**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 September 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** | **20-5157386** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |

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

**(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 | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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

As of November 9, 2015, there were 47,133,715 shares of Common Stock of the issuer outstanding.

**FORTRESS BIOTECH, INC. AND SUBSIDIARIES**
**(Formerly Coronado Biosciences, Inc.)**
**Quarterly Report on Form 10-Q**
**TABLE OF CONTENTS**

**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 and per share amounts)**

| | September 30, 2015 (Unaudited) | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 25,563 | $ 49,759 |
| Marketable securities, at fair value (Note 3) | 39,951 | 20,002 |
| Prepaid expenses and other current assets | 1,096 | 702 |
| Total current assets | 66,610 | 70,463 |
| | | |
| Property and equipment, net | 129 | 52 |
| Restricted cash | 14,586 | 14,586 |
| Long-term investments, at fair value (Note 11) | 4,095 | 4,160 |
| Intangible asset - license (Note 6) | 1,250 | - |
| Other assets | 194 | 64 |
| **Total assets** | **$ 86,864** | **$ 89,325** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Accounts payable | $ 1,287 | $ 366 |
| Interest payable | 26 | 28 |
| Accrued expenses | 7,137 | 3,683 |
| Total current liabilities | 8,450 | 4,077 |
| | | |
| Notes payable, long-term, net (net of debt discount of $718 and $6 at September 30, 2015 and December 31, 2014, respectively) | 23,291 | 14,003 |
| Other long-term liabilities | 202 | 722 |
| **Total liabilities** | **31,943** | **18,802** |
| | | |
| **Commitments and contingencies** | | |
| | | |
| **Stockholders' equity** | | |
| Convertible Preferred stock, $.001 par value, 129,767 Series C shares authorized, 0 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively | - | - |
| Common Stock, $.001 par value, 100,000,000 shares authorized, 47,133,715 and 46,494,034 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively | 47 | 46 |
| Additional paid-in-capital | 231,684 | 212,205 |
| Accumulated deficit | (178,120) | (141,728) |
| Total stockholders' equity attributed to the Company | 53,611 | 70,523 |
| | | |
| Non-controlling interests (Note 5) | 1,310 | - |
| Total stockholders' equity | 54,921 | 70,523 |
| **Total liabilities and stockholders' equity** | **$ 86,864** | **$ 89,325** |

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)**

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Revenue - from a related party** | $ 25 | $ - | $ 525 | $ - |
| | | | | |
| **Operating expenses** | | | | |
| Research and development | 9,073 | 1,609 | 13,172 | 8,473 |
| Research and development – licenses acquired | 1,895 | - | 10,882 | - |
| General and administrative | 7,129 | 2,737 | 14,376 | 7,218 |
| Total operating expenses | 18,097 | 4,346 | 38,430 | 15,691 |
| Loss from operations | (18,072) | (4,346) | (37,905) | (15,691) |
| | | | | |
| Other income (expenses) | | | | |
| Interest income | 39 | 168 | 195 | 517 |
| Interest expense | (350) | (121) | (1,033) | (1,206) |
| Change in fair value of investments | (1,472) | (293) | (65) | (293) |
| Total other income (expenses) | (1,783) | (246) | (903) | (982) |
| **Net loss** | **(19,855)** | **(4,592)** | **(38,808)** | **(16,673)** |
| | | | | |
| Less: net loss attributable to non-controlling interest | 1,694 | - | 2,416 | - |
| **Net loss attributable to common stockholders** | **$ (18,161)** | **$ (4,592)** | **$ (36,392)** | **$ (16,673)** |
| | | | | |
| Basic and diluted net loss per common share | $ (0.46) | $ (0.13) | $ (0.93) | $ (0.46) |
| | | | | |
| Weighted average common shares outstanding—basic and diluted | 39,412,056 | 36,024,810 | 39,038,522 | 35,977,355 |

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 nine months ended September 30, | |
|---|---|---|
| | **2015** | **2014** |
| **Cash Flows from Operating Activities:** | | |
| **Net Loss** | $ (38,808) | $ (16,673) |
| **Reconciliation of net loss to net cash used in operating activities:** | | |
| Depreciation and amortization | 17 | 17 |
| Noncash interest expense | 167 | 555 |
| Amortization of debt discount | 143 | - |
| Stock-based compensation expense | 11,896 | 4,082 |
| Change in fair value of investment | 65 | 293 |
| Asset impairment loss | - | 723 |
| Unrealized gain on marketable securities | (11) | - |
| **Increase (decrease) in cash resulting from changes in assets and liabilities:** | | |
| Prepaid expenses and other current assets | (394) | (31) |
| Accounts payable and accrued expenses | 4,375 | (1,366) |
| Interest payable | (2) | (84) |
| End of term fee associated with Hercules Note | - | (398) |
| Other long-term liabilities | (687) | 75 |
| Net cash used in Operating Activities | (23,239) | (12,807) |
| | | |
| **Cash Flows from Investing Activities:** | | |
| Purchase of marketable securities, at fair value | (19,938) | - |
| Purchase of short- term investment | - | (345) |
| Purchase of long-term investment | - | (250) |
| Purchase of property and equipment | (94) | - |
| Purchase of license | (1,250) | - |
| Payment to related parties - CB Pharma Acquisition Corp | (130) | - |
| Net cash used in Investing Activities | (21,412) | (595) |
| | | |
| **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 | - |
| Proceeds from subsidiary's public offering | 12,575 | - |
| Payment of costs related to subsidiary's public offering | (1,507) | - |
| 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 | - | (15,446) |
| Net cash provided by (used in) Financing Activities | 20,455 | (14,527) |
| | | |
| Net decrease in cash and cash equivalents | (24,196) | (27,929) |
| | | |
| Cash and cash equivalents at beginning of period | 49,759 | 99,521 |
| **Cash and cash equivalents at end of period** | $ 25,563 | $ 71,592 |
| | | |
| **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.

## 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 September 30, 2015, the Company has several consolidated Fortress Companies, which contain product licenses, including Avenue Therapeutics, Inc. ("Avenue"), Journey Medical Corporation ("JMC"), Coronado SO Co. ("Coronado SO"), Checkpoint Therapeutics, Inc. ("Checkpoint"), Mustang Bio, Inc. ("Mustang"), Helocyte, Inc. ("Helocyte"), formerly DiaVax Biosciences, Inc. ("DiaVax"), Escala Therapeutics, Inc. ("Escala"), formerly Altamira Biosciences, Inc. ("Altamira"), and other consolidated Fortress subsidiaries which have minimal activity, including Innmune Limited, CB Securities Corporation (holds treasury bills classified as marketable securities), and Cyprium Therapeutics, Inc.

### Recent Events

*Fortress Companies*

On September 30, 2015, a subsidiary of Fortress closed the first tranche of a confidential private placement offering raising approximately $12.6 million. Expenses associated with this tranche approximated $1.5 million.

### Checkpoint Therapeutics, Inc.

In March 2015, the Company formed Checkpoint, an immuno-oncology focused company. To date, Checkpoint has licensed 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. Additionally, effective March 2015, Fortress assigned its license from NeuPharma, Inc. ("NeuPharma") for a small molecule inhibitor of epidermal growth factor receptor ("EGFR") mutations to Checkpoint. Clinical trials for this program are expected to start in the first half of 2016 (see Note 4).

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. Further, in connection with the NeuPharma license, Checkpoint entered into an option agreement with TGTX for a global collaboration in connection with the future development of the certain compounds licensed. 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. Lindsay Rosenwald, the Company's Chairman and Chief Executive Officer. Further, Mr. 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.

On September 15, 2015, Checkpoint entered into a Sponsored Research Agreement with NeuPharma to identify additional inhibitors with differing profiles from the licensed products. Under the terms of the agreement, Checkpoint will pay NeuPharma for specific sponsored research projects.

