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

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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.)**

2 Gansevoort Street, 9th Floor
New York, New York 10014
(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 May 9, 2016, there were 48,517,449 shares of Common Stock of the issuer outstanding.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
($ in thousands except for share and per share amounts)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 81,415	$ 98,182
Other receivables - related party	1,314	156
Prepaid expenses and other current assets	1,607	1,441
Total current assets	84,336	99,779
Property and equipment, net (Note 3)	2,598	309
Restricted cash	14,586	14,586
Long-term investments, at fair value (Note 4)	1,567	2,485
Intangible asset - licenses (Note 7)	1,450	1,250
Other assets	376	201
Total assets	**$ 104,913**	**$ 118,610**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 2,348	$ 1,868
Accrued expenses	8,259	8,570
Interest payable	27	27
Derivative warrant liability (Note 4)	203	114
Total current liabilities	10,837	10,579
Notes payable, long-term (net of debt discount of $466 and $835 at March 31, 2016 and December 31, 2015, respectively)	20,751	23,174
Other long-term liabilities	2,416	584
Total liabilities	**34,004**	**34,337**
Commitments and contingencies		
Stockholders' equity		
Convertible Preferred stock, $.001 par value, 129,767 Series C shares authorized, 0 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	-	-
Common Stock, $.001 par value, 100,000,000 shares authorized, 48,517,449 and 47,147,032 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	49	47
Additional paid-in-capital	246,877	246,955
Accumulated deficit	(202,361)	(190,156)
Total stockholders' equity attributed to the Company	44,565	56,846
Non-controlling interests (Note 10)	26,344	27,427
Total stockholders' equity	70,909	84,273
Total liabilities and stockholders' equity	**$ 104,913**	**$ 118,610**

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

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
($ in thousands except for share and per share amounts)
(Unaudited)

	For the Three Months Ended March 31,	
	2016	**2015**
Revenue	$ 383	$ -
Revenue - from a related party	277	500
Total revenue	660	500
Operating expenses		
Research and development	7,736	1,642
Research and development – licenses acquired	83	7,439
General and administrative	7,932	3,490
Total operating expenses	15,751	12,571
Loss from operations	(15,091)	(12,071)
Other income (expenses)		
Interest income	75	82
Interest expense	(620)	(331)
Change in fair value of subsidiary's warrant liabilities	(89)	-
Change in fair value of investments	(918)	(215)
Total other income (expenses)	(1,552)	(464)
Net loss	**(16,643)**	**(12,535)**
Less: net loss attributable to non-controlling interests	4,438	479
Net loss attributable to common stockholders	**$ (12,205)**	**$ (12,056)**
Basic and diluted net loss per common share	$ (0.31)	$ (0.31)
Weighted average common shares outstanding—basic and diluted	39,658,188	38,574,702

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

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
($ in thousands)
(Unaudited)

	For the Three Months Ended March 31,	
	2016	**2015**
Cash Flows from Operating Activities:		
Net Loss	$ (16,643)	$ (12,535)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation expense	4	6
Noncash interest expense	-	188
Amortization of debt discount	369	-
Stock-based compensation expense	2,866	1,470
Issuance of subsidiaries' common shares for license expenses	48	513
Change in fair value of investments	918	215
Change in fair value of subsidiary's warrant liabilities	89	-
Research and development-licenses acquired, expense	35	6,929
Unrealized gain on marketable securities	-	(2)
Realized gain on marketable securities	-	(1)
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:		
Other receivables - related party	(1,158)	-
Prepaid expenses and other current assets	(166)	22
Accounts payable and accrued expenses	169	1,853
Interest payable	-	(2)
Other	-	(61)
Other long-term liabilities	1,832	(500)
Net cash used in operating activities	(11,637)	(1,905)
Cash Flows from Investing Activities:		
Purchase of research and development licenses	(35)	(6,929)
Purchase of property and equipment	(2,293)	-
Purchase of license	(200)	(1,250)
Payment to related parties - CB Pharma Acquisition Corp	(175)	(108)
Net cash used in investing activities	(2,703)	(8,287)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock options	-	216
Proceeds from subsidiary's offering - related party	570	-
Payment of costs related to subsidiary's offering	(205)	-
Payment of NSC note	(2,792)	-
Proceeds from NSC note	-	10,000
Payment of debt issue costs associated with NSC Note	-	(855)
Net cash (used in) provided by financing activities	(2,427)	9,361
Net decrease in cash and cash equivalents	(16,767)	(831)
Cash and cash equivalents at beginning of period	98,182	49,759
Cash and cash equivalents at end of period	$ 81,415	$ 48,928
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 77	$ 80
Supplemental disclosure of non-cash financing and investing activities:		
Issuance of restricted stock	$ 2	$ 1

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

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

1. Organization and Description of Business

Fortress Biotech, Inc. ("Fortress" or "the Company") is a biopharmaceutical company dedicated to acquiring, developing and commercializing novel pharmaceutical and biotechnology products. Fortress plans to continue to develop and commercialize products both within Fortress and its subsidiaries, also referred to herein as the "Fortress Companies". In addition to its internal development programs, the Company plans to leverage its biopharmaceutical business expertise and drug development capabilities to help the Fortress Companies innovate, develop and commercialize products. 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, acquisitions, partnerships, joint ventures and/or public and private financings to accelerate and provide additional funding to support their research and development programs.

As of March 31, 2016, 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"), Escala Therapeutics, Inc. ("Escala") and other consolidated Fortress subsidiaries which have minimal activity, including Innmune Limited, CB Securities Corporation (holds investments classified as cash and cash equivalents in 2015 and 2016), and Cyprium Therapeutics, Inc.

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 15, 2016, from which the Company derived the balance sheet data at December 31, 2015.

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 measurements, 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.

Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation in the condensed consolidated statements of cash flows.

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 to under the amendment to our sublicense agreement with Ovamed has been recorded at its net present value, which approximates its fair value. The amounts due to Ovamed are included in current liabilities at March 31, 2016 and at December 31, 2015 on the condensed Consolidated Balance Sheets (see Note 9).

Segment Reporting

The Company operates in one operating segment and, accordingly, no segment disclosures have been presented herein. All of the Company's equipment, leasehold improvements and other fixed assets are physically located within the United States, and all agreements with the Company's vendors are denominated in U.S. dollars.

Cash and Cash Equivalents

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at March 31, 2016 and at December 31, 2015 consisted of cash, money market funds and certificates of deposit in institutions in the United States. Balances at certain institutions have exceeded Federal Deposit Insurance Corporation insured limits and U.S. government agency securities.

Property and Equipment

Office equipment is recorded at cost and depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the respective leases.

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.

Restricted Cash

The Company records cash held in trust or pledged to secure certain debt obligations as restricted cash. As of March 31, 2016, the Company has $14.6 million of restricted cash collateralizing a note payable of $14.0 million (see Note 8) and a pledge to secure a letter of credit in connection with a new lease of $0.6 million.

Investments at Fair Value

The Company elects the fair value option for its long-term investments at fair value (see Note 4). 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 on the condensed Consolidated Statements of Operations.

The Company has various processes and controls in place to ensure that fair value is reasonably estimated. 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.

Intangible Asset Licenses

The Company records the costs of acquired product distribution 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 March 31, 2016, product sales related to the Company's intangible asset licenses had not yet commenced (see Note 7).

Deferred Financing Costs

Financing costs incurred in connection with the promissory note for $15.0 million between Israel Discount Bank ("IDB") and the National Securities Corporation's NSC Biotech Venture Fund I LLC note (the "NSC Note") are now recorded as a reduction of principal balance due to ASU No. 2015-3 and are being amortized over the appropriate expected life based on the term of the note using the effective interest rate method.

Revenue Recognition

Reimbursement Arrangements and Collaborative Arrangements

Checkpoint is reimbursed by TG Therapeutics, Inc. ("TGTX"), a related party, for its share of the cost of the license and product research and development costs under the collaboration agreement with them. The gross amount of these reimbursed costs are reported as revenue in the condensed Consolidated Statements of Operations, since the Company acts as a principal, bears credit risk and may perform part of the services required in the transactions. Consistent with Accounting Standards Codification ("ASC") 605-45, *Revenue Recognition - Principal Agent Considerations*, these reimbursements are treated as revenue by the Company. The actual expenses creating the reimbursements are reflected as expenses in the condensed consolidated financial statements.

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, options to enter into collaborative research agreements and 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; 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.

JMC's co-promotion revenue for Dermasorb HC™ is based upon prescription volume over an established baseline.

Research and Development

Research and development costs are expensed as incurred. Advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made. Upfront and milestone payments due to third parties that perform research and development services on the Company's behalf will be expensed as services are rendered or when the milestone is achieved.

Research and development costs primarily consist of personnel related expenses, including salaries, benefits, travel, and other related expenses, stock-based compensation, payments made to third parties for license and milestone costs related to in-licensed products and technology, payments made to third party contract research organizations for preclinical and clinical studies, investigative sites for clinical trials, consultants, the cost of acquiring and manufacturing clinical trial materials, costs associated with regulatory filings, laboratory costs and other supplies.

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 commercial feasibility and has no alternative future use. Certain licenses purchased by the Company require substantial completion of research and development, regulatory and marketing approval efforts in order to reach commercial feasibility and have no alternative future use.

Valuation of Warrants Related to NSC Note

In accordance with ASC 815 – *Derivatives and Hedging*, the Company classified the fair value of the warrants ("Contingently Issuable Warrants") granted in connection with the NSC Note transferred to Avenue effective February 2015 as a derivative liability. The Company valued these Contingently Issuable Warrants using an option pricing model, and used estimates for an expected dividend yield, a risk-free interest rate, and expected volatility together with management's estimate of the probability of issuance of the Contingently Issuable Warrants (see Note 4 and Note 8). At each reporting period, as long as the Contingently Issuable Warrants were potentially issuable and there was a potential for an insufficient number of authorized shares available to settle the Contingently Issuable Warrants, these Contingently Issuable Warrants will be revalued and any difference from the previous valuation date would be recognized as a change in fair value of subsidiary's warrant liabilities in the condensed Consolidated Statements of Operations.

Contingencies

The Company records accruals for contingencies and legal proceedings expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated.

If a loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Stock-Based Compensation

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

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

Income Taxes

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

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 10).

