stock a grant in connection with a license acquired, Checkpoint \$32,500 for a stock grant in connection with a license acquired and \$12,242 for compensation expense and Mustang \$147,000 for a stock grant in connection with the license acquired.

For the three months ended June 30, 2015 and 2014, \$0.3 million of stock-based compensation expenses was included in research and development expenses and \$1.3 million was included in general and administrative expenses, and \$0.3 million was included in research and development expenses and \$1.2 million was included in general and administrative expenses, respectively in the unaudited condensed consolidated statements of operations.

For the six months ended June 30, 2015 and 2014, \$0.5 million of stock-based compensation expenses was included in research and development expenses and \$2.5 million was included in general and administrative expenses, and \$0.6 million was included in research and development expenses and \$2.0 million was included in general and administrative expenses, respectively in the unaudited condensed consolidated statements of operations.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
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The following table summarizes Fortress stock option activities excluding activity related to Fortress Companies:

<i>(\$ in thousands)</i>	Number of shares	Weighted average exercise price	Total weighted average intrinsic value	Weighted average remaining contractual life (years)
Options vested and expected to vest at December 31, 2014	2,164,365	\$ 4.69	\$ -	7.38
Options granted	-	-	-	
Options exercised	(100,000)	2.15	1.21	
Options cancelled	-	-	-	
Options vested and expected to vest at June 30, 2015	2,064,365	\$ 4.82	\$ -	7.20
Options vested and exercisable	1,747,698	\$ 4.75	\$ -	6.79

The following table summarizes Fortress' restricted stock award and restricted stock unit activity, excluding activity related to Fortress Companies:

	Number of shares	Weighted average grant date fair value
Unvested balance at December 31, 2014	8,287,384	\$ 2.33
Restricted stock granted	200,000	3.04
Restricted stock vested	(783,115)	2.43
Restricted stock units granted	61,000	2.34
Restricted stock units vested	(25,000)	2.19
Unvested balance at June 30, 2015	7,740,269	\$ 2.34

As of June 30, 2015, the Company had unrecognized stock-based compensation expense related to unvested stock options and restricted stock awards and restricted stock units of \$0.7 million and \$14.3 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 0.4 years and 2.5 years, respectively.

Warrants

As of June 30, 2015 and December 31, 2014 the Company had vested warrants to purchase 685,061 shares of common stock with a weighted average exercise price of \$6.65.

Deferred Compensation Plan

On March 12, 2015, the Company's Compensation Committee approved the Deferred Compensation Plan allowing all non-employee directors the opportunity to defer all or a portion of their fees or compensation, including restricted stock and restricted stock units. During the six months ended June 30, 2015, certain non-employee directors elected to defer 250,000 restricted stock awards under this plan.

Employee Stock Purchase Plan

As of June 30, 2015, 77,875 shares have been purchased and 122,125 shares are available for future sale under the Employee Stock Purchase Plan ("ESPP"). The Company recognized share-based compensation expense related to this plan of \$8,465 and \$7,128 for the three months ended June 30, 2015 and 2014, and \$14,848 and \$15,746 for the six months ended June 30, 2015 and 2014, respectively.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
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Fortress Companies

Checkpoint

In March 2015, Checkpoint issued a restricted stock grant to Dr. Wayne Marasco for services in connection with their scientific advisory board. Dr. Marasco was issued a grant for 1.5 million shares, which vest 25% on the first anniversary of the grant date and monthly thereafter for 48 months. An independent consultant valued the restricted stock Checkpoint granted to Dr. Marasco utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8% and a weighted average cost of capital of 30%, net of debt utilized resulting in a value of \$0.065 per share. For the three months and six months ended June 30, 2015, Checkpoint recorded expense of \$9,000 and \$12,000, respectively.

Avenue

During the three months ended June 30, 2015, Avenue granted 150,000 shares to two consultants in exchange for services provided and 1.0 million shares to its acting Chief Executive Officer, Lucy Lu, who is also Chief Financial Officer of Fortress, for services provided. The stock price was determined utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8%, weighted average cost of capital of 30%, and net of debt utilized, resulting in a \$0.146 value per share. Grants issued to the consultants were immediately vested. The grant issued to Dr. Lucy Lu vests 50% in four annual equal tranches of 12.5%, with the remaining 50% vesting upon the achievement of certain performance goals. In connection with these grants for the three and six months ended June 30, 2015, approximately \$23,000 was recorded in expense on the Unaudited Condensed Consolidated Statements of Operations.

13. Related Party Note

Related Party Service Agreement

On April 3, 2014, the Company entered into a Shared Services Agreement with OPPM in which the parties agreed to share a rented facility as well as costs for certain services, which they individually require for the operation of their respective entities. The Company's Chairman, President and Chief Executive Officer and the Company's Executive Vice Chairman, Strategic Development, are both Co-Portfolio Managers and Partners of OPPM. The Company incurred expense of approximately \$44,400 and \$87,700 under this agreement for the three and six months ended June 30, 2015 and \$38,400 for the three and six months ended June 30, 2014, respectively. The agreement can be terminated by either party with thirty days' notice.

Checkpoint Collaboration Agreement with TGTX

In connection with the license agreement with Dana-Farber, Checkpoint entered into a collaboration agreement with TGTX to develop and commercialize the Anti-PD-L1 and Anti-GITR antibody research programs in the field of hematological malignancies. In connection with this Agreement TGTX paid an upfront fee of \$0.5 million during the six months ended June 30, 2015 (see Note 1).

CB Pharma Acquisition Corp.

The receivable from CB Pharma Acquisition Corp at June 30, 2015 and December 31, 2014 was \$0.1 million and nil, respectively.

14. Subsequent Events

Altamira Bio, Inc.

On July 16, 2015, Fortress completed the transaction in which its Fortress Company, Altamira Bio, acquired from New Zealand Pharmaceuticals Ltd (NZP), a license from the National Institutes of Health (NIH) and Cooperative Research and Development Agreements (CRADAs) for the development of oral N-acetyl-D-mannosamine (ManNAc), a key compound in the sialic biosynthetic pathway, for the treatment of hyposialylation disorders, including GNE myopathy and various forms of nephropathy. As part of this agreement, Altamira provided NZP and NIH an upfront payment of approximately \$1.3 million comprised of an upfront milestone payment of \$0.7 million to NZP and reimbursement of \$0.6 million of development costs for Phase II Myppathy and Phase I Nephropath Clinical Trial being conducted at the NIH. Additional development and sales-based milestone payments are payable upon achievement.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
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Scientific Collaboration Agreement

In July 2015, Fortress entered into a collaboration agreement with a leader in yeast based, fully human antibody discovery and optimization using a proprietary core technology platform. Under the terms of the agreement Fortress will collaborate with this leader with at least four and potentially six projects. Fortress paid an upfront fee of \$50,000. Future payments shall be made on a project basis whereby Fortress will pay a research funding fee as well as fees related to the achievement of technical milestones. Upon conclusion of the optimization, Fortress may exercise an option to further develop the antibody.

George Avgerinos Grant

On July 15, 2015, Mr. George Avgerinos, Senior Vice President of Fortress was granted 1.0 million Restricted Stock Units. As a condition of this grant Mr. Avgerinos' option grant dated June 2013 for 200,000 shares was surrendered and Fortress will record a charge in the third quarter of 2015 for this grant. The restricted shares vest 10% immediately and an additional 10% per year over four years commencing the later of trading availability, under Fortress' Insider Trading Policy, or July 15, 2015. The remaining 50% vests in accordance with the achievement of performance goals.

David Barrett

On July 15, 2015, the Board of Directors voted to accelerate the vesting of 133,000 restricted shares granted to David Barrett for his service on the Board of Directors through July 15, 2015. In connection with this acceleration Fortress will record a charge in the third quarter of 2015.

Dov Klein

On July 15, 2015, Mr. Dov Klein joined the Board of Directors of Fortress. In connection with Mr. Klein joining the Board he was granted 50,000 shares of restricted stock, which vest 25% per year over the next four years.

Long-Term Incentive Program

At the Company's stockholders Meeting on July 15, 2015 the shareholders' also approved the Fortress Biotech, Inc. Long Term Incentive Plan (the "LTIP") for the Company's Chairman, President and Chief Executive Officer, Lindsay A. Rosenwald, M.D., and Executive Vice Chairman, Strategic Development, Michael S. Weiss. The LTIP consists of a program to grant equity interests in the Company and newly formed subsidiaries and a performance- based bonus program that is designed to result in performance-based compensation that is deductible without limit under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Dr. Falk Pharma GmbH ("Falk")

On August 3, 2015, the Company received notification from Falk that the Final Clinical Study Report, or CSR has been completed and that Falk is prepared to grant access to the CSR. Upon receipt of access to the CSR, the Company will record the liability of €2.5 million (\$2.7 million).

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

References in this report to “we,” “us,” “our,” “the Company” and “Fortress” refer to Fortress Biotech, Inc. and its subsidiaries.