**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 the COH of CAR-T (see Note 4).

**Coronado SO Co.**

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).

**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 Limited ("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 United States. The Company intends to transfer the IV Tramadol license and rights to Avenue during the fourth quarter of 2015 in order to establish a Fortress Company focused on the acquisition, licensing, development and commercialization of products principally for use in the acute/intensive care hospital setting (see Note 4).

**Helocyte, Inc.**

Helocyte, formerly DiaVax, 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 COH to secure exclusive worldwide rights 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 the COH from the National Cancer Institute. In connection with the licensing of Triplex and PepVax, Helocyte further entered into an option agreement with the 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).

**Escala Therapeutics, Inc.**

On July 16, 2015, Escala, formerly Altamira, acquired from New Zealand Pharmaceuticals Limited ("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 (see Note 4).

## 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 ("SEC") on March 16, 2015 and amended on April 30, 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 Therapeutics, Inc., Escala, 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, stock-based compensation, 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 September 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.

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 GmbH ("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 September 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 10).

**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 nine month period ended September 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 Acquisition Corp. ("CB Pharma"). As of September 30, 2015, the fair value of these investments approximate $4.1 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**

*Reimbursement Arrangements*

The Company, via the collaboration agreement between Checkpoint and TGTX, is reimbursed by TGTX for its share of the cost of the license and future milestone payments that are payable to Dana-Farber pursuant to the license agreement (for further discussion, see Note 1). The gross amount of these reimbursed costs are reported as revenue in the accompanying unaudited condensed consolidated statements of operations. The Company acts as a principal (as the Company is responsible for designing the future clinical development pathway), bears credit risk and may perform part of the services required in the transactions. Consistent with ASC 605-45, *Revenue Recognition – Principal Agent Considerations,* these reimbursements are treated as revenue to the Company. The actual expenses creating the reimbursements are reflected as research and development – licenses acquired.

*Collaborative Arrangements*

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.

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 its 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 our 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 we 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 condensed consolidated balance sheets and recognized as revenue in the condensed consolidated statements of operations when the related revenue recognition criteria are met. See Note 4 for a description of the collaborative arrangements.

**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 condensed consolidated statements of operations. As of September 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 unvested 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.

**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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, 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.

In January 2015, the FASB issued ASU 2015-01, *Income Statement – Extraordinary and Unusual Items*, 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 ASU 2015-01 will impact the Company's consolidated financial position and results of operations.

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 condensed consolidated financial statements.

In April 2015, the FASB issued 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. The Company adopted ASU No. 2015-03 and such adoption resulted in debt issuance costs for all periods presented to be reclassified into notes payable, long-term, net.

In August 2015, the FASB issued ASU No. 2015-15, *Interest - Imputation of Interest*, which clarifies the treatment of debt issuance costs from line-of-credit arrangements after the adoption of ASU No. 2015-03. In particular, ASU No. 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of such arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company is currently evaluating the impact of adopting ASU No. 2015-15 and believes its adoption will not have a material effect on the Company's consolidated financial position and results of operations.

**3. Marketable Securities**

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

| | As of September 30, 2015 | | |
|---|---|---|---|
| *($ in thousands)* | **Cost** | **Unrealized Gain/(Loss)** | **Fair Value** |
| U.S. treasury bill | $ 39,940 | $ 11 | $ 39,951 |

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

The contractual term to maturity of all marketable securities held by the Company as of September 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, Coronado SO, Helocyte and Escala require substantial completion of research and development, regulatory and marketing approval efforts in order to reach technological feasibility. As such, for the nine months ended September 30, 2015, the purchase price of licenses, totaling approximately $10.9 million, was classified as research and development-licenses acquired in the Company's condensed consolidated statements of operations. For the three months and nine months ended September 30, 2015, the Company's research and development-licenses are comprised of the following:

| *($ in thousands)* | For the Three Months Ended September 30, 2015 | For the Nine Months Ended September 30, 2015 |
|---|---|---|
| Fortress: | | |
| IV Tramadol (1) | $ - | $ 3,000 |
| | | |
| Fortress Companies: | | |
| Mustang | - | 2,147 |
| Checkpoint | 600 | 2,633 |
| Coronado SO | - | 1,607 |
| Helocyte | - | 200 |
| Escala | 1,295 | 1,295 |
| Total | $ 1,895 | $ 10,882 |

(1) Fortress intends to transfer IV Tramadol to Avenue.

**Research and Development Licenses Acquired - 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 of its common stock, all of which has been included in research and development - licenses acquired on the unaudited condensed consolidated statements of operations. Under the terms of the license agreement, Checkpoint also will pay development and sales-based milestone payments and royalties on net sales. The portfolio of antibodies licensed from Dana-Farber includes antibodies targeting PD-L1, GITR and 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.

Effective March 2015, the Company assigned all of its rights under its agreement with NeuPharma to develop and commercialize novel irreversible, third generation EGFR inhibitors on a worldwide basis other than certain Asian countries, to Checkpoint in exchange for debt (see Note 8). Under the terms of the agreement, Fortress paid NeuPharma an upfront licensing fee of $1.0 million, which is included in research and development-licenses acquired on the condensed consolidated statements of operations. Checkpoint will also make development and sales-based milestone payments and will pay a tiered single digit royalty on net sales.

Dr. Marasco, a professor in the Department of Cancer Immunology and AIDS at Dana-Farber whose laboratory generated the immune-oncology targeted antibodies, will chair Checkpoint's Scientific Advisory Board. As payment for these services, in March 2015, Checkpoint granted Dr. Marasco 1,500,000 shares of Checkpoint restricted stock and will pay Dr. Marasco $0.2 million a year, paid quarterly.

The Company valued the restricted stock Checkpoint granted to Dr. Marasco as of September 30, 2015 utilizing a market approach, based upon a third party financing (see Note 8), resulting in a value of $4.39 per share. The share price was valued utilizing a volatility of 83%, a risk free rate of return of 1.54% and a term of five years. 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 nine months ended September 30, 2015, Checkpoint recorded expense of approximately $2.7 million in research and development on the unaudited condensed consolidated statements of operations in connection with Dr. Marasco's grant.

In connection with its license agreement with Dana-Farber, Checkpoint granted Dana-Farber 500,000 fully vested shares of its common stock. The share price was valued by the Company 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 $0.065 per share for which Checkpoint recorded expense of $32,500. Additionally, pursuant to the license agreement on September 30, 2015, Checkpoint granted to Dana-Farber an additional 136,803 shares of Checkpoint common stock resulting in a charge of $0.6 million. During the three and nine months ended September 30, 2015 and in connection with these grants, Checkpoint recorded expense of $0.6 million in research and development - licenses acquired on the unaudited condensed consolidated statements of operations.

Collaboration Agreements with TG Therapeutics, Inc.

In connection with its 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 collaboration agreement, 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 nine months ended September 30, 2015, the Company recognized nil and $0.5 million, respectively, in revenue from its collaboration agreement with TGTX on the unaudited condensed consolidated statements of operations.

In connection with its license with NeuPharma, Checkpoint entered into an option with TGTX for $25,000, included in revenue, for a global collaboration in connection with the future development of the certain compounds licensed. The option expires on December 17, 2015.

*Mustang Bio, Inc.*

License Agreement with the City of Hope

In March 2015, Mustang entered into a license agreement with the 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 on the unaudited condensed consolidated statements of operations, and granted 1,000,000 shares of Mustang common stock to the COH, with additional milestones payments 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.

The Company 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 on March 31, 2015. During the three and nine months ended September 30, 2015, nil and $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.