Comprehensive Loss

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

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Liabilities*. ASU No. 2016-01 requires several targeted changes including that equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) be measured at fair value with changes in fair value recognized in net income. The new guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. Amendments are to be applied as a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. ASU No. 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is not permitted with the exception of certain targeted provisions. We are currently in the process of evaluating the impact of adoption of ASU No. 2016-01 on the condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company currently in the process of evaluating the impact of adoption of ASU No. 2016-02 on the condensed consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations". The purpose of ASU No. 2016-08 is to clarify the implementation of guidance on principal versus agent considerations. The amendments in ASU No. 2016-08 are effective for interim and annual reporting periods beginning after December 15, 2017. The Company is currently assessing the impact of ASU No. 2016-08 on the condensed consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The amendment is to simplify several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in ASU No. 2016-09 are effective for interim and annual reporting periods beginning after December 15, 2016. The Company is currently assessing the impact of ASU No. 2016-09 on the condensed consolidated financial statements and related disclosures.

3. Property and Equipment

Property and equipment consisted of the following:

($ in thousands)	Useful Life (Years)	March 31, 2016	December 31, 2015
Computer equipment	3	$ 391	$ 13
Furniture and fixtures	5	338	69
Leasehold improvements	5	20	21
Construction in progress (1)	N/A	1,909	274
Total property and equipment		2,658	377
Less: Accumulated depreciation		(60)	(68)
Property and equipment, net		$ 2,598	$ 309

(1) For build-out of the Company's new office in New York, NY.

Depreciation expense for the three months ended March 31, 2016 and 2015 was approximately $4,000 and $6,000, respectively, and was recorded in both research and development expense and general and administrative expense in the condensed Consolidated Statements of Operations.

In January 2016, the Company wrote off approximately $12,000 of fully depreciated leasehold improvements from 135 East 57th, Street New York NY 10022 due to the termination of the sub-lease related to the office and Burlington due to the termination of the lease.

4. Fair Value Measurements

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.

On March 17, 2014, the Company invested $250,000 for a 35% ownership position in a third-party company developing a laser device to treat migraine headaches. The Company elected the fair value option for recording this investment. In conjunction with this investment, the Company received 13,409,962 Class A Preferred Units, representing 83% of a total 16,091,954 Class A Preferred Units. The fair value of this investment was $250,000 as of March 31, 2016 and December 31, 2015. The value of the Company's investment was determined based on a valuation which takes into consideration, when applicable, cash received, cost of the investment, market participant inputs, estimated cash flows based on entity specific criteria, purchase multiples paid in other comparable third-party transactions, market conditions, liquidity, operating results and other qualitative and quantitative factors. Based upon these inputs at March 31, 2016, the fair value of the Company's investment approximated cost.

As of March 31, 2016, the Company valued its investment in CB Pharma, a publicly traded company, utilizing the following assumptions: volatility of 25.6%, no dividend rate, yielding an underlying value of $9.61 per ordinary share for the insider shares, and $9.82 per ordinary share for the private placement shares. The rights and warrants were valued utilizing a binomial-lattice model which assumes a volatility of 25.6%, a risk free rate of return of 1.21% and a strike price of $11.50 per share arriving at a value of $0.98 for each right and $0.94 for a warrant. A 10.25% probability of a successful business combination was applied to the values above arriving at an estimated value of $0.97 for the insider shares, $1.00 for the private placement shares, $0.10 for each warrant and $0.10 for each right. Based upon the valuation, the Company recorded a decrease in fair-value of investment of $0.9 million. At March 31, 2016, the fair value of the Company's investment in CB Pharma was, $1.3 million. Additionally, as of February 29, 2016, CB Pharma had net assets of approximately $42.5 million. The Company has a working capital commitment of up to $0.5 million to fund CB Pharma operations, of which $0.3 million has been paid. As of March 31, 2016, the fair value of this commitment was insignificant.

Pursuant to the Amended NSC Note (see Note 8), if a Fortress Company has the proceeds of the NSC Note transferred to it, such Fortress Company will issue a note to NSC and NSC will also receive a warrant to purchase a number of shares of the Fortress Company's stock equal to 25% of the outstanding Fortress Company note divided by the lowest price the 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. In accordance with ASC 815 – *Derivatives and Hedging*, Avenue classified the fair value of the Contingently Issuable Warrants that may have been granted in connection with the $3.0 million of the NSC Note transferred from Fortress to Avenue on October 31, 2015 (issuance date) and March 31, 2016 as a derivative liability as there was a potential that Avenue would not have a sufficient number of authorized common shares available to settle these instruments.

The fair value of the Avenue's Contingently Issuable Warrants was determined by applying management's estimate of the probability of issuance of the Contingently Issuable Warrants together with an option pricing model, with the following key assumptions:

	March 31, 2016
Risk-free interest rate	1.78%
Expected dividend yield	-%
Expected term in years	9.59
Expected volatility	83.00%
Probability of issuance of the warrant	45.00%

($ in thousands)	Fair Value of Derivative Warrant Liability
Beginning balance at January 1, 2016	$ 114
Fair value adjustment of derivative warrant liability	89
Ending balance at March 31, 2016	$ 203

The following tables classify into the fair value hierarchy financial instruments measured at fair value on a recurring basis on the condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015:

	Fair Value Measurement as of March 31, 2016			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Long-term investments, at fair value	$ -	$ -	$ 1,567	$ 1,567
Liabilities				
Derivative warrant liability	$ -	$ -	$ 203	$ 203

	Fair Value Measurement as of December 31, 2015			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Long-term investments, at fair value	$ -	$ -	$ 2,485	$ 2,485
Liabilities				
Derivative warrant liability	$ -	$ -	$ 114	$ 114

The table below provides a rollforward of the changes in fair value of Level 3 financial instruments for the three months ended March 31, 2016 and 2015:

	Fair Value of Investment		
	Long-term		
($ in thousands)	Other	CB Pharma	Total
Balance at December 31, 2015	$ 250	$ 2,235	$ 2,485
Change in fair value of investments	-	(918)	(918)
Balance at March 31, 2016	$ 250	$ 1,317	$ 1,567

	Fair Value of Investment		
	Long-term		
($ in thousands)	Other	CB Pharma	Total
Balance at December 31, 2014	$ 250	$ 3,910	$ 4,160
Change in fair value of investments	-	(215)	(215)
Balance at March 31, 2015	$ 250	$ 3,695	$ 3,945

For the three months ended March 31, 2016 and 2015, no transfers occurred between Level 1, Level 2 and Level 3 instruments.

5. 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 licenses purchased by Avenue, 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 three months ended March 31, 2016 and 2015, the purchase price of licenses, totaling approximately $83,000 and $7.4 million, respectively, were classified as research and development-licenses acquired in the Condensed Consolidated Statements of Operations. For the three months ended March 31, 2016 and 2015, the Company's research and development-licenses acquired are comprised of the following:

	For the Three Months Ended March 31,	
($ in thousands)	2016	2015
Fortress Companies:		
Avenue	$ -	$ 2,000
Checkpoint	-	2,000
Coronado SO	-	1,179
Helocyte	83	-
Mustang	-	2,260
Total	$ 83	$ 7,439

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 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 transferred the Revogenex license and all other rights and obligations of Fortress under the License Agreement to Avenue pursuant to the Assignment and Assumption Agreement effective as of February 17, 2015. Per the terms of the agreement, Avenue assumed $3.0 million in debt (see Note 8).

During the three months ended March 31, 2016, Avenue completed a pharmacokinetics or PK study for IV Tramadol.

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 valued at $32,500 or $0.065 per share. In September 2015, Checkpoint, pursuant to the license, granted to Dana-Farber an additional 136,803 shares of Checkpoint common stock valued at $0.6 million or $4.39 per share, all of which has been included in research and development - licenses acquired on the 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 2017.

Collaboration Agreements with TG Therapeutics, Inc.

In connection with its license agreement with Dana-Farber, Checkpoint entered into a collaboration agreement with TG Therapeutics, Inc. (“TGTX”), a related party, 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 months ended March 31, 2016 and 2015, the Company recognized $17,000 and $0.5 million, respectively in revenue from its collaboration agreement with TGTX on the 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 in 2015, for a global collaboration in connection with the future development of the certain compounds licensed. The option was extended on January 11, 2016 for an additional 180 days, to July 17, 2016.

NeuPharma, Inc.

Effective March 17, 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. 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.

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. Effective January 11, 2016, TGTX agreed to assume all costs associated with this agreement and reimbursed Checkpoint for all amounts paid previously by Checkpoint and the Company recognized $0.3 million in revenue related to this arrangement during the three months ended March 31, 2016.

Teva Pharmaceutical Industries Ltd. (through its subsidiary, Cephalon, Inc.)

In December 2015, Checkpoint licensed, for $0.5 million, the exclusive worldwide rights to develop and commercialize CK-102 (formerly CEP-9722), a poly (ADP-ribose) polymerase (“PARP”) inhibitor, from Teva Pharmaceutical Industries Ltd., through its subsidiary, Cephalon, Inc. CK-102 is an oral, small molecule selective inhibitor of PARP-1 and PARP-2 enzymes in early clinical development for solid tumors. Checkpoint plans to develop CK-102 as both a monotherapy and in combination with other anti-cancer agents, including Checkpoint’s novel immuno-oncology and Checkpoint inhibitor antibodies currently in development

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 condensed Consolidated Statements of Operations and issued a stock grant of 150,000 shares of common stock of Coronado SO. In October 2015, Coronado SO paid an additional $0.5 million, which is included in research and development-licenses acquired on the Condensed Consolidated Statements of Operations. Additional milestone payments are due upon the achievement of certain development milestones and royalties in single digits 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.

Helocyte, Inc.

License Agreement with the City of Hope

In March 2016, Helocyte entered into amended and restated license agreements for each of its PepVax and Triplex immunotherapies programs with its licensor City of Hope National Medical Center (“COH”). The amended and restated licenses expand the intellectual property and other rights granted to Helocyte by COH in the original license agreement. The financial terms of the original license have not been modified, and if Helocyte successfully develops and commercializes PepVax and Triplex, COH will receive milestones, royalties and other payments.

Helocyte entered into the original license agreement with COH on April 2, 2015, to secure: (i) an exclusive worldwide license for two immunotherapies for CMV control in the post-transplant setting (known as Triplex and PepVax); and (ii) an option for an exclusive worldwide license to an immunotherapy for the prevention of congenital CMV (known as Pentamer). In consideration for the license and option, Helocyte made an upfront payment of $150,000. On April 28, 2015, Helocyte exercised the option and secured exclusive worldwide rights to Pentamer from COH for an upfront payment of $50,000. If Helocyte successfully develops and commercializes PepVax, Triplex and Pentamer, COH will receive milestones, royalties and other payments. In 2015, Triplex and PepVax both entered Phase 2 clinical studies. The programs are supported by grants awarded to COH by the National Cancer Institute.

