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 September 30, 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 November 9, 2016, there were 48,875,087 shares of Common Stock of the issuer outstanding.

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements

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

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 82,537	$ 98,182
Accounts receivable	5,007	-
Cash deposits with clearing organizations	1,030	-
Receivables from broker-dealers and clearing organizations	1,607	-
Securities owned, at fair value	2,178	-
Inventory	123	-
Other receivables - related party	1,545	156
Prepaid expenses and other current assets	4,556	1,599
Total current assets	98,583	99,937
Property and equipment, net	6,957	309
Restricted cash	15,859	14,586
Long-term investments, at fair value	685	2,485
Intangible assets, net	1,550	1,250
Goodwill	21,739	-
Other assets	48	43
Total assets	**$ 145,421**	**$ 118,610**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 21,831	$ 10,438
Accrued commissions and payroll payable	14,029	-
Deferred clearing and marketing credits	1,007	-
Interest payable	68	27
Derivative warrant liability	951	114
Other current liabilities	707	-
Total current liabilities	38,593	10,579
Notes payable, long-term (net of debt discount of $2,764 and $835 at September 30, 2016 and December 31, 2015, respectively)	24,373	23,174
Subsidiary convertible note, at fair value	3,031	-
Other long-term liabilities	4,583	584
Total liabilities	**70,580**	**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 September 30, 2016 and December 31, 2015, respectively	-	-
Common Stock, $.001 par value, 100,000,000 shares authorized, 48,875,087 and 47,147,032 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	49	47
Additional paid-in-capital	264,397	246,955
Accumulated deficit	(227,820)	(190,156)
Total stockholders' equity attributed to the Company	36,626	56,846
Non-controlling interests	38,215	27,427
Total stockholders' equity	74,841	84,273
Total liabilities and stockholders' equity	**$ 145,421**	**$ 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 September 30,		For the Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenue				
Product revenue, net	$ 429	$ -	$ 1,793	$ -
Revenue - from a related party	546	25	2,072	525
Total revenue	975	25	3,865	525
Cost of goods sold - product revenue	41	-	365	-
Gross margin	934	25	3,500	525
Operating expenses				
Research and development	7,316	9,073	21,416	13,172
Research and development - licenses acquired	1,000	1,895	3,143	10,882
General and administrative	8,864	7,129	25,414	14,376
Total operating expenses	17,180	18,097	49,973	38,430
Loss from operations	(16,246)	(18,072)	(46,473)	(37,905)
Other income (expenses)				
Interest income	89	39	241	195
Interest expense and financing fees	(689)	(350)	(1,838)	(1,033)
Change in fair value of derivative liabilities	(16)	-	(105)	-
Change in fair value of subsidiary convertible note	(13)	-	(13)	-
Change in fair value of investments	(81)	(1,472)	(1,800)	(65)
Total other expenses	(710)	(1,783)	(3,515)	(903)
Net loss	**(16,956)**	**(19,855)**	**(49,988)**	**(38,808)**
Less: net loss attributable to non-controlling interests	3,975	1,694	12,324	2,416
Net loss attributable to common stockholders	**$ (12,981)**	**$ (18,161)**	**$ (37,664)**	**$ (36,392)**
Basic and diluted net loss per common share	$ (0.32)	$ (0.46)	$ (0.94)	$ (0.93)
Weighted average common shares outstanding-basic and diluted	40,128,475	39,412,056	39,885,685	39,038,522

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

FORTRESS BIOTECH, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Stockholders' Equity
($ in thousands)
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	Non-Controlling	Total Stockholders'
	Shares	Amount	Capital	Deficit	Interests	Equity
Balance at December 31, 2015	**47,147,032**	**$ 47**	**$ 246,955**	**$ (190,156)**	**$ 27,427**	**$ 84,273**
Stock-based compensation expense	-	-	8,792	-	-	8,792
Issuance of restricted stock	1,564,241	2	(2)	-	-	-
Cashless exercise of warrants	12,633	-	-	-	-	-
Subsidiary's offering, net	-	-	11,652	-	-	11,652
Issuance of subsidiaries' common shares for license expenses	-	-	48	-	-	48
Issuance of common stock for At-the-Market offering	150,556	-	434	-	-	434
At-the-market offering cost	-	-	(49)	-	-	(49)
Issuance of common stock under ESPP	33,958	-	81	-	-	81
Cancellation of restricted stock	(33,333)	-	-	-	-	-
Beneficial conversion feature related to Opus Credit Facility	-	-	1,881	-	-	1,881
Non-controlling interest in subsidiaries	-	-	(5,395)	-	5,395	-
Non-controlling interest related to National	-	-	-	-	17,717	17,717
Net loss attributable to non-controlling interests	-	-	-	-	(12,324)	(12,324)
Net loss attributable to common stockholders	-	-	-	(37,664)	-	(37,664)
Balance at September 30, 2016	**48,875,087**	**$ 49**	**$ 264,397**	**$ (227,820)**	**$ 38,215**	**$ 74,841**

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 Nine Months Ended September 30,	
	2016	**2015**
Cash Flows from Operating Activities:		
Net Loss	$ (49,988)	$ (38,808)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation expense	240	17
Noncash interest expense	-	167
Amortization of debt discount	586	143
Amortization of product revenue license fee	50	-
Stock-based compensation expense	8,792	11,896
Issuance of subsidiaries' common shares for license expenses	48	-
Financing fees on Helocyte Convertible Note, at fair value	491	-
Change in fair value of investments	1,800	65
Change in fair value of derivative liabilities	105	-
Change in fair value of subsidiary convertible note	13	-
Research and development-licenses acquired, expense	3,095	9,923
Unrealized (gain) loss on marketable securities	-	(11)
Changes in operating assets and liabilities:		
Accounts receivable	(118)	-
Inventory	(123)	-
Other receivables - related party	(1,389)	(69)
Prepaid expenses and other current assets	(797)	(325)
Accounts payable and accrued expenses	5,364	4,375
Interest payable	41	(2)
Other long-term liabilities	3,948	(687)
Net cash used in operating activities	(27,842)	(13,316)
Cash Flows from Investing Activities:		
Net cash acquired in acquisition of National	4,626	-
Purchase of marketable securities, at fair value	-	(19,938)
Purchase of research and development licenses	(3,095)	(9,923)
Purchase of property and equipment	(5,756)	(94)
Purchase of license	(350)	(1,250)
Security deposits funded	(5)	-
Investment in Origo Acquisition Corp.	(175)	(130)
Net cash used in investing activities	(4,755)	(31,335)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock options	-	216
Proceeds from issuance of common stock under ESPP	81	26
Proceeds from subsidiary's offering	13,016	12,575
Payment of costs related to subsidiary's public offering	(1,364)	(1,507)
Proceeds from at-the-market offering	434	-
Payment of cost related to at-the-market offering	(49)	-
Payment of NSC note	(2,792)	-
Proceeds from NSC note	-	10,000
Payment of debt issuance costs associated with NSC Note	-	(855)
Proceeds from Helocyte Convertible Note	3,018	-
Payment of debt issuance costs associated with Helocyte Convertible Note	(392)	-
Proceeds from Opus Credit Facility	5,000	-
Proceeds from IDB Note	920	-
Transfer of restricted cash	(920)	-
Net cash provided by financing activities	16,952	20,455
Net decrease in cash and cash equivalents	(15,645)	(24,196)
Cash and cash equivalents at beginning of period	98,182	49,759
Cash and cash equivalents at end of period	**$ 82,537**	**$ 25,563**

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 (Continued)
($ in thousands)
(Unaudited)

Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 238	$ 80
Supplemental disclosure of non-cash financing and investing activities:		
Issuance of restricted stock	$ 2	$ 1
Issuance of warrant liabilities in conjunction with NSC debt	$ 634	$ -
Beneficial conversion feature related to Opus Credit Facility	$ 1,881	$ -
Acquisition of National		
Goodwill	$ (21,739)	$ -
Accounts receivable	(4,889)	-
Cash deposits with clearing organizations	(1,030)	-
Receivables from broker-dealers and clearing organizations	(1,607)	-
Securities owned, at fair value	(2,178)	-
Prepaid expenses and other current assets	(1,985)	-
Property and equipment, net	(1,132)	-
Restricted cash	(353)	-
Accounts payable and accrued expenses	6,079	-
Accrued commissions and payroll payable	14,029	-
Deferred clearing and marketing credits	1,007	-
Other current liabilities	707	-
Non-controlling interests	17,717	-
Net cash acquired in acquisition of National	$ 4,626	$ -

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

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 develops and commercializes products both within Fortress and through certain of our subsidiary companies, also referred to herein as the "Fortress Companies." Additionally, the Company recently acquired a controlling interest in National Holdings Corporation, a diversified independent brokerage company (together with its subsidiaries, herein referred to as "NHLD" or "National"). In addition to its internal development programs, the Company leverages its biopharmaceutical business expertise and drug development capabilities and provides funding and management services to help the Fortress Companies achieve their goals. The Company and the Fortress Companies may seek licensings, 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 September 30, 2016, the Company has 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") and Escala Therapeutics, Inc. ("Escala"). In addition to the foregoing companies and National, Fortress also maintains ownership positions in subsidiaries with minimal activity, including Innmune Limited, CB Securities Corporation (which holds investments classified as cash and cash equivalents in 2016 and 2015), Cellvation, Inc. and Cyprium Therapeutics, Inc.

National Holdings Corporation

On September 9, 2016, the Company purchased approximately 56% of NHLD's common stock, par value $0.02 per share, at the purchase price of $3.25 per share in cash for a total purchase price of approximately $22.9 million (see Note 3).

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 for each of the Company, Checkpoint, Mustang and National. 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 as well as National's Form 10-K, which was filed with the SEC on December 28, 2015, Checkpoint's Form 10G/A, filed with the SEC on August 19, 2016, and Mustang's Form 10G/A, filed with the SEC on October 18, 2016.

The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries: NHLD, Innmune Limited, Coronado SO, Cyprium Therapeutics, Inc., Escala, JMC, CB Securities Corporation, Avenue, Checkpoint, Mustang, Helocyte and Cellvation, Inc. 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.

The National assets acquired and liabilities assumed as of September 9, 2016 are based upon estimated assets and liabilities as of September 9, 2016. The Company did not include revenues or expenses from the period from September 9, 2016 to September 30, 2016 as such amounts would be immaterial to the unaudited condensed consolidated financial statements. The Company believes National's assets acquired and liabilities assumed as of September 9, 2016 approximate such balances as of September 30, 2016.

Fortress Summary of Significant Accounting Policies

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 and intangible assets, fair value measurements, stock-based compensation, common stock issued to acquire licenses, investments, accrued expenses, derivative warrant liabilities, provisions for income taxes and contingencies. Due to the uncertainty inherent in such estimates, actual results may differ from these estimates.

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 that fair value measurements be classified and disclosed in one of the following three categories:

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

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

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

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

Certain of the Company's financial instruments are not measured at fair value on a recurring basis, but are recorded at amounts that approximate their fair value due to their liquid or short-term nature, such as accounts payable, accrued expenses and other current liabilities. The carrying value of the amount owed to Ovamed GmbH ("Ovamed") upon the acquisition of certain manufacturing rights in December 2012 under the amendment to the Company's 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 September 30, 2016 and at December 31, 2015 on the Condensed Consolidated Balance Sheets (see Note 12).

On August 1, 2016, the Company entered into a Settlement and Forbearance Agreement with Ovamed to settle contractual obligations of approximately $1.9 million. Under the terms of the agreement, within ten days of execution of the agreement, the Company paid $1.1 million during the third quarter of 2016, to be followed in nine months by a second payment of $0.8 million. The combined settlement amount reflects a payment of an obligation previously recorded by the Company.

Segment Reporting

Consistent with the increase in JMC's operations as of April 1, 2016 and the investment in NHLD as of September 9, 2016, the Company now operates in three operating and reportable segments, Dermatology Product Sales, Pharmaceutical and Biotechnology Product Development and National. There are no significant inter-segment sales. The Company evaluates the performance of each segment based on operating profit or loss. There is no inter-segment allocation of interest expense and income taxes. In addition, no revenues or expenses were recorded by National from September 9, 2016 to September 30, 2016 (see Note 20).

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 September 30, 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 September 30, 2016, the Company has $15.5 million of restricted cash collateralizing a note payable of $14.9 million (see Note 11) and a pledge to secure a letter of credit in connection with an office lease of $0.6 million.

Inventories

Inventories comprise finished goods, which are valued at the lower of cost or market, on a first-in, first-out basis. The Company evaluates the carrying value of inventories on a regular basis, taking into account anticipated future sales compared with quantities on hand, and the remaining shelf life of goods on hand.

Accounts Receivable

Accounts receivable consists of amounts due to the Company for product sales from JMC. The Company's accounts receivable reflects discounts for estimated early payment and for product estimated returns. Accounts receivable are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time trade accounts receivable are past due and the customer's current ability to pay its obligation to the Company. The Company writes off accounts receivable when they become uncollectible. Accounts receivable are net of allowance for doubtful accounts of $0, at September 30, 2016 and December 31, 2015.

Investments at Fair Value

The Company elects the fair value option for its long-term investments at fair value (see Note 7). The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument-by-instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected are recognized as a change in fair value of investments in the 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.

Fair Value Option

As permitted under the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 825, *Financial Instruments,* ("ASC 825"), the Company has elected the fair value option to account for its Helocyte convertible notes that were issued during 2016. In accordance with ASC 825, the Company records these convertible notes at fair value with changes in fair value recorded in the Condensed Consolidated Statement of Operations. As a result of applying the fair value option, direct costs and fees related to the Helocyte convertible notes were recognized in earnings as incurred and were not deferred.

Accounting for Warrants at Fair Value

The Company classifies as liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the Company) or (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

The fair value of warrants that include price protection reset provision features are deemed to be "down-round protection" and, therefore, do not meet the scope exception for treatment as a derivative under ASC 815, *Derivatives and Hedging*, since "down-round protection" is not an input into the calculation of the fair value of warrants and cannot be considered "indexed to the Company's own stock" which is a requirement for the scope exception as outlined under ASC 815. The accounting treatment of derivative financial instruments requires that the Company record the warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The Company assessed the classification of warrants (the "Helocyte Warrants") issued, in connection with the Helocyte convertible note financing in June 2016 and September 2016, and determined that the Helocyte Warrants met the criteria for liability classification. Accordingly, the Company classified the Helocyte Warrants as a liability at their fair value and adjusts the instruments to fair value at each balance sheet date until the warrants are exercised or expired. Any change in the fair value of the Helocyte Warrants is recognized as "change in the fair value of warrant liabilities" in the Condensed Consolidated Statements of Operations.

Opus Credit Facility, with Detachable Warrants

The Company accounts for the Opus Credit Facility with detachable warrants in accordance with ASC 470, *Debt.* The Company assessed the classification of its common stock purchase warrants as of the date of the transaction and determined that such instruments meet the criteria for equity classification. The warrants are reported on the Condensed Consolidated Balance Sheets as a component of additional paid in capital within stockholders' equity.

The Company recorded the related issue costs and value ascribed to the warrants as a debt discount of the Opus Credit Facility. The discount is amortized utilizing the effective interest method over the term of the Opus Credit Facility. The unamortized discount, if any, upon repayment of the Opus Credit Facility will be expensed to interest expense. In accordance with ASC Subtopic 470-20, the Company determined the effective interest rate of the debt was 39.49%. The Company has also evaluated the Opus Credit Facility and warrants in accordance with the provisions of ASC 815, *Derivatives and Hedging*, including consideration of embedded derivatives requiring bifurcation (see Note 11).

Issuance of Debt and Equity

The Company issues complex financial instruments which include both equity and debt features. The Company analyzes each instrument under ASC 480, *Distinguishing Liabilities from Equity,* ASC 815, *Derivatives and Hedging* and, ASC 470, *Debt*, in order to establish whether such instruments include any embedded derivatives.

Valuation of Warrants Related to NSC Note

In accordance with ASC 815, the Company classified the fair value of the warrants granted in connection with the NSC Note transferred to Avenue effective February 2015 (the "Contingently Issuable Warrants") 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 7 and Note 11). 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 derivative liabilities in the Condensed Consolidated Statements of Operations.

Recognizing Assets Acquired and Liabilities Assumed in a Business Combination

Acquired assets and assumed liabilities are recognized in a business combination on the basis of their fair values at the date of acquisition. The Company assesses fair value, which is the price 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, using a variety of methods including income approaches such as present value techniques or cost approaches such as the estimation of current selling prices and replacement values. Fair value of the assets acquired and liabilities assumed, including intangible assets, are measured based on the assumptions and estimations with regards to the variable factors such as the amount and timing of future cash flows for the asset or liability being measured, appropriate risk-adjusted discount rates, nonperformance risk, or other factors that market participants would consider. Upon acquisition, the Company determines the estimated economic lives of the acquired intangible assets for amortization purposes, which are based on the underlying expected cash flows of such assets.

Goodwill, Intangible Assets and Long Lived Assets

Goodwill represents the excess acquisition cost over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized and is subject to annual impairment testing on October 1st or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying value. In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. If the Company concludes otherwise, it is required to perform the two-step impairment test. The goodwill impairment test is performed at the reporting unit level by comparing the estimated fair value of a reporting unit with its respective carrying value. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than carrying value, further analysis is necessary to determine the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

The fair value of reporting units is based on widely accepted valuation techniques that the Company believes market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies the Company utilizes in estimating the fair value of reporting units include market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable exchange traded companies and multiples of merger and acquisitions of similar businesses. The estimates and assumptions used in determining fair value could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Adverse market or economic events could result in impairment charges in future periods.

Intangible assets deemed to have finite lives are amortized on a straight line basis over their estimated useful lives, where the useful life is the period over which the asset is expected to contribute directly, or indirectly, to its future cash flows. Intangible assets are reviewed for impairment on an interim basis when certain events or circumstances exist. For amortizable intangible assets, impairment exists when the carrying amount of the intangible asset exceeds its fair value. At least annually, the remaining useful life is evaluated.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset that is amortized over the remaining useful life of that asset, if any. Subsequent reversal of impairment losses is not permitted.

Long-lived assets, primarily fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. The Company will perform a periodic assessment of assets for impairment in the absence of such information or indicators. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, the Company would recognize an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and estimated fair value.

Deferred Financing Costs

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

Revenue Recognition

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

Reimbursement Arrangements and Collaborative Arrangements

Checkpoint is reimbursed by TG Therapeutics, Inc. ("TGTX"), a related party, for TGTX's share of the cost of the license and product research and development under their collaboration and sublicense agreements. The gross amount of these reimbursed costs is 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 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 follows ASC 605-25, *Revenue Recognition - Multiple-Element Arrangements* ("ASC 605-25") and ASC 808, *Collaborative Arrangements*, if applicable, to determine the recognition of revenue under its collaborative research agreements, 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 the Company's intellectual property, (ii) research and development services, (iii) drug product manufacturing, and/or (iv) participation on joint research and/or joint development committees. The payments the Company may receive under these arrangements typically include one or more of the following: non-refundable, up-front license fees; 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.

Revenue Recognition - Milestone Method

The Company follows ASC 605-28, *Revenue Recognition-Milestone Method* to evaluate whether each milestone under a license agreement is substantive. This evaluation includes an assessment of whether (i) the consideration is commensurate with either (a) the entity's performance to achieve the milestone, or (b) the enhancement of the value of the delivered item as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (ii) the consideration relates solely to past performance and (iii) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. In making this assessment the Company evaluates factors such as the preclinical, clinical, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment. If a substantive milestone is achieved, the Company would recognize revenue related to the milestone in its entirety in the period in which the milestone was achieved, assuming all other revenue recognition criteria were met. Commercial milestones would be accounted for as royalties and recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria were met.

JMC Product Revenue

JMC sells its products directly to wholesalers and specialty pharmacies. JMC recognizes product sales revenue when delivery has occurred, collectability is reasonably assured, and the price to the buyer is fixed or determinable, (in accordance with the specific contractual terms). Delivery occurs when title has transferred to the customer, and the customer has assumed the risks and rewards of ownership. Revenue from product sales is recognized net of provisions for estimated cash discounts, allowances, returns, rebates, chargebacks and distribution fees paid to certain of JMC's wholesale customers. JMC establishes these provisions concurrently with the recognition of product sales revenue. JMC offers cash discounts for prompt payment and allowances are recorded at the time of sale.

JMC allows customers to return product within a specified period of time before and after its expiration date. Provisions for returns are estimated based on historical levels for like products from external data sources, taking into account additional available information such as historical return and exchange levels, and inventory levels in the wholesale distribution channel through its partners. Although the company has limited history with these product sales, the Company believes based on its current level of sales that it can make reasonable estimates of returns based upon external data sources. JMC reviews its methodology and adequacy of the provision for returns on a quarterly basis, adjusting for changes in assumptions, historical internal and external results and business practices, as necessary.

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, and 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 and regulatory and marketing approval efforts in order to reach commercial feasibility and have no alternative future use.

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 option grants using the Black-Scholes option pricing model or 409A valuations, as applicable. 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 management believes 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 13).

Comprehensive Loss

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

Recent Accounting Pronouncements

In January 2016, 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. The Company is currently 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"). 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 is 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* ("ASU No. 2016-08"). 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 evaluating the impact of adoption 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* ("ASU No. 2016-09"). Under ASU No. 2016-09, companies will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital ("APIC"). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and the APIC pools will be eliminated. In addition, ASU No. 2016-09 eliminates the requirement that excess tax benefits be realized before companies can recognize them. ASU No. 2016-09 also requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. Furthermore, ASU No. 2016-09 will increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's statutory income tax withholding obligation. An employer with a statutory income tax withholding obligation will now be allowed to withhold shares with a fair value up to the amount of taxes owed using the maximum statutory tax rate in the employee's applicable jurisdiction(s). ASU No. 2016-09 requires a company to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on the statement of cash flows. Under current GAAP, it was not specified how these cash flows should be classified. In addition, companies will now have to elect whether to account for forfeitures on share-based payments by (1) recognizing forfeitures of awards as they occur or (2) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as is currently required. These aspects of ASU No. 2016-09 are effective for reporting periods beginning after December 15, 2016, with early adoption permitted provided that all of the guidance is adopted in the same period. The Company is currently evaluating the impact of ASU No. 2016-09 on the condensed consolidated financial statements and related disclosures.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customer* ("ASU No. 2016-10"). The new guidance is an update to ASC 606 and provides clarity on identifying performance obligations and licensing implementation. For public companies, ASU No. 2016-10 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. The Company does not expect ASU No. 2016-10 to have a material effect on the condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13"). ASU No. 2016-13 requires that expected credit losses relating to financial assets be measured on an amortized cost basis and that available-for-sale debt securities be recorded through an allowance for credit losses. ASU No. 2016-13 limits the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and also requires the reversal of previously recognized credit losses if fair value increases. The new standard will be effective on January 1, 2020. Early adoption of ASU No. 2016-13 will be available on January 1, 2019. The Company is currently evaluating the impact that ASU No. 2016-13 will have on its condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments,* which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently in the process of evaluating the impact of this new pronouncement on its condensed consolidated statements of cash flows.

Additional Summary of Significant Accounting Policies - National

Principals of Consolidation

The consolidated financial statements include the accounts of National and its wholly owned and majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Commission revenue represents commissions generated by National's financial advisors for their clients' purchases and sales of mutual funds, variable annuities, general securities and other financial products, most of which is paid to the advisors as commissions for initiating the transactions.

Commission revenue is generated from front-end sales commissions that occur at the point of sale, as well as trailing commissions. National recognizes front-end sales commission revenue and related clearing and other expenses on transactions introduced to its clearing brokers on a trade date basis. National also recognizes front-end sales commissions and related expenses on transactions initiated directly between the financial advisors and product sponsors upon receipt of notification from sponsors of the commission earned. Commission revenue also includes 12b-1 fees, and variable product trailing fees, collectively considered as trailing fees, which are recurring in nature. These trailing fees are earned by National based on a percentage of the current market value of clients' investment holdings in trail eligible assets. Because trail commission revenues are generally paid in arrears, management estimates commission revenues earned during each period. These estimates are based on a number of factors including investment holdings and the applicable commission rate and the amount of trail commission revenue received in prior periods. Estimates are subsequently adjusted to actual based on notification from the sponsors of trail commissions earned.

Net dealer inventory gains, which are recorded on a trade-date basis, include realized and unrealized net gains and losses resulting from the National's principal trading activities.

Investment banking revenues consist of underwriting revenues, advisory revenues and private placement fees. Underwriting revenues arise from securities offerings in which National acts as an underwriter and include management fees, selling concessions and underwriting fees, net of related syndicate expenses. Underwriting revenues are recorded at the time the underwriting is completed and the income is reasonably determined. Management estimates National's share of the transaction-related expenses incurred by the syndicate, and recognizes revenues net of such expense. On final settlement, typically within 90 days from the trade date of the transaction, these amounts are adjusted to reflect the actual transaction-related expenses and the resulting underwriting fee.

Investment advisory fees are derived from account management and investment advisory services. These fees are determined based on a percentage of the customers' assets under management, may be billed monthly or quarterly and are recognized as earned.

Interest is recorded on an accrual basis and dividends are recorded on the ex-dividend date.

Transfer fees and fees for clearing services, which are recorded on a trade date basis, are principally charged to the broker on customer security transactions.

Tax preparation and accounting fees are recognized upon completion of the services.

Securities

Securities owned and securities sold, but not yet purchased, are recorded at fair value. Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. See Note 7 for fair value and classification of securities.

Deferred Clearing and Marketing Credits

Deferred clearing credit represents a clearing fee rebate from National Financial Services ("NFS"), one of National's clearing brokers, which is being recognized pro rata as a reduction of clearing charges over the term of the clearing agreement which expires in 2022. At September 9, 2016, the deferred credit amounted to $687,000.

Deferred marketing credit represents a marketing rebate from NFS, which is being recognized pro rata as a reduction of marketing expenses over the term of the clearing agreement which expires in 2022. At September 9, 2016, the deferred credit amounted to $321,000.

Reimbursement of Expenses

National incurs certain costs on behalf of its financial advisors including those for insurance, professional registration, technology and information services and legal services, amongst others, which are charged back to the advisors. It is National's policy to record the reimbursement as a reduction of the respective operating expense.