The Company 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 on March 31, 2015. During the three and nine months ended September 30, 2015, nil and $1.6 million of expense was included in research and development-licenses acquired on the unaudited condensed consolidated statements of operations.

*Avenue Therapeutics, Inc.*

License Agreement with Revogenex Ireland Ltd

In February 2015, the Company purchased an exclusive license to IV Tramadol for the U.S. market from 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, which has been included in research and development licenses-acquired on the unaudited condensed consolidated statements of operations. In addition, on June 17, 2015, the Company paid an additional $1.0 million to Revogenex after receiving all the assets specified in the 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 United States.

The Company intends to transfer the IV Tramadol license and rights to Avenue during the fourth quarter 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 second quarter of 2015, Avenue granted 150,000 shares of its common stock to two consultants in exchange for services provided and 1 million shares of its common stock to its acting Chief Executive Officer, Dr. Lucy Lu, who is also the Chief Financial Officer of Fortress, for services provided. Dr. 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 the three and nine months ended September 30, 2015, we recorded $14,700 and $37,600 as general and administrative expenses on the unaudited condensed consolidated statements of operations.

The Company 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 on May 31, 2015.

*Helocyte, Inc.*

License Agreement with the City of Hope

On April 2, 2015, Helocyte entered into an agreement with the COH to secure the exclusive license to the worldwide rights for two T-cell immunotherapeutic vaccines for controlling CMV in HSCT and 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 the COH by the National Cancer Institute. In connection with the licensing of Triplex and PepVax, Helocyte further entered into 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, the COH will receive additional milestone and other payments. During the three and nine months ended September 30, 2015, Helocyte recorded an expense of $0.2 million in research and development-licenses acquired on the unaudited condensed consolidated statements of operations.

*Escala Therapeutics, Inc.*

On July 16, 2015, Escala acquired from NZP a license from the NIH and CRADAs for the development of oral 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, Escala 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 Myopathy and Phase I Nephropathy Clinical Trial being conducted at the NIH. Additional development and sales-based milestone payments are payable upon achievement. During the three and nine months ended September 30, 2015, Escala recorded an expense of $1.3 million in research and development-licenses acquired on the unaudited condensed consolidated statements of operations.

**5. Non-Controlling Interests**

Non-controlling interests in consolidated entities are as follows:

| *($ in thousands)* | As of September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Avenue** | **Coronado SO** | **Mustang** | **Checkpoint** | **JMC** | **Total** |
| NCI equity share | $ 4 | $ 23 | $ 15 | $ 4,076 | $ (392) | $ 3,726 |
| Net loss attributed to non-controlling interest | (401) | (237) | (321) | (1,168) | (289) | (2,416) |
| Non-controlling in consolidated entities | **$ (397)** | **$ (214)** | **$ (306)** | **$ 2,908** | **$ (681)** | **$ 1,310** |

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

| *($ in thousands)* | For the three months ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Avenue** | **Coronado SO** | **Mustang** | **Checkpoint** | **JMC** | **Total** |
| Non-controlling interests in loss of consolidated entities | $ (367) | $ (7) | $ (54) | $ (977) | $ (289) | $ (1,694) |
| Non-controlling ownership (See Note 4) | 11.5% | 13% | 10% | 20.0% | 25.0% | |

| *($ in thousands)* | For the nine months ended September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | **Avenue** | **Coronado SO** | **Mustang** | **Checkpoint** | **JMC** | **Total** |
| Non-controlling interests in loss of consolidated entities | $ (401) | $ (237) | $ (321) | $ (1,168) | $ (289) | $ (2,416) |
| Non-controlling ownership (See Note 4) | 11.5% | 13% | 10% | 20.0% | 25.0% | |

**6. Intangible Asset License**

*Journey Medical Corporation*

In March 2015, 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 sheet 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 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 September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| *($ in thousands except share and per share amounts)* | **2015** | **2014** | **2015** | **2014** |
| Net loss attributable to common stockholders | (18,161) | (4,592) | (36,392) | (16,673) |
| Weighted average common shares outstanding—basic and diluted | 39,412,056 | 36,024,810 | 39,038,522 | 35,977,355 |
| Basic and diluted net loss per common share | $ (0.46) | $ (0.13) | $ (0.93) | $ (0.46) |

Included in common stock issued and outstanding as of September 30, 2015 are 7,670,935 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.

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:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Warrants to purchase Common Stock | 685,061 | 685,061 | 685,061 | 696,526 |
| Options to purchase Common Stock | 1,832,499 | 2,171,032 | 2,019,219 | 2,312,461 |
| Unvested Restricted Stock | 6,884,631 | 6,308,038 | 6,795,132 | 5,880,063 |
| Unvested Restricted Stock Units | 752,761 | - | 258,242 | - |
| Total | 10,154,952 | 9,164,131 | 9,757,654 | 8,889,050 |

**8. Debt and Interest**

**Debt**

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

| *($ in Thousands)* | **September 30, 2015** | **December 31, 2014** | **Interest Rate** | **Maturity** |
|---|---|---|---|---|
| IDB Note | $ 14,009 | $ 14,009 | 2.25% | Feb - 2017 |
| NSC Note | 10,000 | - | 8.00% | Mar - 2018 |
| Total notes payable, long-term | 24,009 | 14,009 | | |
| Less: Discount of notes payable | 718 | 6 | | |
| Total notes payable, long-term, net | $ 23,291 | $ 14,003 | | |

IDB Note

At September 30, 2015, the Company had $14.0 million outstanding under its promissory note with the Israel Discount Bank (the "IDB Note"). Effective March 31, 2015, the Company extended the maturity date of the IDB Note to February 2017. The Company pays interest only on the IDB 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 is 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 nine months ended September 30, 2015, in connection with the NSC Note. At September 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 11.3%.

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. As of September 30, 2015, the Company transferred $2.8 million, including debt discount, of the NSC Note to Checkpoint, representing Checkpoint's pro rata share of the NSC Note.

In connection with the transfer of NSC Note proceeds to a Fortress Company and the removal of the Company's guarantee of the Amended NSC Note, 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 September 30, 2015, Fortress continued to guarantee 100% of the debt and therefore there were no warrants issued to NSC.

**Interest**

The following table shows the details of interest expense for all 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:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| *($ in thousands)* | **2015** | **2014** | **2015** | **2014** |
| **IDB Note** | | | | |
| Interest | $ 82 | $ 81 | $ 235 | $ 202 |
| Amortization of fees | 1 | 1 | 3 | 3 |
| Total IDB Note | 83 | 82 | 238 | 205 |
| | | | | |
| **NSC Debt** | | | | |
| Interest | 208 | - | 488 | - |
| Amortization of fees | 59 | - | 140 | - |
| Total NSC Debt | 267 | - | 628 | - |
| | | | | |
| **Ovamed Manufacturing Agreement** | | | | |
| Interest | - | 39 | 167 | 114 |
| Total Ovamed | - | 39 | 167 | 114 |
| | | | | |
| **Hercules Debt** | | | | |
| Interest (1) | - | - | - | 845 |
| Amortization of fees | - | - | - | 42 |
| Total Hercules Debt | - | - | - | 887 |
| **Total Interest Expense** | $ 350 | $ 121 | $ 1,033 | $ 1,206 |

(1) Interest expense related to the Company's loan with Hercules 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:

| *($ in thousands)* | Useful Life (Years) | As of September 30, 2015 | As of December 31, 2014 |
|---|---|---|---|
| Computer equipment | 3 | $ 13 | $ 13 |
| Furniture & fixtures | 5 | 69 | 69 |
| Leasehold improvements | 5 | 12 | 12 |
| Construction in progress | N/A | 94 | - |
| Total property and equipment | | 188 | 94 |
| Less: Accumulated depreciation | | (59) | (42) |
| Property and equipment, net | | $ 129 | $ 52 |

Depreciation expense for the three months ended September 30, 2015 and 2014 was approximately $5,700 and $6,000, respectively. Depreciation expense for the nine months ended September 30, 2015 and 2014 was approximately $17,100 and $17,000, respectively.