As further consideration for the license, in March 2016, Helocyte granted to COH 500,000 shares of Helocyte common stock. 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 44.5% and a weighted average cost of capital of 30%, net of debt utilized resulting in a value of $0.097 per share or $48,500.

University of Texas License Option

In February 2016, the Company entered into an option agreement for $35,000 with The University of Texas Health Science Center at Houston, to acquire the exclusive rights to license certain intellectual property and clinical data relating to the use of bone marrow derived mononuclear cells for the treatment of severe Traumatic Brain Injury. The option expires on July 1, 2016. The Company recorded the charge to research and development-licenses acquired for the three months ended March 31, 2016.

Escala Therapeutics, Inc.

On July 16, 2015, Escala acquired from New Zealand Pharmaceuticals Limited (“NZP”) a license from the National Institute of Health (“NIH”) and cooperative research and development agreements 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.

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. Pursuant to the agreement, in April 2015, Mustang paid COH an upfront fee of $2.0 million, which is included in research and development-licenses acquired on the Condensed Consolidated Statements of Operations, and granted 1,000,000 shares of Mustang common stock to COH, with additional milestones payments due to COH upon the achievement of certain development goals and royalty payments for sales of the product.

The Company valued the stock grant to 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.

6. Milestones and Sponsored Research Agreements

Helocyte

In March 2016, Helocyte entered into an Investigator-Initiated Clinical Research Support Agreement with the City of Hope National Medical Center, to support a Phase 2 clinical study of its PepVax immunotherapy for CMV control in allogeneic stem cell transplant recipients. The Phase 2 study is additionally supported by grants from the National Cancer Institute. Under the terms of the agreement, Helocyte made an upfront payment to COH of $1.0 million and will pay COH up to an additional $2.0 million upon the achievement of certain clinical milestones. The agreement expires upon the delivery of a final study report or December 31, 2018 unless terminated earlier.

In February 2016, Helocyte entered into an Investigator-Initiated Clinical Research Support Agreement with the City of Hope National Medical Center, to support a Phase 2 clinical study of its Triplex immunotherapy for CMV control in allogeneic stem cell transplant recipients. The Phase 2 study is additionally supported by grants from the National Cancer Institute. Under the terms of the agreement, Helocyte made an upfront payment to COH of $1.0 million, and will pay COH up to an additional $3.4 million upon the achievement of certain clinical milestones. The agreement expires upon the delivery of a final study report or May 31, 2018 unless terminated earlier.

For the three month ended March 31, 2016, Helocyte incurred expense of $2.0 million, related to the sponsored research agreements, recorded as research and development expense in the Company's Condensed Consolidated Statement of Operations.

Mustang

In March 2015, in connection with Mustang's license with COH for the development of CAR-T, Mustang entered into a Sponsored Research Agreement 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. For the three month ended March 31, 2016 Mustang incurred expense of $0.5 million recorded as research and development expense in the Company's Condensed Consolidated Statement of Operations. No expense was recorded for the three months ended March 31, 2015.

CNDO-109

The Company has a license agreement with the University College London Business PLC ("UCLB") under which the Company received an exclusive, worldwide license to develop and commercialize CNDO-109 to active NK cells for the treatment of cancer-related and other conditions. In consideration for the license, the Company made upfront payments totaling $0.1 million and may be required to make future milestone payments totaling up to approximately $22 million upon the achievement of various milestones related to regulatory or commercial events. In March 2016, the Company paid UCLB $0.4 million due upon completion of the Phase 1 study for Acute Myeloid Leukemia. In the event that CNDO-109 is commercialized, the Company is obligated to pay to UCLB annual royalties ranging from 3% to 5% based upon various levels of net sales of the product. Under the terms of the license agreement, the Company is allowed to grant sublicenses to third parties without the prior approval of UCLB. In the event that the Company sublicenses CNDO-109 to a third party, the Company is obligated to pay to UCLB all or a portion of the royalties the Company receives from the sub-licensee. Through March 31, 2016, the Company has not sub-licensed CNDO-109 to a third party.

7. Intangible Asset Licenses

Journey Medical Corporation

In January 2016, JMC entered into a licensing agreement with a third party to distribute a prescription wound cream. JMC intends to commercialize this product in mid-2016. There was no upfront payment for this license.

In January 2016, JMC entered into a licensing agreement with a third party to distribute an emollient for the treatment of various types of dermatitis. JMC paid an upfront fee of $0.2 million. JMC intends to commercialize this product in Q2 2016.

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 may incur another fee of $0.7 million upon receipt of the product. Further payments will be made based on a revenue sharing arrangement. The product is fully developed and FDA approved but sales cannot commence until final manufacturing regulatory clearance is obtained.

The Company recorded the upfront payments as an intangible asset on the Condensed Consolidated Balance Sheets and will amortize them over the deemed life of the products or agreements (whichever is shorter) upon the commencement of sales, which the Company expects in mid-2016.

8. Debt and Interest

Debt

Long-term debt to Israel Discount Bank ("IDB") and National Securities Corporation ("NSC") consists of the following as of March 31, 2016 and December 31, 2015:

($ in thousands)	March 31, 2016	December 31, 2015	Interest Rate	Maturity
IDB Note	$ 14,009	$ 14,009	2.25%	Feb - 2017
NSC Note	7,208	10,000	8.00%	Mar - 2018
Total notes payable, long-term	21,217	24,009		
Less: Discount on notes payable	466	835		
Total notes payable, long-term, net	$ 20,751	$ 23,174		

IDB Note

On February 13, 2014, the Company executed a promissory note in favor of IDB in the amount of $15.0 million (the "IDB Note"). The Company borrowed $14 million against this note and used it to repay its prior loan from Hercules Technology Growth Capital, Inc. The Company may request revolving advances under the IDB Note in a minimum amount of $100,000 (or the remaining amount of the undrawn balance under the IDB Note if such amount is less than $100,000). All amounts advanced under the IDB Note are due in full at the earlier of: (i) February 27, 2017, as extended or (ii) on the IDB's election following the occurrence and continuation of an event of default. The unpaid principal amount of each advance shall bear interest at a rate per annum equal to the rate payable on the Company's money market account plus a margin of 150 basis points. The interest rate at March 31, 2016 was 2.25%. The IDB Note contains various representations and warranties customary for financings of this type.

The obligations of the Company under the IDB Note are collateralized by a security interest in, a general lien upon, and a right of set-off against the Company's money market account of $15.0 million pursuant to the Assignment and Pledge of Money Market Account, dated as of February 13, 2014 (the "Pledge Agreement"). Pursuant to the Pledge Agreement, the Bank may, after the occurrence and continuation of an event of default under the IDB Note, recover from the money market account all amounts outstanding under the IDB Note. The Pledge Agreement contains various representations, warranties, and covenants customary for pledge agreements of this type.

The Company will default on the IDB Note if, among other things, it fails to pay outstanding principal or interest when due. Following the occurrence of an event of default under the IDB Note, the Bank may: (i) declare the entire outstanding principal balance of the IDB Note, together with all accrued interest and other sums due under the IDB Note, to be immediately due and payable; (ii) exercise its right of setoff against any money, funds, credits or other property of any nature in possession of, under control or custody of, or on deposit with IDB; (iii) terminate the commitments of IDB; and (iv) liquidate the money market account to reduce the Company's obligations to IDB.

Effective March 31, 2015, the Company extended the maturity date of the IDB Note to February 27, 2017. At March 31, 2016, the Company had approximately $14.0 million outstanding under its promissory note with IDB. The Company only pays interest on the IDB Note through maturity.

NSC Note

In March 2015, the Company closed a private placement of a promissory note for $10 million of NSC Note. The Company used the proceeds from the NSC Note to acquire medical technologies and products. The NSC 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 NSC 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 year ended December 31, 2015, in connection with the NSC Note. The Company recorded the fee as a discount to notes payable, long-term on the Condensed Consolidated Balance Sheets and amortized it over the life of the NSC Note. The effective interest rate on the NSC Note was approximately 12.4%.

The NSC Note was amended and restated on July 29, 2015 to provide that any time a Fortress subsidiary 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 March 31, 2016, the Company transferred $2.8 million and $3.0 million, including debt discount, of the NSC Note to Checkpoint and Avenue, respectively, representing Checkpoint's and Avenue's pro rata share of the NSC Note. The Company applied the 10% cash flow test pursuant to ASC 470 to calculate the difference between the present value of the amended NSC's Note's cash flows and the present value of the original remaining cash flow and concluded that the results didn't exceed the 10% factor, the debt modification is not considered substantially different and did not apply extinguishment accounting, rather accounting for the modification on a prospective basis pursuant to ASC 470.

In connection with the transfer of NSC Note proceeds to a Fortress Company, NSC will receive a warrant to purchase the Fortress Company's stock equal to 25% of the NSC Note proceeds transferred to that Fortress Company divided by the lowest price at which the Fortress Company sells its equity in its first third party financing. The warrants issued will have a term of 10 years and an exercise price equal to the par value of the Fortress Company's common stock.

As of March 31, 2016, Avenue recorded approximately $267,500 of debt discount of which $113,500 relates to the Contingently Issuable Warrants issued in connection with NSC Note, based on its initial fair value (see Note 4). The entire debt discount will be amortized over the life of the note.

In February 2016, Checkpoint repaid its NSC Debt of $2.8 million. Approximately $324,000, of which $174,000 was related to the fair value of the NSC contingently issuable warrant, of unamortized debt discount was accelerated into interest expenses upon payment.

The Company's Chairman, President and Chief Executive Officer and the Company's Executive Vice President, Strategic Development, are Co-Portfolio Managers and Partners of Opus Point Partners Management, LLC ("OPPM"), which owns approximately 4.2% of National Holding's Corporation, Inc. the parent of National Securities Inc. The ownership includes shares owned by OPPM, its Co-Portfolio Managers and their affiliates.

IDB Letters of Credit

The Company has several letters of credit ("LOC") with IDB securing rent deposits for lease facilities totaling approximately $1.7 million. Interest paid on the letters of credit is 2%.