Legal Reserves

In the normal course of business, National has been named, from time to time, as a defendant in legal and regulatory proceedings. National is also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding its businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

National recognizes a liability for a contingency in accrued expenses and other liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company accrues the most likely amount of such loss, and if such amount is not determinable, then the Company accrues the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management. National believes that any other matters for which it has determined a loss to be probable and reasonably estimable are not material to the condensed consolidated financial statements.

In many instances, it is not possible to determine whether any loss is probable or even possible or to estimate the amount of any loss or the size of any range of loss. National believes that, in the aggregate, the pending legal actions or regulatory proceedings and any other exams, investigations or similar reviews (both formal and informal) should not have a material adverse effect on the consolidated results of operations, cash flows or financial condition. In addition, National believes that any amount that could be reasonably estimated of potential loss or range of potential loss in excess of what has been provided in the condensed consolidated financial statements is not material.

3. National Holdings Corporation

On April 27, 2016, the Company entered into an Agreement and Plan of Merger with National and a wholly owned subsidiary of the Company, providing for the acquisition of National (the "Merger Agreement"). Pursuant to the Merger Agreement, and upon the terms and subject to the conditions described therein, the Company agreed to cause its wholly owned subsidiary to commence a tender offer for all the issued and outstanding shares of National's common stock, par value $0.02 per share, at a purchase price of $3.25 per share (the "Offer"). Upon expiration of the Offer on September 9, 2016 (and the subsequent settlement period), a total of approximately 7 million shares were validly tendered, representing approximately 56% of the outstanding shares of National on a fully-diluted basis. The aggregate consideration paid by Fortress in the Offer was approximately $22.9 million, without giving effect to related transaction fees and expenses. Fortress funded the payment with cash on hand.

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed at the date of the acquisition:

($ in thousands)		
Assets		
Cash and cash equivalents	$	27,498
Accounts receivable		4,889
Cash deposits with clearing organizations		1,030
Receivable from brokers, dealers and clearing agencies		1,607
Securities owned, at fair value		2,178
Prepaid expenses and other current assets		1,985
Property and equipment		1,132
Restricted cash		353
Goodwill		21,739
Total assets		62,411
Liabilities		
Accrued compensation payable	$	14,029
Accounts payable and accrued expenses		6,079
Deferred clearing and marketing credits		1,007
Other current liabilities		707
Total liabilities assumed		21,822
Non-controlling interests		17,717
Net assets acquired	$	22,872
Cash and cash equivalents from National	$	27,498
Cash to NHLD Shareholders (Tender Offer)		22,872
Net cash acquired in acquisition of National	$	4,626

The estimated fair values of the assets acquired and liabilities assumed will be finalized as further information is received regarding these items and analysis of this information is completed. The Company preliminarily recognized $21.7 million of goodwill and does not expect goodwill be deductible for tax purposes.

National's results of operations have not been included in the consolidated financial statements prospectively from the date of acquisition, because we have elected to record National's financial results in operations under a three month lag. The following unaudited pro forma financial data assumes the acquisition had occurred at the beginning of January 1, 2015. Pro forma results have been prepared by adjusting its historical results to include National's results of operations. The unaudited pro forma results presented do not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of January 1, 2015, nor does it indicate the results of operations in future periods. Additionally, the unaudited pro forma results do not include the impact of possible business model changes, nor do they consider any potential impacts of current market conditions or revenues, reduction of expenses, asset dispositions, or other factors. The impact of these items could alter the following pro forma results:

($ in thousands)	Three Months Ended September 30, 2016	2015
Total revenues	$ 47,317	$ 42,360
Net loss attributable to common stockholders	(12,962)	(17,797)
Loss per share:		
Basic	$ (0.32)	$ (0.45)
Diluted	$ (0.32)	$ (0.45)

($ in thousands)	Nine Months Ended September 30, 2016	2015
Total revenues	$ 131,862	$ 126,976
Net loss attributable to common stockholders	(37,355)	(34,985)
Loss per share:		
Basic	$ (0.94)	$ (0.90)
Diluted	$ (0.94)	$ (0.90)

4. Broker-Dealers and Clearing Organizations and Other Receivables

At September 9, 2016, the receivables of $1.6 million from broker-dealers and clearing organizations represent net amounts due for commissions and fees associated with National's retail brokerage business as well as asset based fee revenue associated with National's asset management advisory business. Accounts receivables at September 9, 2016 includes $1.8 million of forgivable loan receivables and $3.1 million of other receivables, which principally represent trailing commissions, tax and accounting fees and investment banking fees and are net of an allowance for uncollectable accounts of $782,000.

5. Forgivable Loans Receivable

From time to time, National's operating subsidiaries may make loans, evidenced by promissory notes, primarily to newly recruited independent financial advisors as an incentive for their affiliation. The notes receivable balance is comprised of unsecured non-interest-bearing and interest-bearing loans (interest rates ranging up to 9%). These notes have various schedules for repayment or forgiveness based on production or retention requirements being met and mature at various dates through 2020. Forgiveness of loans amounted to $1.8 million as of September 9, 2016, and the related compensation was included in commissions, compensation and fees in the condensed consolidated statements of operations. In the event the advisor's affiliation with the subsidiary terminates, the advisor is required to repay the unamortized balance of any notes payable.

National provides an allowance for doubtful accounts on the notes based on historical collection experience and continually evaluates the receivables for collectability and possible write-offs where a loss is deemed probable. As of September 9, 2016, no allowance for doubtful accounts was required.

There were no unamortized loans outstanding attributable to registered representatives who ended their affiliation with the National broker dealer subsidiaries prior to the fulfillment of their obligation.

6. Property and Equipment

Fortress's property and equipment, exclusive of National's property and equipment consisted of the following:

($ in thousands)	Useful Life (Years)	September 30, 2016	December 31, 2015
Computer equipment	3	$ 436	$ 13
Furniture and fixtures	5	788	69
Leasehold improvements	5	164	21
Construction in progress (1)	15	4,733	274
Total property and equipment		6,121	377
Less: Accumulated depreciation		(296)	(68)
Property and equipment, net		$ 5,825	$ 309

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

Fortress's depreciation expense for the three months ended September 30, 2016 and 2015 was approximately $154,000 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.

Fortress's depreciation expense for the nine months ended September 30, 2016 and 2015 was approximately $240,000 and $17,000, respectively, and was recorded in both research and development expense and general and administrative expense in the Condensed Consolidated Statements of Operations.

National’s preliminary property and equipment, at fair value as of September 9, 2016 consisted of the following:

($ in thousands)	September 9, 2016	Estimated Useful Lives (in years)
Equipment	$ 532	5
Furniture and fixtures	65	5
Leasehold improvements	259	Lesser of useful life or term of lease
Capital Leases (primarily composed of computer equipment)	276	5
Property and equipment, net	$ 1,132	

7. 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.

Laser Device for Treatment of Migraine Headache

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 in the third-party company, representing 83% of the total 16,091,954 Class A Preferred Units. The fair value of this investment was $250,000 as of September 30, 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 paid, 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 on these inputs at September 30, 2016, the fair value of the Company’s investment approximated cost.

Origo Acquisition Corporation (formerly CB Pharma Acquisition Corporation)

On June 10, 2016 CB Pharma Acquisition Corp ("CB Pharma") held an extraordinary general meeting of shareholders (the "Meeting"). At the Meeting, the shareholders approved each of the following items: (i) an amendment to the CB Pharma's Amended and Restated Memorandum and Articles of Association (the "Charter") to extend the date by which CB Pharma has to consummate a business combination from June 12, 2016 to December 12, 2016 (the "Extension"), (ii) an amendment to the Charter to allow the holders of the CB Pharma's ordinary shares issued in the their initial public offering to elect to convert their shares into their pro rata portion of the funds held in trust, if the Extension is approved, and (iii) the change of CB Pharma's name from "CB Pharma Acquisition Corp." to "Origo Acquisition Corporation" ("Origo"). In connection with the Meeting, the Company transferred 1,050,000 of its CB Pharma ordinary shares to Origo. The Company retained ownership of 265,000 Origo shares.

As of September 30, 2016, the Company valued its investment in Origo, a publicly traded company, utilizing the following assumptions: probability of a successful business combination of 31.89%, and no dividend rate, which yielded an underlying value of $5.04 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 1.14% and a strike price of $11.50 per share arriving at a value of $0.50 for each right and $0.13 for a warrant. A 31.89% probability of a successful business combination was applied to the values above arriving at an estimated value of $1.61 for the private placement shares, $0.16 for each right and $0.04 for each warrant. Based upon the valuation, the Company recorded a decrease in fair-value of investment of $1.8 million of which $25,000 represents a realized loss on the investment of the ordinary shares and the remaining $1.775 million was recorded as an unrealized loss. At September 30, 2016, the fair value of the Company's investment in Origo was, $0.4 million. Additionally, as of September 30, 2016, Origo had net assets of approximately $31.7 million. The Company's working capital note of $0.3 million can be converted to stock upon a successful business combination.

NSC Contingently Issuable Warrant

Pursuant to the Amended NSC Note (see Note 11), 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 for 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 and are accounted for 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 Avenue's $3.0 million of their NSC Note transferred from Fortress to Avenue on October 31, 2015 (issuance date) and September 30, 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.

Mustang classified the fair value of the Contingently Issuable Warrants that may have been granted in connection with Mustang's $3.6 million of their NSC Note transferred from Fortress to Mustang on July 5, 2016 (issuance date) and September 30, 2016 as a derivative liability as there was a potential that Mustang would not have a sufficient number of authorized common shares available to settle these instruments.

The fair value of Avenue's and Mustang'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:

	September 30, 2016	
	Avenue	**Mustang**
Risk-free interest rate	1.60%	1.60%
Expected dividend yield	-%	-%
Expected term in years	9.09	9.76
Expected volatility	83.00%	76.70%
Probability of issuance of the warrant	50.00%	100.00%

Helocyte Warrant Liabilities

The fair value of Helocyte's warrant liability was measured at fair value using a Monte Carlo simulation valuation methodology. A summary of the weighted average (in aggregate) significant unobservable inputs (level 3 inputs) used in measuring the Company's warrant liabilities that are categorized within Level 3 of the fair value hierarchy for the three and nine months ended September 30, 2016 is as follows:

	September 30, 2016
Risk-free interest rate	0.64%
Expected dividend yield	- %
Expected term in years	1.25-1.50
Expected volatility	60.0% - 63.3%
Strike price	$ 0.15

Convertible Notes at Fair Value

Helocyte's convertible debt is measured at fair value using the Monte Carlo simulation valuation methodology. At September 30, 2016, the fair value equaled the proceeds received. A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring the convertible debt that is categorized within Level 3 of the fair value hierarchy for the three and nine months ended September 30, 2016 is as follows:

	September 30, 2016
Risk-free interest rate	0.64%
Expected dividend yield	- %
Expected term in years	1.25-1.50
Expected volatility	60.0% - 63.3%
Probability of conversion	0.15

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 September 30, 2016 and December 31, 2015:

	Fair Value Measurement as of September 30, 2016			
($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
National				
Securities owned, at fair value				
Corporate stocks	$ 114	$ -	$ -	$ 114
Municipal bonds	1,550	-	-	1,550
Restricted stock	-	514	-	514
Fortress				
Long-term investments, at fair value	-	-	685	685
Total assets	$ 1,664	$ 514	$ 685	$ 2,863
Liabilities				
Fortress				
Contingently issuable warrants	$ -	$ -	$ 853	$ 853
Warrant liabilities	-	-	98	98
Helocyte convertible note, at fair value	-	-	3,031	3,031
Total liabilities	$ -	$ -	$ 3,982	$ 3,982

Certain positions in common stock were received as compensation for investment banking services. Restricted common stock may be freely traded only upon the effectiveness of a registration statement covering them or upon the satisfaction of the requirements of Rule 144, including the requisite holding period.

	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 nine months ended September 30, 2016 and 2015:

($ in thousands)	Investment in Origo	Investment in laser device	Securities owned, at fair value	Contingently Issuable Warrants	Helocyte Convertible Note, at fair value	Warrant liabilities	Total
Balance at December 31, 2015	$ 2,235	$ 250	$ -	$ 114	$ -	$ -	$ 2,599
Additions during the period	-	-	2,178	634	3,018	98	5,928
Change in fair value of investments	(1,800)	-	-	-	-	-	(1,800)
Change in fair value of convertible notes	-	-	-	-	13	-	13
Change in fair value of derivative liabilities	-	-	-	105	-	-	105
Balance at September 30, 2016	$ 435	$ 250	$ 2,178	$ 853	$ 3,031	$ 98	$ 6,845

($ in thousands)	Investment in Origo	Investment in laser device	Total
Balance at December 31, 2014	$ 3,910	$ 250	$ 4,160
Change in fair value of investments	(65)	-	(65)
Balance at September 30, 2015	$ 3,845	$ 250	$ 4,095

For the nine months ended September 30, 2016 and 2015, no transfers occurred between Level 1, Level 2 and Level 3 instruments.

8. 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, as well as regulatory and marketing approval efforts in order to reach technological feasibility. As such, the purchase prices of those licenses were classified as research and development-licenses acquired in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2016 and 2015, the Company's research and development-licenses acquired comprise of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	2016	2015	2016	2015
Fortress Companies:				
Avenue	$ -	$ -	$ -	$ 3,000
Checkpoint	1,000	600	3,060	2,633
Coronado SO	-	-	-	1,607
Helocyte	-	-	83	200
Mustang	-	-	-	2,147
Escala	-	1,295	-	1,295
Total	$ 1,000	$ 1,895	$ 3,143	$ 10,882

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 Avenue Founders Agreement effective as of February 17, 2015. Per the terms of the agreement, Avenue assumed $3.0 million in debt (see Note 11).

During the nine months ended September 30, 2016, Avenue completed a pharmacokinetics or PK study for IV Tramadol in healthy volunteers and completed an End-of-Phase 2 (EOP) meeting with the U.S. Food and Drug Administration (the "FDA").

Checkpoint Therapeutics, Inc.

License Agreement with Dana-Farber Cancer Institute

In March 2015, Checkpoint entered into an exclusive license agreement with Dana-Farber Cancer Institute ("Dana-Farber") to develop a portfolio of fully human immuno-oncology targeted antibodies. The portfolio of antibodies licensed from Dana-Farber includes antibodies targeting PD-L1, GITR and CAIX. Under the terms of the agreement, Checkpoint paid Dana-Farber an up-front licensing fee of $1.0 million in 2015 and, on May 11, 2015, granted Dana-Farber 500,000 shares of Checkpoint common stock, valued at $32,500 or $0.065 per share. The agreement included an anti-dilution clause that maintained Dana-Farber's ownership at 5% until such time that Checkpoint raised $10 million in cash in exchange for common shares. Pursuant to this provision, on September 30, 2015, Checkpoint granted to Dana-Farber an additional 136,830 shares of common stock valued at approximately $0.6 million and the anti-dilution clause thereafter expired. Dana-Farber is eligible to receive payments of up to an aggregate of approximately $21.5 million for each licensed product upon Checkpoint's successful achievement of certain clinical development, regulatory and first commercial sale milestones. In addition, Dana-Farber is eligible to receive up to an aggregate of $60.0 million upon Checkpoint's successful achievement of certain sales milestones based on aggregate net sales, in addition to royalty payments based on a tiered low to mid-single digit percentage of net sales. Following the second anniversary of the effective date of the Dana-Farber license agreement, Dana-Farber will receive an annual license maintenance fee, which is creditable against milestone payments or royalties due to Dana-Farber. Checkpoint expects clinical trials related to the Dana-Farber licensed antibodies to start in 2017.

In connection with the license agreement with Dana-Farber, Checkpoint entered into a collaboration agreement with TGTX, a related party, to develop and commercialize the Anti-PD-L1 and Anti-GITR antibody research programs in the field of hematological malignancies, while Checkpoint retains the right to develop and commercialize these antibodies in the field of solid tumors. Michael Weiss, Executive Chairman of the Board of Directors of Checkpoint and the Company's Executive Vice Chairman, Strategic Development, is also the Executive Chairman, Interim President and Chief Executive Officer and a stockholder of TGTX. Under the terms of the agreement, TGTX paid Checkpoint $0.5 million, representing a reimbursement for their share of the licensing fee, and Checkpoint is eligible to receive substantive potential milestone payments up to an aggregate of approximately $21.5 million for each product upon TGTX's successful achievement of certain clinical development, regulatory and first commercial sale milestones. Checkpoint's potential milestone payments are comprised of up to approximately $7.0 million upon TGTX's successful completion of clinical development milestones, and up to approximately $14.5 million upon first commercial sales in specified territories. In addition, Checkpoint is eligible to receive up to an aggregate of $60.0 million upon TGTX's successful achievement of certain sales milestones based on aggregate net sales, in addition to royalty payments based on a tiered high single digit percentage of net sales. Following the second anniversary of the effective date of the agreement, Checkpoint will receive an annual license maintenance fee, which is creditable against milestone payments or royalties due to Checkpoint. The Company recognized $0 and $25,000, respectively, for the three months ended September 30, 2016 and 2015, and $20,000 and $0.5 million, respectively, for the nine months ended September 30, 2016 and 2015, in revenue from its collaboration agreement with TGTX on the Condensed Consolidated Statements of Operations.

NeuPharma, Inc.

In March, 2015, the Company entered into an exclusive license agreement with NeuPharma, Inc. ("NeuPharma") to develop and commercialize novel irreversible, 3rd generation epidermal growth factor receptor ("EGFR") inhibitors including CK-101, on a worldwide basis (other than certain Asian countries). On the same date, the Company assigned all of its right and interest in the EGFR inhibitors to Checkpoint. Under the terms of the agreement, Checkpoint paid NeuPharma an up-front licensing fee of $1.0 million in 2015, and NeuPharma is eligible to receive payments of up to an aggregate of approximately $40.0 million per licensed product upon Checkpoint's successful achievement of certain clinical development and regulatory milestones in up to three indications, of which $22.5 million are due upon various regulatory approvals to commercialize the products. In addition, NeuPharma is eligible to receive payments of up to an aggregate of $40.0 million upon Checkpoint's successful achievement of certain sales milestones based on aggregate net sales, in addition to royalty payments based on a tiered mid to high-single digit percentage of net sales. In July 2016, Checkpoint submitted an IND application to the FDA for its EGFR inhibitor, which was accepted in August 2016, and in September 2016, Checkpoint dosed the first patient in a Phase 1/2 clinical trial.

In connection with the license agreement with NeuPharma, in March 2015, the Company entered into an option agreement with TGTX, a related party, which agreement was assigned to Checkpoint on the same date, for a global collaboration for the future development of certain licensed compounds in the field of hematological malignancies. The option was extended on July 8, 2016 for an additional 176 days, to December 31, 2016.

Also in connection with the license agreement with NeuPharma, Checkpoint entered into a Sponsored Research Agreement with NeuPharma for certain research and development activities. Effective January 11, 2016, TGTX, a related party, agreed to assume all costs associated with this agreement and reimbursed Checkpoint for costs previously paid by Checkpoint. The Company recognized approximately $251,000 and $732,000 in revenue related to this agreement for the three and nine months ended September 30, 2016, respectively. There was no related revenue recognized during the same period of 2015.

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

In December 2015, the Company entered into a license agreement with Teva Pharmaceutical Industries Ltd. through its subsidiary, Cephalon, Inc. ("Cephalon"), which agreement was assigned to Checkpoint by the Company on the same date. Under the terms of the license agreement, Checkpoint obtained an exclusive, worldwide license to Cephalon's patents relating to CEP-8983 and its small molecule prodrug, CEP-9722, a PARP inhibitor, which Checkpoint now refers to as CK-102. Checkpoint paid Cephalon an up-front licensing fee of $0.5 million in 2015. Cephalon is eligible to receive milestone payments of up to an aggregate of approximately $220.0 million upon Checkpoint's successful achievement of certain clinical development, regulatory approval and product sales milestones, of which approximately $206.5 million are due on or following regulatory approvals to commercialize the product. In addition, Cephalon is eligible to receive royalty payments based on a tiered low double digit percentage of net sales. Checkpoint is currently developing a clinical program for its PARP inhibitor, which it expects to commence in 2017.

Jubilant Biosys Limited

In May 2016, Checkpoint entered into a License Agreement with Jubilant Biosys Limited ("Jubilant"), whereby Checkpoint obtained an exclusive, worldwide license (the "Jubilant License") to Jubilant's family of patents covering compounds that inhibit BRD4, a member of the BET domain for cancer treatment, which Checkpoint refers to as CK-103. Under the terms of the Jubilant License, Checkpoint paid Jubilant an up-front licensing fee of $2.0 million, and Jubilant is eligible to receive payments up to an aggregate of approximately $89.0 million upon Checkpoint's successful achievement of certain preclinical, clinical development, and regulatory milestones, of which $59.5 million are due upon various regulatory approvals to commercialize the products. In addition, Jubilant is eligible to receive payments up to an aggregate of $89.0 million upon Checkpoint's successful achievement of certain sales milestones based on aggregate net sales, in addition to royalty payments based on a tiered low to mid-single digit percentage of net sales. Checkpoint plans to submit an IND application for its BET inhibitor in 2017. The purchase price of $2.0 million for the license was classified as *research and development-licenses acquired* in the Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2016.

In connection with the Jubilant License, Checkpoint entered into a sublicense agreement with TGTX (the "Sublicense Agreement"), a related party, to develop and commercialize the compounds licensed in the field of hematological malignancies, with Checkpoint retaining the right to develop and commercialize these compounds in the field of solid tumors. Michael Weiss, Executive Chairman of the Board of Directors of Checkpoint and the Company's Executive Vice Chairman, Strategic Development, is also the Executive Chairman, Interim President and Chief Executive Officer and a stockholder of TGTX. Under the terms of the Sublicense Agreement, TGTX paid Checkpoint $1.0 million, representing a reimbursement for their share of the licensing fee, recorded as collaboration revenue – related party and Checkpoint is eligible to receive substantive potential milestone payments up to an aggregate of approximately $87.5 million upon TGTX's successful achievement of preclinical, clinical development, and regulatory milestones. Such potential milestone payments may approximate $0.3 million upon TGTX's successful achievement of one preclinical milestone, up to approximately $25.5 million upon TGTX's successful completion of three clinical development milestones for two licensed products, and up to approximately $61.7 million upon the achievement of five regulatory approvals and first commercial sales in specified territories for two licensed products. In addition, Checkpoint is eligible to receive potential milestone payments up to an aggregate of $89.0 million upon TGTX's successful achievement of three sales milestones based on aggregate net sales by TGTX, for two licensed products, in addition to royalty payments based on a mid-single digit percentage of net sales by TGTX. TGTX also reimburses Checkpoint for 50% of IND enabling costs and patent expenses. The Company recognized $0.3 million and $1.3 million in revenue related to this arrangement during the three and nine months ended September 30, 2016. There was no related revenue recognized during the same periods of 2015.

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 Coronado SO common stock to such third party. 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. Four milestones totaling $10.7 million are due upon the achievement of certain development goals, three milestones totaling $26.2 million are due upon certain net sales milestones and a single digit royalty on net sales is due for the term of the contract.

The Company valued the stock grant to the third party utilizing a discounted cash flow model to determine the weighted market value of invested capital, discounted by a lack of marketability of 44.8% and a weighted average cost of capital of 30%, and net of debt utilized, resulting in a value of $1.19 per share or $0.2 million recorded as part of licenses acquired.

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 March 31, 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 $155,000. 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 PepVax, COH could receive, up to $1.5 million for the achievement of three developmental milestones, $13.0 million for three sales milestones, single digit royalties based on net sales reduced by certain factors and a minimum annual royalty of $0.2 million per year related to marketing approval. If Helocyte successfully develops and commercializes Triplex, COH could receive up to $9.0 million for the achievement of three developmental milestones, $26.0 million for four sales milestones, single digit royalties based on net sales reduced by certain factors and a minimum annual royalty of $0.75 million per year following a first marketing approval. If Helocyte successfully develops and commercializes Pentamer, COH could receive up to $5.5 million for the achievement of four development milestones, $26.0 million for three sales milestones, single digit royalties based on net sales reduced by certain factors and a minimum annual royalty of $0.75 million per year following a first marketing approval. 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 licenses, in March and May 2016, Helocyte granted COH 500,000 shares and 8,333 shares of Helocyte Class A common stock, respectively. The Company valued the stock grants 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 recorded as part of the license fee acquired.

License Option

In February 2016, Helocyte entered into an option agreement for $35,000 with a third party, to acquire the exclusive rights to license certain intellectual property and clinical data for certain cell therapies. The option expires on October 1, 2016. The Company recorded a charge of $35,000 to research and development-licenses acquired for the nine months ended September 30, 2016. No fee was recorded for the three months ended September 30, 2016.

Mustang Bio, Inc.

License Agreement with the City of Hope

In March 2015, Mustang entered into an exclusive license agreement with COH to acquire intellectual property rights pertaining to CAR T. Pursuant to the agreement, Mustang paid COH an upfront fee of $2.0 million in April 2015 (included in *research and development-licenses acquired expenses* on the Condensed Consolidated Statement of Operations), and granted 1.0 million shares of Mustang's Class A Common Stock, representing 10% ownership of Mustang. Additional payments totaling $2.0 million are due upon the completion of two financial milestones, and payments totaling $14.5 million are due upon the completion of six development goals. Future mid-single digit royalty payments are due on net sales of licensed products, with a minimum annual royalty of $1.0 million.

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.

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.

Seven milestones totaling approximately $22.6 million are due upon the achievement of certain development goals, two milestones totaling $7.0 million are due upon certain net sales milestones and a single digit royalty on net sales is due for a certain period. In addition, a one-time payment is due upon the termination of the license.

9. Milestones and Sponsored Research Agreements

Helocyte

In March 2016, Helocyte entered into an Investigator-Initiated Clinical Research Support Agreement with the COH, to support a Phase 2 clinical study of its PepVax immunotherapy for CMV control in allogeneic stem cell transplant recipients ("PepVax Arrangement"). 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, recorded as sponsored research expense, and will pay COH up to an additional $2.0 million upon the achievement of certain clinical milestones. Unless earlier terminated, the agreement expires upon the delivery of a final study report or December 31, 2018.

In February 2016, Helocyte entered into an Investigator-Initiated Clinical Research Support Agreement with the COH, to support a Phase 2 clinical study of its Triplex immunotherapy for CMV control in allogeneic stem cell transplant recipients ("Triplex Arrangement"). 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, recorded as sponsored research expense, and will pay COH up to an additional $3.4 million upon the achievement of certain clinical milestones. Unless earlier terminated, the agreement expires upon the delivery of a final study report or May 31, 2018.