**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 September 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 September 30, 2015, as a result of the bankruptcy notification. This obligation was recorded at its full value; accretion of the obligation was nil and $39,000 for the three month period ended September 30, 2015 and 2014, respectively, and $167,000 and $114,000 for the nine months ended September 30, 2015 and 2014, respectively, and is recorded as interest expense on the 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.

The Company also had a collaboration agreement with Dr. Falk Pharma ("Falk") in connection with the development of TSO. Under this agreement, Falk was to provide the Company with the Final Clinical Study Report ("CSR"). On August 3, 2015, Falk notified the Company that the CSR was complete and that Falk was prepared to grant the Company access to the CSR. While the Company disputes the adequacy of the CSR and does not believe any payment is due to Falk, upon receipt of access to the CSR, the Company recorded a liability of €2.5 million ($2.8 million) in accrued expenses as of September 30, 2015.

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

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Accrued expenses: | | |
| Professional fees | $ 302 | $ 837 |
| Salaries, bonuses and related benefits | 961 | 598 |
| Accrued milestone, CNDO SO | 500 | - |
| Accrued severance | 6 | 38 |
| Ovamed manufacturing rights - short term component | 1,500 | 1,000 |
| Clinical Study Report | 2,823 | - |
| Research and development | 589 | 832 |
| Lease impairment | 165 | 165 |
| Other | 291 | 213 |
| Total accrued expenses | $ 7,137 | $ 3,683 |
| | | |
| Other long-term liabilities: | | |
| Ovamed manufacturing rights – long-term component | - | 334 |
| Long-term lease abandonment charge | 82 | 268 |
| Deferred rent | 120 | 120 |
| Total other long-term liabilities | $ 202 | $ 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 September 30, 2015 and December 31, 2014, the Company held approximately $40.0 million and $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, as of September 30, 2015 and December 31, 2014 was $0.2 million. During the nine months ended September 30, 2015, the Company evaluated operating results and other qualitative and quantitative factors pertaining to this investment to arrive at this determination.

As of September 30, 2015, the Company valued its investment in CB Pharma, a publicly traded company, utilizing the following assumptions: volatility of 25.4%, no dividend rate, yielding an underlying value of $8.99 per ordinary share for the insider shares, and $9.49 per ordinary share for the private placement shares. 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 1.37% and a strike price of $11.50 per share arriving at a value of $0.95 for each right and $0.84 for a warrant. A 31.69% probability of a successful business combination was applied to the values above arriving at an estimated value of $2.84 for the insider shares, $3.00 for the private placement shares, $0.27 for each warrant and $0.30 for each right. Based upon the valuation, the Company recorded a decrease in fair-value of investment of $1.4 million. At September 30, 2015 the fair value of the Company's investment in CB Pharma was, $3.8 million. Additionally, as of August 31, 2015, CB Pharma had net assets of approximately $42.6 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, with an additional $50,000 paid in October 2015. As of September 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 September 30, 2015 (unaudited) and December 31, 2014:

| | **Fair Value Measurement as of September 30, 2015** | | | |
|---|---|---|---|---|
| *($ in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Marketable securities: | | | | |
| U.S. treasury bills | $ 39,951 | $ - | $ - | $ 39,951 |
| Total marketable securities | 39,951 | - | - | 39,951 |
| Long-term investments, at fair value | - | - | 4,095 | 4,095 |
| Total | $ 39,951 | $ - | $ 4,095 | $ 44,046 |

| | **Fair Value Measurement as of December 31, 2014** | | | |
|---|---|---|---|---|
| *($ in thousands)* | 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.

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

| | **Fair Value of Investment** | | | |
|---|---|---|---|---|
| | Short-term | Long-term | | Total |
| *($ in thousands)* | Other | Other | CB Pharma | |
| Balance at December 31, 2014 | $ - | $ 250 | $ 3,910 | $ 4,160 |
| Change in fair value of investment | - | - | (65) | (65) |
| Balance at September 30, 2015 | $ - | $ 250 | $ 3,845 | $ 4,095 |

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

**12. Stockholders' Equity**

**Stock-based Compensation**

As of September 30, 2015, the Company had four equity compensation plans: the Fortress Biotech, Inc. 2007 Stock Incentive Plan, the Fortress Biotech, Inc. 2013 Stock Incentive Plan, the Fortress Biotech, Inc. 2012 Employee Stock Purchase Plan and the Fortress Biotech. Inc. Long Term Incentive Plan ("LTIP").

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 nine months ended September 30, 2015 and 2014:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| *($ in thousands)* | **2015** | **2014** | **2015** | **2014** |
| Employee awards | $ 3,296 | $ 1,460 | $ 6,284 | $ 4,035 |
| Executive awards of Fortress Companies' stock | 2,229 | - | 2,229 | - |
| Non-employee awards | 10 | 24 | 24 | 47 |
| Fortress Companies (1) | 2,966 | - | 3,359 | - |
| Total stock-based compensation expense | $ 8,501 | $ 1,484 | $ 11,896 | $ 4,082 |

(1) Includes for Avenue $37,600 for compensation expense on stock grants, Coronado SO approximately $178,500 for a stock grant made in connection with a license acquired, Checkpoint approximately $0.6 million for a stock grant made in connection with a license acquired and $2.1 million for compensation expense, Mustang approximately $147,000 for a stock grant made in connection with the license acquired, and JMC $279,500 for compensation expenses for the nine months ended September 30, 2015.

For the three months ended September 30, 2015, $4.3 million of stock-based compensation expense was included in research and development expenses, of which $3.7 million relates to grants made to employees and consultants and $0.6 million relates to the acquisition of research and development licenses-acquired, and $4.2 million of stock-based compensation expense was included in general and administrative expenses, of which $0.5 million relates to the modification of a stock grant to a former member of the Board of Directors and $2.2 million relates to warrants of Fortress Companies' common stock granted to the Company's Chief Executive Officer and Executive Vice Chairman. For the three months ended September 30, 2014, $0.3 million was included in research and development expenses and $1.2 million was included in general and administrative expenses on the unaudited condensed consolidated statements of operations.

For the nine months ended September 30, 2015 and 2014, $5.2 million of stock-based compensation expenses was included in research and development expenses of which $4.3 million relates to grants made to employees and consultants and $0.9 million relates to the acquisition of research and development licenses-acquired and $6.7 million was included in general and administrative expenses, and $0.9 million was included in research and development expenses and $3.1 million was included in general and administrative expenses, respectively, on the unaudited condensed consolidated statements of operations.

The following table summarizes Fortress stock option activities excluding activity related to Fortress Companies:

| *($ in thousands)* | 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 | 45 | |
| Options cancelled | (285,000) | 7.57 | 1,417 | |
| Options vested and expected to vest at September 30, 2015 | 1,779,365 | $ 4.37 | $ - | 6.57 |
| Options vested and exercisable | 1,632,698 | $ 4.40 | $ - | 6.45 |

As of September 30, 2015, the Company had unrecognized stock-based compensation expense related to unvested option of $0.1 million with a weighted average vesting period of 0.20 years.