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 associated with loan transaction costs, amortized over the life of the loan:

	For the Three Months Ended March 31,	
($ in thousands)	**2016**	**2015**
IDB Note		
Interest	$ 80	$ 69
Amortization of fees	1	1
Total IDB Note	81	70
NSC Debt		
Interest	167	72
Amortization of fees	368	20
Total NSC Debt	535	92
Ovamed		
Interest	-	167
Total Ovamed	-	167
LOC Fees		
Interest	4	2
Total LOC	4	2
Total Interest Expense	$ 620	$ 331

9. Accrued Expenses and Other Long-Term Liabilities

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

($ in thousands)	**March 31, 2016**	**December 31, 2015**
Accrued expenses:		
Professional fees	$ 749	$ 382
Salaries, bonuses and related benefits	762	2,492
Ovamed manufacturing rights - short term component	1,500	1,500
Research and development	746	810
Dr. Falk Pharma milestone	2,828	2,717
COH upfront fee for sponsored research for PepVax (see Note 6)	1,007	-
Accrued lease costs for abandoned properties	146	146
Other	521	523
Total accrued expenses	$ 8,259	$ 8,570
Other long-term liabilities:		
Long-term accrued lease costs for abandoned properties	17	91
Deferred rent	2,399	493
Total other long-term liabilities	$ 2,416	$ 584

10. Non-Controlling Interests

Non-controlling interests in consolidated entities are as follows:

	As of March 31, 2016						
($ in thousands)	**Avenue**	**Coronado SO**	**Mustang**	**Checkpoint**	**JMC**	**Helocyte**	**Total**
NCI equity share	$ (560)	$ (217)	$ (359)	$ 32,623	$ (299)	$ (406)	$ 30,782
Net loss attributed to non-controlling interests	(108)	(5)	(70)	(4,037)	(121)	(97)	(4,438)
Non-controlling interests in consolidated entities	**$ (668)**	**$ (222)**	**$ (429)**	**$ 28,586**	**$ (420)**	**$ (503)**	**$ 26,344**

	As of December 31, 2015					
($ in thousands)	**Avenue**	**Coronado SO**	**Mustang**	**Checkpoint**	**JMC**	**Total**
NCI equity share	$ 6	$ 23	$ 14	$ 32,760	$ 79	$ 32,882
Net loss attributed to non-controlling interests	(567)	(240)	(373)	(3,855)	(420)	(5,455)
Non-controlling interests in consolidated entities	**$ (561)**	**$ (217)**	**$ (359)**	**$ 28,905**	**$ (341)**	**$ 27,427**

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

	For the three months ended March 31, 2016						
($ in thousands)	**Avenue**	**Coronado SO**	**Mustang**	**Checkpoint**	**JMC**	**Helocyte**	**Total**
Non-controlling interests in loss of consolidated entities	$ (108)	$ (5)	$ (70)	$ (4,037)	$ (121)	$ (97)	$ (4,438)
Non-controlling ownership	11.5%	13.0%	10.0%	62.7%[1]	8.1%	8.3%	

(1) Checkpoint is consolidated with Fortress' operations because Fortress maintains voting control through its ownership of Checkpoint's Class A Common Shares which provide super-majority voting rights.

	For the three months ended March 31, 2015			
($ in thousands)	**Coronado SO**	**Mustang**	**Checkpoint**	**Total**
Non-controlling interests in loss of consolidated entities	$ (160)	$ (226)	$ (93)	$ (479)
Non-controlling ownership	13.0%	10.0%	15.0%	

11. 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.

Included in common stock issued and outstanding as of March 31, 2016 are 8,059,258 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 at the end of the periods March 31, 2016 and 2015:

	For the Three Months Ended March 31,	
	2016	**2015**
Warrants to purchase Common Stock	544,835	685,061
Options to purchase Common Stock	1,779,365	2,064,365
Unvested Restricted Stock	7,922,021	7,704,269
Unvested Restricted Stock Units	885,083	36,000
Total	11,131,304	10,489,695

12. Stockholders' Equity

Stock-based Compensation

As of March 31, 2016, 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 months ended March 31, 2016 and 2015:

	For the Three Months Ended March 31,	
($ in thousands)	**2016**	**2015**
Employee awards	$ 1,584	$ 1,463
Non-employee awards	3	7
Fortress Companies (1)	1,279	-
Total stock-based compensation expense	$ 2,866	$ 1,470

(1) Consists of approximately $9,000 of Avenue's compensation expenses, approximately $1.1 million of Checkpoint's compensation expense, and approximately $181,000 of JMC's compensation expenses on equity grants for the three months ended March 31, 2016.

For the three months ended March 31, 2016 and 2015, approximately $1.3 million and $0.3 million, respectively, was included in research and development expenses and approximately $1.6 million and $1.2 million, respectively, was included in general and administrative expenses.

In February 2016, the Company modified the vesting schedule on 1.9 million share grant made to its Chief Executive Officer and Executive Chair, Strategic Development in December 2013, and the 3.9 million share inducement grant made to its Executive Chair, Strategic Development in February 2014. The modification extended the vesting on the first tranche of all the grants by twelve months. The impact of the modification was $0.4 million, which will be amortized over the remaining life of the award.

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

	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, 2015	1,779,365	$ 4.37	$ 666,396	6.32
Options granted	-	-	-	
Options vested and expected to vest at March 31, 2016	1,779,365	$ 4.37	$ 853,984	6.07
Options vested and exercisable	1,082,168	$ 3.75	$ 805,651	5.62

As of March 31, 2016, the Company had unrecognized stock-based compensation expense related to unvested option of $62,000 with a weighted average vesting period of 0.1 years.

The following table summarizes Fortress' restricted stock and restricted stock unit award activity, excluding activity related to Fortress Companies (which is discussed below):

	Number of shares	Weighted average grant price
Unvested balance at December 31, 2015	8,757,935	$ 2.47
Restricted stock granted	1,240,868	2.77
Restricted stock vested	(989,782)	2.73
Restricted stock units granted	165,000	3.22
Restricted stock units cancelled	(25,000)	3.71
Restricted stock units vested	(341,917)	3.55
Unvested balance at March 31, 2016	8,807,104	$ 2.45

As of March 31, 2016, the Company had unrecognized stock-based compensation expense related to restricted stock and restricted stock unit awards of approximately $4.1 million and $0.7 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 2.7 years and 1.3 years, respectively.

Employee Stock Purchase Plan

Eligible employees can purchase the Company's Common Stock at the end of a predetermined offering period at 85% of the lower of the fair market value at the beginning or end of the offering period. The ESPP is compensatory and results in stock-based compensation expense.

As of March 31, 2016, 91,192 shares have been purchased and 108,808 shares are available for future sale under the Company's ESPP. The Company recognized share-based compensation expense of approximately none and $9,000 for the three months ended March 31, 2016 and 2015, respectively.

Warrants

The following table summarizes Fortress warrant activities, excluding activities related to Fortress Companies:

	Number of shares	Weighted average exercise price	Total weighted average intrinsic value	Weighted average remaining contractual life (years)
Outstanding as of December 31, 2015	569,835	$ 6.31	$ 120,700	1.84
Exercised (*)	(25,000)	1.37	43,250	
Outstanding as of March 31, 2016	544,835	$ 6.53	$ 103,800	1.67
Exercisable as of March 31, 2016	544,835	$ 6.53	$ 103,800	1.67

(*) - cashless

All stock-based expense in connection with these warrants has been recognized prior to January 1, 2016.

Long-Term Incentive Program ("LTIP")

On July 15, 2015, the stockholders approved 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 in the Company's 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.

On July 15, 2015, grants of 500,000 shares of common stock in each of Mustang, Checkpoint, Avenue, Coronado SO, Helocyte, JMC and Escala, were made to Dr. Rosenwald and Mr. Weiss for their services to the Company under the LTIP. The exercise price of each warrant, which approximates its 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. The Company recorded a charge of approximately $2.2 million related to these grants.

On January 1, 2016, the Compensation Committee granted 510,434 shares each to Dr. Rosenwald and Mr. Weiss. These equity grants, made in accordance with the LTIP, represent one percent (1%) of total outstanding shares of the Company and were granted in recognition of their performance in 2015. The shares are subject to repurchase by the Company until both of the following conditions are met: (i) the Company's market capitalization increases by a minimum of $100,000,000, and (ii) the employee is either in the service of the Company as an employee or as a Board member (or both) on the tenth anniversary of the LTIP, or the eligible employee has had an involuntary separation from service (as defined in the LTIP). The Company's repurchase option on such shares will also lapse upon the occurrence of a corporate transaction (as defined in the LTIP) if the eligible employee is in service on the date of the corporate transaction. Since these awards contain a *market condition* as defined in ASC 718**,** *Compensation – Stock Compensation* the Company valued the award using the Monte Carlo simulation model. The model generated the fair value of the award at the grant date of $2.37 or $2.4 million for both grants, which is amortized over the vesting period, subject to the above performance condition being probable of being met.

Fortress Companies

Checkpoint Therapeutics, Inc.

Checkpoint has a long-term incentive plan. 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 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%, resulting in a value of $0.065 per share on grant date. At December 31, 2015, the Company re-measured this non-employee restricted stock 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 1.5% and a term of five years. For the three months ended March 31, 2016, in connection with this grant, Checkpoint re-measured this non-employee grant and recorded expense of $0.8 million, based upon a fair value of $4.39 per share in research and development expenses on the Condensed Consolidated Statements of Operations.

On January 8, 2016, Checkpoint granted one of its Board members 50,000 shares of restricted stock under Checkpoint's 2015 Incentive Plan. The shares will vest in three equal annual installments beginning on January 8, 2019. On March 2, 2016, pursuant to the employment agreement, Checkpoint granted an employee 50,000 shares of restricted stock under Checkpoint's 2015 Incentive Plan. The shares will vest in three equal annual installments beginning on March 2, 2018. The shares were valued utilizing market income and cost valuation approaches. This yielded a price per share of $4.39 utilizing a risk free rate of return of 1.5 % and expected volatility of 83%. For the three months ended March 31, 2016, Checkpoint recorded stock-based compensation expense of approximately $0.3 million related to three stock grants, which is included in general and administrative expenses on the Condensed Consolidated Statements of Operations.

Avenue Therapeutics, Inc.

Avenue has a long term incentive program. During 2015, Avenue granted 1.0 million shares to its acting Chief Executive Officer, Dr. Lu, who is also Chief Financial Officer of Fortress, for services to be 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 months ended March 31, 2016, the Company recorded approximately $5,000 as general and administrative expenses and $5,000 as research and development expenses on the Condensed Consolidated Statements of Operations.