In August 2016, Helocyte made a payment of $2 million, $1 million in connection with their PepVax Arrangement and $1 million in connection with their Triplex Arrangement. As of September 30, 2016, Helocyte has a sponsored research and development prepayment of $1.1 million: $0.5 million related to PepVax and $0.6 million related to Triplex, in the Company's Condensed Consolidated Balance Sheets. In addition, for the three and nine months ended September 30, 2016, Helocyte incurred expense of $0.9 and $2.9 million, respectively, related to the sponsored research agreements, recorded as research and development expense in the Company's Condensed Consolidated Statements of Operations. No expenses were recorded for the three and nine months ended September 30, 2015.

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 annual installments, over the next five years. For the three and nine months ended September 30, 2016 and 2015, Mustang incurred expense of $0.5 million and $0.5 million and $1.5 million and $1.0 million, respectively, recorded as research and development expense in the Company's Condensed Consolidated Statement of Operations.

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 activate 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 September 30, 2016, the Company has not sub-licensed CNDO-109 to a third party.

10. Intangibles, net

Journey Medical Corporation

In January 2016, JMC entered into a licensing agreement to distribute its prescription wound cream Luxamend® and paid an upfront fee of $50,000. Additionally, in January 2016, JMC entered into a licensing agreement to distribute its prescription emollient Ceracade ™ for the treatment of various types of dermatitis and paid an upfront fee of $0.3 million. JMC commenced the sale of both of these products during the three months ended June 30, 2016 and accordingly commenced the amortization of these costs over their respective three year estimated useful life. For the three and nine months ended September 30, 2016, JMC recognized expense of approximately $29,000 and $50,000, respectively, which was recorded in costs of goods sold on the Condensed Consolidated Statement of Operations (see Note 20).

In March 2015, JMC entered into a license and supply agreement to acquire the rights to an oral antibiotic, for the treatment of severe acne. JMC made an upfront payment of $1.3 million. Further payments will be made based on a revenue sharing arrangement. JMC received FDA approval for the manufacturing of this product in July 2016 and expects to commence sales of this product in the second half of of 2016.

11. Debt and Interest

Debt

Long-term debt to IDB, NSC and Helocyte consists of the following as of September 30, 2016 and December 31, 2015:

($ in thousands)	September 30, 2016	December 31, 2015	Interest rate	Maturity
IDB Note	$ 14,929	$ 14,009	2.25%	Feb - 2018
NSC Note	7,208	10,000	8.00%	Mar - 2018
Helocyte Convertible Note, at fair value	3,031	—	5.00% -8.00%	Dec - 2017
Opus Credit Facility	5,000	—	12%	Sep - 2018
Total notes payable, long-term	30,168	24,009		
Less: Discount on notes payable	2,764	835		
Total notes payable, long-term, net	$ 27,404	$ 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 September 30, 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, IDB 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, IDB 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 and IDB extended the maturity date of the IDB Note to February 27, 2017. At September 30, 2016, the Company had approximately $14.9 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 in favor of National Securities Corporation ("NSC"). 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. NSC, a wholly owned subsidiary of National, 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% at December 31, 2015.

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 September 30, 2016, the Company transferred $2.8 million, $3.0 million and $3.6 million, including debt discount, of the NSC Note to Checkpoint, Avenue and Mustang, respectively, representing Checkpoint's, Avenue's and Mustang'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, because the results did not exceed the 10% factor, the debt modification is not considered substantially different. The Company did not, therefore, 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 has received, or will receive a warrant to purchase the Fortress Company's stock equal to 25% of the NSC Note proceeds transferred to that Fortress Company divided by the lowest price at which the Fortress Company sells its equity in its first third party financing. The warrants issued will have a term of 10 years and an exercise price equal to the par value of the Fortress Company's common stock.

As of September 30, 2016, Avenue recorded approximately $370,000 of debt discount of which $114,000 relates to the Contingently Issuable Warrants issued in connection with the NSC Note, based on its initial fair value (see Note 7). 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 expense upon payment.

In July 2016, Fortress transferred $3.6 million of Mustang's indebtedness to its NSC Note. In connection with the debt transfer a contingently issuable warrant equal to 25% of the transferred indebtedness will be recorded. As of September 30, 2016, Mustang recorded approximately $763,000 of debt discount of which $634,000 relates to the Contingently Issuable Warrants issued in connection with the NSC Note, based on its initial fair value (see Note 7). The entire debt discount will be amortized over the life of the note.

Helocyte Convertible Note

On June 30, 2016, Helocyte held the first closing of the sale of convertible promissory notes. Helocyte sold eleven convertible promissory notes to investors for an aggregate of $1.0 million. The notes have an initial term of 18 months, which can be extended at the option of the holder, on one or more occasions, for up to 180 days and accrue simple interest at the rate of 5% per annum for the first 12 months and 8% per annum simple interest thereafter. The notes are guaranteed by Fortress. The outstanding principal and interest of the notes automatically converts into the type of equity securities sold by Helocyte in the next sale of equity securities in which Helocyte realizes aggregate gross cash proceeds of at least $10.0 million (before commissions or other expenses and excluding conversion of the notes) at a conversion price equal to the lesser of (a) the lowest price per share at which equity securities of Helocyte are sold in such sale less a 33% discount and (b) a per share price based on a pre-offering valuation of $50.0 million divided by the number of common shares outstanding on a fully-diluted basis. The outstanding principal and interest of the notes may be converted at the option of the holder in any sale of equity securities that does not meet the $10.0 million threshold for automatic conversion using the same methodology. The notes also automatically convert upon a "Sale" of Helocyte, defined as (a) a transaction or series of related transactions where one or more non-affiliates acquires (i) capital stock of Helocyte or any surviving successor entity possessing the voting power to elect a majority of the board of directors or (ii) a majority of the outstanding capital stock of Helocyte or the surviving successor entity (b) the sale, lease or other disposition of all or substantially all of Helocyte's assets or any other transaction resulting in substantially all of Helocyte's assets being converted into securities of another entity or cash. Upon a Sale of Helocyte, the outstanding principal and interest of the notes automatically converts into common shares at a price equal to the lesser of (a) a discount to the price per share being paid in the Sale of Helocyte equal to 33% or (b) a conversion price per share based on a pre-sale valuation of $50.0 million divided by the fully-diluted common stock of Helocyte immediately prior to the Sale of Helocyte (excluding the notes).

On September 30, 2016, Helocyte realized net proceeds in two separate closings of $2.7 million after paying Aegis Capital Corp. ("Aegis") its placement fee of $0.3 million, or approximately 10% of the net proceeds, and legal fees of approximately $50,000. Additionally, Aegis received a warrant ("Helocyte Warrant") to purchase the number of shares of Helocyte's common stock equal to $301,800, of which $100,000 was issued in connection with the first closing and $201,800 was issued in connection with the second closing, divided by the price per share at which any note sold to investors first converts into Helocyte's common stock. The warrants are issued at each closing. The Helocyte Warrants, which were recorded as a liability in accordance with ASC 815, have a five-year term and have a per share exercise price equal to 110% of the price per share at which any note sold to investors first converts into Helocyte's common stock. The offering remains open, and Helocyte may sell up to an aggregate of $5.0 million in convertible notes.

Due to the complexity and number of embedded features within each convertible note, and as permitted under accounting guidance, the Company elected to account for the convertible notes and all the embedded features (collectively, the "hybrid instrument") under the fair value option (see Note 7).

Opus Credit Facility Agreement

On September 14, 2016, Fortress entered into a Credit Facility Agreement (the "Opus Credit Facility") with Opus Point Healthcare Innovations Fund, LP ("OPHIF"). Since Fortress's Chairman, President and Chief Executive Officer (Lindsay A. Rosenwald) and Fortress's Executive Vice President, Strategic Development (Michael S. Weiss), are Co-Portfolio Managers and Partners of Opus Point Partners Management, LLC ("Opus"), an affiliate of OPHIF, all of the disinterested directors of Fortress's board of directors approved the terms of the Credit Facility Agreement and accompanying Pledge and Security Agreement and forms of Note and Warrant (collectively, the "Financing Documents").

Pursuant to the Opus Credit Facility, Fortress may borrow up to a maximum aggregate amount of $25.0 million from OPHIF and any other lender that joins the Credit Facility Agreement from time to time (OPHIF and each subsequent lender, a "Lender") under one or more convertible secured promissory notes (each a "Note") from September 14, 2016 until September 1, 2017 (the "Commitment Period"). All amounts borrowed under the Credit Facility Agreement must be paid in full on September 14, 2018 (the "Maturity Date"), though Fortress may prepay the Notes at any time without penalty.

Pursuant to the Opus Credit Facility and form of Note, each Note will bear interest at 12% per annum and interest will be paid quarterly in arrears commencing on December 1, 2016 and on the first business day of each September, December, March and June thereafter until the Maturity Date. Upon the occurrence and continuance of an event of default (as specified in Credit Facility Agreement and form of Note), each Note will bear interest at 14% and be payable on demand. The Lenders may elect to convert the principal and interest of the Notes at any time into shares of Fortress's common stock ("Common Stock") at a conversion price of $10.00 per share. All Notes are secured by shares of capital stock currently held by Fortress in certain Fortress companies as set forth in the Pledge and Security Agreement entered into between Fortress, its wholly owned subsidiary, FBIO Acquisition, Inc., and OPHIF (as collateral agent on behalf of all the Lenders) on September 14, 2016 (the "Pledge and Security Agreement").

Fortress may terminate the Opus Credit Facility upon notice to the Lenders and payment of all outstanding obligations under the Credit Facility Agreement. Notwithstanding any early termination of the Credit Facility Agreement, within 15 days after termination of the Commitment Period, Fortress will issue each Lender warrants (each a "Warrant") pursuant to the terms of the Credit Facility Agreement and form of Warrant to purchase their pro rata share of (a) 1,500,000 shares of Common Stock; and (b) that number of shares of Common Stock equal to the product of (i) 1,000,000, times (ii) the principal amount of all Notes divided by 25,000,000. The Warrants will have a five-year term and will be exercisable at a price of $3.00 per share.

As of September 30, 2016, $5.0 million was outstanding under the Opus Credit Facility net of a debt discount related to the allocated value of the warrants of $1.9 million.

IDB Letters of Credit

The Company has several letters of credit ("LOC") with IDB securing rent deposits for lease facilities totaling approximately $1.5 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 September 30,		For the Nine Months Ended September 30,	
($ in thousands)	**2016**	**2015**	**2016**	**2015**
IDB Note				
Interest	$ 84	$ 82	$ 243	$ 235
Amortization of fees	-	1	1	3
Total IDB Note	84	83	244	238
NSC Debt				
Interest	145	208	456	488
Amortization of fees	135	59	557	140
Total NSC Debt	280	267	1,013	628
Ovamed				
Interest	-	-	-	167
Total Ovamed	-	-	-	167
LOC Fees				
Interest	3	-	10	-
Total LOC	3	-	10	-
Helocyte Convertible Note				
Interest	26	-	26	-
Financing fees	242	-	491	-
Total Helocyte	268	-	517	-
Opus Credit Facility				
Interest	26	-	26	-
Amortization of Fees	28	-	28	-
Total Opus	54	-	54	-
Total Interest Expense	$ 689	$ 350	$ 1,838	$ 1,033

12. Accrued Expenses and Other Long-Term Liabilities

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

($ in thousands)	September 30, 2016	December 31, 2015
Accrued expenses:		
Professional fees	$ 1,389	$ 382
Salaries, bonuses and related benefits	1,777	2,492
Ovamed manufacturing rights - short term component	750	1,500
Research and development	788	810
Dr. Falk Pharma milestone	2,802	2,717
Accrued royalty and coupons	301	-
Lease impairment	95	146
Other	703	523
Total accrued expenses	$ 8,605	$ 8,570
Other long-term liabilities:		
Deferred rent and long-term lease abandonment charge	4,583	584
Total other long-term liabilities	$ 4,583	$ 584

National's preliminary allocation of fair value of accounts payable and other accrued expenses as of September 9, 2016, consisted of the following:

($ in thousands)	September 9, 2016
Legal	$ 961
Audit	196
Telecommunications	181
Data Services	229
Regulatory	365
Settlements	701
Deferred rent	39
Contingent consideration payable	423
Other	2,984
Total	**$ 6,079**

13. Non-Controlling Interests

Non-controlling interests in consolidated entities are as follows:

	As of September 30, 2016							
($ in thousands)	Avenue	Coronado SO	Mustang	Checkpoint	JMC	Helocyte	National	Total
NCI equity share	$ (494)	$ (217)	$ 1,337	$ 33,004	$ (277)	$ (531)	$ 17,717	$ 50,539
Net loss attributed to non-controlling interests	(231)	(14)	(363)	(10,767)	(333)	(616)	-	(12,324)
Non-controlling interests in consolidated entities	**$ (725)**	**$ (231)**	**$ 974**	**$ 22,237**	**$ (610)**	**$ (1,147)**	**$ 17,717**	**$ 38,215**

	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 September 30, 2016						
($ in thousands)	**Avenue**	**Coronado SO**	**Mustang**	**Checkpoint (1)**	**JMC**	**Helocyte**	**Total**
Non-controlling interests in loss of consolidated entities	$ (47)	$ (4)	$ (204)	$ (3,254)	$ (104)	$ (362)	$ (3,975)
Non-controlling ownership	10.5%	13.0%	23.9%	62.7%	8.1%	20.6%	

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

	For the nine months ended September 30, 2016						
($ in thousands)	**Avenue**	**Coronado SO**	**Mustang**	**Checkpoint (1)**	**JMC**	**Helocyte**	**Total**
Non-controlling interests in loss of consolidated entities	$ (231)	$ (14)	$ (363)	$ (10,767)	$ (333)	$ (616)	$ (12,324)
Non-controlling ownership	10.5%	13.0%	10.0%	63.5%	8.1%	20.6%	

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

14. 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 September 30, 2016 are 8,705,137 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 common stock equivalents, including unvested restricted stock, options, and warrants that 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 nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Warrants to purchase Common Stock	392,731	685,061	480,559	685,061
Opus warrants to purchase Common Stock	1,700,000	-	1,700,000	-
Options to purchase Common Stock	1,761,032	1,832,499	1,769,426	2,019,219
Unvested Restricted Stock	8,705,136	6,884,631	8,763,797	6,795,132
Unvested Restricted Stock Units	1,085,468	752,761	1,054,091	258,242
Total	13,644,367	10,154,952	13,767,873	9,757,654

15. Stockholders' Equity

Stock-based Compensation excluding National

As of September 30, 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 and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2016	2015	2016	2015
Employee awards	$ 1,937	$ 3,296	$ 5,490	$ 6,284
Executive awards of Fortress Companies' stock	-	2,229	-	2,229
Non-employee awards	3	10	9	24
Fortress Companies (1)	963	2,966	3,293	3,359
Total stock-based compensation expense	$ 2,903	$ 8,501	$ 8,792	$ 11,896

(1) Consists of approximately $5,000 of Avenue's compensation expenses, approximately $0.8 million of Checkpoint's compensation expense, approximately $130,000 of JMC's compensation expenses and approximately $67,000 of Helocyte's compensation expenses on stock grants for the three months ended September 30, 2016, and approximately $23,000 of Avenue's compensation expenses, approximately $2.7 million of Checkpoint's compensation expense, approximately $458,000 of JMC's compensation expenses and approximately $160,000 of Helocyte's compensation expenses on stock grants for the nine months ended September 30, 2016.

Consists of approximately $15,000 of Avenue's compensation expenses, approximately $2.1 million of Checkpoint's compensation expense and approximately $279,000 of JMC's compensation expenses on stock grants for the three months ended September 30, 2015, and approximately $38,000 of Avenue's compensation expenses, approximately $2.1 million of Checkpoint's compensation expense, approximately $279,000 of JMC's compensation expenses and approximately $147,000 of Mustang's compensation expenses on stock grants for the nine months ended September 30, 2015.

In February 2016, the Company modified the vesting schedule on the 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
Granted	-	-	-	-
Forfeited	(648,864)	0.51	-	-
Options vested and expected to vest at September 30, 2016	1,130,501	$ 3.73	$ 745,069	5.18
Options vested and exercisable	1,065,501	$ 3.77	$ 710,269	5.08

As of September 30, 2016, the Company had unrecognized stock-based compensation expense related to unvested option of $16,000 with a weighted average vesting period of 0.22 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 cancelled	(33,333)	2.69
Restricted stock vested	(173,333)	2.73
Restricted stock units granted	526,000	2.92
Restricted stock units cancelled	(101,750)	3.64
Restricted stock units vested	(223,375)	3.56
Unvested balance at September 30, 2016	9,993,012	$ 2.49

As of September 30, 2016, the Company had unrecognized stock-based compensation expense related to restricted stock and restricted stock unit awards of approximately $5.6 million and $1.2 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 2.2 years and 1.4 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 September 30, 2016, 125,150 shares have been purchased and 74,850 shares are available for future sale under the Company's ESPP. The Company recognized share-based compensation expense of approximately $30,000 and $13,000 for the three months ended September 30, 2016 and 2015, respectively, and $56,000 and $28,000 for the nine months ended September 30, 2016 and 2015, respectively. The Company issued 33,958 shares under the ESPP for $81,000 during the nine months ended September 30, 2016.

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
Granted	1,800,000	3.00	-	5.89
Expired	(161,382)	6.30	-	-
Exercised (*)	(25,000)	1.37	40,000	-
Outstanding as of September 30, 2016	2,183,453	$ 3.64	$ 96,000	5.17
Exercisable as of September 30, 2016	383,453	$ 6.63	$ 96,000	1.79

(*) - 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 warrants for shares of common stock held by the Company in each of Mustang, Checkpoint, Avenue, Coronado SO, Helocyte, JMC and Escala, were made to each of 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 $2.4 million for both grants, which is amortized over the vesting period, ten years from the date of the LTIP, subject to the above performance condition being probable of being met. For three and nine month ended September 30, 2016, the Company recorded expense of $75,000 and $0.2 million, respectively. No expense was recorded in 2015.

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, of which 25% vested on the first anniversary of the grant date and monthly thereafter for 48 months. Checkpoint 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, Checkpoint 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. At May 26, 2016, Checkpoint re-measured this non-employee restricted stock utilizing a market approach, based upon a third party financing. Such valuation resulted in a value of $4.42 per share utilizing a volatility of 83%, a risk free rate of return of 1.35% and a term of five years. For the three and nine months ended September 30, 2016, the Company recorded expense of approximately $0.4 million and $1.6 million, respectively, in research and development expenses in the Company's Condensed Consolidated Statements of Operations. For both the three and nine months ended September 30, 2015, the Company recorded expense of approximately $2.1 million in connection with this grant.

Certain employees and directors of Checkpoint have been awarded restricted stock under Checkpoint's 2015 Incentive Plan. For the three and nine months ended September 30, 2016, the Company recorded stock-based compensation expense of approximately $0.3 million and $1.0 million, respectively, related to stock grants, which is included in general and administrative expenses on the Condensed Consolidated Statements of Operations. The Company recorded approximately $20,000 related to stock-based compensation expense for the three and nine months ended September 30, 2016, which is included in research and development expenses on the Condensed Consolidated Statements of Operations. There were no related expenses recognized during the same periods in 2015.

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. The grant issued to Dr. Lu vests 50% in four equal annual tranches of 12.5%, with the remaining 50% vesting upon the achievement of certain performance goals. In connection with these grants, for the three and nine months ended September 30, 2016, the Company recorded approximately $2,500 and $11,500, respectively, as general and administrative expenses and $2,500 and $11,500, respectively, as research and development expenses on the Condensed Consolidated Statements of Operations. In connection with these grants for the three and nine months ended September 30, 2015, approximately $13,000 and $16,000, respectively, was recorded in expense on the Condensed Consolidated Statements of Operations.

For the three and nine months ended September 30, 2015, stock-based compensation expenses associated with the amortization of Avenue's restricted stock award for non-employees were $0 and $22,000, respectively.

Journey Medical Corporation

During the nine months ended September 30, 2016, JMC granted 310,000 of options to its employees, vesting equally over three to four years. 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 44.2%, weighted average cost of capital of 25.1%, and net of debt utilized, resulting in a value of $0.53 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 nine months ended September 30, 2016
Risk-free interest rate	1.14%- 1.82%
Expected dividend yield	-
Expected term in years	5.11-6.95
Expected volatility	95.25% - 104.76%

During the three and nine months ended September 30, 2016, stock-based compensation associated with the amortization of stock option expense was approximately $0.1 million and $0.4 million, respectively. JMC also recorded approximately $29,000 and $95,000 related to the restricted stock during the three and nine months ended September 30, 2016, respectively. Expense for both the three and nine months ended September 30, 2015 of approximately $279,000 was recorded in general and administrative expense on the Condensed Consolidated Statements of Operations.

Helocyte, Inc.

On March 30, 2016, Helocyte granted 150,000 shares of restricted stock to a consultant. The shares will vest in four equal annual installments beginning on March 30, 2017. On May 6, 2016, Helocyte granted 508,333 shares of restricted stock to a different consultant. The shares will vest in twelve equal quarterly installments of which 127,084 shares were immediately vested in May 2016. The stock price was determined utilizing a market approach, based upon a third party financing, which resulted in a value of $0.46 per share as of May 31, 2016, utilizing a volatility of 68% and a risk free rate of return of 1.3%. For the three and nine months ended September 30, 2016, Helocyte re-measured the non-employee grants and recorded expense of approximately $50,000 and $118,000, respectively, 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 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 management's estimate of fair value. In connection with this grant, for the three and nine months ended September 30, 2016, the Company recorded approximately $17,000 and $42,000, respectively, as general and administrative expenses on the Condensed Consolidated Statements of Operations.

Capital Raise

Checkpoint

On February 23, 2016, Checkpoint closed on proceeds of $0.6 million, 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 total 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, which included the payment of fees and issuance of warrants to a placement agent.

As of September 30, 2016, the Company determined that the warrants still did not meet the definition of a derivative and continued to qualify for equity recognition.

Mustang

On September 30, 2016, Mustang closed on gross proceeds of $12.4 million, before expenses, in a private placement of shares and warrants for which National Securities Corporation, a subsidiary of National, was the placement agent and received a fee of $1.2 million (recorded as contra-equity) or 10% of the gross proceeds. The financing involved the sale of units, each consisting of 10,000 shares of common stock and a warrant exercisable for 2,500 shares of common stock at an exercise price of $8.50 per share, for a total price of $65,000 per unit. The warrants have a five-year term and are only exercisable for cash. Mustang issued 1.9 million unregistered shares of common stock and 478,708 warrants in connection with this transaction. In addition, the placement agent received 191,483 warrants or 10% of the shares issued.

As of September 30, 2016, the Company determined that the warrants still did not meet the definition of a derivative and continued to qualify for equity recognition.

Amendment and Restatement of At Market Issuance Sales Agreement

On August 17, 2016, the Company entered into an Amended and Restated At Market Issuance Sales Agreement, or Sales Agreement, with MLV & Co, or MLV, and FBR Capital Markets & Co., or FBR. On August 18, 2016, the Company filed a Registration Statement on Form S-3 which, upon effectiveness, will permit the Company to issue and sell shares of its common stock having an aggregate offering price of up to $53.0 million from time to time through MLV and FBR, as sales agents under the Sales Agreement. The Sales Agreement terminates on August 17, 2019.

16. Commitments and Contingencies

Operating Lease Obligations - National

As of September 30, 2016, National leases office space in various states expiring at various dates through August 2025, and is committed under operating leases for future minimum lease payments as follows:

($ in thousands)

Fiscal Year Ending	Rental Expense	Less, Sublease Income	Net
2017	$ 3,015	$ 84	$ 2,931
2018	2,253	-	2,253
2019	1,462	-	1,462
2020	1,298	-	1,298
2021	1,004	-	1,004
Thereafter	2,062	-	2,062
Total	$ 11,094	$ 84	$ 11,010

As of September 9, 2016, National had outstanding one letter of credit, which has been issued in the maximum amount of $194,000, as security for a property lease, and is collateralized by the restricted cash as reflected in the statements of financial condition.

Indemnification

In accordance with its certificate of incorporation, bylaws and indemnification agreements, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company's request in such capacity. There have been no claims to date, and the Company has director and officer insurance to address such claims. Pursuant to agreements with clinical trial sites, the Company provides indemnification to such sites in certain conditions.

Legal Proceedings - Fortress

In the ordinary course of business, the Company and its subsidiaries may be subject to both insured and uninsured litigation. Suits and claims may be brought against the Company by customers, suppliers, partners and/or third parties (including tort claims for personal injury arising from clinical trials of the Company's product candidates and property damage) alleging deficiencies in performance, breach of contract, etc., and seeking resulting alleged damages.

Litigation and Regulatory Matters - National

National is a defendant or respondent in various pending and threatened arbitrations, administrative proceedings and lawsuits seeking compensatory damages. Several cases have no stated alleged damages. Claim amounts are infrequently indicative of the actual amounts National will be liable for, if any. Further, National has a history of collecting amounts awarded in these types of matters from its brokers that are still affiliated, as well as from those that are no longer affiliated. Many of these claimants also seek, in addition to compensatory damages, punitive or treble damages, and all seek interest, costs and fees. These matters arise in the normal course of business. National intends to vigorously defend itself in these actions, and the ultimate outcome of these matters cannot be determined at this time.

Liabilities for potential losses from complaints, legal actions, government investigations and proceedings are established where management believes that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In making these decisions, management bases its judgments on its knowledge of the situations, consultations with legal counsel and its historical experience in resolving similar matters. In many lawsuits, arbitrations and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the amount of that liability until the matter is close to resolution. However, accruals are reviewed regularly and are adjusted to reflect management's estimates of the impact of developments, rulings, advice of counsel and any other information pertinent to a particular matter. Because of the inherent difficulty in predicting the ultimate outcome of legal and regulatory actions, management cannot predict with certainty the eventual loss or range of loss related to such matters. These amounts are included in accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets. Awards ultimately paid, if any, may be covered by their errors and omissions insurance policy. While National will vigorously defend itself in these matters, and will assert insurance coverage and indemnification to the maximum extent possible, there can be no assurance that such matters will not have a material adverse impact on its financial position, results of operations or cash flows.