*George Avgerinos Grant*

On July 15, 2015, George Avgerinos, Senior Vice President, Biologics Operations, was granted 1.0 million restricted stock units which vest 10% immediately and an additional 10% per year over four years commencing the later of trading availability, under the Company's Insider Trading Policy, or July 15, 2015. The remaining 50% vests in accordance with the achievement of performance goals. As a condition of this grant, Mr. Avgerinos' option grant dated June 2013 for 200,000 shares was surrendered. On the date of modification the incremental value of the new award of $3.3 million plus the unamortized expense of the old award of $0.4 million yielded a value of $3.7 million to be amortized over the life of the restricted stock units. For the three months ended September 30, 2015, 300,000 restricted stock units vested resulting in a charge of $1.4 million on the unaudited condensed consolidated statements of operations.

*Acceleration of David Barrett Grants*

On July 15, 2015, the Board of Directors voted to accelerate the vesting of 133,000 restricted shares of Fortress common stock granted to David Barrett for his service on the Board through July 15, 2015. In connection with this acceleration, Fortress recorded a charge of approximately $0.4 million during the three months ended September 30, 2015 on the unaudited condensed consolidated statements of operations.

*Restricted Stock Unit Grant to Dov Klein*

On July 15, 2015, Dov Klein joined the Board of Directors of Fortress. In connection therewith Fortress granted Mr. Klein 50,000 restricted stock units, which vest 25% per year over the next four years. At the grant date, Mr. Klein elected to defer 40,000 restricted stock units. The deferral of restricted stock units does not have any impact on the condensed consolidated financial statements.

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

| | Number of shares | Weighted average grant price |
|---|---|---|
| Unvested balance at December 31, 2014 | 8,287,384 | $ 2.33 |
| Restricted stock granted | 200,000 | 3.04 |
| Restricted stock vested | (816,449) | 2.69 |
| Restricted stock units granted | 1,412,000 | 3.58 |
| Restricted stock units vested | (335,000) | 3.56 |
| Unvested balance at September 30, 2015 | 8,747,935 | $ 2.53 |

As of September 30, 2015, the Company had unrecognized stock-based compensation expense related to restricted stock and restricted stock unit awards of $10.1 million and $3.2 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 1.95 years and 1.4 years, respectively.

**Warrants**

As of September 30, 2015 and December 31, 2014, the Company had vested warrants to purchase 685,061 shares of Fortress common stock with a weighted average exercise price of $6.65 per share. All stock-based expense in connection with these warrants has been recognized.

**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 nine months ended September 30, 2015, certain non-employee directors elected to defer 290,000 restricted stock awards under this plan.

**Employee Stock Purchase Plan**

As of September 30, 2015, 77,875 shares have been purchased and 122,125 shares are available for future sale under the Company's Employee Stock Purchase Plan ("ESPP"). The Company recognized share-based compensation expense related to the ESPP of approximately $12,600 and $4,200 for the three months ended September 30, 2015 and 2014, respectively, and approximately $27,500 and $19,900 for the nine months ended September 30, 2015 and 2014, respectively.

**Long-Term Incentive Program**

At the Company's annual stockholders meeting held on July 15, 2015, the stockholders approved the Fortress Biotech, Inc. Long-Term Incentive Plan (the "LTIP") for the Company's Chairman, President and Chief Executive Officer, Dr. Rosenwald, and Executive Vice Chairman, Strategic Development, Mr. 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.

In connection with the approval of the LTIP on July 15, 2015, the following grants of 500,000 warrants each were made to Dr. Rosenwald and Mr. Weiss for their services to the Company:

| Fortress Stock | Warrant Shares | Risk Free Rate | Volatilty | Life | Exercise price | Fair Value |
|---|---|---|---|---|---|---|
| Mustang | 1,000,000 | 2.36% | 106.11% | 20 | $ 0.147 | $ 135 |
| Checkpoint | 1,000,000 | 2.36% | 106.11% | 20 | $ 0.129 | $ 118 |
| Avenue | 1,000,000 | 2.36% | 106.11% | 20 | $ 0.146 | $ 134 |
| CNDO SO | 1,000,000 | 2.36% | 106.11% | 20 | $ 1.190 | $ 1,092 |
| Helocyte | 1,000,000 | 2.36% | 106.11% | 20 | $ 0.097 | $ 89 |
| JMC | 1,000,000 | 2.36% | 106.11% | 20 | $ 0.650 | $ 596 |
| Escala | 1,000,000 | 2.36% | 106.11% | 20 | $ 0.071 | $ 65 |

The exercise price, which approximates the fair value, was determined by the Company 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.

**Fortress Companies**

Checkpoint Therapeutics, Inc.

In March 2015, Checkpoint issued a restricted stock grant to Dr. Marasco for services in connection with its Scientific Advisory Board. Dr. Marasco was issued a grant for 1.5 million shares of Checkpoint common stock, which vest 25% on the first anniversary of the grant date and monthly thereafter for 48 months. The Company valued the restricted stock as of September 30, 2015 utilizing a market approach, based upon a third party financing. Such valuation resulted in a value of $4.39 per share utilizing a volatility of 83%, a risk free rate of return of 1.54% and a term of five years. For both the three and nine months ended September 30, 2015, Checkpoint recorded expense of $2.1 million in connection with this grant.

Avenue Therapeutics, Inc.

During the nine months ended September 30, 2015, Avenue granted 150,000 shares of its common stock to two consultants in exchange for services provided and 1.0 million shares to its acting Chief Executive Officer, Dr. 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 value of $0.146 per share. Grants issued to the consultants were fully vested. The grant issued to Dr. 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 nine months ended September 30, 2015, approximately $15,000 and $37,600, respectively, was recorded in expense on the unaudited condensed consolidated statements of operations.

As of September 30, 2015 Avenue had unrecognized stock-based compensation expense of $64,570 with a remaining weighted average vesting period of 1.67 years.

Journey Medical Corporation

On July 28, 2015, JMC granted 1,950,000 restricted stock units to its key employees. 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 44.5%, weighted average cost of capital of 30%, and net of debt utilized, resulting in a value of $0.65 per share.

| | RSU Grant | Vesting Term | Vested | Unvested | Fair Value per Share |
|---|---|---|---|---|---|
| President (1) | 1,500,000 | 4 | 250,000 | 1,250,000 | $ 0.650 |
| Sales Operations Staff | 450,000 | 4 | - | 450,000 | $ 0.650 |
| | 1,950,000 | | 250,000 | 1,700,000 | |

(1) Vesting is performance based.

Expense for both the three and nine months ended September 30, 2015 of approximately $279,000 was recorded in general and administrative expense on the unaudited condensed consolidated statements of operations.

As of September 30, 2015, JMC had unrecognized stock-based compensation expense of $0.5 million related to these grants with a remaining weighted average vesting period of 1.07 years.

**Capital Raise**

On September 30, 2015, a subsidiary of Fortress closed the first tranche of a confidential private placement offering raising approximately $12.6 million. Expenses associated with this tranche approximated $1.5 million.

**13. Related Party Note**

**Related Party Service Agreement**

*Services Agreement with Opus Point Management Partners, LLC*

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 $66,000 and $153,700 under this agreement for the three and nine months ended September 30, 2015, respectively, and approximately $40,000 and $79,000 for the three and nine months ended September 30, 2014, respectively. The agreement can be terminated by either party with thirty days' notice.

*Shared Services Agreement with TGTX*

In September 2014, the Company entered into a desk share agreement with TGTX. The Company's Executive Vice Chairman, Strategic Development, is Executive Chairman and Interim Chief Executive Officer of TGTX. Under the terms of the Agreement, TGTX will share costs associated with this facility, which is expected to be occupied during the first half of 2016. Additionally, in July 2015, TGTX and the Company entered into an arrangement to share the cost of a research and development full-time employee. The salary and benefit costs associated with this employee are allocated based on hours worked in connection with TGTX projects. The Company received payments of $71,800 for both the three and nine months ended September 30, 2015 and no payments were received in 2014 related to these two arrangements. As of September 30, 2015, the Company has a receivable of $69,300 related to these agreements recorded on the unaudited condensed consolidated balance sheets.