Journey Medical Corporation

In January 2016, JMC granted 305,000 of options to its employees. The fair value of stock options granted was determined on the grant date using assumptions for risk free interest rate, the expected term, expected volatility, and expected dividend yield. 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. JMC does not expect to pay dividends in the foreseeable future so therefore the expected dividend yield is 0%. The expected term for stock options granted with service conditions represents the average period the stock options are expected to remain outstanding and is based on the expected term calculated using the approach prescribed by the Securities and Exchange Commission's Staff Accounting Bulletin No. 110 for "plain vanilla" options. JMC obtained the risk-free interest rate from publicly available data published by the Federal Reserve. The volatility rate was computed based on a comparison of average volatility rates of similar companies. The fair value of options granted in 2016 was estimated using the following assumptions:

	For the three months ended March 31, 2016
Risk-free interest rate	1.46% - 1.82%
Expected dividend yield	-
Expected term in years	5.23-6.95
Expected volatility	96.89% - 102.05%

During the three months ended March 31, 2016, stock-based compensation associated with the amortization of stock option expense was approximately $0.1 million. JMC also recorded approximately $35,000 related to the restricted stock granted in 2015. Expenses were recorded in general and administrative expense on the condensed Consolidated Statements of Operations.

Helocyte, Inc.

On March 28, 2016, Helocyte granted 150,000 restricted stock to its consultant. The shares will vest in four equal annual installments beginning on March 28, 2017. The stock price was determined utilizing a market approach, based upon a third party financing. Such valuation resulted in a value of $0.097 per share utilizing a volatility of 83% and a risk free rate of return of 1.5%. For the three months ended March 31, 2016, in connection with this grant, Helocyte re-measured this non-employee grant and recorded expense of $62 in research and development expenses on the condensed Consolidated Statements of Operations.

On March 30, 2016, Helocyte granted 1.0 million shares to its Chief Executive Officer, for services to be provided. The shares will vest in twelve equal quarterly installments beginning on June 30, 2016. The fair market value of the stock is $0.097 per share based upon a third party valuation. In connection with this grant, for the three months ended March 31, 2016, the Company recorded approximately $500 as general and administrative expenses on the condensed Consolidated Statements of Operations.

Capital Raise

On February 23, 2016, Checkpoint closed on gross proceeds of $0.6 million, before expenses, in a private placement of shares and warrants to Opus Point Healthcare Fund GP, LLC, a fund managed by OPPM, a related party. The financing involved the sale of units, each consisting of 10,000 shares of common stock and a warrant exercisable for 3,500 shares of common stock at an exercise price of $7.00 per share, for a purchase price of $45,000 per unit. The warrants have a five year term and are only exercisable for cash. Checkpoint issued 126,640 unregistered shares of common stock and 44,324 warrants in connection with this transaction. Due to the absence of a placement agent in this transaction, the net proceeds to, and warrants issued by, Checkpoint were consistent with terms of the December 2015 third-party financing, noted above, which included the payment of fees and issuance of warrants to a placement agent.

13. Related Party Note

Related Party Service Agreement

Other Related Parties

The Company's Chairman, President and Chief Executive Officer, individually and through certain trusts over which he has voting and dispositive control, beneficially owned approximately 12.9% and 12.2% of the Company's issued and outstanding Common Stock as of March 31, 2016 and December 31, 2015, respectively. The Company's Executive Vice Chairman, Strategic Development individually owns approximately 15.4% and 14.8% of the Company's issued and outstanding Common Stock at March 31, 2016 and December 31, 2015, respectively.

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 $63,000 and $40,000 under this agreement for the three months ended March 31, 2016 and 2015, respectively. The agreement can be terminated by either party with thirty days' notice.

Shared Services Agreement with TGTX

In July 2015, TGTX and the Company entered into an arrangement to share the cost of certain research and development employees. 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 reimburse the Company for the salary and benefit costs associated with these employees based upon actual hours worked on TGTX related projects. For the three months ended March 31, 2016, the Company invoiced TGTX $0.1 million.

Desk Share Agreement with TGTX and OPPM

In September 2014, the Company entered into Desk Space Agreement, with OPPM and TGTX, to occupy 20% and 40% of the New York, NY office space that requires them to pay their share of the average annual rent of $0.5 million and $1.1 million, respectively. These initial rent allocations will be adjusted periodically for each party based upon actual percentage of the office space occupied. Additionally, the Company has reserved the right to execute desk space agreements with other third parties and those arrangements will also affect the cost of the lease actually borne by the Company.

The initial Desk Share Agreement is for 5 years. The Company took possession of the space in December 2015, commenced build out of the space, shortly thereafter and took occupancy of the space in April 2016. The Company expects the total build out costs to approximate $5.1 million and will share the costs with OPPM and TGTX under the Desk Space Agreement. At March 31, 2016, the Company paid $199,000 of prepaid rent and under the Desk Space Agreements, was reimbursed by OPPM and TGTX for their prorated share of this prepayment $39,800 and $79,800 respectively. In addition as of March 31, 2016 the Company incurred $2.3 million in connection with the build out of the space and recorded a receivable of $1.0 million due from TGTX and $0.2 million due from OPPM.

Checkpoint Collaboration Agreements 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 $17,000 and $0.5 million for reimbursement of costs during the three months ended March 31, 2016 and 2015, respectively (see Note 3).

In addition, effective January 11, 2016, TGTX agreed to assume all costs associated with Checkpoint's Sponsored Research Agreement. In connection with this agreement, Checkpoint recognized revenue of $0.3 million in the Condensed Consolidated Statements of Operations.

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 rights 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 two and one half percent (2.5%) 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 two and one half percent (2.5%) of the gross amount of any such equity or debt financing; and (iii) pay a cash fee equal to four and one half percent (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) four and one half percent (4.5%)

Effective as of March 17, 2015, the Company entered into a Management Services Agreement (the "MSA") with Checkpoint and each of Checkpoint's current directors and officers who are directors or officers of the Company to provide services to Checkpoint pursuant to the terms of the MSA. Pursuant to the terms of the MSA, for a period of five (5) years, the Company will render advisory and consulting services to Checkpoint. Services provided under the MSA may include, without limitation, (i) advice and assistance concerning any and all aspects of Checkpoint's operations, clinical trials, financial planning and strategic transactions and financings and (ii) conducting relations on behalf of Checkpoint with accountants, attorneys, financial advisors and other professionals. Checkpoint is obligated to utilize clinical research services, medical education, communication and marketing services and investor relations/public relation services of companies or individuals designated by Fortress, provided those services are offered at market prices. However, Checkpoint is not obligated to take or act upon any advice rendered from Fortress and Fortress shall not be liable for any of Checkpoint's actions or inactions based upon their advice. Fortress and its affiliates, including all members of Checkpoint's Board of Directors, have been contractually exempt from fiduciary duties to Checkpoint relating to corporate opportunities. In consideration for the Services, the Company will pay Fortress an annual consulting fee of $0.5 million (the "Annual Consulting Fee"), payable in advance in equal quarterly installments on the first business day of each calendar quarter in each year, provided, however, that such Annual Consulting Fee shall be increased to $1.0 million for each calendar year in which Checkpoint has net assets in excess of $100 million at the beginning of the calendar year.

Founders Agreement and Management Services Agreement with Avenue

Effective as of February 17, 2015, the Company entered into a Founders Agreement with Avenue pursuant to which the Company assigned to Avenue all of its rights and interest under the Company's license agreement with Revogenex for IV Tramadol. As consideration for the Founders Agreement, Avenue assumed $3.0 million in debt that the Company accumulated under the NSC Note (see Note 8) for expenses and costs of forming Avenue and obtaining IV Tramadol license, of which $3.0 million represents the acquisition of the License Agreement. As additional consideration for the transfer of rights under the Founders Agreement, Avenue will also: (i) issue annually to the Company, on the anniversary date of the Founders Agreement, shares of common stock equal to two and one half percent (2.5%) of the fully-diluted outstanding equity of Avenue at the time of issuance; (ii) pay an equity fee in shares of Avenue common stock, payable within five (5) business days of the closing of any equity or debt financing for Avenue or any of its respective subsidiaries that occurs after the effective date of the Founders Agreement and ending on the date when Fortress no longer has majority voting control in Avenue's voting equity, equal to two and one half percent (2.5%) of the gross amount of any such equity or debt financing; and (iii) pay a cash fee equal to four and one half percent (4.5%) of our annual net sales, payable on an annual basis, within ninety (90) days of the end of each calendar year. In the event of a change in control (as it is defined in the Founders Agreement), the Company will pay a one-time change in control fee equal to five (5x) times the product of (i) monthly net sales for the twelve (12) months immediately preceding the change in control and (ii) four and one-half percent (4.5%).

Effective as of February 17, 2015, the Company entered into a Management Services Agreement (the "MSA") with Avenue and each of Avenue's current directors and officers who are directors or officers of the Company to provide services to Avenue pursuant to the terms of the MSA. Pursuant to the terms of the MSA, for a period of five (5) years, the Company will render advisory and consulting services to Avenue. Services provided under the MSA may include, without limitation, (i) advice and assistance concerning any and all aspects of Avenue's operations, clinical trials, financial planning and strategic transactions and financings and (ii) conducting relations on behalf of Avenue with accountants, attorneys, financial advisors and other professionals (collectively, the "Services"). Avenue is obligated to utilize clinical research services, medical education, communication and marketing services and investor relations/public relation services of companies or individuals designated by Fortress, provided those services are offered at market prices. However, Avenue is not obligated to take or act upon any advice rendered from Fortress and Fortress shall not be liable for any of Avenue's actions or inactions based upon their advice. Fortress and its affiliates, including all members of Avenue's Board of Directors, have been contractually exempt from fiduciary duties to Avenue relating to corporate opportunities. In consideration for the Services, the Company will pay Fortress an annual consulting fee of $0.5 million (the "Annual Consulting Fee"), payable in advance in equal quarterly installments on the first business day of each calendar quarter in each year, provided, however, that such Annual Consulting Fee shall be increased to $1.0 million for each calendar year in which Avenue has net assets in excess of $100 million at the beginning of the calendar year.

Founders Agreement and Management Services Agreement with Helocyte

Effective March 20, 2015, the Company entered into a Founders Agreement with Helocyte pursuant to which the Company agreed to provide the initial funding required by the COH License Agreement for PepVax and Triplex, as well as other operating capital needed to meet the Helocyte's initial requirements. As consideration for the Founders Agreement, upon Helocyte commencing a third party financing, Helocyte will assume the Company's accumulated debt, attributable to Helocyte's expenses and costs associated with its formation, license acquisition and expenses, under the NSC Biotech Venture Fund I, LLC Promissory Note ("NSC Note"), or other similar debt. As additional consideration for the transfer of rights under the Founders Agreement, Helocyte will also: (i) issue annually to the Company, on the anniversary date of the Founders Agreement, shares of common stock equal to two and one half percent (2.5%) of the fully-diluted outstanding equity of Helocyte at the time of issuance; (ii) pay an equity fee in shares of Helocyte common stock, payable within five (5) business days of the closing of any equity or debt financing for Helocyte or any of its respective subsidiaries that occurs after the effective date of the Founders Agreement and ending on the date when Fortress no longer has majority voting control in Helocyte's voting equity, equal to two and one half percent (2.5%) of the gross amount of any such equity or debt financing; and (iii) pay a cash fee equal to four and one half percent (4.5%) of our annual net sales, payable on an annual basis, within ninety (90) days of the end of each calendar year. In the event of a change in control (as it is defined in the Founders Agreement), the Company will pay a one-time change in control fee equal to five (5x) times the product of (i) monthly net sales for the twelve (12) months immediately preceding the change in control and (ii) four and one-half percent (4.5%).