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this Form 10-Q. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis contains 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”), including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words “expect,” “anticipate,” “intend,” “believe,” “may,” or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

Since inception on June 28, 2006, Fortress Biotech, Inc., formerly known as Coronado Biosciences, Inc., has been a biopharmaceutical company dedicated to acquiring, developing and commercializing novel pharmaceutical and biotechnology products. Our plan is to develop and commercialize products that we acquire both directly and within our subsidiary companies, also known as Fortress Companies. In addition to our internal development programs, we plan to maintain direct ownership of certain product rights and revenues as well as receive royalties. We will leverage our biopharmaceutical business expertise and drug development capabilities to help the Fortress Companies achieve their goals. Additionally, we will provide funding and management services to each of the Fortress Companies and, for certain Fortress Companies’ we will seek licensing, partnerships, joint ventures, and/or public and private financings to accelerate and provide additional funding to support research and development for its products under development.

Business Strategy

Our overriding business strategy is to create a portfolio of marketed products and products under development that provide us a diversified long-term revenue stream. We plan to maintain an economic interest in our development programs. Further, in certain programs through royalty rights and, through our equity stakes in the Fortress Companies, we will maintain an economic interest in any products that the Fortress Companies develop. Each of the Fortress Companies will have dedicated management teams as well as a management services arrangement with us to ensure consistent management and drug development quality across the Fortress Companies.

We are therapeutic area agnostic, which provides maximum flexibility, allowing us to invest in a broad array of new technologies with commercial potential. Our streamlined management structure and extensive experience in structuring deals enables us to quickly take advantage of time-sensitive opportunities and provides us with a range of options to select from what we believe is the most advantageous corporate or financial structure for the development of each product candidate. Over time, our novel approach is also expected to provide opportunities to achieve synergies across the Fortress Companies and we encourage collaboration and sense of team work among employees of the Fortress Companies. We believe leveraging skills and expertise from the Company and each of the Fortress Companies will accelerate drug development and promote best practices.

Recent Events

On July 16, 2015, our Fortress Company Altamira Bio, Inc. (“Altamira”) acquired from New Zealand Pharmaceuticals Ltd (NZP), a license from the National Institutes of Health (NIH) and Cooperative Research and Development Agreements (CRADAs) for the development of oral N-acetyl-D-mannosamine (ManNAc), a key compound in the sialic biosynthetic pathway, for the treatment of hyposialylation disorders, including GNE myopathy and various forms of nephropathy. As part of the agreement, Altamira provided NZP and NIH an upfront payment of approximately \$1.3 million comprised of an upfront milestone payment of \$0.7 million to NZP and reimbursement of \$0.6 million of development costs for Phase II Myppathy and Phase I Nephropath Clinical Trial being conducted at the NIH. Additional development and sales-based milestone payments are payable upon achievement.

Results of Operations

General

To date, we have revenues of \$0.5 million from a licensing agreement between our subsidiary Checkpoint and TG Therapeutics, Inc. (“TGTX”), an affiliated entity, and, at June 30, 2015, we had an accumulated deficit of \$160.0 million. While we may in the future generate revenue from a variety of sources, including license fees, milestone payments, research and development payments in connection with strategic partnerships and/or product sales, our current product candidates are at an early stage of development and may never be successfully developed or commercialized. Accordingly, we expect to continue to incur substantial losses from operations for the foreseeable future and there can be no assurance that we will ever generate significant revenues.

Research and Development Expenses

Conducting research and development has been central to our business. For both the three months ended June 30, 2015 and 2014, research and development expenses were \$2.4 million, and for the six months ended June 30, 2015 and 2014, research and development expenses were \$4.1 million and \$6.9 million, respectively. Additionally, we expensed for the three months ended June 30, 2015, \$1.5 million in costs related to the acquisition of licenses and \$9.0 million during the six months ended June 30, 2015. Noncash, stock-based compensation expense included in research and development for both the three months ended June 30, 2015 and 2014, was \$0.3 million, and for the six months ended June 30, 2015 and 2014, noncash, stock-based compensation expense included in research and development was \$0.9 million and \$0.6 million, respectively. Research and development expenses consist primarily of:

- employee-related expenses, which include salaries and benefits, and rent expense;
- noncash stock-based compensation expense;
- license fees and milestone payments related to in-licensed products and intellectual property;
- expenses incurred under agreements with CROs, investigative sites and consultants that conduct or provide other services relating to our clinical trials and our preclinical activities;
- the cost of acquiring clinical trial materials from third party manufacturers; and
- costs associated with non-clinical activities, patent filings and regulatory filings.

We expect to continue to incur expenses related to our research and development activities for the foreseeable future as we develop our existing product candidates and potentially acquire new product candidates. Since product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials, our research and development expenses might increase in the future. In addition, if our product development efforts are successful, we expect to incur substantial costs to prepare for potential commercialization of any late-stage product candidates and, in the event one or more of these product candidates receive regulatory approval, to fund the launch of the product.

For the three months ended June 30, 2015 and 2014, direct, external development costs incurred for our TSO product development program were \$0.1 million and \$0.6 million, respectively and for the six months ended June 30, 2015 and 2014, direct, external development costs incurred for our TSO product development program were \$0.3 million and \$1.9 million, respectively. For the three months ended June 30, 2015 and 2014, direct, external development costs incurred for our CNDO-109 product development program were \$0.2 million and \$0.7 million, respectively, and for the six months ended June 30, 2015 and 2014, direct, external development costs incurred for our CNDO-109 product development program were \$0.4 million and \$1.2 million, respectively.

General and Administrative Expenses

General and administrative expenses consist principally of personnel-related costs, professional fees for legal, consulting, audit and tax services, rent and other general operating expenses not otherwise included in research and development expenses. Noncash, stock-based compensation expense included in general and administrative expenses for both the three months ended June 30, 2015 and 2014, was \$1.3 million and \$1.2 million, respectively, and for the six months ended June 30, 2015 and 2014, was \$2.5 million and \$2.0 million, respectively. We anticipate general and administrative expenses will increase in future periods, reflecting continued and increasing costs associated with:

- support of our expanded research and development activities;
- support of business development activities; and
- an expanding infrastructure and increased professional fees and other costs associated with the regulatory requirements and increased compliance associated with being a public reporting company.

Comparison of three months ended June 30, 2015 and 2014

(\$ in thousands)	For the three months ended June 30,		Change	
	2015	2014	\$	%
Revenue	\$ -	\$ -	\$ -	-
Operating expenses				
Research and development	2,411	2,377	34	1%
Research and development – licenses acquired	1,548	-	1,548	100%
General and administrative	3,803	2,386	1,417	59%
Total operating expenses	7,762	4,763	2,999	63%
Loss from operations	(7,762)	(4,763)	(2,999)	63%
Other income (expenses)				
Interest income	74	171	(97)	(57)%
Interest expenses	(352)	(119)	(233)	195%
Change in fair value of investments	1,622	-	1,622	100%
Total other income (expenses)	1,344	52	1,292	2485%
Net loss	(6,418)	(4,711)	(1,707)	36%
Less: net loss attributable to non-controlling interest	243	-	243	100%
Net loss attributable to common stockholders	\$ (6,175)	\$ (4,711)	\$ (1,464)	31%

Research and development expenses increased \$34,000, or 1%, from the three months ended June 30, 2014 to the three months ended June 30, 2015. We expect to incur expenses related to our research and development efforts going forward with existing product candidates as well as potentially acquired new products.

During the three months ended June 30, 2015, we invested \$1.5 million in new research and development programs with various partners. This increase was primarily due to the second milestone payment of \$1.0 million for the IV Tramadol license, the second milestone payment of \$0.5 million due in the third quarter of 2015 for the 1UO asset and \$0.2 million for the Helocyte Bioscience's ("Helocyte") acquisition of the license for the CMV vaccine, offset by an adjustment related to the valuation of equity grants for \$0.2 million.

General and administrative expenses increased \$1.4 million, or 59%, from the three months ended June 30, 2014 to the three months ended June 30, 2015, largely due to a \$0.7 million increase in costs related to the development of a sales and marketing infrastructure for our dermatology subsidiary Journey Medical Corporation ("JMC"), and \$0.5 million of expenses related to our business development activity, including increased legal fees. In addition salaries and benefits increased by \$0.1 million as a result of headcount increases related to business development.

During the three months ended June 30, 2015, interest expense primarily relates to interest on the NSC Note of approximately \$0.3 million. While during the same period in 2014, we incurred approximately \$81,000 of expense in connection with the IDB Note. The decrease in interest income in 2015 compared to the same period last year was primarily due to on average lower cash balances for the period. The change in fair value of investments primarily relates to the increase in value of our investment in CB Pharma of \$1.6 million during the three months ended June 30, 2015.

The non-controlling interest of \$0.2 million relates to the minority share of losses in Checkpoint, Mustang, Avenue and Coronado SO.