17. Related Party Transactions

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 $0 and $66,000 under this agreement for the three months ended September 30, 2016 and 2015, respectively. The Company incurred expense of approximately $84,000 and $154,000 under this agreement for the nine months ended September 30, 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 and nine months ended September 30, 2016, the Company invoiced TGTX $0.3 million and $0.6 million, respectively. The Company received payments of $71,800 for both the three and nine months ended September 30, 2015.

Desk Space Agreements with TGTX and OPPM

In September 2014, the Company entered into Desk Space Agreements with OPPM and TGTX to occupy 20% and 40% of the New York, NY office space that requires TGTX and OPPM 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 Desk Space Agreement was amended in May 2016, adjusting the initial rent allocations to 45% for TGTX and 10% for OPPM.

Each initial Desk Space Agreement has a term of five years. The Company took possession of the New York, NY office 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 Agreements. As of September 30, 2016, the Company had paid $0.4 million in rent under the Desk Space Agreements, and invoiced OPPM and TGTX approximately $37,000 and $180,000, respectively, for their prorated share of the rent base. In addition, as of September 30, 2016 the Company had incurred $4.7 million in connection with the build out of the space and recorded a receivable of $2.6 million due from TGTX and $0.6 million due from OPPM.

Checkpoint Agreements with TGTX

Checkpoint has entered into various agreements with TGTX to develop and commercialize certain assets in connection with its licenses, including a collaboration agreement for some of the Dana Farber licensed antibodies, an option agreement and sponsored research agreement for the NeuPharma EGFR inhibitor, and a sublicense agreement for the Jubilant BET inhibitor. Checkpoint believes that by partnering with TGTX to develop these compounds in therapeutic areas outside of its business focus, it may substantially offset its preclinical costs and milestone costs related to the development and marketing of these compounds in solid tumor indications.

Opus Credit Facility

On September 14, 2016, Fortress entered the Opus Credit Facility with OPHIF. Since Fortress's Chairman, President and Chief Executive Officer (Lindsay A. Rosenwald) and Fortress's Executive Vice President, Strategic Development (Michael S. Weiss), are Co-Portfolio Managers and Partners of Opus, an affiliate of OPHIF, all of the disinterested directors of Fortress's board of directors approved the terms of the Credit Facility Agreement and accompanying Pledge and Security Agreement and forms of Note and Warrant (see Note11).

Founders Agreement and Management Services Agreement with Checkpoint

Effective March 17, 2015, the Company entered into a Founders Agreement with Checkpoint, which was amended and restated on July 11, 2016 (the "Checkpoint Founders Agreement"). The Checkpoint Founders Agreement provides that, in exchange for the time and capital expended in the formation of Checkpoint and the identification of specific assets the acquisition of which result in the formation of a viable emerging growth life science company, Checkpoint assumed $2.8 million in debt (see Note 11) that the Company accumulated under the NSC Note for expenses and costs of forming Checkpoint, and Checkpoint shall also: (i) issue annually to the Company, on the anniversary date of the Checkpoint Founders Agreement, shares of common stock equal to 2.5% of the fully-diluted outstanding equity of Checkpoint at the time of issuance; (ii) pay an equity fee in shares of common stock, payable within five (5) business days of the closing of any equity or debt financing for Checkpoint or any of its subsidiaries that occurs after the effective date of the Checkpoint Founders Agreement and ending on the date when the Company no longer has majority voting control in Checkpoint's voting equity, equal to 2.5% of the gross amount of any such equity or debt financing; and (iii) pay a cash fee equal to 4.5% of Checkpoint's 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 Checkpoint Founders Agreement), Checkpoint will pay a one-time change in control fee equal to five times (5x) the product of (i) net sales for the twelve (12) months immediately preceding the change in control and (ii) four and one-half percent (4.5%). The Checkpoint Founders Agreement has a term of fifteen years after which it automatically renews for one-year periods unless the Company gives Checkpoint notice of termination. The Checkpoint Founders Agreement will automatically terminate upon a change of control.

Effective March 17, 2015, the Company entered into a Management Services Agreement (the "MSA") with Checkpoint. 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 (collectively, the "Services"). 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 the Company, provided those services are offered at market prices. However, Checkpoint is not obligated to take or act upon any advice rendered from the Company and the Company shall not be liable for any of Checkpoint's actions or inactions based upon the Company's advice. Fortress and its affiliates, including all members of the Checkpoint's Board of Directors, have been contractually exempt from fiduciary duties to Checkpoint relating to corporate opportunities. In consideration for the Services, Checkpoint will pay the Company 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 the Company 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, which was amended and restated on September 13, 2016 (the "Avenue Founders Agreement"), 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 Avenue Founders Agreement, Avenue assumed $3.0 million in debt that the Company accumulated under the NSC Note (see Note 11) for expenses and costs of forming Avenue and obtaining IV Tramadol license, of which $3.0 million represents the acquisition of the License Agreement. The Avenue Founders Agreement has a term of 15 years, which upon expiration automatically renews for successive one-year periods unless terminated by the Company or a Change in Control (as defined in the Avenue Founders Agreement) occurs. Concurrently with the amendment and restatement of the Avenue Founders Agreement, the Company entered into an Exchange Agreement whereby the Company exchanged its 7.0 million Class A Common shares for approximately 7.5 million common shares and 250,000 Class A Preferred shares. Class A Preferred Stock is identical to common stock other than as to voting rights, conversion rights, election of directors and the PIK Dividend right (as described below). Each share of Class A Preferred Stock will be entitled to vote the number of votes that is equal to one and one-tenth (1.1) times a fraction, the numerator of which is the sum of (A) the shares of outstanding Avenue common stock and (B) the whole shares of Avenue common stock into which the shares of outstanding Class A Preferred Stock are convertible and the denominator of which is the number of shares of outstanding Class A Preferred Stock. Thus, the Class A Preferred Stock will at all times constitute a voting majority. Each share of Class A Preferred Stock is convertible, at its option, into one fully paid and nonassessable share of Avenue common stock, subject to certain adjustments. For a period of 10 years from the date of the first issuance of Class A Preferred Stock, the holders of record of shares of Class A Preferred Stock, exclusively and as a separate class, are entitled to appoint or elect the majority of Avenue's Board of Directors. As holders of Class A Preferred Stock, the Company will receive on each February 17 (each a "PIK Dividend Payment Date") until the date all outstanding Class A Preferred Stock is converted into common stock or redeemed (and the purchase price is paid in full), pro rata per share dividends paid in additional fully paid and nonassessable shares of common stock ("PIK Dividends") such that the aggregate number of shares of common stock issued pursuant to such PIK Dividend is equal to two and one-half percent (2.5%) of Avenue's fully-diluted outstanding capitalization on the date that is one (1) business day prior to any PIK Dividend Payment Date. As additional consideration for the transfer of rights under the Avenue Founders Agreement, Avenue will also: (i) 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 Avenue 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 (ii) pay a cash fee equal to four and one half percent (4.5%) of Avenue's 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, the Company will pay a one-time change in control fee equal to five (5x) times the product of (i) 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, which was amended and restated as of September 14, 2016 (the "Helocyte Founders Agreement"), 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 Helocyte's initial capital requirements. As consideration for the Helocyte 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 Note ("NSC Note"), or other similar debt. The Helocyte Founders Agreement has a term of 15 years, which upon expiration automatically renews for successive one-year periods unless terminated by the Company or a Change in Control (as defined in the Helocyte Founders Agreement) occurs. Concurrently with the amendment and restatement of the Helocyte Founders Agreement, the Company entered into an Exchange Agreement whereby the Company exchanged its 7.0 million Class B Common shares for 6.75 million common shares and 250,000 Class A Preferred shares. Class A Preferred Stock is identical to common stock other than as to voting rights, conversion rights and the PIK Dividend right (as described below). Each share of Class A Preferred Stock will be entitled to vote the number of votes that is equal to one and one-tenth (1.1) times a fraction, the numerator of which is the sum of (A) the shares of outstanding Helocyte common stock and (B) the whole shares of Helocyte common stock into which the shares of outstanding Class A Common Stock and Class A Preferred Stock are convertible and the denominator of which is the number of shares of outstanding Class A Preferred Stock. Thus, the Class A Preferred Stock will at all times constitute a voting majority. Each share of Class A Preferred Stock is convertible, at its option, into one fully paid and nonassessable share of Helocyte common stock, subject to certain adjustments. As the sole holder of Class A Preferred Stock, the Company will receive on each March 20 (each a "PIK Dividend Payment Date") until the date all outstanding Class A Preferred Stock is converted into common stock or redeemed (and the purchase price is paid in full), pro rata per share dividends paid in additional fully paid and nonassessable shares of common stock ("PIK Dividends") such that the aggregate number of shares of common stock issued pursuant to such PIK Dividend is equal to two and one-half percent (2.5%) of Helocyte's fully-diluted outstanding capitalization on the date that is one (1) business day prior to any PIK Dividend Payment Date. As additional consideration for the transfer of rights under the Helocyte Founders Agreement, Helocyte will also: (i) 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 Helocyte 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 (ii) pay a cash fee equal to four and one half percent (4.5%) of Helocyte's 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, the Company will pay a one-time change in control fee equal to five (5x) times the product of (i) 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.

Founders Agreement and Management Services Agreement with Mustang

Effective March 13, 2015, the Company entered a Founders Agreement with Mustang, which was amended and restated on May 17, 2016 and again on July 26, 2016 (the "Mustang Founders Agreement"). The Mustang Founders Agreement provides that, in exchange for the time and capital expended in the formation of Mustang and the identification of specific assets the acquisition of which result in the formation of a viable emerging growth life science company, the Company will loan Mustang $2.0 million, representing the up-front fee required to acquire Mustang's license agreement with COH. The Mustang Founders Agreement has a term of 15 years, which upon expiration automatically renews for successive one-year periods unless terminated by the Company or a Change in Control (as defined in the Mustang Founders Agreement) occurs. Concurrently with the second amendment to the Mustang Founders Agreement, the Company entered into an Exchange Agreement whereby the Company exchanged its 7.25 million Class B Common shares for 7.0 million common shares and 250,000 Class A Preferred shares. Class A Preferred Stock is identical to common stock other than as to voting rights, conversion rights and the PIK Dividend right (as described below). Each share of Class A Preferred Stock will be entitled to vote the number of votes that is equal to one and one-tenth (1.1) times a fraction, the numerator of which is the sum of (A) the shares of outstanding Mustang common stock and (B) the whole shares of Mustang common stock into which the shares of outstanding Class A Common Stock and Class A Preferred Stock are convertible and the denominator of which is the number of shares of outstanding Class A Preferred Stock. Thus, the Class A Preferred Stock will at all times constitute a voting majority. Each share of Class A Preferred Stock is convertible, at the Company's option, into one fully paid and nonassessable share of Mustang common stock, subject to certain adjustments. As holders of Class A Preferred Stock, the Company will receive on each March 13 (each a "PIK Dividend Payment Date") until the date all outstanding Class A Preferred Stock is converted into common stock or redeemed (and the purchase price is paid in full), pro rata per share dividends paid in additional fully paid and nonassessable shares of common stock ("PIK Dividends") such that the aggregate number of shares of common stock issued pursuant to such PIK Dividend is equal to two and one-half percent (2.5%) of Mustang's fully-diluted outstanding capitalization on the date that is one (1) business day prior to any PIK Dividend Payment Date.

As additional consideration under the Mustang Founders Agreement, Mustang will also: (i) pay an equity fee in shares of common stock, payable within five (5) business days of the closing of any equity or debt financing for Mustang or any of its respective subsidiaries that occurs after the effective date of the Mustang Founders Agreement and ending on the date when the Company no longer has majority voting control in Mustang's voting equity, equal to two and one-half (2.5%) of the gross amount of any such equity or debt financing; and (ii) pay a cash fee equal to four and one-half percent (4.5%) of Mustang's 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, Mustang will pay a one-time change in control fee equal to five (5x) times the product of (A) net sales for the twelve (12) months immediately preceding the change in control and (B) four and one-half percent (4.5%).

Effective as of March 13, 2015, the Company entered into a Management Services Agreement (the "MSA") with Mustang. Pursuant to the terms of the MSA, for a period of five (5) years, the Company will render advisory and consulting services to Mustang. Services provided under the MSA may include, without limitation, (i) advice and assistance concerning any and all aspects of Mustang's operations, clinical trials, financial planning and strategic transactions and financings and (ii) conducting relations on behalf of Mustang with accountants, attorneys, financial advisors and other professionals (collectively, the "Services"). Mustang 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, Mustang is not obligated to take or act upon any advice rendered from Fortress, and Fortress shall not be liable for any of Mustang's actions or inactions based upon Fortress's advice. Fortress and its affiliates, including all members of Mustang's Board of Directors, have been contractually exempt from fiduciary duties to Mustang relating to corporate opportunities. In consideration for the Services, Mustang 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 Mustang has net assets in excess of $100 million at the beginning of the calendar year.

As consideration for the Mustang Founders Agreement, Mustang assumed $3.6 million in debt that the Company accumulated under the NSC Note on July 5, 2016 (see Note 11).

Chord Advisors, LLC

In May 2015, the Company entered into a full service consulting agreement with Chord Advisors, LLC ("Chord") to provide advisory accounting services. Under the terms of the agreement, the Company pays 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, Checkpoint, Helocyte and Mustang. Pursuant to the agreements with Avenue, Checkpoint, Helocyte and Mustang, Chord receives $5,000 per month from Avenue, Mustang and Helocyte, and $7,500 per month from Checkpoint to provide back office accounting support and accounting policy and financial reporting services, including the services of Mr. Horin.

National

In September 2016, pursuant to the terms of the Merger Agreement between National and Fortress, the Company acquired 56.1% of National for $22.9 million, thereby becoming the majority shareholder of National. The Company's Executive Vice Chairman, Strategic Development is the Chairman of the Board of National. In the normal course, National provides the Company and the Company's subsidiaries with placement agent services in connection with third party raises. For the three and nine months ended September 30, 2016 and 2015, National received fees of $1.3 million and $1.3 million, respectively. The fees earned in 2016 relate to Mustang while the fees earned in 2015 relate to Checkpoint.

Additionally, 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 which owns approximately 4.6% of National.

18. Net Capital Requirements of Broker-Dealer Subsidiaries

National Securities is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) (the Rule), which, among other things, requires the maintenance of minimum net capital. In February 2015, pursuant to a directive from FINRA, National Securities reverted back to using the alternative method of computing net capital from the aggregate indebtedness method. At September 9, 2016, National Securities had net capital of $5.6 million which was $5.4 million in excess of its required net capital of $250,000. National Securities is exempt from the provisions of Rule 15c-3-3 since it is an introducing broker-dealer that clears all transactions on a fully disclosed basis and promptly transmits all customer funds and securities to clearing brokers. Calculations of net capital and claimed exemptions are reviewed by an independent audit firm on an annual basis.

vFinance Investments is also subject to the Rule, which, among other things, requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 9, 2016, vFinance Investments had net capital of $2.2 million which was $1.2 million in excess of its required net capital of $1.0 million. vFinance Investments percentage of aggregate indebtedness to net capital was 77.9%. vFinance Investments is exempt from the provisions of Rule 15c-3-3 since it is an introducing broker-dealer that clears all transactions on a fully disclosed basis and promptly transmits all customer funds and securities to clearing brokers. Calculations of net capital and claimed exemptions are reviewed by an independent audit firm on an annual basis.

Advances, dividend payments and other equity withdrawals from its Broker-Dealer Subsidiaries are restricted by the regulations of the SEC, and other regulatory agencies. These regulatory restrictions may limit the amounts that a subsidiary may dividend or advance to the Company.

19. Off Balance Sheet Risk and Concentrations of Credit Risk

National is engaged in trading and providing a broad range of securities brokerage and investment services to a diverse group of retail and institutional clientele, as well as corporate finance and investment banking services to corporations and businesses. Counterparties to National's business activities include broker-dealers and clearing organizations, banks and other financial institutions. National uses clearing brokers to process transactions and maintain customer accounts for National on a fee basis. National permits the clearing firms to extend credit to its clientele secured by cash and securities in the client's account. National's exposure to credit risk associated with the non-performance by its customers and counterparties in fulfilling their contractual obligations can be directly impacted by volatile or illiquid trading markets, which may impair the ability of customers and counterparties to satisfy their obligations to National. National has agreed to indemnify the clearing brokers for losses they incur while extending credit to National's clients. It is National's policy to review, as necessary, the credit standing of its customers and counterparties. Amounts due from customers that are considered uncollectible by the clearing broker are charged back to National by the clearing broker when such amounts become determinable. Upon notification of a charge back, such amounts, in total or in part, are then either (i) collected from the customers, (ii) charged to the broker initiating the transaction and/or (iii) charged to operations, based on the particular facts and circumstances.

National maintains cash in bank deposits, which, at times, may exceed federally insured limits. National has not experienced and does not expect to experience losses on such accounts.

A short sale involves the sale of a security that is not owned in the expectation of purchasing the same security (or a security exchangeable) at a later date at a lower price. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss.

20. Segment Information

The Company operates in three reportable segments, Dermatology Product Sales, Pharmaceutical and Biotechnology Product Development and National. The accounting policies of the Company's segments are the same as those described in Note 2. The following tables summarize, for the periods indicated, operating results by reportable segment:

Cost of goods sold is directly related to product sales only. Revenues derived from co-promote revenue, which made up all of the Dermatology Product Sales in the first quarter had no cost of goods sold. As a result, cost of goods sold was only recorded in the three months ended September 30, 2016.

($ in thousands) **Three Months Ended September 30, 2016**	**Dermatology Products Sales**	**Pharmaceutical and Biotechnology Product Development**	**National**	**Consolidated**
Net Revenue	$ 429	$ 546	$ -	$ 975
Direct cost of goods	(41)	-	-	(41)
Sales and marketing costs	(1,244)	-	-	(1,244)
Research and development	-	(8,316)	-	(8,316)
General and administrative	(422)	(7,198)	-	(7,620)
Segment loss from operations	$ (1,278)	$ (14,968)	$ -	$ (16,246)
Segment assets	$ 2,657	$ 103,225	$ 39,539	$ 145,421

($ in thousands) **Three Months Ended September 30, 2015**	**Dermatology Products Sales**	**Pharmaceutical and Biotechnology Product Development**	**Consolidated**
Net Revenue	$ -	$ 25	$ 25
Sales and marketing costs	(950)	-	(950)
Research and development	-	(10,968)	(10,968)
General and administrative	(516)	(5,663)	(6,179)
Segment loss from operations	$ (1,466)	$ (16,606)	$ (18,072)
Segment assets	$ 1,593	$ 85,271	$ 86,864

($ in thousands) **Nine Months Ended September 30, 2016**	**Dermatology Products Sales**	**Pharmaceutical and Biotechnology Product Development**	**National**	**Consolidated**
Net Revenue	$ 1,793	$ 2,072	$ -	$ 3,865
Direct cost of goods	(365)	-	-	(365)
Sales and marketing costs	(4,212)	-	-	(4,212)
Research and development	-	(24,559)	-	(24,559)
General and administrative	(1,338)	(19,864)	-	(21,202)
Segment loss from operations	$ (4,122)	$ (42,351)	$ -	$ (46,473)
Segment assets	$ 2,657	$ 103,225	$ 39,539	$ 145,421

($ in thousands) **Nine Months Ended September 30, 2015**	**Dermatology Products Sales**	**Pharmaceutical and Biotechnology Product Development**	**Consolidated**
Net Revenue	$ -	$ 525	$ 525
Direct cost of goods	-	-	$ -
Sales and marketing costs	(1,632)	-	(1,632)
Research and development	-	(24,054)	(24,054)
General and administrative	(1,134)	(11,610)	(12,744)
Segment loss from operations	$ (2,766)	$ (35,139)	$ (37,905)
Segment assets	$ 1,593	$ 85,271	$ 86,864

Significant Customers

For the three months ended September 30, 2016, two of the Company's customers accounted for more than 10.0% of its total revenue in the amount of $0.2 million and $43,000, respectively. The revenue from these customers is captured in the product revenue, net line item within the Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2016, three of its customers accounted for more than 10.0% of its total revenue in the amount of $0.8 million, $0.3 million, and $0.3 million, respectively.

At September 30, 2016, three of the Company's customers accounted for more than 10.0% of its total accounts receivable balance in the amount of $0.1 million, $71,000 and $50,000, respectively.

Net Revenue from Pharmaceutical and Biotechnology Product Development represents collaboration revenue from TGTX in connection with Checkpoint, which is classified as related party revenue.

21. Subsequent Events

Mustang

On October 25, 2016 Mustang closed an additional round of financing totaling gross proceeds of $7.1 million, before expenses, in a private placement of shares and warrants for which National Securities Corporation, a subsidiary of National, was the placement agent and received a fee of $0.7 million or approximately 10% of the gross proceeds. The financing involved the sale of units, each consisting of 10,000 shares of common stock and a warrant exercisable for 2,500 shares of common stock at an exercise price of $8.50 per share, for a total price of $65,000 per unit. The warrants have a five-year term and are only exercisable for cash. Mustang issued 1.1 million unregistered shares of common stock and 272,645 warrants in connection with this transaction. In addition, the placement agent received 109,058 warrants or approximately 10% of the shares issued.

Pursuant to the terms of Mustang's $3.6 million NSC Note, upon the closing of Mustang's second round of financing on October 25, 2016, Mustang issued to National a warrant for 138,462 relating to its aggregate gross proceeds from its third party exceeding five times the value of the debt.

Helocyte

On October 31, 2016 Helocyte closed its third round of financing in connection with its convertible debt and raised gross proceeds of $1.0 million, before expenses of $0.1 million.

Cellvation

On October 31, 2016 Cellvation entered into two Patent & Technology License Agreements with The University of Texas Health Science Center at Houston ("UTHealth") for a combined upfront fee of $300,000. UTHealth received 5% of Cellvation's fully-diluted equity in connection with the transaction.

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

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," "plan", "seek" 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 develop and commercialize products both within Fortress and through certain of our subsidiary companies, which are sometimes referred to herein as the "Fortress Companies." Additionally, the Company recently acquired a controlling interest in National Holdings Corporation, a diversified independent brokerage company (together with its subsidiaries, herein referred to as "NHLD" or "National"). In addition to our internal development programs, we leverage our biopharmaceutical business expertise and drug development capabilities to provide funding and management services to help Fortress Companies achieve their goals. The Company and the Fortress Companies may seek licensings, acquisitions, partnerships, joint ventures and/or public and private financings to accelerate and provide additional funding to support their research and development programs. References in this report to "we," "us," "our," "the Company" and "Fortress" refer to Fortress Biotech, Inc. and the Fortress Companies.

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 and products related to financial services. 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 the above initiatives and believe our novel business approach will provide opportunities to achieve synergies across multiple Fortress Companies.

As of September 30, 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. In addition, as of September 9, 2016, we are the majority owner of National.

Recent Events

Fortress

On September 9, 2016, pursuant to that certain Agreement and Plan of Merger, we purchased approximately 56% of NHLD common stock, par value $0.02 per share, at the purchase price of $3.25 per share in cash for a total purchase price of approximately $22.9 million. We entered into the transaction in part because of NHLD's ability to finance emerging biotech transactions.

Avenue

In June 2016, Avenue completed an End-of-Phase 2 ("EOP2") meeting with the U.S. Food and Drug Administration ("FDA") and, based on the outcome of the EOP2 meeting, Avenue anticipates that the Phase 3 program will consists of three studies: an efficacy and safety study in an orthopedic model, an efficacy and safety study in a soft tissue model, and an open label safety study.

In March 2016, Avenue completed a pharmacokinetics (PK) study for IV Tramadol in healthy volunteers.

Checkpoint

In August 2016, Checkpoint's Investigational New Drug Application ("IND") for its EGFR inhibitor was accepted by the FDA and Checkpoint began its Phase 1/2 clinical trial in September 2016.

In May 2016, Checkpoint entered into a License Agreement with Jubilant Biosys Limited ("Jubilant"), whereby Checkpoint obtained an exclusive, worldwide license to Jubilant's family of patents covering compounds that inhibit BRD4, a member of the BET domain for cancer treatment, which Checkpoint refers to as CK-103. In connection with this license, Checkpoint entered into a sublicense agreement with TG Therapeutics, Inc. ("TGTX"), a related party, to develop and commercialize the compounds licensed in the field of hematological malignancies, while Checkpoint retains the right to develop and commercialize these compounds in the field of solid tumors.

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

Helocyte

On June 30, 2016, Helocyte held the first closing of the sale of convertible promissory notes. On September 30, 2016, Helocyte held its second closing of the sale of its convertible promissory notes to investors for an aggregate of $2.0 million. In total, Helocyte has raised $3.0 million through the sale of its convertible promissory notes during the calendar year.

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. The Phase 2 study is additionally supported by grants from the National Cancer Institute.

In February 2016, Helocyte entered into a Clinical Trial Agreement with 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.

Mustang

On September 30, 2016, Mustang closed on gross proceeds of $12.4 million, before expenses, in a private placement of shares and warrants for which National Securities Corporation was the placement agent and received a fee of $1.2 million or approximately 10% of the gross proceeds.

In May 2016, an oral presentation related to MB-101 (IL13R2-specific CAR-T cells) was presented by COH investigators at the American Society of Gene and Cell Therapy 19th Annual Meeting at the Marriott Wardman Park Hotel in Washington, DC.

JMC

In July 2016, JMC received FDA approval to manufacture Targadox ™ its product for the treatment of severe acne. Sales commenced in October 2016.

During the second quarter of 2016, JMC began sales of "Journey" branded products including Luxamend®, its prescription wound cream, and Ceracade ™, its emollient for the treatment of various types of dermatitis.

Reportable Business Segments

For presentation purposes, Results of Operations is presented on a detailed revenue and expense basis rather than on a reportable business segment basis. Our operations are subject to wide fluctuations due to our early stage of development. The following provides a summary of revenues and expenses for the periods presented.

Results of Operations

General

Year to date, we have revenues of $3.9 million, consisting of $1.8 million from the sale JMC products and $2.1 million from TGTX, a related party, in connection with certain collaboration arrangements with Checkpoint. At September 30, 2016, we had an accumulated deficit of $227.8 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 and our subsidiaries' 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.

We had $0.4 million of costs of goods sold in connection with the sale of JMC branded products.

In connection with JMC's licensing agreement to distribute its prescription wound cream Luxamend®, JMC paid an upfront fee of $50,000, and a $0.3 million upfront fee for the licensing agreement to distribute Ceracade ™, its prescription emollient for the treatment of various types of dermatitis. JMC commenced the sale of both of these products during the three months ended June 30, 2016 and accordingly commenced the amortization of these costs over their respective three year estimated useful life.