*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 Checkpoint an upfront fee of $0.5 million during the nine months ended September 30, 2015 (see Note 1).

Further in connection with the NeuPharma license, Checkpoint entered into an option agreement with TGTX for $25,000, included in revenue, for a global collaboration in connection with the future development of the certain compounds licensed. The option expires on December 17, 2015.

*Founders Agreement and Management Services Agreement with Checkpoint*

Effective March 17, 2015, the Company entered into a Founders Agreement with Checkpoint pursuant to which the Company assigned to Checkpoint all of its right and interest (i) under the Company's license agreement for the EGFR inhibitors and (ii) to a license agreement currently under negotiation, as set forth in the Founders Agreement. As consideration for the Founders Agreement, Checkpoint assumed $2.8 million in debt that the Company accumulated under the NSC Note (See Note 8) for expenses and costs of forming Checkpoint and obtaining the Dana-Farber Antibodies and the EGFR inhibitors. As additional consideration for the transfer of rights under the Founders Agreement, Checkpoint will also: (i) issue annually to the Company, on the anniversary date of the Founders Agreement, shares of Checkpoint common stock equal to 2.25% of the fully-diluted outstanding equity of Checkpoint at the time of issuance; (ii) pay an equity fee in shares of Checkpoint common stock, payable within five (5) business days of the closing of any equity or debt financing for Checkpoint or any of its respective subsidiaries that occurs after the effective date of the Founders Agreement and ending on the date when the Company no longer has majority voting control in Checkpoint's voting equity, equal to 2.25% of the gross amount of any such equity or debt financing; and (iii) pay a cash fee equal to 4.5% of its annual net sales, payable on an annual basis, within 90 days of the end of each calendar year. In the event of a change in control (as defined in the Founders Agreement), the Company will pay a one-time change in control fee equal to five times (5x) the product of (i) monthly net sales for the 12 months immediately preceding the change in control and (ii) 4.5%.

*CB Pharma Acquisition Corp.*

The Company has committed to provide working capital of up to $0.5 million to CB Pharma Acquisition Corp. At September 30, 2015 and December 31, 2014, the Company has funded $0.1 million and nil, respectively, of this commitment.

**14. Subsequent Events**

In October 2015, the Company provided an additional $50,000 of working capital to CB Pharma Acquisition Corp.

On October 30, 2015, a subsidiary of Fortress closed the second tranche of a confidential private placement offering raising approximately $12.6 million. Expenses associated with this tranche approximated $1.3 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, as amended 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 September 30, 2015, a subsidiary of Fortress closed the first tranche of a confidential private placement offering raising approximately $12.6 million. Expenses associated with this tranche approximated $1.5 million (see Note 12).

*Checkpoint Therapeutics, Inc.*

On September 15, 2015, Checkpoint entered into a Sponsored Research Agreement with NeuPharma, Inc. ("NeuPharma") to identify additional inhibitors with differing profiles from the licensed products. Under the terms of the agreement, Checkpoint paid NeuPharma an upfront fee of $0.3 million in October 2015, in connection with the commencement of the research, followed by quarterly invoices for research performed. The total cost of the initial research project is expected to approach $1.5 million over the next twelve months.

*Escala Therapeutics, Inc.*

On July 16, 2015, a Fortress Company, Escala Therapeutics, Inc. ("Escala") acquired from New Zealand Pharmaceuticals Limited ("NZP") a license from the National Institute 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, Escala 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 Myopathy and Phase I Nephropathy 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 Checkpoint and TG Therapeutics, Inc. ("TGTX"), an affiliated entity, and, at September 30, 2015, we had an accumulated deficit of $178.1 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 is central to our business. For the three months ended September 30, 2015 and 2014, research and development expenses were $9.1 million and $1.6 million, respectively, and for the nine months ended September 30, 2015 and 2014, research and development expenses were $13.2 million and $8.5 million, respectively. Additionally, during the three months and nine months ended September 30, 2015, we expensed $1.9 million and $10.9 million, respectively, in costs related to the acquisition of licenses. Noncash, stock-based compensation expense included in research and development for the three months ended September 30, 2015 and 2014, was $4.3 million and $0.3 million, respectively, and for the nine months ended September 30, 2015 and 2014, noncash, stock-based compensation expense included in research and development was $5.2 million and $0.9 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 September 30, 2015 and 2014, direct, external development costs incurred for our TSO product development program were $2.8 million, all of which represents a payment due to Dr. Falk Pharma in connection with the delivery of the CSR though the Company disputes the adequacy of the CSR and does not believe the payment is due, and $0.3 million, respectively. For the nine months ended September 30, 2015 and 2014, direct, external development costs incurred for our TSO product development program were $3.1 million and $2.2 million, respectively. For the three months ended September 30, 2015 and 2014, direct, external development costs incurred for our CNDO-109 product development program were $0.1 million and $0.4 million, respectively, and for the nine months ended September 30, 2015 and 2014, direct, external development costs incurred for our CNDO-109 product development program were $0.4 million and $1.6 million, respectively. Included in research and development expense for the three months and nine months ended September 30, 2015 are $1.5 million and $2.8 million, respectively, related to the research and development efforts of the Fortress Companies.

***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. For the three months ended September 30, 2015 and 2014, general and administrative expenses were $7.1 million and $2.7 million, respectively, and for the nine months ended September 30, 2015 and 2014, general and administrative expenses were $14.4 million and $7.2 million, respectively. Noncash, stock-based compensation expense included in general and administrative expenses for the three months ended September 30, 2015 and 2014, were $4.2 million and $1.2 million, respectively, and for the nine months ended September 30, 2015 and 2014, were $6.7 million and $3.2 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 September 30, 2015 and 2014***

| | **For the three months ended September 30,** | | **Change** | |
|---|---|---|---|---|
| *($ in thousands)* | **2015** | **2014** | $ | % |
| **Revenue** | $ 25 | $ - | $ 25 | |
| | | | | |
| **Operating expenses** | | | | |
| Research and development | 9,073 | 1,609 | 7,464 | 464% |
| Research and development – licenses acquired | 1,895 | - | 1,895 | 100% |
| General and administrative | 7,129 | 2,737 | 4,392 | 160% |
| Total operating expenses | 18,097 | 4,346 | 13,751 | 316% |
| Loss from operations | (18,072) | (4,346) | (13,726) | 316% |
| | | | - | |
| Other income (expenses) | | | - | |
| Interest income | 39 | 168 | (129) | (77)% |
| Interest expenses | (350) | (121) | (229) | 189% |
| Change in fair value of investments | (1,472) | (293) | (1,179) | 100% |
| Total other income (expenses) | (1,783) | (246) | (1,537) | 625% |
| **Net loss** | **(19,855)** | **(4,592)** | **(15,263)** | 332% |
| | | | - | |
| Less: net loss attributable to non-controlling interest | 1,694 | - | 1,694 | 100% |
| **Net loss attributable to common stockholders** | **$ (18,161)** | **$ (4,592)** | **$ (13,569)** | 295% |

Research and development expenses increased $7.5 million, or 464%, from the three months ended September 30, 2014 to the three months ended September 30, 2015. The increase was comprised of a $3.5 million increase in stock compensation expense, of which $1.4 million related to the grant made to our Senior Vice President of Operations and $2.1 million related to the mark-to-market impact on the value of the restricted stock grant made to a Checkpoint consultant. Additionally, we recorded a $2.8 million expense related to the payment due to Dr. Falk Pharma in connection with its delivery of the CSR (though the Company disputes the adequacy of the CSR and does not believe the payment is due), and a $1.5 million charge related to our new development programs, all of which were partially offset by lower consulting fees. 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 September 30, 2015, we invested $1.9 million in new research and development programs with various partners. This increase was primarily due to an upfront milestone payment of $1.3 million for the license purchased by Escala and a $0.6 million milestone payment due in connection with our license with Dana-Farber.