Comparison of six months ended June 30, 2015 and 2014

(\$ in thousands)	For the six months ended June 30,		Change	
	2015	2014	\$	%
Revenue	\$ 500	\$ -	\$ 500	100%
Operating expenses				
Research and development	4,066	6,865	(2,799)	(41)%
Research and development – licenses acquired	8,987	-	8,987	100%
General and administrative	7,280	4,481	2,799	62%
Total operating expenses	20,333	11,346	8,987	79%
Loss from operations	(19,833)	(11,346)	(8,487)	75%
Other income (expenses)				
Interest income	156	350	(194)	(55)%
Interest expenses	(683)	(1,085)	402	(37)%
Change in fair value of investments	1,407	-	1,407	100%
Total other income (expenses)	880	(735)	1,615	(220)%
Net loss	(18,953)	(12,081)	(6,872)	57%
Less: net loss attributable to non-controlling interest	722	-	722	100%
Net loss attributable to common stockholders	\$ (18,231)	\$ (12,081)	\$ (6,150)	51%

Revenue of \$0.5 million in 2015, relates to the collaboration agreement between Checkpoint and TGTX, an affiliated entity.

Research and development expenses decreased \$2.8 million, or 41%, from the six months ended June 30, 2014 to the six months ended June 30, 2015. This decrease was primarily due to a \$1.6 million reduction in TSO product development costs related to the wind down of Phase 2 of the TRUST-I trial and reduced development activities. In addition, personnel costs decreased by \$0.5 million which was primarily comprised of a \$0.4 million reduction in salary and benefits as a result of severance recorded in 2014. Cost related to manufacturing activities decreased by \$1.0 million primarily due to a one-time charge of \$0.7 million related to the decision to delay manufacturing of TSO in the Woburn, MA facility in 2014, as well as, a decrease in the use of consultants. We expect to incur expenses related to our research and development efforts going forward with existing product candidates as well as potentially acquired new products.

During the six months ended June 30, 2015, we invested \$8.9 million in new research and development programs with various partners. This increase was primarily due to the purchase by Mustang of Chimeric Antigen Receptor Technology from the City of Hope Beckman Research Institute (“COH”) for \$2.2 million, Checkpoint’s payment of \$1.0 million for the license to develop a portfolio of fully human immuno-oncology targeted antibodies, Coronado SO Corporation’s licensing of 1UO for \$1.5 million, our in-licensing of IV Tramadol for \$3.0 million, our license for EGFR Inhibitors for \$1.0 million and Helocyte’s purchase of \$0.2 million to develop novel immunotherapies for the prevention and treatment of CMV from the COH.

General and administrative expenses increased \$2.8 million, or 62%, from the six months ended June 30, 2014 to the six months ended June 30, 2015, largely due to a \$1.3 million increase in costs related to the development of a sales and marketing infrastructure for our dermatology subsidiary Journey Medical Corporation (“JMC”), and \$0.8 million of expenses related to our business development activity, including \$0.3 million of legal expenses pertaining to due diligence. In addition, salaries and benefits increased by \$0.3 million as a result of headcount increases related to business development and stock-based compensation expense increased by \$0.4 million due to restricted stock grants made to our Chief Executive Officer, our Executive Vice Chairman of Strategic Development and the independent members of our board of directors in the first quarter of 2014, partially offset by a \$0.2 million decrease in professional fees.

During the six months ended June 30, 2015, interest expense primarily relates to interest on the NSC Note of approximately \$0.4 million. While during the same period in 2014, we incurred \$0.9 million of expense in connection with our loan with Hercules of which \$0.3 related to the early payment penalty. The decrease in interest income in 2015 compared to the same period last year was primarily due to on average lower cash balances for the period. The change in fair value of investments primarily relates to the increase in value of our investment in CB Pharma of \$1.4 million during the six months ended June 30, 2015.

The non-controlling interest of \$0.7 million relates to the minority share of expenses in Checkpoint, Mustang and Coronado SO.

Liquidity and Capital Resources

For the three and six months ended June 30, 2015, we have funded our operations through cash on hand, the sale of debt and option exercises, aggregating \$10.2 million of gross proceeds. At June 30, 2015, we had cash and cash equivalents of \$41.0 million, plus marketable securities of \$20.0 million and restricted cash of \$14.6 million, of which \$14.0 million is securing the IDB Note and \$0.6 million of which is securing a letter of credit used as a security deposit for the New York, NY lease that became effective on October 3, 2014.

In February 2014, we paid off the Hercules Note and entered into the IDB Note. Early payment of the Hercules Note approximated \$14.0 million consisting of principal of \$13.2 million, end of term charge of \$0.4 million, a prepayment fee of \$0.1 million and interest of \$0.3 million. Prior to repayment, in January 2014, the Company made a scheduled principal payment of \$0.5 million on the Hercules Note.

In March 2015, we closed a private placement of a promissory note for \$10.0 million. We intend to use the proceeds from the offering to continue to acquire medical technologies and products and create subsidiaries in which we can advance those technologies and products.

We may require additional financing to fully develop, and prepare regulatory filings and obtain regulatory approvals for our existing and new product candidates, fund operating losses, and, if deemed appropriate, establish or secure through third parties manufacturing for our potential products, sales and marketing capabilities. We have funded our operations to date primarily through the sale of equity and debt securities. We believe that our current cash is sufficient to fund operations for at least the next twelve months. Our failure to raise capital as and when needed would have a material adverse impact on our financial condition and our ability to pursue our business strategies. We may seek funds through equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financing. Adequate additional funding may not be available to us on acceptable terms or at all. If adequate funds are not available to us when needed, we may be required to delay, curtail or eliminate one or more of our research and development programs and, potentially, delay our growth strategy.

Cash Flows for the Six Months Ended June 30, 2015 and 2014

(\$ in thousands)	For the six months ended June 30,		
	2015	2014	Change (\$)
Statement of cash flows data:			
Total cash (used in)/provided by:			
Operating activities	\$ (16,676)	\$ (10,088)	\$ (6,588)
Investing activities	(1,407)	(545)	(862)
Financing activities	9,361	(13,090)	22,451
Decrease in cash and cash equivalents	<u>\$ (8,722)</u>	<u>\$ (23,723)</u>	<u>\$ 15,001</u>

Operating Activities

Net cash used in operating activities increased \$6.6 million from the six-month period ended June 30, 2014, compared to the six-month period ended June 30, 2015. The increase was primarily due to a \$6.2 million increase in net loss, partially offset by an increase in accounts payable and accrued expenses.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2015 relates to JMC's acquisition of the rights to distribute a dermatological product, a working capital loan of \$0.1 million to CB Pharma Acquisition Corp and construction in process of \$49,000. Net cash used in investing activities during the six months ended June 30, 2014 relates to the investment in Argus of \$0.2 million and a short-term option of \$0.3 million for the purchase of 1UO.

Financing Activities

Net cash provided by financing activities of \$9.4 million for the six months ended June 30, 2015 primarily relates to proceeds of \$10.0 million from the promissory note, partially offset by \$0.9 million in debt issuance costs associated with the promissory note as well as \$0.2 million in proceeds related to the exercise of stock options. Net cash used in financing activities of \$13.1 million for the six months ended June 30, 2014, reflects \$14.0 million in proceeds from the IDB Note offset by a transfer of \$14.0 million to restricted cash to secure the IDB Note as well as \$13.7 million from the repayment of the Hercules Note.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations and commitments outside of the ordinary course of business from those disclosed on our annual report on Form 10-K for the year ended December 31, 2014.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

Market risk represents the risk of loss that may result from the change in value of financial instruments due to fluctuations in its market price. Market risk is inherent in all financial instruments. Market risk may be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Our exposure to market risk is directly related to derivatives, debt and equity linked instruments related to our financing activities.

Our assets and liabilities are denominated in U.S. dollars. Consequently, we have not considered it necessary to use foreign currency contracts or other derivative instruments to manage changes in currency rates. We do not now, nor do we plan to, use derivative financial instruments for speculative or trading purposes. However, these circumstances might change.

The primary quantifiable market risk associated with our financial instruments is sensitivity to changes in interest rates. Interest rate risk represents the potential loss from adverse changes in market interest rates. We use an interest rate sensitivity simulation to assess our interest rate risk exposure. For purposes of presenting the possible earnings effect of a hypothetical, adverse change in interest rates over the 12-month period from our reporting date, we assume that all interest rate sensitive financial instruments will be impacted by a hypothetical, immediate 100 basis point increase in interest rates as of the beginning of the period. The sensitivity is based upon the hypothetical assumption that all relevant types of interest rates that affect our results would increase instantaneously, simultaneously and to the same degree. We do not believe that our cash and equivalents have significant risk of default or illiquidity.