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 September 30, 2016 and 2015, research and development expenses were approximately $7.3 million and $9.1 million, respectively. Additionally, during the three months ended September 30, 2016 and 2015, we expensed $1.0 million and $1.9 million, respectively, in costs related to the acquisition of licenses. Noncash, stock-based compensation expense included in research and development for the three months ended September 30, 2016 and 2015, was $0.9 million and $3.7 million, respectively.

Included in the remaining $6.4 million and $5.4 million figures for the three months ended September 30, 2016 and 2015, respectively, are the following subsidiary level expenses related to license development: Avenue: $0.1 million and $0.1 million; Checkpoint: $3.2 million and $0.8 million; Escala: $0.1 million and $0.1 million; Helocyte: $0.9 million and nil; and Mustang: $0.5 million and $0.5 million. Additionally, for the three months ended September 30, 2016 and 2015, expenses related to CNDO-109 and TSO were $0.1 million and $0.1 million, and $40,000 and $2.9 million, respectively. Additionally, $0.5 million was incurred for options on potential new products by Fortress in the three months ended September 30, 2016. Also included in research and development expenses for the three months ended September 30, 2016 and 2015, were $1.0 million and $0.9 million, respectively, of employee costs.

For the nine months ended September 30, 2016 and 2015, research and development expenses were approximately $21.4 million and $13.2 million, respectively. Additionally, during the nine months ended September 30, 2016 and 2015, we expensed $3.1 million and $10.9 million, respectively, in costs related to the acquisition of licenses. Noncash, stock-based compensation expense included in research and development for the nine months ended September 30, 2016 and 2015, was $3.4 million and $4.3 million, respectively.

Included in the remaining $18.0 million and $8.9 million research and development expense figures for the nine months ended September 30, 2016 and 2015, respectively, are the following subsidiary level expenses related to license development: Avenue: $0.9 million and $0.3 million; Checkpoint: $7.6 million and $1.1 million; Escala: $0.7 million and $0.1 million; Helocyte: $3.1 million and $0.1 million; and Mustang: $1.5 million and $1.0 million. Additionally, for the nine months ended September 30, 2016 and 2015, expenses related to CNDO-109 and TSO were $0.7 million and $0.4 million, and $40,000 and $3.1 million, respectively. Further during the nine months ended September 30, 2016, Fortress incurred expenses $0.5 million for the option to acquire licenses for potential new products. Employee costs of $3.1 million and $2.6 million were also included in research and development expenses for the nine-months ended September 30, 2016 and 2015, respectively.

General and Administrative Expenses

General and administrative expenses consist principally of personnel-related costs, professional fees for legal, consulting, audit and tax services, rent and other general operating expenses not otherwise included in research and development expenses. For the three months ended September 30, 2016 and 2015, general and administrative expenses were approximately $8.9 million and $7.1 million, respectively. Noncash, stock-based compensation expense included in general and administrative expenses for the three months ended September 30, 2016 and 2015, was $2.0 million and $4.2 million, of which $1.5 million and $3.9 million relates to Fortress, $0.1 million and $0.3 million relates to JMC, $2,500 and $7,000 relates to Avenue, $17,000 and nil relates to Helocyte and $0.3 million and nil relates to Checkpoint, respectively.

Included in the remaining $6.9 million and $2.9 million figures for the three months ended September 30, 2016 and 2015, respectively, are employee related costs as follows: Fortress: $1.0 million and $1.6 million, JMC: $1.2 million and $0.9 million; Checkpoint: $0.2 million and $0.3 million; and Helocyte: $0.1 million and $0.1. The remaining costs for the three months ended September 30, 2016 and 2015, respectively, are comprised primarily of professional fees and services costs as follows: Fortress: $2.5 million and $0.9 million; JMC: $0.3 million and $0.2 million; Avenue: $0.1 million and $40,000; Checkpoint: $0.4 million and $80,000; Helocyte: $0.1 million and nil and Mustang: $0.8 million and $30,000, respectively.

For the nine months ended September 30, 2016 and 2015, general and administrative expenses were approximately $25.4 million and $14.4 million, respectively. Noncash, stock-based compensation expense included in general and administrative expenses for the nine months ended September 30, 2016 and 2015, was $5.4 million and $6.7 million, of which $3.9 million and $6.4 million relates to Fortress, $0.5 million and $0.2 million relates to JMC, $42,000 and nil relates to Helocyte, $11,000 and $22,500 relates to Avenue and $1.0 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:

- 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.

Included in the remaining $20.0 million and $7.7 million figures for the nine months ended September 30, 2016 and 2015, respectively, are employee related costs as follows: Fortress: $3.0 million and $1.7 million; JMC: $3.9 million and $1.7 million; Checkpoint: $0.6 million and nil; and Helocyte: $0.4 million and $0.1 million. Additional costs related to professional fees and services were incurred for the nine months ended September 30, 2016 and 2015 as follows: Fortress: $6.0 million and $3.0 million; JMC: $1.2 million and $0.7 million; Checkpoint: $1.6 million and $0.2 million; Helocyte: $0.4 million and $20,000; Escala: $0.1 million and $40,000; and Mustang: $1.4 million and $50,000, respectively.

Comparison of three months ended September 30, 2016 and 2015

	Three Months Ended September 30,		Change	
($ in thousands)	**2016**	**2015**	$	%
Product revenue, net	$ 429	$ -	$ 429	100%
Revenue - from a related party	546	25	521	2084%
Total revenue	975	25	950	3800%
Cost of good sold	41	-	41	100%
Gross margin	934	25	909	3636%
Operating expenses				
Research and development	7,316	9,073	(1,757)	(19)%
Research and development – licenses acquired	1,000	1,895	(895)	(47)%
General and administrative	8,864	7,129	1,735	24%
Total operating expenses	17,180	18,097	(917)	(5)%
Loss from operations	(16,246)	(18,072)	1,826	(10)%
Other income (expenses)				
Interest income	89	39	50	128%
Interest expense and financing fee	(689)	(350)	(339)	97%
Change in fair value of derivative liabilities	(16)	-	(16)	100%
Change in fair value of subsidiary convertible note	(13)	-	(13)	100%
Change in fair value of investments	(81)	(1,472)	1,391	(94)%
Total other expenses	(710)	(1,783)	1,073	(60)%
Net loss	(16,956)	(19,855)	2,899	(15)%
Less: net loss attributable to non-controlling interest	3,975	1,694	2,281	135%
Net loss attributable to common stockholders	$ (12,981)	$ (18,161)	$ 5,180	(29)%

Total revenues increased $1.0 million or 3,800% from the three months ended September 30, 2015 to the three months ended September 30, 2016. Revenue from sales of JMC products increased by $0.5 million and revenue from a related party attributed to Checkpoint increased by $0.5 million: $0.2 million related to Checkpoint's collaboration with TGTX on NeuPharma compounds and $0.3 million related to Checkpoint's collaboration with TGTX on CK-103.

Research and development expenses decreased $1.8 million, or 19%, from the three months ended September 30, 2015 to the three months ended September 30, 2016. The decrease is primarily attributed to a decrease in noncash, stock-based compensation expense of $2.8 million, partially offset by an increase in development costs of $0.6 million consisting of: $2.6 million at Checkpoint and $0.9 million at Helocyte offset by a decrease in the development of TSO of $2.8 million, $0.5 million associated with the purchase of options for new potential products by Fortress.

During the three months ended September 30, 2016, licenses acquired decreased by $0.9 million, or 47%, consisting of $1.0 million related to Checkpoint's achievement of its first development milestone in connection with their EGFR program, offset by the acquisition of the ManNAc license by Escala and a $0.6 million milestone payment due in connection with our license with Dana-Farber, for the three months ended September 30, 2015.

General and administrative expenses increased $1.7 million, or 24%, from the three months ended September 30, 2015 to the three months ended September 30, 2016. The increase is primarily due to: an increase in employee costs of $0.9 million related to $0.4 million at Fortress to expand our business development capabilities, $0.3 million at JMC as they expand their sales capabilities, and $0.2 million attributed to Checkpoint; an increase of $2.9 million of professional fees related to $1.6 million at Fortress, of which $0.9 million relates to legal expenses primarily due to the National tender offer, $0.3 million at Checkpoint, and $0.7 million at Mustang as both entities build their public company infrastructure, and the remaining $0.3 million pertains to JMC, Avenue and Helocyte. Stock-compensation expense decreased by $2.8 million of which $2.5 million pertains to the increase in value to a non-employee grant recorded by Checkpoint in the three months ended September 30, 2015.

During the three months ended September 30, 2016, total other expenses decreased by $1.1 million, or 60%, primarily due to the decrease of $1.4 million in the expense recorded related to the decrease in the fair value of our investment in Origio Acquisition Corporation, from $1.5 million for the three months ended September 30, 2015 to $0.1 million for the three months ended September 30, 2016, partially offset by an increase of financing fees of $0.3 million associated with Helocyte's convertible notes.

Non-controlling interests increased $2.3 million, or 135%, from the three months ended September 30, 2015 to the three months ended September 30, 2016. This increase reflects the increase in costs related to our subsidiaries.

Comparison of nine months ended September 30, 2016 and 2015

	Nine Months Ended September 30,		Change	
($ in thousands)	**2016**	**2015**	$	%
Product revenue, net	$ 1,793	$ -	$ 1,793	100%
Revenue - from a related party	2,072	525	1,547	295%
Total revenue	3,865	525	3,340	636%
Cost of good sold	365	-	365	100%
Gross margin	3,500	525	2,975	567%
Operating expenses				
Research and development	21,416	13,172	8,244	63%
Research and development – licenses acquired	3,143	10,882	(7,739)	(71)%
General and administrative	25,414	14,376	11,038	77%
Total operating expenses	49,973	38,430	11,543	30%
Loss from operations	(46,473)	(37,905)	(8,568)	23%
Other income (expenses)				
Interest income	241	195	46	24%
Interest expense and financing fee	(1,838)	(1,033)	(805)	78%
Change in fair value of derivative liabilities	(105)	-	(105)	100%
Change in fair value of subsidiary convertible note	(13)	-	(13)	100%
Change in fair value of investments	(1,800)	(65)	(1,735)	2669%
Total other expenses	(3,515)	(903)	(2,612)	289%
Net loss	(49,988)	(38,808)	(11,180)	29%
Less: net loss attributable to non-controlling interest	12,324	2,416	9,908	410%
Net loss attributable to common stockholders	$ (37,664)	$ (36,392)	$ (1,272)	3%

Total revenues increased $3.3 million or 636% from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. The increase is due to: (i) an increase in JMC product revenue of $1.8 million primarily related to revenue generated from the sale of JMC's two branded products: Luxamend™ and Ceracade™, and (ii) $1.5 million in revenue primarily related to Checkpoint's sublicense arrangement with TGTX.

Cost of goods sold increased by $0.4 million or 100% due to the commencement of branded sales by JMC.

Research and development expenses increased $8.2 million, or 63%, from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. The increase is attributable to the development of our subsidiary licenses as follows: $0.6 million for Avenue related to its PK study for IV Tramadol; $6.7 million for Checkpoint related to preclinical and product development activities primarily comprised of $2.7 million related to Dana-Farber programs; $2.3 million related to Checkpoint's agreement with NeuPharma, $0.7 million for CK-103 and $0.8 million of other; $3.1 million for Helocyte related to its sponsored research agreement with COH, $1.5 million for Triplex and $1.6 million for PepVax; $0.5 million for Mustang related to its sponsored research agreement with COH; $0.6 million for Escala related to its funding of research with the NIH; and a decrease of $0.1 million related to other programs. In addition, expenses related to CNDO -109 increased by $0.2 million, as a result of a milestone payment due to University College of London for completion of the Phase 1 study offset by a decline in spending of $3.1 million for CNDO - 201. Additionally, non-cash compensation expenses decreased by $1.3 million from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. The decrease primarily relates to a decrease of $2.5 million at Fortress due to a one-time expense related to warrants to purchase subsidiary stock issued to our CEO and Executive Vice President under each such officer's compensation agreement and an increase of $1.0 million of expenses related to the stock grants by Checkpoint to its employees and $0.4 million related to new stock grants made by Helocyte.

During the nine months ended September 30, 2016, we invested $2.0 million in a new license acquisition by Checkpoint from Jubilant for compounds that inhibit BRD4, a member of the BET domain for cancer treatment, or CK-103 and incurred expense of $1.0 million related to dosing of the first patient in Checkpoint's Phase 1/ 2 clinical trial related to their EGFR program, compared with $10.9 million for the acquisition of licenses during the nine months ended September 30, 2015, including our in-licensing of IV Tramadol for $3.0 million, the purchase by Mustang of Chimeric Antigen Receptor Technology from the COH for $2.2 million, Checkpoint's payment of $1.6 million for the license to develop a portfolio of fully human immuno-oncology targeted antibodies, Coronado SO Corporation's licensing of 1UO for $1.6 million, our license from NZP for the development of ManNAc for $1.3 million, our license for EGFR Inhibitors for $1.0 million (which was transferred to Checkpoint in March 2015), and Helocyte's purchase of $0.2 million to develop novel immunotherapies for the prevention and treatment of CMV from the COH.

General and administrative expenses increased $11.0 million, or 77%, from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. This increase is largely due to a $3.9 million increase related to our subsidiaries consisting of $0.5 million for JMC, $0.2 million for Avenue, $1.4 million for Checkpoint, $0.4 million for Helocyte, $1.3 million for Mustang and $0.1 million for others, combined with a $4.0 million increase at Fortress of which $2.0 million related to legal fees, $0.9 million for rent for our New York City office and the remaining $1.0 million related to an increase in professional fees. Employee costs increased by $4.4 million, consisting of $1.3 million at Fortress, primarily for the expansion of our business development platform, $2.2 million for JMC primarily related to the expansion of their sales force, $0.6 million for Checkpoint and $0.3 million for Helocyte. Stock-compensation expense decreased by $1.3 million primarily due to the one-time expense associated with subsidiary warrants granted to our CEO and Executive Vice Chair in July 2015 offset by expense related to new stock grants made to Checkpoint and Helocyte employees and consultants.

Total other expenses increased $2.6 million, or 289%, from the nine months ended September 30, 2015 to the nine months ended September 30, 2016, primarily due to an increase of $1.7 million in the value of our investment in Origo Acquisition Corporation, $0.5 million of fees related to the Helocyte debt offering and $0.3 million associated with Checkpoint's payment of its debt.

Non-controlling interests increased $9.9 million, or 410%, from the nine months ended September 30, 2015 to the nine months ended September 30, 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, 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. A failure to raise capital as and when needed would have a material adverse impact on our financial condition and our ability to pursue our business strategies. We may seek funds through equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financing. Adequate additional funding may not be available to us on acceptable terms or at all. If adequate funds are not available to us when needed, we may be required to delay, curtail or eliminate one or more of our research and development programs and, potentially, delay our growth strategy.

Cash Flows for the Nine Months September 30, 2016 and 2015

($ in thousands)	For the Nine Months Ended September 30, 2016	2015
Statement of cash flows data:		
Total cash (used in)/provided by:		
Operating activities	$ (27,842)	$ (13,316)
Investing activities	(4,755)	(31,335)
Financing activities	16,952	20,455
Decrease in cash and cash equivalents	$ (15,645)	$ (24,196)

Operating Activities

Net cash used in operating activities increased $14.5 million from the nine months ended September 30, 2015, compared to the nine months ended September 30, 2016. The increase in net cash used in operating activities was primarily due to the increase of $11.2 million in net loss, decrease of $6.8 million related to the acquired licenses and $3.1 million decrease of stock-based compensation expenses, partially offset by an increase of $3.6 million in changes in operating assets and liabilities, $1.7 million of change in fair value of investments, $0.5 million of financing fee on Helocyte Convertible Note and $0.4 million related to amortization of license fee.

Investing Activities

Net cash used in investing activities decreased $26.6 million from the nine months ended September 30, 2015, compared to the nine months ended September 30, 2016. The decrease is primarily due to $19.9 million decrease in purchase of marketable securities, $6.8 million decrease in licenses being acquired in 2016, $4.6 million of net cash acquired in the National acquisition and $0.9 million decrease in purchase of license, offset by the build-out of the New York City office of $5.7 million.

Financing Activities

Net cash provided by financing activities decreased $3.5 million from the nine months ended September 30, 2015, compared to the nine months ended September 30, 2016. 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. During the nine months ended September 30, 2016, we received $2.7 million in net proceeds from the Helocyte convertible debt and $5.0 million from the Opus Credit Facility.

Contractual Obligations and Commitments

During the nine months ended September 30, 2016, Helcoyte entered into a Convertible Note, guaranteed by the Company for $3.0 million which matures December 2017. Additionally, the Company entered into a Credit Facility with Opus, a related party, for a commitment of up to $25.0 million of which $5.0 million is currently outstanding. Outstanding debt under this facility matures September 2018.

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

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

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

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

Based on our analysis, as of September 30, 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 September 30, 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

Investing in our Common Stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the consolidated financial statements and the related notes, as well as the risks, uncertainties and other information set forth in the reports and other materials filed or furnished by our majority-controlled subsidiaries National Holdings Corporation ("NHLD"), Checkpoint Therapeutics, Inc. ("Checkpoint") and Mustang Bio, Inc. ("Mustang") with the SEC, before deciding to invest in shares of our Common Stock. If any of the following risks or the risks included in the public filings of NHLD, Checkpoint or Mustang were to materialize, our business, financial condition, results of operations, and future growth prospects could be materially and adversely affected. In that event, the market price of our Common Stock could decline and you could lose part of or all of your investment in our Common Stock.

Risks Related to our Growth Strategy

If we acquire, enter into joint ventures with or obtain a controlling interest in companies in the future, it could adversely affect our operating results and the value of our Common Stock thereby diluting stockholder value and disrupt our business.

As part of our growth strategy, we might acquire, enter into joint ventures with, or obtain a significant ownership stake in other companies. Acquisitions, joint ventures and investments in other companies, such as our recent acquisition of a controlling interest in NHLD, involve numerous risks, including:

- risk of entering new markets in which we have little to no experience;
- risk that our subsidiaries cannot generate significant or any revenue due to various uncertainties relevant to their products and services (including, in the case of our public company subsidiaries, those set forth in their public filings) and therefore that the value of their stock declines;
- diversion of financial and managerial resources from existing operations;
- successfully negotiating a proposed acquisition or investment timely and at a price or on terms and conditions favorable to us;

- the impact of regulatory reviews on a proposed acquisition or investment;
- the outcome of any legal proceedings that may be instituted with respect to the proposed acquisitions or investment;
- with respect to an acquisition, difficulties in integrating operations, technologies, services and personnel; and
- potential inability to maintain relationships with customers of the companies we may acquire or invest in.

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

If certain of our subsidiaries cannot innovate and develop products and services and/or continue to commercialize biopharmaceutical products or grow their respective businesses, we may not be able to generate revenue.

Our growth strategy also depends on our and our subsidiaries' ability to generate revenue. If we and our subsidiaries cannot innovate and develop products and services or continue to commercialize current and future biopharmaceutical products or grow their respective businesses, we may not be able to generate revenue growth as anticipated.

We may not be able to generate returns for our investors if certain of our subsidiaries, most of which have limited or no operating history, no commercialized revenue generating products, and are not yet profitable, cannot obtain additional third-party financing.

As part of our growth strategy, we have made and will likely continue to make substantial investments in our subsidiaries, which at the time of investment, generally have limited or no operating history, no commercialized revenue generating products, and require additional third-party financing to fund product and services development or acquisitions. Our business depends in large part on one or more of our subsidiaries' ability to innovate, in-license, acquire or invest in successful biopharmaceutical products, develop financial services and/or acquire companies in increasingly competitive and highly regulated markets. If certain of our subsidiaries do not successfully obtain additional third-party financing to commercialize products, successfully acquire companies or participate in the financial services industry, as applicable, the value of our investments and our business may be materially adversely affected.

If we cannot continue to fund our and certain of our subsidiaries' research and development programs, we and our subsidiaries may be required to reduce product development, which will adversely impact our growth strategy.

Our and certain of our subsidiaries' research and development ("R&D") programs will require substantial additional capital to conduct research, preclinical testing and human studies, establish pilot scale and commercial scale manufacturing processes and facilities, and establish and develop quality control, regulatory, marketing, sales and administrative capabilities to support these programs. We expect to fund our and certain of our subsidiaries' R&D activities from a combination of cash generated from royalties and milestones from our partners in various past and future collaborations and additional equity or debt financings from third parties. These financings could depress our stock price. If additional funds are required to support our or our subsidiaries' operations and such funds cannot be obtained on favorable terms, we and certain of our subsidiaries may not be able to develop products, which will adversely impact our growth strategy.

Collaborative relationships with third parties could cause us or certain of our subsidiaries to expend significant resources and incur substantial business risk with no assurance of financial return.

We anticipate substantial reliance upon strategic collaborations for marketing and commercializing our and certain of our subsidiaries' existing product candidates, and we and our subsidiaries may rely even more on strategic collaborations for R&D of other product candidates. We and certain of our subsidiaries may sell product offerings through strategic partnerships with pharmaceutical and biotechnology companies. If we or our subsidiaries are unable to establish or manage such strategic collaborations on terms favorable to us in the future, our revenue and drug development may be limited.

If we or certain of our subsidiaries enter into R&D collaborations during the early phases of drug development, success will in part depend on the performance of research collaborators. Neither we nor certain of our subsidiaries will directly control the amount or timing of resources devoted by research collaborators to activities related to product candidates. Research collaborators may not commit sufficient resources to our or our subsidiaries' R&D programs. If any research collaborator fails to commit sufficient resources, the preclinical or clinical development programs related to the collaboration could be delayed or terminated. Also, collaborators may pursue existing or other development-stage products or alternative technologies in preference to those being developed in collaboration with us or our subsidiaries. Finally, if we or certain of our subsidiaries fail to make required milestone or royalty payments to collaborators or to observe other obligations in agreements with them, the collaborators may have the right to terminate or stop performance of those agreements.

Establishing strategic collaborations is difficult and time-consuming. Our and certain of our subsidiaries' discussions with potential collaborators may not lead to the establishment of collaborations on favorable terms, if at all. Potential collaborators may reject collaborations based upon their assessment of our and our subsidiaries' financial, regulatory or intellectual property position. Even if we or our subsidiaries successfully establish new collaborations, these relationships may never result in the successful development or commercialization of product candidates or the generation of sales revenue. To the extent that we or our subsidiaries enter into collaborative arrangements, the related product revenues are likely to be lower than if we or our subsidiaries directly marketed and sold products.

Management of our relationships with collaborators will require:

- significant time and effort from our management team, as well as from the management teams of our subsidiaries;
- coordination of our and certain of our subsidiaries' marketing and R&D programs with the respective marketing and R&D priorities of our collaborators; and
- effective allocation of our and our subsidiaries' resources to multiple projects.

As we continue to execute our growth strategy, we may be subject to further government regulation which would adversely affect our operations.

If we engage in business combinations and other transactions that result in our Company holding passive investment interests in a number of entities, we may become subject to regulation under the Investment Company Act of 1940, as amended (the "Investment Company Act"). If we do become subject to the Investment Company Act, we would be required to register as an investment company and could be expected to incur significant registration and compliance costs in the future.

We may not be able to manage our anticipated growth, which may in turn adversely impact our business.

We will need to continue to expend funds on improving our infrastructure to address our anticipated growth. Acquisitions of companies or products could place a strain on our management, and administrative, operational and financial systems. In addition, we may need to hire, train and manage more employees, focusing on their integration with our Company and corporate culture. Integration and management issues associated with increased acquisitions may require a disproportionate amount of our management's time and attention and distract our management from other activities related to running our business.

We may not be able to hire or retain key officers or employees for our Company, and in some cases, our subsidiaries, to implement our business strategy and develop products and businesses.

Our success depends significantly on the continued contributions of our executive officers, financial, scientific and technical personnel and consultants, and on our ability to attract additional personnel for our Company and, in some cases, our subsidiaries as we continue to implement our growth strategy and acquire and invest in companies with varied businesses. During our and our subsidiaries' operating history, many essential responsibilities have been assigned to a relatively small number of individuals. However, as we continue to implement our growth strategy and our subsidiaries grow, the demands on our key employees will expand and we will need to recruit additional qualified employees for our Company and, possibly, for our subsidiaries. The competition for such qualified personnel is intense, and the loss of services of certain key personnel or our or our subsidiaries' inability to attract additional personnel to fill critical positions could adversely affect our business.

We currently depend heavily upon the efforts and abilities of our management team and the management teams of our subsidiaries. The loss or unavailability of the services of any of these individuals could have a material adverse effect on our business, prospects, financial condition and results. In addition, we have not obtained, do not own, nor are we the beneficiary of key-person life insurance for all of our and our subsidiaries' key personnel. We only maintain a limited amount of directors' and officers' liability insurance coverage to protect all of our directors and executive officers taken together (and those of our subsidiaries). There can be no assurance that this coverage will be sufficient to cover the costs of the events that may lead to its invocation, in which case, there could be a substantial impact on our and our subsidiaries' ability to continue operations.

Certain of our officers and directors serve in similar roles with our subsidiaries, affiliates, related parties and other parties with whom we transact business; ongoing and future relationships and transactions between these parties could result in conflicts of interest.

We share directors and/or officers with certain of our subsidiaries, affiliates, related parties or other companies with which we transact business, and such arrangements could create conflicts of interest in the future, including with respect to the allocation of corporate opportunities. While we believe that we have put in place policies and procedures to identify such conflicts and that any existing agreements that may give rise to such conflicts and any such policies or procedures were negotiated at arm's length in conformity with fiduciary duties, such conflicts of interest may nonetheless arise. The existence and consequences of such potential conflicts could expose us and our subsidiaries to lost profits, claims by our investors and creditors, and harm to our and our subsidiaries' results of operations.

Risks Related to Our Biopharmaceutical Business and Industry

We are an early-stage company, with limited operating history upon which stockholders can base an investment decision.