General and administrative expenses increased $4.4 million, or 160%, from the three months ended September 30, 2014 to the three months ended September 30, 2015, largely due to a $1.1 million increase in costs related to the development of a sales and marketing infrastructure for Journey Medical Corporation ("JMC") and $0.5 million of expenses related to our business development activity, including increased legal fees. In addition, we incurred a $3.0 million increase in stock compensation expense related to the modification of a grant made to a former director of $0.5 million and a $2.2 million expense for warrants issued to our Chief Executive Officer, and Executive Vice-Chairman, Strategic Development of Fortress Companies common stock. Lastly, salaries and benefits increased by $0.2 million as a result of headcount increases related to business development.

During the three months ended September 30, 2015, interest expense primarily relates to interest on our promissory note with NSC Biotech Venture Fund I LLC (the "NSC Note") of approximately $0.4 million. During the same period in 2014, we incurred approximately $81,000 of expense in connection with our loan with Israel Discount Bank (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 decrease in value of our investment in CB Pharma Corp. of $1.5 million during the three months ended September 30, 2015.

The non-controlling interest of $1.7 million relates to the minority share of losses in Checkpoint, Mustang Bio, Inc., Avenue Therapeutics, Inc., JMC and Coronado SO Co. for the three months ended September 30, 2015.

***Comparison of nine months ended September 30, 2015 and 2014***

| | For the nine months ended September 30, | | Change | |
|---|---|---|---|---|
| *($ in thousands)* | **2015** | **2014** | $ | % |
| **Revenue** | $ 525 | $ - | $ 525 | 100% |
| | | | | |
| **Operating expenses** | | | | |
| Research and development | 13,172 | 8,473 | 4,699 | 55% |
| Research and development – licenses acquired | 10,882 | - | 10,882 | 100% |
| General and administrative | 14,376 | 7,218 | 7,158 | 99% |
| Total operating expenses | 38,430 | 15,691 | 22,739 | 145% |
| Loss from operations | (37,905) | (15,691) | (22,214) | 142% |
| | - | - | - | |
| Other income (expenses) | - | - | - | |
| Interest income | 195 | 517 | (322) | (62)% |
| Interest expenses | (1,033) | (1,206) | 173 | (14)% |
| Change in fair value of investments | (65) | (293) | 228 | 100% |
| Total other income (expenses) | (903) | (982) | 79 | (8)% |
| **Net loss** | **(38,808)** | **(16,673)** | **(22,135)** | 133% |
| | - | - | - | |
| Less: net loss attributable to non-controlling interest | 2,416 | - | 2,416 | 100% |
| **Net loss attributable to common stockholders** | **$ (36,392)** | **$ (16,673)** | **$ (19,719)** | 118% |

Revenue of $0.5 million in 2015 relates to the collaboration agreement between Checkpoint and TGTX.

Research and development expenses increased $4.7 million, or 55%, from the nine months ended September 30, 2014 to the nine months ended September 30, 2015. This increase was primarily due to a $3.4 million increase in stock compensation expense which included a $1.4 million charge relating to the grant made to our Senior Vice President of Operations and a $2.1 million charge related to the mark-to-market impact on the value of the restricted stock grant made to a Checkpoint consultant. In addition, the Company incurred an increase of $0.9 million in TSO product development costs related to the $2.8 million payment due Dr. Falk Pharma in connection with its delivery of the CSR (though the Company disputes the adequacy of the CSR and does not believe the payment is due), partially offset by lower clinical trial costs of $1.9 million. These increases in expense were partially offset by a $1.2 million decrease in expenses related to CNDO 109, while our research and development activity related to our new licenses increased by $2.6 million. 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 nine months ended September 30, 2015, we invested $10.9 million in new research and development programs with various partners. This increase was primarily due to our in-licensing of IV Tramadol for $3.0 million, the purchase by Mustang of Chimeric Antigen Receptor Technology from the COH for $2.2 million, Checkpoint's payment of $1.6 million for the license to develop a portfolio of fully human immuno-oncology targeted antibodies, Coronado SO Corporation's licensing of 1UO for $1.6 million, our license from NZP for the development of ManNAc for $1.3 million, our license for EGFR Inhibitors for $1.0 million (which was transferred to Checkpoint in March 2015), 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 $7.2 million, or 99%, from the nine months ended September 30, 2014 to the nine months ended September 30, 2015, largely due to a $2.7 million increase in costs related to the development of a sales and marketing infrastructure for our dermatology subsidiary 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 $0.6 million as a result of headcount increases related to business development. Lastly, stock-based compensation expense increased by $3.5 million, primarily due to $2.2 million of expense for warrants for Fortress Companies' common stock issued to our President and Chief Executive Officer and Executive Vice Chairman, Strategic Development, $0.5 million of expense related to the modification of a restricted stock grant to a former member of the Board, as well as an increase in expense related to restricted stock units granted to new employees.

During the nine months ended September 30, 2015, interest expense primarily relates to interest on the NSC Note of approximately $0.6 million. While during the same period in 2014, we incurred $0.8 million of expense in connection with our loan with Hercules (the "Hercules Note") 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 the fair value of investments primarily relates to the increase in value of our investment in CB Pharma of approximately $65,000 during the nine months ended September 30, 2015.

The non-controlling interest of $2.4 million relates to the minority share of loss in Checkpoint, Mustang, Avenue, JMC and Coronado SO for the nine months ended September 30, 2015.

**Liquidity and Capital Resources**

For the nine months ended September 30, 2015, we have funded our operations through cash on hand, the sale of debt, option exercises and a third party financing of a Fortress Company, aggregating $22.8 million of gross proceeds. At September 30, 2015, we had cash and cash equivalents of $25.6 million, plus marketable securities of $40.0 million and restricted cash of $14.6 million, of which $14.0 million is securing the IDB Note and $0.6 million 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 on the NSC Note. We intend to use the proceeds from the NSC Note 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 Nine Months Ended September 30, 2015 and 2014*

| ($ in thousands) | For the nine months ended September 30, 2015 | 2014 | Change ($) |
|---|---|---|---|
| Statement of cash flows data: | | | |
| Total cash (used in)/provided by: | | | |
| Operating activities | $ (23,239) | $ (12,807) | $ (10,432) |
| Investing activities | (21,412) | (595) | (20,817) |
| Financing activities | 20,455 | (14,527) | 34,982 |
| Decrease in cash and cash equivalents | $ (24,196) | $ (27,929) | $ 3,733 |

**Operating Activities**

Net cash used in operating activities increased $10.4 million from the nine month period ended September 30, 2014, compared to the nine month period ended September 30, 2015. The increase was primarily due to a $22.1 million increase in net loss. This increase was partially offset by an increase in stock-based compensation expense of $7.8 million and a $5.7 million increase in accounts payable and accrued expenses.

**Investing Activities**

Net cash used in investing activities of $21.4 million during the nine months ended September 30, 2015 primarily relates to a $20.0 million purchase of marketable securities and JMC's acquisition of the rights to distribute a dermatological product for $1.3 million, a working capital loan of $0.1 million to CB Pharma Acquisition Corp and construction in process of $0.1 million. Net cash used in investing activities of $0.6 million during the nine months ended September 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 $20.5 million for the nine months ended September 30, 2015 primarily relates to net proceeds in connection with a third party financing of a Fortress Company of $11.1 million, proceeds of $10.0 million from the NSC Note and $0.2 million in proceeds related to the exercise of stock options, partially offset by $0.9 million in debt issuance costs associated with the NSC Note. Net cash used in financing activities of $14.5 million for the nine months ended September 30, 2014 reflects $14.0 million in proceeds from the IDB Note, offset by a transfer of $15.4 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 September 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 September 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.