The sensitivity analyses of the interest rate sensitive financial instruments are hypothetical and should be used with caution. Changes in fair value based on a 1% or 2% variation in an estimate generally cannot be extrapolated because the relationship of the change in the estimate to the change in fair value may not be linear. Also, the effect of a variation in a particular estimate on the fair value of financial instruments is calculated independent of changes in any other estimate; in practice, changes in one factor may result in changes in another factor, which might magnify or counteract the sensitivities. In addition, the sensitivity analyses do not consider any action that we may take to mitigate the impact of any adverse changes in the key estimates.

Based on our analysis, as of June 30, 2015, the effect of a 100+/- basis point change in interest rates on the value of our financial instruments and the resultant effect on our net loss are considered immaterial.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness, as of June 30, 2015, of the design and operation of our disclosure controls and procedures, as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports 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 our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in internal control over financial reporting occurred during the most recent quarter with respect to our operations, which materially affected, or is reasonable likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

None.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

(b) Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Financial Information of CB Pharma Acquisition Corp.
101.INS	XBRL Instance Documents
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

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.

FORTRESS BIOTECH, INC.

Date: August 10, 2015

By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D., Chairman, President and
Chief Executive Officer (Principal Executive Officer)

Date: August 10, 2015

By: /s/ Lucy Lu, M.D.
Lucy Lu, M.D., Executive Vice President and Chief
Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

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FORTRESS BIOTECH, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lindsay A. Rosenwald, M.D., Chief Executive Officer (Principal Executive Officer), certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Fortress Biotech, Inc. (the "Registrant");

(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 officers 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 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 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 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 controls over financial reporting.

By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

August 10, 2015

FORTRESS BIOTECH, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lucy Lu, M.D., Executive Vice President and Chief Financial Officer (Principal Financial Officer), certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Fortress Biotech, Inc. (the "Registrant");

(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 officers 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 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 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 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 controls over financial reporting.

By: /s/ Lucy Lu, M.D.
Lucy Lu, M.D.
Chief Financial Officer
(Principal Financial Officer)

August 10, 2015

FORTRESS BIOTECH, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Fortress Biotech, Inc. on Form 10-Q for the quarterly period ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lindsay A. Rosenwald, M.D., Chairman, President, and Chief Executive Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) 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, as of, and for, the periods presented in the Report.

August 10, 2015

By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

FORTRESS BIOTECH, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Fortress Biotech, Inc. on Form 10-Q for the quarterly period ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lucy Lu, Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) 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, as of, and for, the periods presented in the Report.

August 10, 2015

By: /s/ Lucy Lu, M.D.
Lucy Lu, M.D.
Chief Financial Officer
(Principal Financial Officer)

Financial Information of CB Pharma Acquisition Corp

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended May 31, 2015

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

For the transition period from _____ to _____

Commission file number: 001-36757

CB PHARMA ACQUISITION CORP.
(Exact Name of Registrant as Specified in Charter)

Cayman Islands	6770	N/A
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification No.)

24 New England Executive Park, Suite 105
Burlington, MA 01803
(781) 652-4500

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

As of July 14, 2015, 5,536,000 Ordinary Shares, par value \$0.0001 per share were issued and outstanding.

CB PHARMA ACQUISITION CORP.

FORM 10-Q FOR THE QUARTER ENDED MAY 31, 2015

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

**CB Pharma Acquisition Corp.
Condensed Balance Sheets**

	As of	
	May 31, 2015	November 30, 2014
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 79,186	\$ 100,170
Prepaid expenses and other assets	94,414	-
Total current assets	173,600	100,170
Cash and marketable securities held in Trust Account	42,864,495	-
Deferred offering costs associated with initial public offering	-	136,837
Total assets	\$ 43,038,095	\$ 237,007
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 20,567
Accounts payable - related party	62,715	-
Note payable to related party	100,000	200,000
Total current liabilities	162,715	220,567
Commitments		
Ordinary shares subject to possible conversion 3,711,162 and 0 shares at conversion value at May 31, 2015 and November 30, 2014	37,875,379	-
Shareholders' Equity:		
Preferred shares, \$.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding at May 31, 2015 and November 30, 2014	-	-
Ordinary shares, \$.0001 par value; 100,000,000 shares authorized; 1,824,838 and 1,150,000 shares issued and outstanding at May 31, 2015 and November 30, 2014 (excluding 3,711,162 shares subject to redemption at May 31, 2015)	182	115
Additional paid-in capital	5,164,833	24,885
Accumulated deficit	(165,014)	(8,560)
Total Shareholders' Equity	5,000,001	16,440
Total Liabilities and Shareholders' Equity	\$ 43,038,095	\$ 237,007

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

CB Pharma Acquisition Corp.
Condensed Statements of Operations
(Unaudited)

	Three Months Ended May 31, 2015	Six Months Ended May 31, 2015
Formation and operating costs	\$ 49,680	\$ 120,949
Operating cost - related parties	30,000	55,000
Loss from operations	<u>(79,680)</u>	<u>(175,949)</u>
Interest income	4,286	19,495
Net loss	<u>\$ (75,394)</u>	<u>\$ (156,454)</u>
Basic and diluted net loss per ordinary share	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding, basic and diluted (1)	<u>1,816,066</u>	<u>1,741,936</u>

(1) For the three and six months ended May 31, 2015, weighted average shares outstanding excludes 3,711,162 shares subject to possible redemption

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

CB Pharma Acquisition Corp.
Condensed Statement of Changes in Shareholders' Equity
For The Six Months Ended May 31, 2015
(Unaudited)

	Ordinary Shares		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance - November 30, 2014	1,150,000	\$ 115	\$ 24,885	\$ (8,560)	\$ 16,440
Sale of units, net of underwriters' discounts and offering cost	4,200,000	420	40,154,874	-	40,155,294
Sale of units to Coronado Biosciences and EarlyBirdCapital	286,000	29	2,859,971	-	2,860,000
Sale of unit purchase option	-	-	100	-	100
Compulsory repurchase of ordinary shares	(100,000)	(10)	10	-	-
Ordinary shares subject to possible redemption	(3,711,162)	(372)	(37,875,007)	-	(37,875,379)
Net loss	-	-	-	(156,454)	(156,454)
Balance - May 31, 2015	<u>1,824,838</u>	<u>\$ 182</u>	<u>\$ 5,164,833</u>	<u>\$ (165,014)</u>	<u>\$ 5,000,001</u>

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

CB Pharma Acquisition Corp.
Condensed Statement of Cash Flows
For The Six Months Ended May 31, 2015
(Unaudited)

Cash Flows from Operating Activities	
Net loss	\$ (156,454)
Adjustments to reconcile net loss to net cash used in operating activities:	
Interest income in restricted cash and cash equivalents held in trust	(19,495)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(94,414)
Accounts payable and accrued expenses	(20,567)
Accounts payable - related party	62,715
Net Cash Used in Operating Activities	<u>(228,215)</u>
Cash Flows from Investing Activities	
Principal deposited in trust account	(42,845,000)
Net cash used in investing activities	<u>(42,845,000)</u>
Cash Flows from Financing Activities	
Repayment of note payable to related party	(200,000)
Proceeds from note payable to related party	100,000
Proceeds from underwriters unit purchase option	100
Proceeds from initial public offering, net of costs	40,292,131
Proceeds from private placement	2,860,000
Net Cash Provided by Financing Activities	<u>43,052,231</u>
Net decrease in cash and cash equivalents	(20,984)
Cash and cash equivalents - beginning	<u>100,170</u>
Cash and cash equivalents - ending	<u>\$ 79,186</u>
Supplemental disclosure of noncash investing and financing activities:	
Ordinary shares subject to possible redemption	\$ 37,875,379
Reclassification of deferred offering cost to additional paid-in capital	\$ 136,837
Compulsory repurchase of ordinary shares	\$ 10

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

CB Pharma Acquisition Corp.
Notes to Condensed Financial Statements
May 31, 2015
(Unaudited)

Note 1 - Organization, Plan of Business Operations

CB Pharma Acquisition Corp. (the "Company") was incorporated in the Cayman Islands on August 26, 2014 as a blank check company whose objective is to acquire, through a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination, one or more businesses or entities (a "Business Combination"). The Company's efforts to identify a prospective target business will not be limited to a particular industry or geographic region of the world although the Company initially intends to focus on target businesses in North America, Europe, South America and Asia operating in the specialty pharma and generic drug industries.

All activity through May 31, 2015 relates to the Company's formation, the initial public offering described below and a search for a Business Combination candidate. On December 12, 2014, the Company changed its fiscal year end from December 31 to November 30. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated with early stage and emerging growth companies.

The registration statement for the Company's initial public offering ("Initial Public Offering") was declared effective on December 12, 2014. The Company consummated the Initial Public Offering of 4,000,000 units ("Units") at \$10.00 per unit on December 17, 2014, generating gross proceeds of \$40,000,000 which is described in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the private placement ("Private Placement") of 285,000 units ("Private Placement Units") at a price of \$10.00 per unit, of which 265,000 Private Placement Units were sold to Fortress Biotech, Inc. ("Fortress"), formerly known as Coronado Biosciences, Inc., an affiliate of the Company's executive officers and the holder of a majority of the Company's Ordinary Shares prior to the Initial Public Offering, and 20,000 Private Placement Units were sold to EarlyBirdCapital ("EBC"), the representative of the underwriters in the Initial Public Offering, generating gross proceeds of \$2,850,000, which is described in Note 4.