We remain primarily an early-stage biopharmaceutical company and certain of our subsidiaries, on whose success we largely rely, are also early-stage biopharmaceutical companies. To date, we and certain of our subsidiaries have engaged primarily in R&D and investment activities and have not generated any revenues from product sales. We and certain of our subsidiaries have incurred significant net losses since our inception. As of September 30, 2016, we had an accumulated deficit of approximately $227.8 million. We and certain of our subsidiaries have not demonstrated our ability to perform the functions necessary for the successful commercialization of any of our products. The successful commercialization of our and certain of our subsidiaries' products will require us and our subsidiaries to perform a variety of functions, including:

- identifying, developing, and commercializing product candidates;
- entering into successful licensing and other arrangements with product development partners;
- continuing to undertake pre-clinical development and clinical trials;
- participating in regulatory approval processes;
- formulating and manufacturing products; and
- conducting sales and marketing activities.

Our operations have been limited to organizing and staffing our Company (and in some cases our subsidiaries), acquiring, developing and securing the proprietary rights for, and undertaking pre-clinical development and clinical trials of product candidates, and making investments in other companies. These operations provide a limited basis for our stockholders and prospective investors to assess our ability to commercialize product candidates, develop potential product candidates and make successful investments in other companies, as well as for you to assess the advisability of investing in our securities. Each of these requirements will require substantial time, effort and financial resources.

If we or certain of our subsidiaries are unable to establish or maintain sales and marketing capabilities or fail to enter into agreements with third parties to market, distribute and sell products that may be successfully developed, neither we nor our subsidiaries may be able to effectively market and sell products and continue to generate product revenue.

Neither we nor our biopharmaceutical subsidiaries (other than Journey Medical Corporation) currently have the infrastructure for the sales, marketing and distribution of any of our product candidates, and we and certain of our subsidiaries must build and maintain this infrastructure or make arrangements with third parties to perform these functions in order to continue to commercialize any products that we may successfully develop. The establishment and development of a sales force, either by us, certain of our subsidiaries or jointly with a partner, or the establishment of a contract sales force to market any products we or our subsidiaries may develop is expensive and time-consuming and could delay any product launch or compromise the successful commercialization of products. If we, certain of our subsidiaries, or our respective partners, are unable to establish and maintain sales and marketing capability or any other non-technical capabilities necessary to commercialize any products that may be successfully developed, we or certain of our subsidiaries will need to contract with third parties to market and sell such products. We or certain of our subsidiaries may not be able to establish arrangements with third parties on acceptable terms, or at all.

If any of our or certain of our subsidiaries' product candidates that are successfully developed do not achieve broad market acceptance among physicians, patients, healthcare payors and the medical community, the revenues that any such product candidates generate from sales will be limited.

Even if our or certain of our subsidiaries' product candidates receive regulatory approval, they may not gain market acceptance among physicians, patients, healthcare payors and the medical community. Coverage and reimbursement of our or certain of our subsidiaries' product candidates by third-party payors, including government payors, generally is also necessary for commercial success. The degree of market acceptance of any approved products will depend on a number of factors, including:

- the efficacy and safety as demonstrated in clinical trials;
- the timing of market introduction of such product candidate as well as competitive products;
- the clinical indications for which the product is approved;
- acceptance by physicians, major operators of hospitals and clinics and patients of the product as a safe and effective treatment;
- the potential and perceived advantages of product candidates over alternative treatments;
- the safety of product candidates seen in a broader patient group, including its use outside the approved indications;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate reimbursement and pricing by third parties and government authorities;

- the approval, availability, market acceptance and reimbursement for a companion diagnostic, if any;
- relative convenience and ease of administration;
- the prevalence and severity of side effects and adverse events;
- the effectiveness of our sales and marketing efforts; and
- unfavorable publicity relating to the product.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors and patients, we or certain of our subsidiaries may not generate sufficient revenue from these products and in turn we may not become or remain profitable.

Healthcare reform and restrictions on reimbursements may limit our financial returns.

Our ability and the ability of certain of our subsidiaries and all of our respective collaborators to commercialize product candidates that are successfully developed may depend, in part, on the extent to which government health administration authorities, private health insurers and other organizations will reimburse consumers for the cost of these products. These third parties are increasingly challenging both the need for and the price of new drug products. Significant uncertainty exists as to the reimbursement status of newly approved therapeutics. Adequate third-party reimbursement may not be available for our or certain of our subsidiaries' product candidates, which would prevent those product candidates from selling at price levels sufficient to realize an appropriate return on investments in research and product development.

Failure to be included in formularies developed by managed care organizations and coverage by other organizations may negatively impact the utilization of our and certain of our subsidiaries' products, which could harm our and our subsidiaries' market share and could have a material adverse effect on our business and financial condition.

Managed care organizations and other third party payors try to negotiate the pricing of medical services and products to control their costs. Managed care organizations and pharmacy benefit managers typically develop formularies to reduce their cost for medications. Formularies can be based on the prices and therapeutic benefits of the available products. Due to their lower costs, generic products are often favored. The breadth of the products covered by formularies varies considerably from one managed care organization to another, and many formularies include alternative and competitive products for treatment of particular medical conditions. Failure to be included in such formularies or to achieve favorable formulary status may negatively impact the utilization and market share of our and certain of our subsidiaries' products. If our and our subsidiaries' products are not included within an adequate number of formularies or adequate reimbursement levels are not provided, or if those policies increasingly favor generic products, this could have a material adverse effect on our business and financial condition

Our existing product candidate and certain of our subsidiaries' product candidates are at an early stage of development and may not be successfully developed or commercialized.

Our existing product candidate, CNDO-109, and most of our subsidiaries' product candidates remain in the early stage of development and will require substantial further capital expenditures, development, testing and regulatory clearances prior to commercialization. The development and regulatory approval process takes several years and it is not likely that CNDO-109 or all our subsidiaries' product candidates, even if successfully developed and approved by the FDA, would be commercially available for several years. Of the large number of drugs in development, only a small percentage successfully completes the FDA regulatory approval process and is commercialized. Accordingly, even if we and our subsidiaries are able to obtain the requisite financing to fund development programs, we cannot assure you that any of our or our subsidiaries' product candidates will be successfully developed or commercialized, which could result in the failure of our business and a loss of your investment in our Company.

Because we and certain of our subsidiaries in-license certain product candidates from third parties, any dispute with the licensors or the non-performance of such license agreements may adversely affect our and our subsidiaries' ability to develop and commercialize the applicable product candidates.

All of our existing product candidates and certain of our subsidiaries' product candidates, including related intellectual property rights, were in-licensed from third parties. Under the terms of the license agreements, the licensors generally have the right to terminate such agreements in the event of a material breach. The licenses require us and certain of our subsidiaries to make annual, milestone or other payments prior to commercialization of any product and our and our subsidiaries' ability to make these payments depends on the ability to generate cash in the future. These license agreements also generally require the use of diligent and reasonable efforts to develop and commercialize product candidates.

If there is any conflict, dispute, disagreement or issue of non-performance between us or one of our subsidiaries, on the one hand, and the respective licensing partner, on the other hand, regarding the rights or obligations under the license agreements, including any conflict, dispute or disagreement arising from a failure to satisfy payment obligations under such agreements, the ability to develop and commercialize the affected product candidate may be adversely affected.

Product candidates we or certain of our subsidiaries advance into clinical trials may not receive regulatory approval.

Pharmaceutical development has inherent risk. We and certain of our subsidiaries will be required to demonstrate through well-controlled clinical trials that product candidates are effective with a favorable benefit-risk profile for use in their target indications before seeking regulatory approvals for their commercial sale. Success in early clinical trials does not mean that later clinical trials will be successful as product candidates in later-stage clinical trials may fail to demonstrate sufficient safety or efficacy despite having progressed through initial clinical testing. Also, we or our subsidiaries may need to conduct additional clinical trials that are not currently anticipated. Companies frequently suffer significant setbacks in advanced clinical trials, even after earlier clinical trials have shown promising results. As a result, product candidates we or our subsidiaries advance into clinical trials may not receive regulatory approval.

In addition, even if our or certain of our subsidiaries' product candidates were to obtain approval, regulatory authorities may approve any of such product candidates or any future product candidate for fewer or more limited indications than we or our subsidiaries request, may not approve the price we or our subsidiaries intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of these scenarios could compromise the commercial prospects for one or more of our or our subsidiaries current or future product candidates.

Any product candidates we or certain of our subsidiaries advance into clinical development are subject to extensive regulation, which can be costly and time consuming, cause unanticipated delays or prevent the receipt of the required approvals to commercialize product candidates.

The clinical development, manufacturing, labeling, storage, record-keeping, advertising, promotion, import, export, marketing and distribution of any product candidate, including our product candidate CNDO-109, and certain of our subsidiaries' product candidates, is subject to extensive regulation by the FDA in the United States and by comparable health authorities in foreign markets. In the United States, neither we nor our subsidiaries are permitted to market our product candidates until such product candidate's Biologics License Application ("BLA") or New Drug Application is approved by the FDA. The process of obtaining approval is expensive, often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. Our development of CNDO-109, which is an individualized immunotherapy, may in particular be affected because to date the FDA has only approved one individualized immunotherapy treatment. Certain of our subsidiaries' development of individualized immunotherapies, if any, will face similar challenges. In addition to the significant clinical testing requirements, our and our subsidiaries' ability to obtain marketing approval for product candidates depends on obtaining the final results of required non-clinical testing, including characterization of the manufactured components of our product candidates and validation of our and our subsidiaries' manufacturing processes. The FDA may determine that our or our subsidiaries' product manufacturing processes, testing procedures or facilities are insufficient to justify approval. Approval policies or regulations may change and the FDA has substantial discretion in the pharmaceutical approval process, including the ability to delay, limit or deny approval of a product candidate for many reasons. Despite the time and expense invested in clinical development of product candidates, regulatory approval is never guaranteed.

The FDA and other regulatory agencies can delay, limit or deny approval of a product candidate for many reasons, including, but not limited to:

- the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials or those of certain of our subsidiaries;
- our or certain of our subsidiaries' inability to demonstrate to the satisfaction of the FDA that a product candidate is safe and effective for any indication;
- the FDA may not accept clinical data from trials which are conducted by individual investigators or in countries where the standard of care is potentially different from that of the United States;
- the results of clinical trials may not meet the level of statistical significance required by the FDA for approval;
- the FDA may disagree with the interpretation of data from preclinical studies or clinical trials;
- the FDA may fail to approve the manufacturing processes or facilities or those of third-party manufacturers with which we, or certain of our subsidiaries or our respective collaborators contract for clinical and commercial supplies; or
- the approval policies or regulations of the FDA may significantly change in a manner rendering the clinical data insufficient for approval.

With respect to foreign markets, approval procedures vary among countries and, in addition to the aforementioned risks, can involve additional product testing, administrative review periods and agreements with pricing authorities. In addition, recent events raising questions about the safety of certain marketed pharmaceuticals may result in increased cautiousness by the FDA and comparable foreign regulatory authorities in reviewing new pharmaceuticals based on safety, efficacy or other regulatory considerations and may result in significant delays in obtaining regulatory approvals. Any delay in obtaining, or inability to obtain, applicable regulatory approvals would prevent us or our subsidiaries from commercializing our product candidates.

Any product candidate we or certain of our subsidiaries advance into clinical trials may cause unacceptable adverse events or have other properties that may delay or prevent their regulatory approval or commercialization or limit their commercial potential.

Unacceptable adverse events caused by any of our or certain of our subsidiaries' product candidates that we advance into clinical trials could cause regulatory authorities to interrupt, delay or stop clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications and markets. This, in turn, could prevent us or our subsidiaries from commercializing the affected product candidate and generating revenues from its sale. For example, in Phase 1/2 oncology trials, dose limiting toxicity ("DLT") stopping rules are commonly applied.

Neither we nor certain of our subsidiaries have completed testing of all our product candidates for the treatment of the indications for which we intend to seek product approval in humans, and we currently do not know the extent of adverse events, if any, that will be observed in patients who receive any of our or our subsidiaries' product candidates. If any of our or our subsidiaries' product candidates cause unacceptable adverse events in clinical trials, neither we nor our subsidiaries may be able to obtain regulatory approval or commercialize such products or, if such product candidates are approved for marketing, future adverse events could cause us or our subsidiaries to withdraw such products from the market.

Delays in the commencement of our clinical trials could result in increased costs and delay our or certain of our subsidiaries' ability to pursue regulatory approval.

The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- obtaining regulatory clearance to commence a clinical trial;
- identifying, recruiting and training suitable clinical investigators;
- reaching agreement on acceptable terms with prospective clinical research organizations ("CROs") and trial sites, the terms of which can be subject to extensive negotiation, may be subject to modification from time to time and may vary significantly among different CROs and trial sites;
- obtaining sufficient quantities of a product candidate for use in clinical trials;
- obtaining Institutional Review Board ("IRB") or ethics committee approval to conduct a clinical trial at a prospective site;
- identifying, recruiting and enrolling patients to participate in a clinical trial; and
- retaining patients who have initiated a clinical trial but may withdraw due to adverse events from the therapy, insufficient efficacy, fatigue with the clinical trial process or personal issues.

Any delays in the commencement of our or certain of our subsidiaries' clinical trials will delay our or our subsidiaries' ability to pursue regulatory approval for product candidates. In addition, many of the factors that cause, or lead to, a delay in the commencement of clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate.

Suspensions or delays in the completion of clinical testing could result in increased costs and delay or prevent our or certain of our subsidiaries' ability to complete development of that product or generate product revenues.

Once a clinical trial has begun, patient recruitment and enrollment may be slower than we anticipate. Clinical trials may also be delayed as a result of ambiguous or negative interim results or difficulties in obtaining sufficient quantities of product manufactured in accordance with regulatory requirements and on a timely basis. Further, a clinical trial may be modified, suspended or terminated by us or our subsidiaries, an IRB, an ethics committee or a data safety monitoring committee overseeing the clinical trial, any clinical trial site with respect to that site, or the FDA or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or clinical trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- stopping rules contained in the protocol;
- unforeseen safety issues or any determination that the clinical trial presents unacceptable health risks; and
- lack of adequate funding to continue the clinical trial.

Changes in regulatory requirements and guidance also may occur and we or certain of our subsidiaries may need to amend clinical trial protocols to reflect these changes. Amendments may require us or certain of our subsidiaries to resubmit clinical trial protocols to IRBs for re-examination, which may in turn impact the costs and timing of, and the likelihood of successfully completing, a clinical trial. If we or our subsidiaries experience delays in the completion of, or if we must suspend or terminate, any clinical trial of any product candidate, our ability to obtain regulatory approval for that product candidate will be delayed and the commercial prospects, if any, for the product candidate may suffer as a result. In addition, many of these factors may also ultimately lead to the denial of regulatory approval of a product candidate.

Even if approved, any product candidates that we or certain of our subsidiaries may develop and market may be later withdrawn from the market or subject to promotional limitations.

Neither we nor certain of our subsidiaries may be able to obtain the labeling claims necessary or desirable for the promotion of our product candidates if approved. We and our subsidiaries may also be required to undertake post-marketing clinical trials. If the results of such post-marketing studies are not satisfactory or if adverse events or other safety issues arise after approval, the FDA or a comparable regulatory agency in another country may withdraw marketing authorization or may condition continued marketing on commitments from us or our subsidiaries that may be expensive and/or time consuming to complete. In addition, if we or others identify adverse side effects after any of our or our subsidiaries' products are on the market, or if manufacturing problems occur, regulatory approval may be withdrawn and reformulation of our or our subsidiaries' products, additional clinical trials, changes in labeling of our or our subsidiaries' products and additional marketing applications may be required. Any reformulation or labeling changes may limit the marketability of such products if approved.

We and certain of our subsidiaries currently rely on third parties to manufacture our preclinical and clinical pharmaceutical supplies and expect to continue to rely on them and other contractors to produce commercial supplies of our products, and our dependence on third-party suppliers could adversely impact our business.

We and certain of our subsidiaries depend on third party manufacturers for product supply. If our or our subsidiaries' contract manufacturers cannot successfully manufacture material that conforms to our specifications and with FDA regulatory requirements, we will not be able to secure and/or maintain FDA approval for those products. Our and our subsidiaries' third-party suppliers will be required to maintain compliance with cGMPs and will be subject to inspections by the FDA and comparable agencies in other jurisdictions to confirm such compliance. In the event that the FDA or such other agencies determine that our third-party suppliers have not complied with cGMP, the relevant clinical trials could be terminated or subjected to a clinical hold until such time as we are able to obtain appropriate replacement material. Any delay, interruption or other issues that arise in the manufacture, packaging, or storage of our products as a result of a failure of the facilities or operations of our third-party suppliers to pass any regulatory agency inspection could significantly impair our ability to develop and commercialize our and our subsidiaries' products.

We and certain of our subsidiaries also rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce product candidates for anticipated clinical trials. There are a small number of suppliers for certain capital equipment and raw materials that are used to manufacture those products. We do not have any control over the process or timing of the acquisition of these raw materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Any significant delay in the supply the raw material components for an ongoing clinical trial could considerably delay completion of our clinical trials, product testing and potential regulatory approval.

We do not expect to have the resources or capacity to commercially manufacture our and certain of our subsidiaries' products, if approved, and will likely continue to be dependent upon third-party manufacturers. Our dependence on third parties to manufacture and supply clinical trial materials and any approved products may adversely affect our and our subsidiaries' ability to develop and commercialize products on a timely basis or at all.

We and certain of our subsidiaries rely on third parties to conduct clinical trials. If these third parties do not meet agreed upon deadlines or otherwise conduct the trials as required, our or our subsidiaries' clinical development programs could be delayed or unsuccessful and neither we nor our subsidiaries may be able to obtain regulatory approval for or commercialize our product candidates when expected or at all.

Neither we nor certain of our subsidiaries have the ability to conduct all aspects of our preclinical testing or clinical trials ourselves. We and certain of our subsidiaries intend to and do use CROs to conduct planned clinical trials and will and do rely upon such CROs, as well as medical institutions, clinical investigators and consultants, to conduct our trials in accordance with specified clinical protocols. These CROs, investigators and other third parties will and do play a significant role in the conduct of our and certain of our subsidiaries' trials and the subsequent collection and analysis of data from the clinical trials.

There is no guarantee that any CROs, investigators and other third parties upon which we and our subsidiaries rely for administration and conduct of our clinical trials will devote adequate time and resources to such trials or perform as contractually required. If any of these third parties fail to meet expected deadlines, fail to adhere to our clinical protocols or otherwise perform in a substandard manner, our or our subsidiaries' clinical trials may be extended delayed or terminated. If any of the clinical trial sites terminate for any reason, we or our subsidiaries may lose follow-up information on patients enrolled in our ongoing clinical trials unless the care of those patients is transferred to another qualified clinical trial site. In addition, principal investigators for our and our subsidiaries' clinical trials may serve as scientific advisers or consultants to us from time to time and receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, the integrity of the data generated at the applicable clinical trial site may be jeopardized.

If our competitors develop treatments for any of the target indications of our or certain of our subsidiaries' product candidates that are approved more quickly, marketed more successfully or demonstrated to be more effective, the commercial opportunity with respect to that product candidate will be reduced or eliminated.

We and certain of our subsidiaries operate in highly competitive segments of the biopharmaceutical markets and face competition from many different sources, including commercial pharmaceutical enterprises, academic institutions, government agencies, and private and public research institutions. Our and our subsidiaries' product candidates, if successfully developed and approved, will compete with established therapies, as well as new treatments that may be introduced by our competitors. Many of our and our subsidiaries' competitors have significantly greater financial, product development, manufacturing and marketing resources than us. Large pharmaceutical companies have extensive experience in clinical testing and obtaining regulatory approval for drugs. In addition, many universities and private and public research institutes are active in cancer research, some in direct competition with us. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. New developments, including the development of other biological and pharmaceutical technologies and methods of treating disease, occur in the pharmaceutical and life sciences industries at a rapid pace. Developments by competitors may render our and our subsidiaries' product candidates obsolete or noncompetitive. We and our subsidiaries will also face competition from these third parties in establishing clinical trial sites and patient registration for clinical trials and in identifying and in-licensing new product candidates.

We or certain of our subsidiaries may incur substantial product liability or indemnification claims relating to the clinical testing of product candidates.

We and certain of our subsidiaries face an inherent risk of product liability exposure related to the testing of product candidates in human clinical trials, and claims could be brought against us if use or misuse of one of our or our subsidiaries' product candidates causes, or merely appears to have caused, personal injury or death. While we and our subsidiaries have and/or intend to maintain product liability insurance relating to clinical trials, that coverage may not be sufficient to cover potential claims and we or our subsidiaries may be unable to maintain such insurance. Any claims against us or our subsidiaries, regardless of their merit, could severely harm our or our subsidiaries' financial condition, strain management and other resources or destroy the prospects for commercialization of the product which is the subject of any such claim. We are unable to predict if we or our subsidiaries will be able to obtain or maintain product liability insurance for any products that may be approved for marketing. Additionally, we and certain of our subsidiaries have entered into various agreements where we indemnify third parties for certain claims relating to product candidates. These indemnification obligations may require us or our subsidiaries to pay significant sums of money for claims that are covered by these indemnifications.

We and certain of our subsidiaries use biological materials and may use hazardous materials, and any claims relating to improper handling, storage or disposal of these materials could be time consuming and costly.

We and certain of our subsidiaries may use hazardous materials, including chemicals and biological agents and compounds that could be dangerous to human health and safety or the environment. Our and certain of our subsidiaries' operations may also produce hazardous waste products. Federal, state and local laws and regulations govern the use, generation, manufacture, storage, handling and disposal of these materials and wastes. Compliance with applicable environmental laws and regulations may be expensive, and current or future environmental laws and regulations may impair our product development efforts. In addition, neither we nor our subsidiaries can entirely eliminate the risk of accidental injury or contamination from these materials or wastes. Neither we nor our subsidiaries carry specific biological or hazardous waste insurance coverage and our property and casualty and general liability insurance policies specifically exclude coverage for damages and fines arising from biological or hazardous waste exposure or contamination. Accordingly, in the event of contamination or injury, we or any of our subsidiaries could be held liable for damages or penalized with fines in an amount exceeding our respective resources, and clinical trials or regulatory approvals could be suspended.

Although we maintain workers' compensation insurance to cover costs and expenses incurred due to injuries to our and our subsidiaries' employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. Neither we nor our subsidiaries maintain insurance for environmental liability or toxic tort claims that may be asserted in connection with the storage or disposal of biological or hazardous materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our success depends upon our and certain of our subsidiaries' ability to obtain and maintain intellectual property rights and take advantage of certain regulatory market exclusivity periods.

Our success depends, in large part, on our and certain of our subsidiaries' ability to obtain patent protection for product candidates and their formulations and uses. The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we, our subsidiaries, or our respective partners will be successful by obtaining patents. These risks and uncertainties include the following:

- patent applications may not result in any patents being issued;
- our and our subsidiaries' competitors, many of which have substantially greater resources than us, our subsidiaries, or our partners, and many of which have made significant investments in competing technologies, may seek, or may already have obtained, patents that may limit or interfere with our or our subsidiaries' ability to make, use, and sell potential product candidates;
- there may be significant pressure on the U.S. government and other international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing products.

In addition, patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable, or otherwise may not provide any competitive advantage. Third parties are often responsible for maintaining patent protection for our product candidates and those of our subsidiaries. For example, UCLB is responsible for prosecuting and maintaining patent protection for CNDO-109, at our expense for our territories. If UCLB fails to appropriately prosecute and maintain patent protection for this product candidate, our ability to develop and commercialize CNDO-109 may be adversely affected and we may not be able to prevent competitors from making, using and selling competing products. This failure to properly protect intellectual property rights relating to any of our or our subsidiaries' product candidates could have a material adverse effect on our financial condition and results of operations.

In addition, U.S. patent laws may change, which could prevent or limit us or our subsidiaries from filing patent applications or patent claims to protect products and/or technologies or limit the exclusivity periods that are available to patent holders. For example, on September 16, 2011, the Leahy-Smith America Invents Act (the "Leahy-Smith Act"), was signed into law, and includes a number of significant changes to U.S. patent law. These include changes to transition from a "first-to-invent" system to a "first-to-file" system and to the way issued patents are challenged. The formation of the Patent Trial and Appeal Board now provides a quicker and less expensive process for challenging issued patents. These changes may favor larger and more established companies that have more resources to devote to patent application filing and prosecution. The PTO implemented the America Invents Act on March 16, 2013.

We and our subsidiaries and our respective partners also rely on trade secrets and proprietary know-how to protect product candidates. Although we have taken steps to protect our and our subsidiaries' trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisers, third parties may still come upon this same or similar information independently.

We also may rely on the regulatory period of market exclusivity for any of our or our subsidiaries' biologic product candidates that are successfully developed and approved for commercialization. Although this period in the United States is currently 12 years from the date of marketing approval, there is a risk that the U.S. Congress could amend laws to significantly shorten this exclusivity period, as proposed by President Obama. Once any regulatory period of exclusivity expires, depending on the status of our and our subsidiaries' patent coverage and the nature of the product, we may not be able to prevent others from marketing products that are biosimilar to or interchangeable with our or our subsidiaries' products, which would materially adversely affect us.

If we, certain of our subsidiaries or our respective partners are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in that litigation would have a material adverse effect on our business.

Our success also depends on our ability, many of our subsidiaries' ability and the ability of any of our respective current or future collaborators to develop, manufacture, market and sell product candidates without infringing the proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we and our subsidiaries are developing products, some of which may be directed at claims that overlap with the subject matter of our or our subsidiaries' intellectual property. Because patent applications can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that our or our subsidiaries' product candidates or proprietary technologies may infringe. Similarly, there may be issued patents relevant to our or our subsidiaries' product candidates of which we are not aware.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and biopharmaceutical industries generally. If a third party claims that we, our subsidiaries or any of our respective licensors, suppliers or collaborators infringe the third party's intellectual property rights, we or our subsidiaries may have to:

- obtain licenses, which may not be available on commercially reasonable terms, if at all;
- abandon an infringing product candidate or redesign products or processes to avoid infringement;
- pay substantial damages, including the possibility of treble damages and attorneys' fees, if a court decides that the product or proprietary technology at issue infringes on or violates the third party's rights;

- pay substantial royalties, fees and/or grant cross-licenses to product candidates; and/or

- defend litigation or administrative proceedings which may be costly regardless of outcome, and which could result in a substantial diversion of financial and management resources.

We or certain of our subsidiaries may be involved in lawsuits to protect or enforce patents or the patents of licensors, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our or certain of our subsidiaries' patents or the patents of our respective licensors. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming. An adverse result in any litigation or defense proceedings could put one or more of our or our subsidiaries' patents at risk of being invalidated, found to be unenforceable, or interpreted narrowly and could likewise put patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our or our subsidiaries' confidential information could be compromised by disclosure during this type of litigation.