Effective March 20, 2015, the Company entered into a Management Services Agreement (the "MSA") with Helocyte and each of Helocyte's current directors and officers who are directors or officers of the Company to provide services to Helocyte pursuant to the terms of the MSA. Pursuant to the terms of the MSA, for a period of five (5) years, the Company will render advisory and consulting services to Helocyte. Services provided under the MSA may include, without limitation, (i) advice and assistance concerning any and all aspects of Helocyte's operations, clinical trials, financial planning and strategic transactions and financings and (ii) conducting relations on behalf of Helocyte with accountants, attorneys, financial advisors and other professionals (collectively, the "Services"). Helocyte is obligated to utilize clinical research services, medical education, communication and marketing services and investor relations/public relation services of companies or individuals designated by Fortress, provided those services are offered at market prices. However, Helocyte is not obligated to take or act upon any advice rendered from Fortress and Fortress shall not be liable for any of Helocyte's actions or inactions based upon their advice. Fortress and its affiliates, including all members of Helocyte's Board of Directors, have been contractually exempt from fiduciary duties to Helocyte relating to corporate opportunities. In consideration for the Services, the Company will pay Fortress an annual consulting fee of $0.5 million (the "Annual Consulting Fee"), payable in advance in equal quarterly installments on the first business day of each calendar quarter in each year, provided, however, that such Annual Consulting Fee shall be increased to $1.0 million for each calendar year in which Helocyte has net assets in excess of $100 million at the beginning of the calendar year.

CB Pharma Acquisition Corp.

The Company has committed to provide working capital of up to $0.5 million to CB Pharma Acquisition Corp. At March 31, 2016 and December 31, 2015, the Company has funded $0.3 million and $0.2 million, respectively, of this commitment.

Chord Advisors, LLC

In May 2015, we entered into a full service consulting agreement with Chord Advisors, LLC ("Chord") to provide advisory accounting services to us. Under the terms of the agreement, we pay Chord $10,000 per month to provide technical accounting and financial reporting support. Either party upon 30-days written notice can terminate the agreement. Mr. Horin, Managing Partner of Chord serves as Interim Chief Financial Officer, to Avenue and Checkpoint. Pursuant to the agreements with Avenue and Checkpoint, Chord receives $5,000 per month for Avenue and $7,500 per month for Checkpoint to provide back office accounting support and accounting policy and financial reporting services, including the services of Mr. Horin.

14. Subsequent Events

Merger Agreement with National Holdings Corporation

On April 27, 2016, the Company, its wholly owned subsidiary, FBIO Acquisition, Inc. ("Acquisition Sub"), a Delaware corporation and National Holdings Corporation ("NHLD"), a Delaware corporation, entered into an Agreement and Plan of Merger ("Merger Agreement") for the acquisition of NHLD by Acquisition Sub. Fortress entered into the transaction in part because of NHLD's ability to finance emerging biotech transactions.

Pursuant to the Merger Agreement and upon the terms and subject to the conditions therein, Fortress has agreed to cause Acquisition Sub to commence a tender offer (the "Offer") as promptly as practicable and in no event later that 30 days after the Financial Industry Regulatory Authority ("FINRA") declares the application required under NASD Rule 1017 regarding the potential change of control of the broker-dealer subsidiary of NHLD as substantially complete, for all of the issued and outstanding shares of NHLD's common stock, par value $0.02 per share at the purchase price of $3.25 per share in cash.

If more than 80% of the NHLD shares are tendered in the offer, NHLD will undergo a merger and will no longer be a public company. Following the closing of the tender offer, if less than 80% of the NHLD shares are tendered in the offer, NHLD will remain a publicly traded company. The consummation of the tender offer is not subject to any financing condition or any condition regarding any minimum number of shares being validly tendered in the offer but is subject to certain customary conditions.

Following the closing of the tender offer, regardless of the number of shares purchased, Fortress will have the right to appoint a majority of the board of NHLD.

If the Merger Agreement is terminated under certain circumstances as indicated in the Merger Agreement NHLD would be responsible for a termination fee of approximately $1.8 million and Fortress would be responsible for a termination fee of approximately $4.4 million. In addition, Fortress and NHLD would both be responsible to reimburse the other for certain transaction expenses of up to approximately $0.8 million if the Merger Agreement is terminated.

Amendment to At Market Issuance Sales Agreement

On April 28, 2016, the Company entered into an amendment to its existing At Market Issuance Sales Agreement, or Sales Agreement, with MLV & Co. LLC, or MLV, pursuant to which it extended the termination date of the Sales Agreement to August 19, 2016. This amendment did not change any other material terms of the Sales Agreement.

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" herein and in our Annual Report on Form 10-K for the year ended December 31, 2015.

Overview

Since inception on June 28, 2006, we have been a biopharmaceutical company involved in the development of novel immunotherapy agents for the treatment of autoimmune diseases and cancer. In 2015, as part of our growth strategy, we focused on acquiring, developing and commercializing novel pharmaceutical and biotechnology products. We plan to continue to develop and commercialize products both within Fortress and our subsidiaries, which are sometimes referred to herein as the "Fortress Companies". In addition to our internal development programs, we plan to leverage our biopharmaceutical business expertise and drug development capabilities to help the Fortress Companies innovate, develop and commercialize products. Additionally, we will provide funding and management services to each of the Fortress Companies and, from time to time, we and the Fortress Companies will seek licensing, acquisitions, partnerships, joint ventures and/or public and private financings to accelerate and provide additional funding to support their research and development programs.

Business Strategy

Our business approach is designed for maximum flexibility, allowing us to invest in a broad array of new technologies with clinical and commercial potential. It enables us to move quickly to take advantage of time-sensitive opportunities when necessary, and provides us with a range of options that allow us to select what we believe is the most advantageous corporate or financial structure for each investment candidate. We seek to acquire and invest in drugs, technologies and operating subsidiaries with high growth potential. We have made significant progress with our above initiatives and believe our novel business approach will provide opportunities to achieve synergies across multiple Fortress Companies.

As of March 31, 2016, we had several consolidated Fortress Companies, some of 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"), Escala Therapeutics, Inc. ("Escala"), CB Securities Corporation and Cyprium, Inc.

Recent Events

In March 2016, Helocyte entered into an Investigator-Initiated Clinical Research Support Agreement with the City of Hope National Medical Center ("COH") to support a Phase 2 clinical study of its PepVax immunotherapy for CMV control in allogeneic stem cell transplant recipients. Phase 2 study is additionally supported by grants from the National Cancer Institute.

In February 2016, Checkpoint repaid its NSC Debt of $2.8 million.

In January 2016, JMC entered into a product license and supply agreement with a third party to distribute a prescription wound cream. Also in January 2016, JMC entered into a distribution agreement with a third party to distribute an emollient for the treatment of various types of dermatitis. Both products will be sold under the Journey name.

In February 2016, Helocyte entered into a Clinical Trial Agreement with the COH, to support a Phase 2 clinical study of its Triplex immunotherapy for CMV control in allogeneic stem cell transplant recipients. The Phase 2 study is additionally supported by grants from the National Cancer Institute.

Results of Operations

General

To date, we have had revenues of $0.7 million, including $0.3 million from a licensing agreement between Checkpoint and TG Therapeutics, Inc. ("TGTX"), a related party, and $0.4 million in connection with JMC's co-promote agreement to sell a 2% topical lotion, Dermasorb HC™, for the treatment of corticosteroid-responsive dermatoses and, at March 31, 2016, we had an accumulated deficit of $202.4 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

Research and development costs primarily consist of personnel related expenses, including salaries, benefits, travel, and other related expenses, stock-based compensation, payments made to third parties for license and milestone costs related to in-licensed products and technology, payments made to third party contract research organizations for preclinical and clinical studies, investigative sites for clinical trials, consultants, the cost of acquiring and manufacturing clinical trial materials, costs associated with regulatory filings and patents, laboratory costs and other supplies.

Also included in research and development expense is the total purchase price for the licenses acquired during the applicable reporting period.

For the three months ended March 31, 2016 and 2015, research and development expenses were approximately $7.7 million and $1.6 million, respectively. Additionally, during the three months ended March 31, 2016 and 2015, we expensed $83,000 and $7.4 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 March 31, 2016 and 2015, was $1.3 million and $0.3 million, respectively.

Included in the $7.7 million and $1.6 million figures for the three months ended March 31, 2016 and 2015, respectively, are the following subsidiary level expenses related to license development: Avenue: $0.4 million and $25,000; Checkpoint: $1.5 million and $20,000; Escala: $0.4 million and nil; Helocyte: $2.0 million and nil; and Mustang $0.5 million and nil. Additionally for the three months ended March 31, 2016 and 2015, expenses related to CNDO-109 and TSO were $0.5 million and $0.2 million, and $0.1 million and $0.1 million respectively. Also included in research and development expenses for the three months ended March 31, 2016 and 2015, were $0.8 million of employee costs.

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 March 31, 2016 and 2015, general and administrative expenses were approximately $7.9 million and $3.5 million, respectively. Noncash, stock-based compensation expense included in general and administrative expenses for the three months ended March 31, 2016 and 2015, was $1.6 million and $1.2 million, of which $1.1 million and $1.2 million relates to Fortress, $0.2 million and nil relates to JMC and $0.3 million and nil relates to Checkpoint, respectively. We anticipate general and administrative expenses will increase in future periods, reflecting continued and increasing costs associated with:

Included in the remaining $6.3 million and $2.3 million figures for the three months ended March 31, 2016 and 2015, respectively are the following subsidiary level expenses: JMC: $1.7 million and $0.5 million; Checkpoint: $0.6 million and $0.1 million; Helocyte: $0.3 million and $24,000; Mustang: $0.2 million and NIL. Also included in general and administrative expenses for the three months ended March 31, 2016 and 2015, respectively were $3.5 million and $1.7 million of employee costs, costs related to building our business development infrastructure and professional fees.