Following the closing of the Initial Public Offering on December 17, 2014, an amount of \$40,900,000 (\$10.225 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering and the Private Placement Units, net of fees associated with the Initial Public Offering was placed in a Trust Account ("Trust Account") and will be invested in U.S. government treasury bills, bonds or notes with a maturity of 180 days or less or in money market funds selected by the Company meeting the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the Investment Company Act of 1940, as determined by the Company, until the earlier of: (i) the consummation of a Business Combination or (ii) the distribution of the Trust Account as described below.

On December 18, 2014, EBC notified the Company of its election to exercise its over-allotment option to the extent of 200,000 additional Units. The issuance of the additional Units closed on December 24, 2014 at \$10.00 per unit, generating total gross proceeds of \$2,000,000. Following the closing of the over-allotment an additional \$1,945,000 of net proceeds was placed in the Trust Account, resulting in an aggregate of \$42,845,000 (approximately \$10.20 per Unit) held in Trust.

On December 24, 2014, the Company also consummated a simultaneous private placement of an additional 1,000 Private Placement Units at a price of \$10.00 per unit to EBC, generating gross proceeds of \$10,000.

Transaction costs amounted to approximately \$1,844,000, inclusive of \$1,365,000 of underwriting fees. In addition, \$407,000 of cash was available to fund operations and held outside of the Trust Account of which \$200,000 was used to reimburse Fortress for its Working Capital Promissory Note, on December 18, 2014, as described in Note 5.

The Company's management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the Private Placement, although substantially all of the net proceeds are intended to be applied to consummating a Business Combination.

Fortress has agreed that it will be liable under certain circumstances to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by the Company for service rendered, contracted for or products sold to the Company. However, Fortress may not be able to satisfy those obligations should they arise. The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. In addition, (i) interest income earned on the funds in the Trust Account may be released to the Company to pay its income or other tax obligations and (ii) any remaining interest earned on the funds in the Trust Account may be released to the Company for its working capital requirements. With these exceptions, expenses incurred by the Company may be paid prior to a Business Combination only from the net proceeds of the Initial Public Offering not held in the Trust Account; provided, however, that in order to meet its working capital needs following the consummation of the Initial Public Offering, the Company's shareholders prior to the Initial Public Offering ("Initial Shareholders"), officers and directors or their affiliates (including Fortress) may, but are not obligated to, loan the Company funds, from time to time or at any time, in whatever amount they deem reasonable in their sole discretion. Each loan would be evidenced by a promissory note. The notes would either be paid upon consummation of the Company's initial Business Combination, without interest, or, at the lender's discretion, up to \$500,000 of the notes may be converted upon consummation of the Company's Business Combination into additional Private Placement Units at a price of \$10.00 per unit. If the Company does not complete a Business Combination, the loans would not be repaid. At May 31, 2015, proceeds not held in Trust were approximated \$79,200, which excludes interest income of approximately \$19,500 from our investments in Trust.

CB Pharma Acquisition Corp.
Notes to Condensed Financial Statements
May 31, 2015
(Unaudited)

The Company will either seek shareholder approval of any Business Combination at a meeting called for such purpose at which public shareholders may seek to convert their public shares into their pro rata share of the aggregate amount then on deposit in the Trust Account, less any taxes then due but not yet paid, or provide public shareholders with the opportunity to sell their public shares to the Company by means of a tender offer for an amount equal to their pro rata share of the aggregate amount then on deposit in the Trust Account, less any taxes then due but not yet paid. The Company will proceed with a Business Combination only if it will have net tangible assets of at least \$5,000,001 upon consummation of the Business Combination and, solely if shareholder approval is sought, a majority of the outstanding Ordinary Shares of the Company voted, are voted in favor of the Business Combination. Notwithstanding the foregoing, a public shareholder, together with any affiliate of his or any other person with whom he is acting in concert or as a “group” (as defined in Section 13(d) (3) of the Exchange Act) will be restricted from seeking conversion rights with respect to 30% or more of the Ordinary Shares sold in the Initial Public Offering. Accordingly, all shares purchased by a holder in excess of 30% of the shares sold in the Initial Public Offering will not be converted to cash. In connection with any shareholder vote required to approve any Business Combination, the Initial Shareholders have agreed (i) to vote any of their respective shares, including the 1,050,000 Ordinary Shares sold to the Initial Shareholders in connection with the organization of the Company (the “Initial Shares”), in favor of the initial Business Combination and (ii) not to convert such respective shares into a pro rata portion of the Trust Account or seek to sell their shares in connection with any tender offer the Company engages in.

The Company’s Memorandum and Articles of Association provides that the Company will continue in existence only until 18 months from the closing of the Initial Public Offering. If the Company has not completed a Business Combination by such date, it will trigger the automatic liquidation of the Trust Account and the voluntary liquidation of the Company. If the Company is forced to liquidate prior to a Business Combination, holders of the outstanding Ordinary Shares sold in the Initial Public Offering (“Public Shareholders”) are entitled to share ratably in the Trust Account, including any interest, and any net assets remaining available for distribution to them after payment of liabilities. The Initial Shareholders have agreed to waive their rights to share in any distribution with respect to their initial shares.

On January 5, 2015, the Company was informed by EBC, that the holders of the Company’s units will be able to separately trade on NASDAQ the Ordinary Shares, rights and redeemable warrants included in such units commencing on January 7, 2015.

Note 2 - Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP. In the opinion of management, all adjustments (consisting of normal accruals) considered for a fair presentation have been included. Operating results for the three months and six months ended May 31, 2015 are not necessarily indicative of the results that may be expected for the year ending November 30, 2015. For further information refer to the financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the period from August 26, 2014 through November 30, 2014, filed with Securities and Exchange Commission on February 27, 2015.

Emerging Growth Company

Section 102(b) (1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act of 1933, as amended (“Securities Act”) registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

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Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and marketable securities held in Trust Account

The amounts held in the Trust Account represent substantially all of the proceeds of the Initial Public Offering and are classified as restricted assets since such amounts can only be used by the Company in connection with the consummation of a Business Combination. As of May 31, 2015, cash and cash equivalents held in the Trust Account consisted of \$42,863,571 in United States Treasury Bills and \$924 in cash. At May 31, 2015, there was \$19,495 of interest income held in the Trust Account available to be released to the Company.

Ordinary Shares subject to possible redemption

The Company accounts for its Ordinary Shares subject to possible conversion in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." Ordinary Shares subject to mandatory redemption (if any) is classified as a liability instrument and is measured at fair value. Conditionally redeemable Ordinary Shares (including Ordinary Shares that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) is classified as temporary equity. At all other times, Ordinary Shares are classified as shareholders' equity. The Company's Ordinary Shares features certain redemption rights that are considered to be outside of the Company's control and subject to occurrence of uncertain future events. Accordingly, at May 31, 2015, 3,711,162 Ordinary Shares subject to possible redemption in the amount of \$37,875,379 are presented as temporary equity, outside of the shareholders' equity section of the Company's balance sheet.

Offering Costs

Offering costs consist principally of legal, accounting and underwriting costs incurred through the balance sheet date that are directly related to the Initial Public Offering. Offering costs amounting to \$1,844,706 (including \$1,365,000 in underwriters' fees) were charged to shareholder's equity upon completion of the Initial Public Offering.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash accounts in a financial institution which, at times may exceed the Federal depository insurance coverage of \$250,000. At May 31, 2015, the Company had not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Fair value of financial instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurements and Disclosures," approximates the carrying amounts represented in the accompanying balance sheet, primarily due to their short-term nature.

Net loss per Share

Loss per share is computed by dividing net loss by the weighted-average number of Ordinary Shares outstanding during the period. 3,711,162 Ordinary Shares subject to possible redemption at May 31, 2015, have been excluded from the calculation of basic loss per ordinary share since such Ordinary Shares, if redeemed, only participate in their pro rata share of the trust earnings. The Company has not considered the effect of (i) warrants sold in the Public Offering and Private Placement to purchase 2,243,000 Ordinary Shares of the Company, (ii) rights to acquire 448,600 Ordinary Shares of the Company and (iii) 400,000 Ordinary Shares, warrants to purchase 200,000 Ordinary Shares and rights to acquire 40,000 Ordinary Shares included in the unit purchase option sold to the underwriter, in the calculation of diluted loss per share, since the exercise of the unit purchase option and warrants as well as the conversion of rights is contingent on the occurrence of future events.