We or certain of our subsidiaries may be subject to claims that our or our subsidiaries' consultants or independent contractors have wrongfully used or disclosed to us or our subsidiaries alleged trade secrets of their other clients or former employers.

As is common in the biopharmaceutical industry, we and certain of our subsidiaries engage the services of consultants to assist in the development of product candidates. Many of these consultants were previously employed at, or may have previously been or are currently providing consulting services to, other pharmaceutical companies, including our and our subsidiaries' competitors or potential competitors. We or our subsidiaries may become subject to claims related to whether these consultants have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers or their former or current customers. Litigation may be necessary to defend against these claims. Even if we or our subsidiaries are successful in defending these claims, litigation could result in substantial costs and be a distraction to management.

Any product for which we or our subsidiaries obtain marketing approval could be subject to restrictions or withdrawal from the market and we or our subsidiaries may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with products, when and if any of them are approved.

Any product for which we or our subsidiaries obtain marketing approval, along with the manufacturing processes and facilities, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and comparable regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration requirements, cGMP requirements relating to quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if we or our subsidiaries obtain regulatory approval of a product, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. We or our subsidiaries also may be subject to state laws and registration requirements covering the distribution of products. Later discovery of previously unknown problems with products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in actions such as:

- restrictions on product manufacturing, distribution or use;

- restrictions on the labeling or marketing of a product;

- requirements to conduct post-marketing studies or clinical trials;

- warning letters;

- withdrawal of the products from the market;

- refusal to approve pending applications or supplements to approved applications that we or our subsidiaries submit;

- voluntary or mandatory recall;

- fines;

- suspension or withdrawal of regulatory approvals or refusal to approve pending applications or supplements to approved applications that we or our subsidiaries submit;

- refusal to permit the import or export of products;

- suspension or withdrawal of marketing or regulatory approvals;

- product seizure or detentions;
- injunctions or the imposition of civil or criminal penalties; and
- adverse publicity.

If we, our subsidiaries or our respective suppliers, third-party contractors, clinical investigators or collaborators are slow to adapt, or are unable to adapt, to changes in existing regulatory requirements or adoption of new regulatory requirements or policies, we, our subsidiaries, or our respective collaborators may lose marketing approval for products when and if any of them are approved, resulting in decreased revenue from milestones, product sales or royalties.

Internet and internal computer system failures or compromises of our systems or security could damage our reputation and harm our business.

Although a significant portion of our business is conducted using traditional methods of contact and communications such as face-to-face meetings, a portion of our business and the business of our subsidiaries is conducted through the Internet. We could experience system failures and degradations in the future. We also rely on space and office-sharing arrangements that impose additional burdens on our information security systems. We cannot assure you that we will be able to prevent an extended and/or material system failure and the unintentional disclosure of confidential information if any of the following events occur:

- human error;
- subsystem, component, or software failure;
- a power or telecommunications failure;
- an earthquake, fire, or other natural disaster or act of God;
- hacker attacks or other intentional acts of vandalism; or;
- terrorist acts or war.

Risks Relating to our Finances, Capital Requirements and Other Financial Matters

We are an early-stage company with a history of operating losses that is expected to continue and we are unable to predict the extent of future losses, whether we will generate significant or any revenues or whether we will achieve or sustain profitability.

We are an early-stage company and our prospects must be considered in light of the uncertainties, risks, expenses and difficulties frequently encountered by companies in their early stages of operations. We continue to generate operating losses in all periods including losses from operations of approximately $35.8 million, $20.7 million and $50.5 million for the years ended December 31, 2013, 2014 and 2015, respectively, and losses from operations of $46.5 million for the nine months ended September 30, 2016. At September 30, 2016, we had an accumulated deficit of approximately $227.8 million. We expect to make substantial expenditures and incur increasing operating costs and interest expense in the future and our accumulated deficit will increase significantly as we expand development and clinical trial activities for our product candidates and finance investments in certain of our existing and new subsidiaries in accordance with our growth strategy. Our losses have had, and are expected to continue to have, an adverse impact on our working capital, total assets and stockholders' equity. Because of the risks and uncertainties associated with product development and our investments in certain of our subsidiaries, we are unable to predict the extent of any future losses, whether we will ever generate significant or any revenues or if we will ever achieve or sustain profitability.

At September 30, 2016, the amount of debt outstanding under our promissory note in favor of Israel Discount Bank of New York ("IDB") was $14.9 million. The loan is collateralized by a security interest, a general lien upon, and right of set off against, our money market account of $15.0 million. If we default on our obligations, IDB may declare the loan immediately payable together with accrued interest and exercise its right to set-off. If an event of default occurs, we may not be able to cure it within any applicable cure period, if at all. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us, or at all. In addition, the promissory note with IDB may limit our ability to finance future operations or satisfy capital needs or to engage in, expand or pursue our business activities. It may also prevent us from engaging in activities that could be beneficial to our business and our stockholders unless we repay the outstanding debt, which may not be desirable or possible.

We may need substantial additional funding and may be unable to raise capital when needed, which may force us to delay, curtail or eliminate one or more of our R&D programs, commercialization efforts and planned acquisitions and potentially change our growth strategy.

Our operations have consumed substantial amounts of cash since inception. During the years ended December 31, 2013, 2014 and 2015 we incurred R&D expenses of approximately $25.7 million, $10.2 million and $29.8 million, respectively and research and development expenses of approximately $21.4 million for the nine months ended September 30, 2016. We expect to continue to spend significant amounts on our growth strategy. We believe that our current cash and cash equivalents will enable us to continue to fund operations in the normal course of business for at least the next 12 months. In addition, in February 2015, we raised $10.0 million in a private placement of a promissory note to NSC Biotech Venture Fund I LLC. However, until such time, if ever, as we can generate a sufficient amount of product revenue and achieve profitability, we expect to seek to finance potential cash needs. Our ability to obtain additional funding when needed, changes to our operating plans, our existing and anticipated working capital needs, the acceleration or modification of our planned R&D activities, expenditures, acquisitions and growth strategy, increased expenses or other events may affect our need for additional capital in the future and require us to seek additional funding sooner than anticipated. In addition, if we are unable to raise additional capital when needed, we might have to delay, curtail or eliminate one or more of our R&D programs and commercialization efforts and potentially change our growth strategy.

Raising additional funds by issuing securities or through licensing or lending arrangements may cause dilution to our existing stockholders, restrict our operations or require us to relinquish proprietary rights.

To the extent that we raise additional capital by issuing equity securities, the share ownership of existing stockholders will be diluted. Any future debt financing may involve covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, redeem our stock, make certain investments and engage in certain merger, consolidation or asset sale transactions, among other restrictions. In addition, if we raise additional funds through licensing arrangements, it may be necessary to relinquish potentially valuable rights to our or our subsidiaries' product candidates, or grant licenses on terms that are not favorable to us.

If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, investors' views of us and, as a result, the value of our Common Stock.

Pursuant to Section 404 of the Sarbanes Oxley Act of 2002 and related rules, our management is required to report on, and our independent registered public accounting firm is required to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. To comply with the requirements of being a reporting company under the Exchange Act, we may need to further upgrade our systems, including information technology, implement additional financial and management controls, reporting systems and procedures and hire additional accounting and finance staff. If material weaknesses or deficiencies in our internal controls exist and go undetected, our financial statements could contain material misstatements that, when discovered in the future could cause us to fail to meet our future reporting obligations and cause the price of our Common Stock to decline.

Risks Associated with our Capital Stock

Some of our executives, directors and principal stockholders can control our direction and policies, and their interests may be adverse to the interests of our other stockholders.

At September 30, 2016, Lindsay A. Rosenwald, M.D., our Chairman, President and Chief Executive Officer, beneficially owned 12.8% of our issued and outstanding capital stock. At September 30, 2016, Michael S. Weiss, our Executive Vice Chairman, Strategic Development, beneficially owned 15.3% of our issued and outstanding capital stock. By virtue of their holdings and membership on our Board of Directors, Dr. Rosenwald and Mr. Weiss may individually influence our management and our affairs and may make it difficult for us to consummate corporate transactions such as mergers, consolidations or the sale of all or substantially all of our assets that may be favorable from our standpoint or that of our other stockholders.

The market price of our Common Stock may be volatile and may fluctuate in a way that is disproportionate to our operating performance.

Our stock price may experience substantial volatility as a result of a number of factors, including:

- announcements we make regarding our or our subsidiaries' current product candidates, acquisition of potential new product candidates and companies and/or in-licensing through multiple subsidiaries;
- sales or potential sales of substantial amounts of our Common Stock;
- our or our subsidiaries' delay or failure in initiating or completing pre-clinical or clinical trials or unsatisfactory results of any of these trials;
- announcements about us, our subsidiaries or about our competitors, including clinical trial results, regulatory approvals or new product introductions;
- developments concerning our or our subsidiaries' licensors and/or product manufacturers;

- litigation and other developments relating to our or our subsidiaries' patents or other proprietary rights or those of our competitors;
- conditions in the pharmaceutical or biotechnology industries;
- governmental regulation and legislation;
- unstable regional political and economic conditions, such as those caused by the U.S. presidential election;
- variations in our anticipated or actual operating results; and
- change in securities analysts' estimates of our performance, or our failure to meet analysts' expectations.

Many of these factors are beyond our control. The stock markets in general, and the market for pharmaceutical and biotechnological companies in particular, have historically experienced extreme price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors could reduce the market price of our Common Stock, regardless of our actual operating performance.

Sales of a substantial number of shares of our Common Stock, or the perception that such sales may occur, may adversely impact the price of our Common Stock.

Almost all of the 48.9 million outstanding shares of our Common Stock as of September 30, 2016 are available for sale in the public market, either pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), or an effective registration statement. In addition, in August 2016, we filed a shelf registration statement on Form S-3, which, upon effectiveness, will permit us to issue and sell shares of our common stock having an aggregate offering price of up to $53 million from time to time under our Amended and Restated At Market Issuance Sales Agreement we entered into with MLV & Co and FBR Capital Markets & Co. on August 17, 2016.

We and certain of our subsidiaries have never paid and do not intend to pay cash dividends. As a result, capital appreciation, if any, will be your sole source of gain.

We and certain of our subsidiaries have never paid cash dividends on any of our or their capital stock and we and many of our subsidiaries currently intend to retain future earnings, if any, to fund the development and growth of our businesses. In addition, the terms of existing and future debt agreements may preclude us and certain of our subsidiaries from paying dividends. As a result, capital appreciation, if any, of our Common Stock will be your sole source of gain for the foreseeable future.

Provisions in our certificate of incorporation, our bylaws and Delaware law might discourage, delay or prevent a change in control of our Company or changes in our management and, therefore, depress the trading price of our Common Stock.

Provisions of our certificate of incorporation, our bylaws and Delaware law may have the effect of deterring unsolicited takeovers or delaying or preventing a change in control of our Company or changes in our management, including transactions in which our stockholders might otherwise receive a premium for their shares over then-current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. These provisions include:

- the inability of stockholders to call special meetings; and
- the ability of our Board of Directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could include the right to approve an acquisition or other change in our control or could be used to institute a rights plan, also known as a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our Board of Directors.

In addition, the Delaware General Corporation Law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years, has owned 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our Common Stock. They could also deter potential acquirers of our Company, thereby reducing the likelihood that you could receive a premium for your Common Stock in an acquisition.

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
10.33	Credit Facility Agreement dated as of September 14, 2016, by and among Fortress Biotech, Inc. and Opus Point Healthcare Innovations Fund, LP
10.34	Form of Fortress Biotech, Inc. Convertible Secured Promissory Note
10.35	Form of Common Stock Purchase Warrant
10.36	Pledge and Security Agreement dated as of September 14, 2016 made by the Fortress Biotech, Inc. and FBIO Acquisition, Inc. in favor of Opus Point Healthcare Innovations Fund, LP
31.1	Certification of Chairman, President and Chief Executive Officer (Principal Executive Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Executive Vice President and Chief Financial Officer (Principal Financial Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chairman, President and Chief Executive Officer (Principal 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 Executive Vice President and Chief Financial Officer (Principal Financial Officer), 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 Documents
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

FORTRESS BIOTECH, INC.

November 9, 2016 By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D., Chairman, President and Chief Executive Officer (Principal Executive Officer)

November 9, 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 10.33

CREDIT FACILITY AGREEMENT

CREDIT FACILITY AGREEMENT (this "Agreement"), dated as of September 14, 2016, is made by and among FORTRESS BIOTECH, INC., a Delaware corporation (the "Borrower"), and each of OPUS POINT HEALTHCARE INNOVATIONS FUND, LP ("Opus") and any other lenders listed on the signature pages hereto (Opus and any other lenders, together with their successors and permitted assigns, the "Lenders" and, together with the Borrower, the "Parties").

W I T N E S S E T H:

WHEREAS, the Borrower wishes to borrow from the Lenders up to a maximum of twenty- five million Dollars ($25,000,000) for the purpose described in Section 2.1; and

WHEREAS, the Lenders desire to make loans to the Borrower for such purpose.

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the Parties agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 General Definitions. Wherever used in this Agreement, or the Exhibits attached hereto, unless the context otherwise requires, the following terms have the following meanings:

"1933 Act" has the meaning set forth in Section 3.3(d).

"1934 Act" has the meaning set forth in Section 3.3(d).

"Accrued Interest Amount" has the meaning set forth in Section 2.7.

"Affiliate" means any Person or entity that, directly or indirectly through one or more intermediaries, owns more than 25% of the transferable ownership of a Person, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Lender, any investment fund or managed account that is managed or advised on a discretionary basis by the same investment manager as such Lender will be deemed to be an Affiliate of such Lender. As used in this definition of "Affiliate," the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or partnership or other ownership interest, by contract, or otherwise.

"Agreement Date" means the date of this Agreement.

"Applicable Laws" means all statutes, rules and regulations of Governmental Authorities in the United States or elsewhere applicable to the Borrower.

"Authorizations" has the meaning set forth in Section 3.1(m).

"Business Day" means a day on which banks are open for business in The City of New York.

"Change of Control" means (a) any Person becomes the beneficial owner, directly or indirectly, of 50% or more of the outstanding Equity Interests of the Borrower; or (b) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the board of directors of the Borrower.

"Code" means the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

"Commitment" means the commitment of a Lender to make or otherwise fund a Loan and "Commitments" means such commitments of all Lenders in the aggregate. The amount of each Lender's Commitment is set forth on the signature page hereto, subject to any adjustment or reduction pursuant to the terms and conditions hereof. The aggregate amount of the Commitments as of the Agreement Date is $25,000,000.

"Commitment Period" means the period from the Agreement Date to September 1, 2017.

"Commitment Warrants" has the meaning set forth in Section 2.9(a).

"Common Stock" means the common stock, par value $0.001 per share, of the Borrower.

"Continuing Directors" means (i) the directors of the Borrower on the Agreement Date; and (ii) any other director, if, in each case, such other director's nomination for election to the board of directors of the Borrower is recommended by at least a majority of the then-serving directors of the Borrower.

"Default" means any event which, at the giving of notice, lapse of time or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an Event of Default.

"Defaulting Lender" has the meaning set forth in Section 2.2.

"Disbursement", "Disbursement Date", and "Disbursement Request" have the meanings given to them in Section 2.2.

"Dollars" and the "$" sign mean the lawful currency of the United States of America.

"Equity Interests" means, with respect to any Person, all of the shares, interests, participations and other equivalents (however designated) of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"Event of Default" has the meaning given to it in Section 5.3.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

"Excluded Taxes" means with respect to any Lender, (a) income or franchise taxes imposed by the United States, or by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender is organized or incorporated or in which its principal office is located, or in which the applicable lending office of such Lender is located, or as a result of a present or former connection between such Lender and the jurisdiction (or any political subdivision thereof) imposing such tax (other than a connection arising from such Lender's having a security interest under, having been a party to, having enforced or having engaged in any other transaction pursuant to this Agreement or any other Loan Document), (b) any branch profits taxes imposed by the United States, (c) any United States withholding Tax imposed on amounts payable to such Lender under a law in effect on the date such Lender became a party to this Agreement, except to the extent that such Lender is a direct or indirect assignee of a Lender that was entitled, immediately prior to such assignment, to receive payments under Section 2.5 on account of such Tax, (d) any United States withholding Tax imposed on amounts payable to such Lender, or (e) any United States withholding Tax imposed on amounts payable to such Lender under FATCA.

"FATCA" means Sections 1471 through 1474 of the Code, any regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the foregoing.

"Funding Warrants" has the meaning set forth in Section 2.9(b).

"GAAP" means generally accepted accounting principles consistently applied as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession).

"Governmental Authority" means any government, quasi-governmental agency, governmental department, ministry, cabinet, commission, board, bureau, agency, court, tribunal, regulatory authority, instrumentality, judicial, legislative, fiscal, or administrative or public body or entity, whether domestic or foreign, federal, state or local, having jurisdiction over the matter or matters and Person or Persons in question.

"Indemnified Person" has the meaning set forth in Section 6.11(a).

"Indemnified Taxes" means all Taxes including Other Taxes, other than Excluded Taxes.

"Indemnity" has the meaning set forth in Section 6.11(a).

"Interest Payment Date" has the meaning set forth in Section 2.7.

"Interest Rate" means 12.00% interest per annum.

"IRS" means the United States Internal Revenue Service.

"Lender" has the meaning given to it in the preamble of this Agreement. A third party may become an additional "Lender" (and thereby become subject to the all the provisions hereof applicable to Lenders) upon the mutual consent of the Borrower and the Required Lenders, which mutual consent shall specify the Commitment Amount of any such additional Lender.

"Lien" means any lien, pledge, preferential arrangement, mortgage, security interest, deed of trust, charge, assignment, hypothecation, title retention, or other encumbrance on or with respect to property or interest in property having the practical effect of constituting a security interest, in each case with respect to the payment of any obligation with, or from the proceeds of, any asset or revenue of any kind.

"Loan Documents" means this Agreement, the Notes, the Warrants, the Pledge and Security Agreement and any other document or instrument delivered in connection with any of the foregoing and dated as of the Agreement Date or subsequent thereto, whether or not specifically mentioned herein or therein.

"Loans" means the loans made available by the Lenders to the Borrower pursuant to Section 2.2 in the maximum aggregate amount of the Commitments or, as the context may require, the principal amount thereof from time to time outstanding.

"Loan Securities" has the meaning set forth in Section 3.3(d).

"Loss" has the meaning set forth in Section 6.11(a).

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, financial condition or assets of the Borrower, taken as a whole, (b) the validity or enforceability of any provision of any Loan Document, (c) the ability of the Borrower to timely perform the Obligations or (d) the rights and remedies of the Lenders under any Loan Document; provided, however, that none of the following shall be deemed either alone or in combination to constitute, and none of the following shall be taken into account in determining whether there has been or would be, a Material Adverse Effect: (A) any adverse effect that results directly or indirectly from general economic, business, financial or market conditions; and (B) any adverse effect arising directly or indirectly from or otherwise relating to any of the industries or industry sectors in which the Borrower operates.

"Maturity Date" has the meaning set forth in Section 2.3(a).

"Necessary Documents" has the meaning set forth in Section 3.1(i).

"Notes" means the Convertible Secured Promissory Notes issued to the Lenders evidencing the Loans substantially in the form attached hereto as Exhibit A. The Notes shall be senior to any current and future indebtedness of the Borrower, except for the secured indebtedness currently owing to the Israel Discount Bank ("IDB") (which is currently secured by cash) pursuant to: (i) that certain Assignment and Pledge of Money Market Account, dated as of February 2014, executed by the Borrower in favor of IDB; (ii) that certain Assignment and Pledge of Time Deposit, dated as of July 31, 2015, executed by the Borrower in favor of IDB; and (iii) any other agreement, certificate or other document executed in connection with the foregoing clauses (i) and (ii); in each case (i), (ii) and (iii), as such document may be amended from time to time in accordance with the terms thereof.

"Obligations" means all obligations (monetary or otherwise) of the Borrower owing to the Lenders and arising under or in connection with the Loan Documents

"Organizational Documents" means the Certificate of Incorporation, Bylaws, or similar documents, each as amended to date, of the Borrower.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, duties, other charges or similar levies, and all liabilities with respect thereto, together with any interest, additions to tax or penalties applicable thereto (including by reason of any delay in payment) arising from any payment made hereunder or from the execution, delivery, registration or enforcement of, or otherwise with respect to, any Loan Document, except any such Taxes that are imposed with respect to an assignment (other than an assignment made in connection with the exercise of remedies following an Event of Default).

"Permitted Liens" of the Borrower means (a) Liens and security interests in favor of the Lenders; (b) Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof); (c) Liens existing on the Agreement Date; (d) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws (excluding Liens imposed by ERISA or the substantial equivalent under foreign law (including any statutory Liens for profit sharing plans imposed by foreign law)), warehousemen's mechanic's materialmen's and attorneys' Liens, and statutory or common law landlords' Liens (or the substantial equivalent under foreign law)) and Liens and pledges or deposits to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money, provided, in each case, that the obligation secured is not more than 30 days overdue or, if so overdue, is being contested in good faith by appropriate actions or proceedings and that adequate reserves have been established in accordance with GAAP; (e) Liens of or resulting from any judgment or award not constituting an Event of Default; (f) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Borrower or which customarily exist on properties of companies engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Borrower; (g) Liens or set-off rights arising by contract in the ordinary course of business or by law and in connection with cash management and banking arrangements entered into in the ordinary course of business; and (h) Liens placed upon equipment or component materials (and the proceeds thereof) of a Borrower for short-term trade payable arrangements with vendors of such Borrower to secure all or a portion of the purchase price of such equipment or materials, provided that (i) any such lien shall not encumber any other property of any Borrower, (ii) the amount of indebtedness secured thereby is not increased, (iii) the principal amount of indebtedness secured by any such Lien shall at no time exceed one hundred percent (100%) of the original price for the purchase of such property at the time of purchase and (iv) such Liens are made in the ordinary course of business and consistent with prior practices.

"Person" means and includes any natural person, individual, partnership, joint venture, corporation, trust, limited liability company, limited company, joint stock company, unincorporated organization, government entity or any political subdivision or agency thereof, or any other entity.

"Pledge and Security Agreement" means the Pledge and Security Agreement dated as of the date hereof pursuant to which the Borrower (and any other grantors party to such agreement) granted a first priority security interest in shares in certain of its subsidiaries as collateral for the Loans, as set forth in the Pledge and Security Agreement.

"Pledged Shares" shall have the meaning set forth in the Pledge and Security Agreement.

"Pro Rata Share" means, with respect to all payments, computations and other matters relating to the Commitment or Loans of any Lender, the percentage obtained by dividing (a) the Commitment of that Lender, by (b) the aggregate Commitments of all Lenders. If the commitment of each Lender to make Loans has terminated or expired, then the Pro Rata Share of each Lender shall be determined based on the Pro Rata Share of such Lender most recently in effect, giving effect to subsequent assignments.

"Register" has the meaning set forth in Section 1.4(b).

"Required Lenders" means, at any time, Lenders holding Loans representing more than 50% of the sum of the Loans outstanding.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, including the rules and regulations promulgated thereunder.

"Taxes" means all present or future taxes, levies, imposts, stamp or other duties, deductions, charges or withholdings imposed by any Governmental Authority, and all liabilities with respect thereto (including by reason of any delay in payment).

"Warrant Shares" has the meaning set forth in Section 3.1(p).

"Warrants" has the meaning set forth in Section 2.9(b).

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties require, and all verbs shall be read and construed as agreeing with their corresponding nouns and pronouns; the division of this Agreement into Articles and Sections (and the use of headings and captions) is for convenience of reference only and shall not modify or affect the interpretation or construction of this Agreement or any of its provisions; the words "herein," "hereof," "hereunder," "hereinafter" and "hereto" and words of similar import refer to this Agreement as a whole and not to any particular Article or Section hereof; the words "include," "including," and derivations thereof shall be deemed to have the phrase "without limitation" attached thereto unless otherwise expressly stated; references to a specified Article, Exhibit or Section shall be construed as a reference to that specified Article, Exhibit or Section of this Agreement; and any reference to any of the Loan Documents means such document as the same shall be amended, supplemented or modified and from time to time in effect.

Section 1.3 Business Day Adjustment. If the day by which any payment or other performance is due to be made is not a Business Day, that payment or performance shall be made by the next succeeding Business Day unless that next succeeding Business Day falls in a different calendar month, in which case that payment or other performance shall be made by the Business Day immediately preceding the day by which such payment or other performance is due to be made.

Section 1.4 Register.

(a) The Borrower shall record on its books and records the amount of each Loan, the Interest Rate applicable thereto, all payments of principal and interest thereon and the principal balance thereof from time to time outstanding.

(b) The Borrower shall establish and maintain, at its address referred to in Section 6.1: (i) a record of ownership (the "Register") in which the Borrower agrees to register by book entry the interests (including any rights to receive payment hereunder) of each Lender in the Loans, and any assignment of any such interest, and (ii) accounts in the Register in accordance with its usual practice in which it shall record (1) the names and addresses of the Lenders (and any change thereto pursuant to this Agreement), (2) the amount of the Loans and each funding of any participation therein, (3) the amount of any principal or interest due and payable or paid, and (4) any other payment received by the Lenders from the Borrower and its application to the Loans.

(c) Notwithstanding anything to the contrary contained in this Agreement: (i) the Loans (including any Notes evidencing the Loans) are registered obligations, (ii) the right, title and interest of the Lenders and their assignees in and to the Loans shall be transferable only upon notation of such transfer in the Register, (iii) and no assignment thereof shall be effective until recorded therein. This Section 1.4 shall be construed so that the Loans are at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code.

(d) The Borrower and the Lenders shall treat each Person whose name is recorded in the Register as a Lender for all purposes of this Agreement. Information contained in the Register with respect to any Lender shall be available for access by the Borrower or such Lender at any reasonable time and from time to time upon reasonable prior notice.

ARTICLE 2

AGREEMENT FOR THE LOAN

Section 2.1 Use of Proceeds. The proceeds of the Loans will be used for working capital and for other general corporate purposes.