- 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 therewith

Comparison of three months ended March 31, 2016 and 2015

	For the Three Months Ended March 31,		Change	
($ in thousands)	**2016**	**2015**	$	%
Revenue	$ 383	$ -	$ 383	100%
Revenue - from a related party	277	500	(223)	(45)%
Total revenue	660	500	160	32%
Operating expenses				
Research and development	7,736	1,642	6,094	371%
Research and development – licenses acquired	83	7,439	(7,356)	(99)%
General and administrative	7,932	3,490	4,442	127%
Total operating expenses	15,751	12,571	3,180	25%
Loss from operations	(15,091)	(12,071)	(3,020)	25%
Other income (expenses)				
Interest income	75	82	(7)	(9)%
Interest expense	(620)	(331)	(289)	87%
Change in fair value of subsidiary's warrant liabilities	(89)	-	(89)	100%
Change in fair value of investments	(918)	(215)	(703)	327%
Total other expenses	(1,552)	(464)	(1,088)	234%
Net loss	(16,643)	(12,535)	(4,108)	33%
Less: net loss attributable to non-controlling interest	4,438	479	3,959	827%
Net loss attributable to common stockholders	$ (12,205)	$ (12,056)	$ (149)	1%

Total revenues increased $0.2 million or 32% from the three months ended March 31, 2015 to the three months ended March 31, 2016. The increase in revenue is related to our receipt of $0.4 million in connection with JMC's co-promote agreement to sell a 2% topical lotion, Dermasorb HC™, for the treatment of corticosteroid-responsive dermatoses offset by a decrease in collaboration revenue between Checkpoint and TGTX.

Research and development expenses increased $6.1 million, or 371%, from the three months ended March 31, 2015 to the three months ended March 31, 2016. $4.8 million of the increase is attributable to the development of our subsidiary licenses as follows: $0.4 million for Avenue related to their PK study for IV Tramadol; $1.5 million for Checkpoint, comprised of $0.8 million related to the development of the license agreement with Dana-Farber to develop a portfolio of fully human immuno-oncology targeted antibodies and $0.7 million related Checkpoint's agreement with NeuPharma to develop and commercialize novel irreversible, third generation epidermal growth factor receptor or EGFR; $2.0 million related to sponsored research agreement for Helocyte with COH; $0.5 million associated with Mustang related to their sponsored research agreement with COH; $0.4 million for Escala for the funding of their research programs with the NIH. In addition expenses related to CNDO -109 increased by $0.3 million, as a result of a milestone payment due University College of London for completion of the Phase 1 study. Additionally, non-cash compensation expenses increased by $1.0 million during the three months ended March 31, 2015 and 2016. The increase is primarily related to the increase $0.8 million of expenses related to the stock grant by Checkpoint to a consultant and $0.3 million related to the new grant made to our Senior Vice President of research and development.

During the three months ended March 31, 2016, we invested $83,000 in new research and development programs purchased by Helocyte compared with $7.4 million for the acquisition of licenses during the three months ended March 31, 2015, for IV Tramadol for Avenue of $2.0 million, Checkpoint $2.0 million for the DFCI antibodies and EGFRs from NeuPharma, $2.2 million for Mustang for CAR-T from the City of Hope, Coronado SO $1.2 million for Uracil Topical Cream in the three months ended March 31, 2015.

General and administrative expenses increased $4.4 million, or 127%, from the three months ended March 31, 2015 to the three months ended March 31, 2016. The increase is largely due to a $1.2 million increase related to the building of our sales and marketing infrastructure at JMC and the hiring of an out-sourced sales force. An additional increase of $0.9 million is related to an increase in headcount, excluding JMC, of which $0.2 million relates to Checkpoint, $0.1 million to Helocyte and $0.6 million related to head count increases for our business development infrastructure. Professional fees increased by $1.4 million primarily related to business development outreach as well as related to accounting, formation and filing costs associated with our subsidiaries. Rent expense increased by $0.6 million upon the commencement of our lease for our new offices in New York City. Stock-compensation expense increased by $0.4 million as a result of grant made to JMC and Checkpoint employees.

Interest expense increased $0.3 million, or 87%, from the three months ended March 31, 2015 to the three months ended March 31, 2016. The increase in interest is related a full quarter of interest expense incurred in the first quarter of 2016, as well as the acceleration of unamortized debt discount related to the repayment of Checkpoint's debt, compared to approximately one month of interest in the first quarter of 2015.

Non-controlling interest increased $4.0 million, or 827%, from the three months ended March 31, 2015 to the three months ended March 31, 2016 this increase reflects the increase in costs related to our subsidiaries.

Liquidity and Capital Resources

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 Three Months Ended March 31, 2016 and 2015

	For the Three Months Ended March 31,	
($ in thousands)	**2016**	**2015**
Statement of cash flows data:		
Total cash (used in)/provided by:		
Operating activities	$ (11,637)	$ (1,905)
Investing activities	(2,703)	(8,287)
Financing activities	(2,427)	9,361
Decrease in cash and cash equivalents	$ (16,767)	$ (831)

Operating Activities

Net cash used in operating activities increased $9.7 million from the three-month period ended March 31, 2015, compared to the three-month period ended March 31, 2016. The increase is primarily due to increased general and administrative expenses.

Investing Activities

Net cash used in investing activities decreased $5.6 million from the three-month period ended March 31, 2015, compared to the three-month period ended March 31, 2016. The decrease is primarily due to no licenses being acquired in 2016, offset by the build-out of the New York City office.

Financing Activities

Net cash used in financing activities was $2.4 million for the three-month period ended March 31, 2016, compared to $9.4 million of net cash provided by financing activities for the three-month period ended March 31, 2015. During the first quarter of 2016, we paid-off $2.8 million of the NSC Note, from which the proceeds of $10.0 million were received in February of 2015.

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, 2015.

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 March 31, 2016, 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 March 31, 2016, 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

In addition to the other information in this Quarterly Report on Form10-Q, including the risk factors set forth below, you should carefully consider the additional risks and uncertainties described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 Form 10-K"). The risks described herein and in our 2015 Form 10-K are not the only risks we may face. If any of those risk factors, as well as other risks and uncertainties that are not currently known to us or that we currently believe are not material actually occur, our business, financial condition, results of operations, cash flows, and liquidity could be materially and adversely affected. In our judgment, other than as set forth below, there were no material changes in the risk factors as previously disclosed in Item 1A of our 2015 Form 10-K.

If all or substantially all of the National Holdings Corporation stockholders tender their shares in connection with our proposed acquisition of National Holdings Corporation, our liquidity may be strained requiring us to seek additional sources of financing which might not be available on a timely or favorable basis and could, as a result, significantly curtail or delay certain aspects of our business and materially affect our financial condition and results of operations.

On April 27, 2016, we entered into an Agreement and Plan of Merger with FBIO Acquisition, Inc., a wholly owned subsidiary of Fortress ("Acquisition Sub"), and National Holdings Corporation ("NHLD") providing for the acquisition of NHLD by Acquisition Sub (the "Merger Agreement"). Pursuant to the Merger Agreement, and upon the terms and subject to the conditions described therein, we agreed to cause Acquisition Sub to commence a tender offer for all the issued and outstanding shares of NHLD's common stock at a purchase price of $3.25 per share. As of February 12, 2016, NHLD had 12,440,035 shares outstanding. If all or substantially all of the NHLD stockholders tender shares to Acquisition Sub, payment may strain our liquidity, which in turn could have material adverse effects on our business, including:

- requiring us to dedicate a substantial portion of our cash flow from operations to payments related to the Merger Agreement, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- restricting us from making additional strategic acquisitions or exploiting business opportunities; and
- placing us at a disadvantage compared to our competitors that have more available cash.

As a result, we may need to raise additional capital through the issuance of debt or equity securities. We cannot guarantee that future capital will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. The sale of additional equity would dilute all of our stockholders. The incurrence of additional indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our or our subsidiaries' product candidates or otherwise agree to terms unfavorable to us. If we are unable to obtain necessary debt or equity financing on a timely and favorable basis, we may be required to significantly curtail or delay certain aspects of our business, which could materially affect financial condition and results of operations.

If we acquire companies in the future, they could prove difficult to integrate, disrupt our business, dilute stockholder value, and adversely affect our operating results and the value of our Common Stock.

As part of our growth strategy, we might acquire, enter into joint ventures with, or make investments in other companies. Acquisitions, such as our proposed acquisition of NHLD, and investments involve numerous risks, including:

- risk of entering new markets in which we have little to no experience;
- successfully negotiating the proposed acquisitions timely and at a price or on terms and conditions favorable to us;
- the impact of regulatory reviews on the proposed acquisitions;
- the outcome of any legal proceedings that may be instituted with respect to the proposed acquisitions;
- difficulties in integrating operations, technologies, services and personnel;
- diversion of financial and managerial resources from existing operations; and
- potential inability to maintain relationships with customers of the acquired companies.

If we fail to properly evaluate acquisitions or investments, we might not achieve the anticipated benefits of any such acquisitions or investments, we might incur costs in excess of what we anticipate, and management resources and attention might be diverted from other necessary or valuable activities.

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.

May 10, 2016 By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D., Chairman, President and Chief Executive Officer (Principal Executive Officer)

May 10, 2016 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., Chairman, President and 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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

May 10, 2016

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 officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

May 10, 2016

By: /s/ Lucy Lu, M.D.
Lucy Lu, M.D.
Executive Vice President and 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. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2016, 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.

May 10, 2016

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. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lucy Lu, Executive Vice President and 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.

May 10, 2016

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

Exhibit 99.1

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

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended February 29, 2016

☐ **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.)