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Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company accounts for income taxes under ASC Topic 740 "Income Taxes". ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition. The Company determined that the Cayman Islands is its only major tax jurisdiction. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. Since the Company was incorporated on August 26, 2014, the evaluation was performed for the 2014 tax year, which will be the only period subject to examination upon filing of appropriate tax returns. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material changes to its financial position.

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of May 31, 2015. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Recent Accounting Pronouncements

On February 18, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-2, *Consolidation (Topic 820): Amendments to the Consolidation Analysis*. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 is effective for the Company beginning on January 1, 2016, however, early adoption is permitted. The Company is currently assessing the potential impact that this guidance will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in ASU 2014-15 are effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company will adopt the methodologies prescribed by ASU 2014-15 by the date required, and does not anticipate that the adoption of ASU 2014-15 will have a material effect on its financial position or results of operations.

In June 2014, the FASB issued ASU 2014-12, *Compensation-Stock Compensation (Topic 718)*. The ASU clarifies how entities should treat performance targets that can be achieved after the requisite service period of a share-based payment award. The accounting standard is effective for interim and annual periods beginning after December 15, 2015. The Company is currently in the process of evaluating the impact of the guidance on its financial position, results of operation, and cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

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Subsequent Events

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the financial statements were issued for potential recognition or disclosure. Any material events that occur between the balance sheet date and the date that the financial statements were issued are disclosed as subsequent events, while the financial statements are adjusted to reflect any conditions that existed at the balance sheet date.

Note 3 - Initial Public Offering

In December 2014, the Company consummated the Initial Public Offering of 4,200,000 of its units (“Units”). Each Unit consists of one ordinary share, \$.0001 par value per share (“Ordinary Share”), one right (“Right”) to receive one-tenth of one Ordinary Share upon consummation of the Company’s initial Business Combination and one warrant entitling the holder to purchase one-half of one Ordinary Share (“Warrant”). The Units were sold at an offering price of \$10.00 per Unit, generating gross proceeds of \$42,000,000. Each Warrant entitles the holder to purchase one-half of one ordinary share at a price of \$11.50 per full ordinary share commencing on the later of the Company’s completion of its initial Business Combination or December 12, 2015, and expiring five years from the completion of the Company’s initial Business Combination. The Company will not issue fractional shares. As a result, investors must exercise Warrants in multiples of two Warrants, at a price of \$11.50 per full share, subject to adjustment, to validly exercise the Warrants. The Company may redeem the Warrants at a price of \$0.01 per Warrant upon 30 days’ notice, only in the event that the last sale price of the Ordinary Shares is at least \$24.00 per share for any 20 trading days within a 30-trading day period (“30-Day Trading Period”) ending on the third day prior to the date on which notice of redemption is given, provided there is a current registration statement in effect with respect to the Ordinary Shares underlying such Warrants commencing five business days prior to the 30-Day Trading Period and continuing each day thereafter until the date of redemption. If the Company redeems the Warrants as described above, management will have the option to require all holders that wish to exercise Warrants to do so on a “cashless basis.” In accordance with the warrant agreement relating to the Warrants issued in the Initial Public Offering the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. If a registration statement is not effective within 90 days following the consummation of a Business Combination, Warrant holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act of 1933, as amended. In the event that a registration statement is not effective at the time of exercise or no exemption is available for a cashless exercise, the holder of such Warrant shall not be entitled to exercise such Warrant for cash and in no event (whether in the case of a registration statement being effective or otherwise) will the Company be required to net cash settle the Warrant exercise. Additionally, in no event will the Company be required to net cash settle the Rights. If an initial Business Combination is not consummated, the Rights and Warrants will expire and will be worthless.

Note 4 - Private Placement

Simultaneously with the consummation of the Initial Public Offering, the Company consummated the Private Placement of 285,000 Private Placement Units at a price of \$10.00 per Private Placement Unit, generating total proceeds of \$2,850,000. Of the Private Placement Units, 265,000 were purchased by Fortress, an affiliate of the Company’s executive officers and the holder of a majority of the Company’s Ordinary Shares prior to the Initial Public Offering, and 20,000 were purchased by EBC, the representative of the underwriters of the Initial Public Offering. The Company consummated the sale of an additional 1,000 Private Placement Units to EBC upon consummation of the over-allotment option, generating total proceeds of \$10,000. The Private Placement Units are identical to the Units sold in the Initial Public Offering, except the warrants included in the Private Placement Units will be non-redeemable, may be exercised on a cashless basis and may be exercisable for unregistered Ordinary Shares if the prospectus relating to the Ordinary Shares issuable upon exercise of the Warrants is not current and effective, in each case so long as they continue to be held by the initial purchasers or their permitted transferees. The holders of the Private Placement Units have agreed (A) to vote the Ordinary Shares included in the Private Placement Units (“Private Shares”) in favor of any initial Business Combination, (B) not to propose, or vote in favor of, an amendment to the Company’s amended and restated memorandum and articles of association with respect to the Company’s pre-Business Combination activities prior to the consummation of such a Business Combination unless the Company provides dissenting public shareholders with the opportunity to convert their public shares into the right to receive cash from the Company’s Trust Account in connection with any such vote, (C) not to convert any Private Shares into the right to receive cash from the Trust Account in connection with a shareholder vote to approve the Company’s initial Business Combination or a vote to amend the provisions of the Company’s amended and restated memorandum and articles of association relating to shareholders’ rights or pre-Business Combination activity and (D) that such Private Shares shall not participate in any liquidating distribution upon winding up if a Business Combination is not consummated within the required time period. Additionally, the purchasers have agreed not to transfer, assign or sell any of the Private Placement Units (except to certain permitted transferees) until the completion of the Company’s initial Business Combination.

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Note 5 - Related Party Transactions

Initial Shares

In August 2014, the Company issued 1,150,000 Initial Shares to the Initial Shareholders for an aggregate purchase price of \$25,000. The Initial Shares included an aggregate of up to 150,000 shares subject to compulsory repurchase for an aggregate purchase price of \$0.01 to the extent that the underwriters' over-allotment option was not exercised in full or in part, so that the Initial Shareholders would collectively own 20.0% of issued and outstanding shares after the Initial Public Offering (excluding the sale of the Private Placement Units). On December 18, 2014, EBC notified the Company that it had elected to exercise a portion of the over-allotment option for 200,000 additional units at \$10.00 per unit for an additional \$2,000,000. The partial exercise resulted in a reduction of 50,000 Ordinary Shares subject to compulsory repurchase resulting in a total of 100,000 Ordinary Shares being compulsory repurchased on January 5, 2015.

The Initial Shares are identical to the Ordinary Shares included in the Units sold in the Initial Public Offering. However, the Initial Shareholders have agreed (A) to vote their Initial Shares (as well as any shares acquired after the Initial Public Offering) in favor of any proposed Business Combination, (B) not to propose, or vote in favor of, an amendment to the amended and restated memorandum and articles of association with respect to pre-Business Combination activities prior to the consummation of such a Business Combination unless the Company provides dissenting public shareholders with the opportunity to convert their public shares into the right to receive cash from the Trust Account in connection with any such vote, (C) not to convert any Initial Shares (as well as any other shares acquired after the Initial Public Offering) into the right to receive cash from the Trust Account in connection with a shareholder vote to approve a proposed initial Business Combination (or sell any shares they hold to the Company in a tender offer in connection with a proposed initial Business Combination) or a vote to amend the provisions of the amended and restated memorandum and articles of association relating to shareholders' rights or pre-Business Combination activity and (D) that the Initial Shares shall not participate in any liquidating distribution upon winding up if a Business Combination is not consummated. Additionally, the Initial Shareholders have agreed not to transfer, assign or sell any of the Initial Shares (except to certain permitted transferees) until (1) with respect to 50% of the Initial Shares, the earlier of one year after the date of the consummation of initial Business Combination and the date on which the closing price of Ordinary Shares equals or exceeds \$12.50 per share (as adjusted for share splits, share dividends, reorganizations and recapitalizations) for any 20 trading days within any 30-trading day period commencing after initial Business Combination and (2) with respect to the remaining 50% of the Initial Shares, one year after the date of the consummation of initial Business Combination, or earlier, in either case, if, subsequent to initial Business Combination, the Company consummates a liquidation, merger, stock exchange or other similar transaction which results in all of shareholders having the right to exchange their Ordinary Shares for cash, securities or other property.

Promissory Notes

The Company issued a \$200,000 principal amount unsecured promissory note to Fortress. The note was non-interest bearing and became due and payable on the consummation of the Initial Public Offering. Due to the short-term nature of the note, the fair value of the note approximated the carrying amount. The Company repaid this note on December 18, 2014 from the proceeds received upon closing of the Initial Public Offering

On March 19, 2015, the Company issued a \$100,000 convertible promissory note to Fortress to evidence a loan made by Fortress to the Company. The loan is unsecured, non-interest bearing and is payable at the consummation by the Company of a merger, share exchange, asset acquisition, or other similar Business Combination. Upon consummation of a Business Combination, the principal balance of the note may be converted, at the holder's option, to units at a price of \$10.00 per unit. The terms of the units will be identical to the units issued by the Company in its Initial Public Offering except that the warrants included in such units will be non-redeemable by the Company and will be exercisable for cash or on a "cashless" basis, in each case, if held by the initial holders or their permitted transferees. If the holder converts the entire principal balance of the convertible promissory note, it would receive 10,000 units. If a Business Combination is not consummated, the note will not be repaid by the Company and all amounts owed thereunder by the Company will be forgiven except to the extent that the Company had funds available to it outside of its Trust Account.