November 9, 2015 By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D., Chairman, President and Chief Executive Officer (Principal Executive Officer)

November 9, 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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**Exhibit 31.1**

**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.

November 9, 2015

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

**Exhibit 31.2**

**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.

November 9, 2015

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

**Exhibit 32.1**

**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 September 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.

November 9, 2015

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

**Exhibit 32.2**

**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 September 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.

November 9, 2015

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

**Exhibit 99.1**

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

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**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 August 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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer (Do not check if smaller reporting company) | ☐ | Smaller reporting company | ☒ |

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

As of October 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 AUGUST 31, 2015**

**TABLE OF CONTENTS**

## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements.**

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

| | As of | |
|---|---|---|
| | **August 31, 2015 (unaudited)** | **November 30, 2014** |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 37,656 | $ 100,170 |
| Prepaid expenses and other assets | 65,871 | — |
| Total current assets | 103,527 | 100,170 |
| | | |
| Cash and marketable securities held in Trust Account | 42,868,699 | — |
| Deferred offering costs associated with initial public offering | — | 136,837 |
| **Total assets** | **$ 42,972,226** | **$ 237,007** |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued expenses | $ 28,069 | $ 20,567 |
| Accounts payable - related party | 92,715 | — |
| Note payable to related party | 100,000 | 200,000 |
| **Total current liabilities** | 220,784 | 220,567 |
| | | |
| **Commitments** | | |
| Ordinary shares subject to possible conversion, $.0001 par value; 3,698,656 and -0- shares at conversion value at August 31, 2015 and November 30, 2014 | 37,751,440 | — |
| | | |
| **Shareholders' Equity:** | | |
| Preferred shares, $.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding at August 31, 2015 and November 30, 2014 | — | — |
| Ordinary shares, $.0001 par value; 100,000,000 shares authorized; 1,837,344 and 1,150,000 shares issued and outstanding at August 31, 2015 and November 30, 2014 (excluding 3,698,656 shares subject to conversion at August 31, 2015 ) | 184 | 115 |
| Additional paid-in capital | 5,288,770 | 24,885 |
| Accumulated deficit | (288,952) | (8,560) |
| **Total Shareholders' Equity** | 5,000,002 | 16,440 |
| **Total Liabilities and Shareholders' Equity** | **$ 42,972,226** | **$ 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 August 31, 2015 | Nine Months Ended August 31, 2015 |
|---|---|---|
| Formation and operating costs | $ 98,142 | $ 219,091 |
| Operating cost - related parties | 30,000 | 85,000 |
| Loss from operations | (128,142) | (304,091) |
| Interest income | 4,204 | 23,699 |
| **Net loss** | **$ (123,938)** | **$ (280,392)** |
| Basic and diluted net loss per ordinary share | $ (0.07) | $ (0.16) |
| Weighted average shares outstanding, basic and diluted (1) | 1,824,974 | 1,769,817 |

(1) For the three and nine months ended August 31, 2015, weighted average shares outstanding excludes 3,698,656 shares subject to possible conversion

*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 Nine Months Ended August 31, 2015**
**(Unaudited)**

| | Ordinary Shares | | Additional Paid-In | Accumulated | Total Shareholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Equity |
| **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 Fortress 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 conversion | (3,698,656) | (370) | (37,751,070) | — | (37,751,440) |
| Net loss | — | — | — | (280,392) | (280,392) |
| **Balance - August 31, 2015** | **1,837,344** | **$ 184** | **$ 5,288,770** | **$ (288,952)** | **$ 5,000,002** |

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

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

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Net loss | $ (280,392) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Interest income in restricted cash and cash equivalents held in trust | (23,699) |
| Changes in operating assets and liabilities: | |
| Prepaid expenses and other assets | (65,871) |
| Accounts payable and accrued expenses | 7,502 |
| Accounts payable - related party | 92,715 |
| **Net cash used in operating activities** | (269,745) |
| | |
| **Cash Flows from Investing Activities** | |
| Principal deposited in trust account | (42,845,000) |
| **Net cash used in investing activities** | (42,845,000) |
| | |
| **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** | 43,052,231 |
| | |
| **Net decrease in cash and cash equivalents** | (62,514) |
| | |
| Cash and cash equivalents - beginning | 100,170 |
| | |
| **Cash and cash equivalents - ending** | $ 37,656 |
| | |
| **Supplemental disclosure of noncash investing and financing activities:** | |
| Value of ordinary shares subject to possible conversion | $ 37,751,440 |
| Reclassification of deferred offering cost to additional paid-in capital | $ 136,837 |

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

**CB Pharma Acquisition Corp.**
**Notes to Condensed Financial Statements**
**August 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 August 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, Inc. ("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 unsecured 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 August 31, 2015, proceeds not held in Trust were approximately $38,000, which excludes interest income of approximately $24,000 from the Company's investments in Trust.

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 condensed 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 nine months ended August 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.

The Company had minimal activity for the period from August 26, 2014 (inception) through August 31, 2014. Accordingly, the condensed statements of operations and condensed statements of cash flow for the comparative period from August 26, 2014 (inception) through August 31, 2014 are not presented.

***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.

***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 August 31, 2015, cash and cash equivalents held in the Trust Account consisted of $42,868,426 in United States Treasury Bills and $273 in cash. At August 31, 2015, there was approximately $24,000 of interest income held in the Trust Account available to be released to the Company.

***Ordinary Shares Subject to Possible Conversion***

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) are classified as a liability instrument and are 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) are 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 August 31, 2015, 3,698,656 Ordinary Shares subject to possible conversion with a conversion value of $37,751,440 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 August 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. An aggregate of 3,698,656 Ordinary Shares subject to possible redemption at August 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.

***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 derecoginition, 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 August 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.

**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 in whole and not in part, 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.

**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 the Private Placement. 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.

***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. As of August 31, 2015, accounts payable to Fortress was $92,715; of which $85,000 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 are 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.

**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 August 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.

**Note 8 - Subsequent Events**

In October 2015, the Company issued a $50,000 convertible promissory note to a related party ("Lender"). The note is non-interest bearing, payable upon the consummation of a Business Combination, and convertible, at the holder's option, into 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 the Private Placement. If the Lender converts the entire principal balance of the convertible promissory note, it would receive 5,000 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 established in connection with the initial public offering.

**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 pharmaceutical and generic drug industries

We presently have no revenue; our operating costs of approximately $124,000 and $280,000 for the three and nine months ended August 31, 2015, respectively, consist primarily of professional fees related to public company compliance.

For the three and nine months ended August 31, 2015, interest income on cash and marketable securities held in trust was approximately $4,200 and $24,000, 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 $1,844,706 and were charged to additional paid in capital.

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 August 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 August 31, 2015, we had net losses of approximately $124,000, which consisted of operating expenses of approximately $128,000 offset by interest income from our Trust Account of approximately $4,000.

For the nine months ended August 31, 2015, we had net losses of approximately $280,400, which consisted of operating expenses of $304,000 offset by interest income from our Trust Account of approximately $24,000.

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 August 31, 2015, we had a balance of cash and cash equivalents of approximately $38,000.

Through August 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 a working capital loan from Fortress in December 2014, 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 $85,000 through August 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.

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 and $50,000 in October 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 nine months will be approximately $250,000 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 August 31, 2015.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

As of August 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 August 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 August 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: October 14, 2015

CB PHARMA ACQUISITION CORP.

By: /s/ Lindsay A. Rosenwald
Name: Lindsay A. Rosenwald
Title: Chief Executive Officer