3 Columbus Circle, 15th Floor
New York, New York 10019
(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 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 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 April 14, 2016, 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 FEBRUARY 29, 2016

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CB Pharma Acquisition Corp.
Condensed Balance Sheets

	February 29, 2016 (Unaudited)	November 30, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 15,211	$ 26,192
Prepaid expenses and other assets	59,597	37,328
Total current assets	74,808	63,520
Cash and marketable securities held in Trust Account	42,903,990	42,873,844
Total assets	**$ 42,978,798**	**$ 42,937,364**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 58,062	$ 16,780
Due to related party	152,715	122,715
Note payable to related party	250,000	150,000
Total current liabilities	460,777	289,495
Commitments		
Ordinary shares subject to possible conversion, $.0001 par value; 3,672,764 and 3,688,039 shares at conversion value at February 29, 2016 and November 30, 2015	37,518,020	37,647,868
Shareholders' Equity:		
Preferred shares, $.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding at February 29, 2016 and November 30, 2015	-	-
Ordinary shares, $.0001 par value; 100,000,000 shares authorized; 1,863,236 and 1,847,961 shares issued and outstanding at February 29, 2016 and November 30, 2015, respectively (excluding 3,672,764 and 3,688,039 shares subject to conversion at February 29, 2016 and November 30, 2015, respectively)	186	185
Additional paid-in capital	5,522,188	5,392,341
Accumulated deficit	(522,373)	(392,525)
Total Shareholders' Equity	5,000,001	5,000,001
Total Liabilities and Shareholders' Equity	**$ 42,978,798**	**$ 42,937,364**

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

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

	For the three months ended	
	February 29, 2016	**February 28, 2015**
Operating costs	$ 158,995	$ 71,269
Operating cost - related parties	30,000	25,000
Loss from operations	(188,995)	(96,269)
Interest income	59,147	15,209
Net loss	**$ (129,848)**	**$ (81,060)**
Basic and diluted net loss per ordinary share	$ (0.07)	$ (0.05)
Weighted average shares outstanding, basic and diluted (1)	1,848,129	1,666,159

(1) This number excludes an aggregate of up to 3,672,764 and 3,720,230 shares subject to conversion at February 29, 2016 and February 28, 2015, respectively

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

CB Pharma Acquisition Corp.
Condensed Statement of Cash Flows
For The Three Months Ended February 29, 2016 and February 28, 2015
(Unaudited)

	For the three months ended	
	February 29, 2016	**February 28, 2015**
Cash Flows from Operating Activities		
Net loss	$ (129,848)	$ (81,060)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income in cash and marketable securities held in Trust Account	(59,147)	(15,209)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(22,269)	(99,653)
Accounts payable and accrued expenses	41,282	15,808
Due to related party	30,000	
Net cash used in operating activities	(139,982)	(180,114)
Cash Flows from Investing Activities		
Principal deposited in trust account	-	(42,845,000)
Interest released from Trust Account	29,001	-
Net cash provided by (used in) investing activities	29,001	(42,845,000)
Cash Flows from Financing Activities		
Proceeds from note payable to related party	100,000	33,217
Repayment of note payable to related party	-	(200,502)
Proceeds from underwriters unit purchase option	-	100
Proceeds from initial public offering, net of offering costs	-	40,292,131
Proceeds from private placement	-	2,860,000
Net cash provided by financing activities	100,000	42,984,946
Net decrease in cash and cash equivalents	(10,981)	(40,168)
Cash and cash equivalents - beginning	26,192	100,170
Cash and cash equivalents - ending	$ 15,211	$ 60,002
Supplemental disclosure of noncash investing and financing activities:		
Change in value of ordinary shares subject to possible conversion	$ 129,848	$ 37,950,773
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
February 29, 2016
(Unaudited)

Note 1 - Organization, Plan of Business Operations

C B 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 is currently focusing on target businesses in North America, Europe, South America and Asia operating in the specialty pharma and generic drug industries.

All activity through February 29, 2016 relates to the Company's formation, the initial public offering ("Initial Public Offering") as defined 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 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 (Note 3). On December 24, 2014, the Company consummated the closing of the sale of 200,000 additional Units upon receiving notice of EarlyBirdCapital, Inc.'s ("EBC"), the representative of the underwriters in the Initial Public Offering election to exercise its over-allotment option, generated an additional gross proceeds of $2,000,000.

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 EBC, generating an aggregate of $2,850,000 in gross proceeds (Note 4). Following the exercise of the over-allotment, 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 on December 24, 2014, generated $10,000 in additional gross proceeds.

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.

An aggregate amount of $42,845,000 (approximately $10.20 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering, the over-allotment, and the Private Placement Units, net of fees of approximately $1,845,000 associated with the Initial Public Offering, inclusive of $1,365,000 of underwriting fees, was placed in a trust account ("Trust Account") and is invested in U.S. government treasury bills, until the earlier of: (i) the consummation of a Business Combination or (ii) the distribution of the Trust Account as described below.

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 February 29, 2016, proceeds not held in Trust were approximately $15,000, which excludes interest income of approximately $59,000 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 holders of the outstanding Ordinary Shares sold in the Initial Public Offering ("Public Shareholders") may seek to convert such shares ("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 June 12, 2016. 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, 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.

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 ended February 29, 2016 are not necessarily indicative of the results that may be expected for the year ending November 30, 2016. For further information refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended November 30, 2015, filed with Securities and Exchange Commission on February 29, 2016.

Liquidity

As of February 29, 2016, the Company had a balance of cash and cash equivalents of approximately $15,000.

Through February 29, 2016, the Company's liquidity needs were satisfied through receipt of approximately $407,000 from the sale of units held outside of the Trust Account and loans in an aggregate of $250,000 from Fortress which were evidenced by convertible promissory notes. Of the $407,000 initially held outside of the Trust Account, $200,000 was used to repay other amounts previously loaned to the Company by Fortress prior to the Offering. In addition to these convertible notes, Fortress paid for professional services provided to the Company for $7,715 and have deferred payment of their administrative service fee of $145,000 through February 29, 2016, until a successful business combination is achieved.

The Company intends to use substantially all of the net proceeds of the Initial Public Offering, including the funds held in the Trust Account, to acquire a target business or businesses and to pay for expenses relating thereto, upon consummation of the initial Business Combination. To the extent that the Company's capital stock is used in whole or in part as consideration to affect the 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 the Company had incurred prior to the completion of the initial Business Combination if the funds available to us outside of the Trust Account were insufficient to cover such expenses.

Fortress has committed to provide loans to the Company for its working capital needs for up to $500,000. To this end, Fortress has loaned to the Company an aggregate of $250,000 as of February 29, 2016, and an additional loan of $75,000 in March 2016. Based on the foregoing, management believes that the Company will have sufficient working capital and borrowing capacity to meet the Company's needs through the earlier of consummation of a Business Combination or June 12, 2016. Over this time period, the Company 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. The Company anticipates that its uses of cash for the next three months will be approximately $203,000 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.

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 February 29, 2016, cash and marketable securities held in the Trust Account consisted of approximately $42.9 million in United States Treasury Bills with a maturity date of 180 days or less and approximately $1,200 in cash. At February 29, 2016, there was approximately $59,000 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 February 29, 2016, 3,672,764 Ordinary Shares subject to possible conversion with a conversion value of $37,518,020 are presented as temporary equity, outside of the shareholders' equity section of the Company's balance sheet.

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 February 29, 2016, 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 3,672,764 Ordinary Shares subject to possible redemption at February 29, 2016, 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 February 29, 2016. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Subsequent Events

Management evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the review, management did not identify any recognized or non-recognized subsequent events which would have required an adjustment or disclosure in the financial statements, other than those disclosed in Note 5.

Recent Accounting Pronouncements

Management does not believe that any 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. The holders have agreed not to sell their shares to the Company in any tender offer in connection with the 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

As of February 29, 2016, the Company had issued an aggregate of $250,000 convertible promissory notes to Fortress to evidence loans made by Fortress to the Company. In March 2016, the Company issued an additional $75,000 convertible promissory note with similar terms to Fortress. All of these loans are unsecured, non-interest bearing and payable at the consummation of a Business Combination by the Company. Upon consummation of a Business Combination, the principal balance of the notes 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 Private Placement Units. If the holder converts the entire principal balance of the convertible promissory notes, it would receive 32,500 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 February 29, 2016, amount due to Fortress was approximately $153,000; of which approximately $145,000 represents the accrued service fee and approximately $8,000 represents invoices of the Company paid by Fortress.

Note 6 - Commitments and Contingencies

O n 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 consummation of a Business Combination. 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 any securities issued upon conversion of working capital loans) 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 February 29, 2016, 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.

As of February 29, 2016, the Company has issued an aggregate of 5,536,000 Ordinary Shares. Of the 5,536,000 Ordinary Shares, an aggregate of 3,672,764 Ordinary Shares subject to possible conversion classified as temporary equity in the accompanying Balance Sheet.

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 net losses were approximately $130,000 and $81,000 for the three months ended February 29, 2016 and February 28, 2015, respectively, and consists primarily of professional fees related to public company compliance and costs related to our search for a business combination. For the three months ended February 29, 2016 and February 28, 2015, interest income on cash and marketable securities held in trust was approximately $59,000 and $15,000, respectively.

On December 17, 2014, we consummated our Initial Public Offering of 4,000,000 units, generating gross proceeds of $40,000,000, 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 our completion of an initial Business Combination. 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 EBC, the representative of the underwriters of the Initial Public Offering ("EBC"). 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. and an additional 1,000 Private Placement Units to EBC in a simultaneous Private Placement, generating $2,010,000 in gross proceeds.

An aggregate amount of $42,845,000 (approximately $10.20 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering, the over-allotment and the Private Placement Units, net of fees of approximately $1,845,000 associated with the Initial Public Offering, inclusive of $1,365,000 of underwriting fees, 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.

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 February 29, 2016, 3,672,764 Ordinary Shares subject to possible conversion with a conversion value of $37,518,020 are presented as temporary equity, outside of the shareholders' equity section of the Company's 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 February 29, 2016, we had net losses of approximately $130,000, which consisted of operating expenses of approximately $189,000 offset by interest income from our Trust Account of approximately $59,000.

For the three months ended February 28, 2015, we had net losses of approximately $81,000, which consisted of operating expenses of approximately $96,000 offset by interest income from our Trust Account of approximately $15,000.

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 February 29, 2016, we had a balance of cash and cash equivalents of approximately $15,000.

Through February 29, 2016, our liquidity needs were satisfied through receipt of approximately $407,000 from the sale of units held outside of the Trust Account and loans in an aggregate of $250,000 from Fortress which were evidenced by convertible promissory notes. Of the $407,000 initially held outside of the Trust Account, $200,000 was used to repay other amounts previously loaned to us by Fortress prior to the Offering. In addition to these convertible notes, Fortress paid for professional services provided to us for $7,715 and have deferred payment of their administrative service fee of $145,000 through February 29, 2016, 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 has committed to provide loans to us for our working capital needs for up to $500,000. To this end, Fortress has loaned to us an aggregate of $250,000 as of February 29, 2016, and an additional loan of $75,000 in March 2016. The loans provided by Fortress are evidenced by notes and will 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 working capital and borrowing capacity to meet our needs through the earlier of consummation of a Business Combination or June 12, 2016. 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 three months will be approximately $203,000 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 February 29, 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of February 29, 2016, we were not subject to any market or interest rate risk. The net proceeds of our initial public offering, including amounts in the trust account, have been invested in United States government treasury bills, bonds or notes having a maturity of 180 days or less, or in money market funds meeting the applicable conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940 and that invest solely in U.S. 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 February 29, 2016, 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 February 29, 2016 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

None

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: April 14, 2016

CB PHARMA ACQUISITION CORP.

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