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Administrative Service Fee

The Company, commencing on December 12, 2014, has agreed to pay Fortress a monthly fee of \$10,000 for general and administrative services. However, pursuant to the terms of such agreement, the Company may delay payment of such monthly fee upon a determination by the Company's audit committee that the Company lacks sufficient funds held outside the Trust Account to pay actual or anticipated expenses in connection with an initial Business Combination. Any such unpaid amount will accrue without interest and either is due and payable no later than the date of the consummation of an initial Business Combination, or, at Fortress's option, treated as working capital loans and will be convertible into additional Private Placement Units. During the six months ended May 31, 2015, accounts payable to Fortress were \$62,715; of which \$55,000 represents the accrued service fee and \$7,715 represents invoices of the Company paid by Fortress. Additionally, invoices totaling \$502 which are no longer included in this balance were repaid to Fortress by the Company in December 2014.

Note 6 - Commitments and Contingencies

On December 12, 2014, the Company entered into an agreement with EBC ("Underwriting Agreement"). The Underwriting Agreement required the Company to pay an underwriting discount of 3.25% of the gross proceeds of the Initial Public Offering as an underwriting discount. The Company has further engaged EBC to assist the Company with its initial Business Combination. Pursuant to this arrangement, the Company anticipates that the underwriter will assist the Company in holding meetings with shareholders to discuss the potential Business Combination and the target business' attributes, introduce the Company to potential investors that are interested in purchasing the Company's securities, assist the Company in obtaining shareholder approval for the Business Combination and assist the Company with its press releases and public filings in connection with the Business Combination. The Company will pay EBC a cash fee of 4% of the gross proceeds of the Initial Public Offering for such services upon the consummation of its initial Business Combination (exclusive of any applicable finders' fees which might become payable).

Purchase Option

The Company sold to EBC, for \$100, a unit purchase option to purchase up to a total of 400,000 units exercisable at \$11.00 per unit (or an aggregate exercise price of \$4,400,000) commencing on the later of the consummation of a Business Combination and December 12, 2015. The unit purchase option expires on December 12, 2019. The units issuable upon exercise of this option are identical to the Units being offered in the Initial Public Offering. Accordingly, after the Business Combination, the purchase option will be to purchase 440,000 Ordinary Shares (which include 40,000 Ordinary Shares to be issued for the rights included in the units) and 400,000 Warrants to purchase 200,000 Ordinary Shares. The Company has agreed to grant to the holders of the unit purchase option, demand and "piggy back" registration rights for periods of five and seven years, respectively, from the effective date of the Initial Public Offering, including securities directly and indirectly issuable upon exercise of the unit purchase option.

The Company accounted for the fair value of the unit purchase option, inclusive of the receipt of a \$100 cash payment, as an expense of the Initial Public Offering resulting in a charge directly to shareholders' equity. The Company estimated that the fair value of this unit purchase option is approximately \$2,920,000 (or \$7.30 per unit) using the Black-Scholes option-pricing model. The fair value of the unit purchase option granted to the EBC is estimated as of the date of grant using the following assumptions: (1) expected volatility of 99.10%, (2) risk-free interest rate of 1.53% and (3) expected life of five years. The unit purchase option may be exercised for cash or on a "cashless" basis, at the holder's option (except in the case of a forced cashless exercise upon the Company's redemption of the Warrants, as described in Note 3), such that the holder may use the appreciated value of the unit purchase option (the difference between the exercise prices of the unit purchase option and the underlying Warrants and the market price of the Units and underlying Ordinary Shares) to exercise the unit purchase option without the payment of any cash. The Company will have no obligation to net cash settle the exercise of the unit purchase option or the Warrants underlying the unit purchase option. The holder of the unit purchase option will not be entitled to exercise the unit purchase option or the Warrants underlying the unit purchase option unless a registration statement covering the securities underlying the unit purchase option is effective or an exemption from registration is available. If the holder is unable to exercise the unit purchase option or underlying Warrants, the unit purchase option or Warrants, as applicable, will expire worthless.

Registration Rights

The Initial Shareholders are entitled to registration rights with respect to their initial shares and the purchasers of the Private Placement Units will be entitled to registration rights with respect to the Private Placement Units (and underlying securities), pursuant to an agreement dated December 12, 2014. The holders of the majority of the initial shares are entitled to demand that the Company register these shares at any time commencing three months prior to the first anniversary of the consummation of a Business Combination. The holders of the Private Placement Units (or underlying securities) are entitled to demand that the Company register these securities at any time after the Company consummates a Business Combination. In addition, the holders have certain "piggy-back" registration rights on registration statements filed after the Company's consummation of a Business Combination.

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Note 7 – Shareholder Equity

Preferred Shares

The Company is authorized to issue 1,000,000 preferred shares with a par value of \$0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company's board of directors.

As of May 31, 2015, there are no preferred shares issued or outstanding.

Ordinary Shares

The Company is authorized to issue 100,000,000 Ordinary Shares with a par value of \$0.0001 per share.

In connection with the organization of the Company, on August 26, 2014, 1,150,000 Ordinary Shares were sold to the Initial Shareholders at a price of approximately \$0.01 per share for an aggregate of \$25,000. This number included an aggregate of up to 150,000 shares that were subject to compulsory repurchase if the over-allotment option is not exercised by the underwriters. On December 18, 2014, EBC notified the Company that it had elected to exercise a portion of the over-allotment option for 200,000 additional units of the Company at \$10.00 per unit for an additional \$2,000,000. The partial exercise resulted in a reduction of 50,000 Ordinary Shares subject to compulsory repurchase resulting in a total of 100,000 Ordinary Shares being compulsory repurchased on January 5, 2015. All of the Initial Shares have been placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, until (1) with respect to 50% of the Initial shares, the earlier of one year after the date of the consummation of an initial Business Combination and the date on which the closing price of the Company's Ordinary Shares equals or exceeds \$12.50 per share (as adjusted for share splits, share dividends, reorganizations and recapitalizations) for any 20 trading days within any 30-trading day period commencing after initial Business Combination and (2) with respect to the remaining 50% of the Initial Shares, one year after the date of the consummation of an initial Business Combination, or earlier, in either case, if, subsequent to an initial Business Combination, the Company consummates a liquidation, merger, share exchange or other similar transaction which results in all of the Company's shareholders having the right to exchange their shares for cash, securities or other property.

In connection with the Initial Public Offering, 4,000,000 Ordinary Shares, included in the Units, were sold at a price of \$10.00 per unit for an aggregate of \$40,000,000. An additional 286,000 Ordinary Shares included in the Private Placement Units were sold at a price of \$10.00 per Unit for an aggregate of \$2,860,000 related to the Private Placement.

Item 2. Management's Discussion and Analysis.

References in this report to "we," "us" or the "Company" refer to CB Pharma Acquisition Corp. References to our "management" or our "management team" refers to our officers and directors. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes 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 (the "Exchange Act"). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission ("SEC") filings. References to "we", "us", "our" or the "Company" are to CB Pharma Acquisition Corp, except where the context requires otherwise. The following discussion should be read in conjunction with our condensed financial statements and related notes thereto included elsewhere in this report.

Overview

We are a blank check company in the development stage, formed on August 26, 2014 to acquire, through a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination, one or more businesses or entities (a "Business Combination"). Our efforts to identify a prospective target business will not be limited to a particular industry or geographic region of the world although we initially intend to focus on target businesses in North America, Europe, South America and Asia operating in the specialty pharma and generic drug industries

We presently have no revenue; our operating costs of \$79,680 and \$175,949 for the three and six months ended May 31, 2015, respectively, consist primarily of professional fees related to public company compliance.

For the three and six months ended May 31, 2015, interest income on cash and marketable securities held in trust was \$4,286 and \$19,495, respectively.

On December 17, 2014, we consummated our Initial Public Offering of 4,000,000 units with each unit consisting of one ordinary share, par value \$.0001 per share ("Ordinary Share"), one right ("Right") to automatically receive one-tenth of one Ordinary Share upon consummation of an initial Business Combination and one warrant ("Warrant") entitling the holder to purchase one-half of one Ordinary Share at a price of \$11.50 per full share commencing on the later of our completion of an initial Business Combination or December 12, 2015. Simultaneous with the consummation of the Initial Public Offering, we consummated the private placement of 285,000 private Units ("Private Placement Units") at a price of \$10.00 per Private Placement Unit, generating total proceeds of \$2,850,000. Of the Private Placement Units, 265,000 were purchased by Fortress Biotech, Inc. ("Fortress"), formerly known as Coronado Biosciences, Inc., an affiliate of our executive officers and the holder of a majority of our Ordinary Shares prior to the Initial Public Offering, and 20,000 were purchased by EarlyBirdCapital, Inc., the representative of the underwriters of the Initial Public Offering ("EBC").

Following the closing of the Initial Public Offering on December 17, 2014, an amount of \$40,900,000 from the net proceeds of the sale of the Units in the Initial Public Offering and the Private Placement Units, net of fees associated with the Initial Public Offering was placed in a Trust Account ("Trust Account") and was invested in U.S. government treasury bills, bonds or notes with a maturity of 180 days or less or in money market funds selected by us meeting the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the Investment Company Act of 1940, as determined by the Company, until the earlier of: (i) the consummation of a Business Combination or (ii) the distribution of the Trust Account.

On December 24, 2014, we consummated the closing of the sale of 200,000 Units which were sold pursuant to the underwriters' over-allotment option. We also consummated a simultaneous private placement of an additional 1,000 Private Placement Units to EBC. Following the closing of the over-allotment an additional \$1,945,000 of net proceeds was placed in the Trust Account, amounting to \$42,845,000 (approximately \$10.20 per Unit) held in Trust Account.

Costs relating to the Initial Public Offering were approximated \$1,844,706 and were charged to additional paid in capital.

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Our management has broad discretion with respect to the specific application of the net proceeds of the offering and the Private Placement, although substantially all of the net proceeds are intended to be applied generally towards consummating a Business Combination successfully.

Critical Accounting Policy

Ordinary Shares Subject to Possible Conversion

The Company accounts for its Ordinary Shares subject to possible conversion in accordance with the guidance provided in ASC 480 “Distinguishing Liabilities from Equity”. Ordinary Shares subject to mandatory conversion (if any) are classified as a liability instrument and measured at fair value. Conditionally convertible Ordinary Shares (including Ordinary Shares that feature conversion rights that are either within the control of the holder or subject to conversion upon the occurrence of uncertain events not solely within the Company’s control) are classified as temporary equity. At all other times, Ordinary Shares are classified as stockholders’ equity. The Company’s Ordinary Shares feature certain conversion rights that are considered by the Company to be outside of the Company’s control and subject to the occurrence of uncertain future events. Accordingly at May 31, 2015, the Ordinary Shares subject to possible conversion are presented as temporary equity, outside of the shareholders’ equity section of our balance sheet.

Results of Operations

We have neither engaged in any business operations nor generated any revenues to date. Our entire activity from inception up to the closing of our Offering on December 17, 2014 was in preparation for that event. Subsequent to the Offering, our activity has been limited to the evaluation of Business Combination candidates, and we will not be generating any operating revenues until the closing and completion of our initial Business Combination. We have, and expect to continue to generate small amounts of non-operating income in the form of interest income on cash and cash equivalents. Interest income is not expected to be significant in view of current low interest rates on risk-free investments (treasury securities). We expect to incur increased expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses.

For the three months ended May 31, 2015, we had net losses of \$75,394, which consisted of operating expenses of \$79,680 offset by interest income from our Trust Account of \$4,286.

For the six months ended May 31, 2015, we had net losses of \$156,454, which consisted of operating expenses of \$175,949 offset by interest income from our Trust Account of \$19,495.

Our operating expenses principally consisted of expenses related to our public filings and listing and identification and due diligence related to a potential target business, and to general operating expenses including printing, insurance and office expenses. Until we consummate a Business Combination, we will have no operating revenues.

Liquidity and Capital Resources

As of May 31, 2015, we had cash of \$79,186.

Through May 31, 2015, our liquidity needs were satisfied through receipt of approximately \$407,000 from the sale of units of which \$200,000 was used to repay of working capital loan with Fortress in December 2014, \$19,495 of interest earned on the Trust Account and a loan by Fortress of \$100,000. In addition to the loan by Fortress of \$100,000, Fortress paid for professional services provided to us for \$7,715 and have deferred payment of their administrative service fee of \$55,000 through May 31, 2015, until a successful business combination is achieved.

We intend to use substantially all of the net proceeds of the Offering, including the funds held in the Trust Account, to acquire a target business or businesses and to pay our expenses relating thereto, upon consummation of our initial Business Combination. To the extent that our capital stock is used in whole or in part as consideration to affect our initial Business Combination, the remaining proceeds held in the Trust Account as well as any other net proceeds not expended will be used as working capital to finance the operations of the target business. Such working capital funds could be used in a variety of ways including continuing or expanding the target business’ operations, for strategic acquisitions and for marketing, research and development of existing or new products. Such funds could also be used to repay any operating expenses or finders’ fees which we had incurred prior to the completion of our initial Business Combination if the funds available to us outside of the Trust Account were insufficient to cover such expenses.

CB Pharma Acquisition Corp.
Notes to Condensed Financial Statements
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(Unaudited)

Fortress may, but is not required to, provide loans to us for our working capital needs. To this end, Fortress loaned to us \$100,000 in March 2015. The loans provided by Fortress will be evidenced by notes and would either be repaid upon the consummation of a Business Combination or, at the option of the holder, up to \$500,000 may be convertible into additional Private Placement Units at a price of \$10.00 per Private Placement Unit. Based on the foregoing, we believe we will have sufficient cash to meet our needs through the earlier of consummation of a Business Combination or twelve months from the balance sheet date. Over this time period, we will be using these funds for paying existing accounts payable, identifying and evaluating prospective acquisition candidates, performing business due diligence on prospective target businesses, traveling to and from the offices, plants or similar locations of prospective target businesses, reviewing corporate documents and material agreements of prospective target businesses, selecting the target business to acquire and structuring, negotiating and consummating the Business Combination. We anticipate that our uses of cash for the next twelve months will be approximately:

- \$150,000 of expenses for the search for target businesses and for the legal, accounting and other third-party expenses attendant to the due diligence investigations, structuring and negotiating of a Business Combination;

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of May 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of May 31, 2015, we were not subject to any market or interest rate risk. Following the consummation of the our Initial Public Offering, the net proceeds of our Initial Public Offering, including amounts in the Trust Account, may be invested in U.S. government treasury bills, notes or bonds with a maturity of 180 days or less or in certain money market funds that invest solely in US treasuries. Due to the short-term nature of these investments, we believe there will be no associated material exposure to interest rate risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended May 31, 2015, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that during the period covered by this report, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports 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 our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the three months ended May 31, 2015 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

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

On December 17, 2014, we consummated our Initial Public Offering of 4,000,000 units with each unit consisting of one Ordinary Share, one Right to automatically receive one-tenth of one Ordinary Share upon consummation of an initial Business Combination and one Warrant entitling the holder to purchase one-half of one Ordinary Share at a price of \$11.50 per full share commencing on the later of our completion of an initial Business Combination or December 31, 2015. Simultaneous with the consummation of the Initial Public Offering, we consummated the Private Placement of 285,000 Private Placement Units at a price of \$10.00 per Private Placement Unit, generating total proceeds of \$2,850,000. Of the Private Placement Units, 265,000 were purchased by Fortress Biotech, Inc., an affiliate of our executive officers and the holder of a majority of our Ordinary Shares prior to the Initial Public Offering, and 20,000 were purchased by EBC, Inc., the representative of the underwriters of the Initial Public Offering.

Following the closing of the Initial Public Offering on December 17, 2014, an amount of \$40,900,000 from the net proceeds of the sale of the Units in the Initial Public Offering and the Private Placement Units, net of fees associated with the Initial Public Offering was placed in the Trust Account and was invested in U.S. government treasury bills, bonds or notes with a maturity of 180 days or less or in money market funds selected by us meeting the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the Investment Company Act of 1940, as determined by the Company, until the earlier of: (i) the consummation of a Business Combination or (ii) the distribution of the Trust Account.

On December 24, 2014, we consummated the closing of the sale of 200,000 Units which were sold pursuant to the underwriters' over-allotment option. We also consummated a simultaneous private placement of an additional 1,000 Private Placement Units to EBC. Following the closing of the over-allotment an additional \$1,945,000 of net proceeds was placed in the Trust Account, amounting to \$42,845,000 (approximately \$10.20 per Unit) held in Trust Account.

Costs relating to the Initial Public Offering approximated \$1,844,706 and were charged to additional paid in capital.

For a description of the use of the proceeds generated in our Initial Public Offering, see Part I, Item 2 of this Form 10-Q.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Operating Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.PRE	XBRL Taxonomy Extension Label Linkbase.
101.LAB	XBRL Taxonomy Extension Presentation Linkbase.

SIGNATURE

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 hereunto duly authorized.

Dated: July 15, 2015

CB PHARMA ACQUISITION CORP.

By: /s/ Lindsay A. Rosenwald

Name: Lindsay A. Rosenwald

Title: Chief Executive Officer