Section 2.2 Commitments; Disbursement of Loans; Pro Rata Shares. During the Commitment Period, subject to the terms and conditions hereof, each Lender severally agrees to make Loans to the Borrower in an aggregate amount up to but not exceeding such Lender's Commitment. Any amounts borrowed under this Section 2.2 and subsequently repaid or prepaid may not be re-borrowed. Subject to Section 2.3(b), all amounts owed hereunder with respect to the Loans shall be paid in full on the Maturity Date.

Whenever the Borrower desires that the Lenders disburse a Loan to the Borrower (each, a Disbursement"), the Borrower shall deliver to the Lenders a written request (a "Disbursement Request") for a Disbursement at least fifteen (15) Business Days in advance of the proposed disbursement date (the "Disbursement Date"); provided, however, that the first Disbursement Notice shall be deemed delivered on the Agreement Date simultaneously with the execution and delivery hereof. Each Disbursement shall be in an aggregate minimum amount of $500,000 (five hundred thousand dollars) and integral multiples of $100,000 (one thousand dollars) in excess of that amount. Upon satisfaction or waiver of the conditions set forth in Article 4 hereof, each Lender shall fund its Pro Rata Share of the Disbursement.

All Disbursements pertaining to a given Disbursement Request shall be made by Lenders simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Lender shall be responsible for any default by any other Lender of such other Lender's obligation to make a Disbursement requested hereunder nor shall any Commitment of any Lender be increased or decreased as a result of a default by any other Lender of such other Lender's obligation to make a Disbursement requested hereunder. If any Lender (a "Defaulting Lender") fails for any reason or no reason to fund 100% of a Disbursement Request by the Disbursement Date, then such Lender shall be in default under this Agreement and shall forfeit its right to the Commitment Warrants.

Section 2.3 Payment.

(a) The Borrower shall pay the outstanding principal of all Loans and any Accrued Interest Amounts thereon on the twenty-four-month anniversary of the Agreement Date (the "Maturity Date").

(b) The Borrower may prepay all or a portion of the outstanding Disbursements upon five (5) days' notice to the Lenders pertaining to such Disbursement(s), without any prepayment penalty and subject only to the repayment obligations contained in this Section 2.3(b). Each prepayment by the Borrower shall be applied first, to all expenses and indemnification payments then owing to the Lenders (if any), second, to accrued and unpaid interest on the Loans, and third, to the principal balance of the Loans, and shall be allocated among the Lenders in accordance with their Pro Rata Shares. The amount of any prepayment to be applied to principal shall be applied to the payments required under Section 2.3(a) in direct order of maturity. For the avoidance of doubt, in the event that the Borrower provides prepayment notice pursuant to this Section 2.3(b), the Lenders shall retain any conversion rights to which they are entitled under outstanding Notes during the aforementioned five (5)-day period.

Section 2.4 Payments. The Borrower shall pay to each Lender such Lender's Pro Rata Share of all principal, interest and other amounts due and owing under the Loan Documents. All payments by the Borrower under any of the Loan Documents shall be made without setoff or counterclaim. Payments of any amounts due to the Lenders under this Agreement shall be made in Dollars in immediately available funds prior to 11:00 a.m. New York City time on such date that any such payment is due, at such bank or places as the Lenders shall from time to time designate to the Borrower in writing at least five (5) Business Days prior to the date such payment is due. The Borrower shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution, in connection with making any payments under any of the Loan Documents, except for any costs imposed by the Lenders' banking institutions.

Section 2.5 Taxes.

(a) Any and all payments hereunder or under any other Loan Document shall be made, in accordance with this Section 2.5, free and clear of and without deduction for any and all present or future Indemnified Taxes except as required by Applicable Law. If Borrower shall be required by law to deduct any Indemnified Taxes from or in respect of any sum payable hereunder or under any other Loan Document, (i) the sum payable shall be increased by as much as shall be necessary so that after making all required deductions (including deductions for Indemnified Taxes applicable to additional sums payable under this Section 2.5), each Lender shall receive an amount equal to the sum it would have received had no such deductions been made (any and all such additional amounts payable shall hereafter be referred to as the "Additional Amounts"), (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law. Borrower shall promptly furnish to the applicable Lender the original or a certified copy of a receipt evidencing payment thereof or other evidence of such payment reasonably satisfactory to such Lender.

(b) Borrower agrees to pay, and each Lender authorizes Borrower to pay in its name (but without duplication), all Other Taxes. Borrower shall promptly furnish to the applicable Lender the original or a certified copy of a receipt evidencing payment thereof or other evidence of such payment reasonably satisfactory to such Lender.

(c) Borrower shall reimburse and indemnify, within 10 days after receipt of written demand therefor, each Lender for all Indemnified Taxes (including all Indemnified Taxes imposed on amounts payable under this Section 2.5(c)) paid by such Lender. A reasonably detailed certificate of the applicable Lender(s) setting forth the amounts to be paid thereunder and delivered to Borrower shall be conclusive, absent manifest error.

(d) If a payment to a Lender under this Agreement would be subject to U.S. withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA, such Lender shall deliver to Borrower, at the times prescribed by law or as reasonably requested by Borrower, such documentation as is required in order for Borrower to comply with its obligations under FATCA, to determine that such Lender has or has not complied with its obligations under FATCA, or to determine the amount to deduct and withhold from such payment.

(e) If a Lender determines in good faith that it has received a refund from a Governmental Authority of any Indemnified Taxes previously paid or reimbursed by Borrower, such Lender shall promptly pay the amount so paid or reimbursed by the Borrower (not to exceed the amount so refunded) to the Borrower, net of all out-of-pocket expense (including any Taxes imposed thereon) of such Lender incurred in obtaining such refund or making such payment to the Borrower, provided that the Borrower, upon the request of such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Lender if such Lender is required to repay such refund to such Governmental Authority. Nothing in this Section shall require any Lender to disclose any information it deems confidential (including, without limitation, its tax returns) to any Person, including Borrower.

Section 2.6 Costs, Expenses and Losses. If, as a result of any failure by the Borrower to pay any sums due under this Agreement (other than pursuant to Section 2.3(b)) on the due date therefor (after the expiration of any applicable grace periods), the Lenders shall, after applying reasonable mitigation efforts, incur costs, expenses and/or losses, by reason of the liquidation or redeployment of deposits from third parties or in connection with obtaining funds to make or maintain the Commitments, the Loans or any Disbursement, the Borrower shall pay to the Lenders (within 15 days after receipt by it of a certificate from the Lenders setting forth in reasonable detail such costs, expenses and/or losses incurred with supporting documentation) the amount of such costs, expenses and/or losses. For the purposes of the preceding sentence, "costs, expenses and/or losses" shall include, without limitation, any interest paid or payable to carry any unpaid amount and any loss, premium, penalty or expense which may be incurred in obtaining, liquidating or employing deposits of or borrowings from third parties in order to make, maintain or fund the Loans or any portion thereof.

Section 2.7 Interest. The outstanding principal amount of the Notes shall bear interest at the Interest Rate (calculated on the basis of a year of 365 days and the actual number of days elapsed). Interest shall be paid quarterly in arrears commencing on December 1, 2016 and on the first Business Day of each September, December, March and June thereafter (each, an "Interest Payment Date") until the Maturity Date. Upon notice from the Borrower to the Lenders prior to any of the first five Interest Payment Dates applicable to any Disbursement, all or a portion of the interest (as otherwise payable on such Interest Payment Date) for the applicable Interest Payment Date or Interest Payment Dates shall not be paid in cash but shall be added to the then outstanding amount of said Disbursement (the aggregate amount of all such interest so added, the "Accrued Interest Amount"). The Borrower may provide such notice for any Disbursement on one or more occasions. The Accrued Interest Amount with respect to each Disbursement shall be paid in cash not later than the last Business Day of the sixth calendar quarter following the date of such Disbursement.

Section 2.8 Default Interest. Upon the occurrence and during the continuance of an Event of Default, the outstanding principal balance of the Loans and, to the extent permitted by Applicable Law, any overdue interest payments on the Loans or any other amounts owed hereunder, shall thereafter bear interest (including post-petition interest in any proceeding under the United States Bankruptcy Code or other applicable bankruptcy laws) payable on demand at a rate that is two percent (2%) in excess of the Interest Rate.

Section 2.9 Issuance of Warrants.

(a) Within 15 (fifteen) days after termination of the Commitment Period, Borrower shall issue to Lenders their Pro Rata Shares of warrants to purchase in the aggregate 1,500,000 shares of Common Stock, in substantially the form set forth on Exhibit B-1 hereto (the "Commitment Warrants").

(b) Within 15 (fifteen) days after termination of the Commitment Period, Borrower shall issue to all non-Defaulting Lenders, on a pro rata basis based on their actual Loan amount to the principal amount of all Notes issued, warrants to purchase a number of shares of Common Stock, in substantially the form set forth on Exhibit B-2 hereto in an amount equal to the product of: (i) 1,000,000; times (ii) the principal amount of all Notes issued pursuant to this Agreement divided by 25,000,000 (such warrants, the "Funding Warrants" and, collectively with the Commitment Warrants, the "Warrants"). For the avoidance of doubt, the early termination by the Borrower pursuant to Section 6.14 shall not relieve the Borrower of its obligations to issue the Warrants contained in this Section 2.9.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Borrower. The Borrower represents and warrants to the Lenders that, as of the Agreement Date and each Disbursement Date:

(a) The Borrower is conducting its business in compliance with its Organizational Documents, which are in full force and effect.

(b) No Default or Event of Default has occurred.

(c) The Borrower (i) is not bankrupt and (ii) has not taken action, and no such action has been taken by a third party, for the Borrower's winding up, dissolution, or liquidation or similar executory or judicial proceeding or for the appointment of a liquidator, custodian, receiver, trustee, administrator or other similar officer for the Borrower or any or all of its assets or revenues.

(d) The obligation of the Borrower to make any payment under this Agreement (together with all charges in connection therewith) is absolute and unconditional.

(e) The Borrower is validly existing as a corporation in good standing under the laws of the state of Delaware. The Borrower has full power and authority to own its properties, conduct its business and enter into the Loan Documents to which it is a party and to consummate the transactions contemplated under such Loan Documents, and is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect.

(f) There is not pending or, to the knowledge of the Borrower, threatened in writing, any action, suit or other proceeding before any Governmental Authority that would reasonably be expected to have a Material Adverse Effect (i) to which the Borrower a is a party, or (ii) which has as the subject thereof any assets owned by the Borrower. There are no current or, to the knowledge of the Borrower, pending, legal, governmental or regulatory enforcement actions, suits or other proceedings to which the Borrower or any of its assets is subject that would reasonably be expected to have a Material Adverse Effect.

(g) The Loan Documents, as and when executed and delivered, have been duly authorized, executed and delivered by the Borrower and constitute a valid, legal and binding obligation of the Borrower enforceable against the Borrower in accordance with their terms, except as such enforceability may be limited by (i) applicable bankruptcy, reorganization, moratorium or other similar laws affecting creditors' rights generally and (ii) applicable equitable principles. The execution, delivery and performance of the Loan Documents by the Borrower and the consummation of the transactions therein contemplated will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to the Loan Documents) upon any assets of the Borrower pursuant to any agreement to which the Borrower is a party or by which the Borrower is bound or to which any of the assets of the Borrower is subject, (B) result in any violation of or conflict with the provisions of the Organizational Documents of the Borrowers, (C) result in the violation of any Applicable Law or (D) result in the violation of any judgment, order, rule, regulation or decree of any Governmental Authority, except, with respect to the foregoing clauses (A), (C) and (D), as could not reasonably be expected to have a Material Adverse Effect. No consent, approval, authorization or order of, or registration or filing with, any Governmental Authority is required for the execution, delivery and performance of any of the Loan Documents or for the consummation by the Borrower of the transactions contemplated thereby, except for such registrations and filings in connection with the issuance of the Warrants and Warrant Shares pursuant to the Loan Documents that are necessary to comply with federal and state securities laws, rules and regulations. The Borrower has the power and authority to enter into the Loan Documents and to consummate the transactions contemplated under the Loan Documents.

(h) Other than has been obtained or shall be obtained pursuant to the terms hereof, no Authorization is required for (i) the execution and delivery by the Borrower of this Agreement, the Warrants and the other Loan Documents, or (ii) the consummation of the transactions contemplated hereby and thereby, including but not limited to the issuance and exercise of the Warrants.

(i) The Borrower holds, and is operating in compliance in all material respects with, all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders of any Governmental Authority (collectively, "Necessary Documents") material to its business, and all such required Necessary Documents are valid and in full force and effect; the Borrower has not received written notice of any revocation or modification of any of the Necessary Documents, and the Borrower has no reason to believe that any of the Necessary Documents will not be renewed in the ordinary course of business (to the extent applicable); and the Borrower is in compliance in all material respects with all applicable federal, state, local and foreign laws, regulations, orders and decrees applicable to the conduct of its business, except for such instances of non-compliance as would not reasonably be expected to have a Material Adverse Effect.

(j) The Borrower has good and marketable title to all of its material assets. The property held under lease by the Borrower is held under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Borrower.

(k) The Borrower is not in violation of its Organizational Documents, and no event has occurred which, with notice or lapse of time or both, would constitute such breach or other default in the performance of any agreement or condition contained in any agreement under which it may be bound, or to which any of its assets is subject, except for such breaches or defaults as would not reasonably be expected to have a Material Adverse Effect.

(l) As of the Agreement Date, no income, franchise or other material Tax Return of the Borrower is under audit or examination by any Governmental Authority.

(m) The Borrower: (A) except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, has not received any warning letter or other correspondence or notice from any Governmental Authority alleging or asserting noncompliance with any Applicable Laws or any licenses, certificates, approvals, clearances, authorizations, permits and supplements or amendments thereto required in connection with the business of the Borrower by any Applicable Laws (together, the "Authorizations"); (B) except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect possesses and complies with the Authorizations, which are valid and in full force and effect; (C) except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, has not received written notice that any Governmental Authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any Authorization and has no knowledge that any Governmental Authority is considering such action; and (D) except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect has filed, obtained, maintained or submitted all reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Applicable Laws or Authorizations.

(n) The audited financial statements of the Borrower as of December 31, 2015, together with the related notes included therein, fairly present the financial condition of the Borrower as of such date and the results of operations and changes in cash flows for the periods therein specified in conformity with GAAP consistently applied throughout the periods involved, and, as of the Agreement Date, there are no material off-balance sheet arrangements or any other relationships with unconsolidated entities or other persons that may have a material current or, to the Borrower's knowledge, material future effect on the Borrower's financial condition, results of operations, liquidity, capital expenditures, capital resources or significant components of revenue or expenses.

(o) The Borrower maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for material assets is compared with existing assets at reasonable intervals, and appropriate action is taken with respect to any differences.

(p) All of the issued and outstanding shares of capital stock of the Borrower are duly authorized and validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities that have not been waived in writing; the Warrants and the shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") have been duly authorized, and the Warrant Shares, when issued, delivered and paid for in accordance with the terms of the Warrants, will have been validly issued and will be fully paid and nonassessable. The issuance and delivery of the Warrants does not and, assuming full exercise of the Warrants, the exercise of the Warrants will not, require approval from any Governmental Authority other than filings that have been made pursuant to applicable state securities laws and post-sale filings pursuant to applicable state and federal securities laws and the rules and regulations of NASDAQ.

(q) The Borrower has, upon issuance of the Warrant, reserved for issuance a number of shares of Common Stock sufficient to cover all Warrant Shares.

Section 3.2 Borrower Acknowledgment. The Borrower acknowledges that it has made the representations and warranties in Section 3.1 with the intention of persuading the Lenders to enter into the Loan Documents and that the Lenders have entered into the Loan Documents on the basis of, and in full reliance on, each of such representations and warranties.

Section 3.3 Representations and Warranties of the Lenders. Each Lender, severally and not jointly, represents and warrants to the Borrower as of the Agreement Date and as of each date that any Note, Warrant or Common Stock is issued to a Lender, that:

(a) Such Lender is duly organized and validly existing under the laws of the jurisdiction of its formation.

(b) Each Loan Document to which it is a party has been duly authorized, executed and delivered by such Lender and constitutes the valid and legally binding obligation of such Lender, enforceable in accordance with its terms, except as such enforceability may be limited by (i) applicable insolvency, bankruptcy, reorganization, moratorium or other similar laws affecting creditors' rights generally, and (ii) applicable equitable principles (whether considered in a proceeding at law or in equity).

(c) Such Lender has full power and authority to make each Disbursement, enter into and perform its other obligations under each of the Loan Documents and carry out the other transactions contemplated thereby.

(d) Each of the Notes, the Warrants and the Warrant Shares (collectively the "Loan Securities") to be received by such Lender hereunder will be acquired for such Lender's own account, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act of 1933, as amended ("1933 Act"), except pursuant to sales registered or exempted under the 1933 Act, and such Lender has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of the 1933 Act without prejudice, however, to such Lender's right at all times to sell or otherwise dispose of all or any part of such Loan Securities in compliance with applicable federal and state securities laws. Nothing contained herein shall be deemed a representation or warranty by such Lender to hold the Loan Securities for any period of time, and such Lender reserves the right to dispose of the Loan Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act. Such Lender is not a broker-dealer registered with the SEC under the Securities Exchange Act of 1934, as amended ("1934 Act"), or an entity engaged in a business that would require it to be so registered.

(e) Such Lender can bear the economic risk and complete loss of its investment in the Loan Securities and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

(f) Such Lender has had an opportunity to receive, review and understand all information related to the Borrower requested by it and to ask questions of and receive answers from the Borrower regarding the Borrower, its business and the terms and conditions of the offering of the Loan Securities, and has conducted and completed its own independent due diligence. Such Lender acknowledges receipt of copies of the Borrower's filings pursuant to the 1934 Act. Based on the information such Lender has deemed appropriate, it has independently made its own analysis and decision to enter into the Loan Documents. Neither such inquiries nor any other due diligence investigation conducted by such Lender shall modify, limit or otherwise affect such Lender's right to rely on the Borrower's representations and warranties contained in this Agreement.

(g) Such Lender understands that the Loan Securities are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from the Borrower in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the 1933 Act only in certain limited circumstances.

(h) Such Lender is an "accredited investor" as defined in Regulation D promulgated under the 1933 Act.

(i) Such Lender did not learn of the investment in the Loan Securities as a result of any general solicitation or general advertising.

(j) No Person will have, as a result of the transactions contemplated by the Loan Documents, any valid right, interest or claim against or upon the Borrower or any Lender for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of such Lender.

(k) Such Lender understands that no United States federal or state agency, or similar agency of any other country, has reviewed, approved, passed upon, or made any recommendation or endorsement of the Borrower or the purchase of the Loan Securities.

(l) Such Lender has no present intent to effect a "change of control" of the Borrower as such term is understood under the rules promulgated pursuant to Section 13(d) of the 1934 Act.

(m) No source of funds used by such Lender to make any Disbursement constitutes "plan assets" within the meaning of the Employee Retirement Income Security Act of 1974, the Code or any of the respective regulations promulgated thereunder.

ARTICLE 4

CONDITIONS OF DISBURSEMENT

Section 4.1 Conditions to the First Disbursement. The obligation of the Lenders to make the first Disbursement shall be subject to the fulfillment of the following conditions on or before the date of the first Disbursement: The Lenders shall have received: (i) counterparts of this Agreement executed by the Borrower and each Lender; (ii) the Notes executed by the Borrower; and (iii) the Pledge and Security Agreement executed by the Borrower and FBIO Acquisition, Inc.

Section 4.2 Conditions to All Disbursements. The obligation of the Lenders to make any Disbursement shall be subject to the fulfillment of the following conditions:

(a) No Default or Event of Default shall have occurred or would result from the Disbursement; and

(b) Receipt by the Lenders of a Disbursement Request (which Disbursement Request shall include a representation that all conditions contained in this Article 4 to any such Disbursement have been satisfied).

ARTICLE 5

PARTICULAR COVENANTS AND EVENTS OF DEFAULT

Section 5.1 Affirmative Covenants. Unless the Required Lenders shall otherwise agree:

(a) The Borrower shall maintain its existence and shall qualify and remain qualified to do its business as currently conducted, except where the failure to maintain such qualification would not reasonably be expected to have a Material Adverse Effect.

(b) The Borrower shall comply with all Applicable Laws, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect.

(c) The Borrower shall obtain and keep in full force and effect all Authorizations, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(d) The Borrower shall promptly notify the Lenders of the occurrence of (i) any Default or Event of Default and (ii) any litigation, arbitration, mediation or administrative or regulatory proceedings that are instituted or threatened in writing against the Borrower after the Agreement Date which could reasonably be expected to have a Material Adverse Effect.

(e) The Borrower shall maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to fire, liability and property damage, in each case in such amounts (giving effect to self-insurance), with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for companies similarly situated in the industry.

(f) The Borrower shall pay and discharge before they become delinquent any and all material taxes, assessments and governmental charges or levies, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to the Required Lenders' reasonable satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

Section 5.2 Negative Covenants. The Borrower covenants that so long as any Lender remains committed to extend credit to Borrower pursuant hereto, or any amounts payable under the Loan Documents remain outstanding, and until payment in full of all Obligations, Borrower will not, without the Required Lenders' prior written consent:

(a) create, incur or assume any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several that is *pari passu* or senior to the Loans; provided, however, that no provision contained herein or in any of the Loan Documents shall prohibit or be construed to prohibit the Borrower from (x) extending, renewing, refinancing or replacing any existing indebtedness of the Borrower, (y) issuing new indebtedness that is designed to, and is used to, repay the Loans or (z) issuing new indebtedness that is substantially similar to any issued under or in connection with that certain Note Purchase Agreement, dated as of February 27, 2015, by and between the Borrower and NSC Biotech Venture Fund I LLC.

(b) Declare or pay any dividend or distribution in cash or any other property (other than dividends or distributions payable solely in capital stock of the Borrower) on Borrower's capital stock now or hereafter outstanding.

(c) Mortgage, pledge, grant or permit to exist any Lien upon all or any portion of Borrower's assets now owned or hereafter acquired, except for Permitted Liens.

(d) Cause, permit, or suffer any Change of Control without repaying all outstanding Loans prior to the closing of such Change of Control.

Section 5.3 Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) The Borrower shall fail to pay, when due, any principal or interest payable in respect of the Loans, or any other amounts payable under the Loan Documents.

(b) The Borrower shall have failed to comply with the due observance or performance of any covenant contained in: (i) Sections 5.1(d) or (f) or Section 5.2, or (ii) any Loan Document (other than the covenants described in clauses (a) and (b)(i) above) and such failure shall not have been cured by the Borrower within 30 days after the earlier of (A) the date the Chief Executive Officer of the Borrower first becomes aware of such failure or (B) the date the Borrower receives written notice of such failure from the Lenders.

(c) Any representation or warranty made by the Borrower in any Loan Document shall have been incorrect, false or misleading in any material respect which results in a Material Adverse Effect.

(d) (i) The Borrower shall generally be unable to pay its debts as such debts become due, or shall admit in a duly authorized writing executed by an officer of the Borrower its inability to pay its debts as they come due or shall make a general assignment for the benefit of creditors; (ii) the Borrower shall declare a moratorium on the payment of its debts; (iii) the commencement by the Borrower of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the commencement of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, intervention or other similar relief under any Applicable Law, or the consent by it to the filing of any such petition or to the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of all or substantially all of its assets; (iv) the commencement against the Borrower of a proceeding in any court of competent jurisdiction under any bankruptcy or other Applicable Law (as now or hereafter in effect) seeking its liquidation, winding up, dissolution, reorganization, arrangement, adjustment, or the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator (or other similar official), and any such proceeding shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall continue unstayed or otherwise in effect, for a period of forty-five (45) days; or (v) any other event shall have occurred which under any Applicable Law would have an effect analogous to any of those events listed above in this subsection.

(e) Any Authorization of a Government Authority necessary for the execution, delivery or performance of any Loan Document or for the validity or enforceability of any of the Obligations under any Loan Document is not given or is withdrawn or ceases to remain in full force or effect.

(f) The validity of any material provision of any Loan Document shall be contested in writing by the Borrower, or any Applicable Law shall render any material provision of any Loan Document invalid or unenforceable or shall prevent or materially delay the performance or observance by the Borrower of the Obligations.

(g) The Borrower shall breach or default with respect to any other material term of one or more items of indebtedness in the individual or aggregate principal amounts in excess of $1,000,000, if the effect of such breach or default is to cause, or to permit the holder or holders of that indebtedness (or a trustee on behalf of such holder or holders), to cause that indebtedness to become, or be declared by a court of competent jurisdiction, due and payable prior to its stated maturity.

Section 5.4 Remedies. Upon the occurrence of any Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the Required Lenders: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Required Lenders' option become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Lenders to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) each Lender shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security (if any) for any credit subject hereto or as specified under the Pledge and Security Agreement and to exercise any or all of the rights of a beneficiary or secured party (if applicable) pursuant to Applicable Law. All rights, powers and remedies of Lenders after the occurrence of an Event of Default are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

Section 5.5 Automatic Acceleration on Dissolution or Bankruptcy. Notwithstanding any other provisions of this Agreement, if an Event of Default under Section 5.2(b) shall occur, the principal of the Notes (together with any other amounts accrued or payable under this Agreement) shall thereupon become immediately due and payable without any presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 5.6 Recovery Amounts Due. If any amount payable hereunder is not paid as and when due, the Borrower hereby authorizes the Required Lenders to proceed, to the fullest extent permitted by Applicable Law, without prior notice, by right of set-off, banker's lien or counterclaim, against any moneys or other assets of the Borrower to the full extent of all amounts payable to the Lenders.

ARTICLE 6

MISCELLANEOUS

Section 6.1 Notices. Any notices required or permitted to be given under the terms hereof shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or, if to the Borrower, by electronic mail and shall be effective five (5) days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by courier (including a recognized overnight delivery service), or when received by electronic mail in each case addressed to a Party. The addresses for such communications shall be:

If to the Borrower:

Fortress Biotech, Inc.
2 Gansevoort, 9th Floor
New York, NY 10014
E-mail: sberry@fortressbiotech.com
Attention: Samuel W. Berry, Corporate Counsel

With a copy to:

Alston & Bird, LLP
90 Park Avenue
New York, New York 10016
Email: mark.mcelreath@alston.com
Attn: Mark F. McElreath, Esq.

If to a Lender:

To the address of such Lender set forth on the signature page hereto.

A Party may designate a different address for communications in a written notice to the other Parties delivered in compliance with this Section.

Section 6.2 Waiver of Notice. Whenever any notice is required to be given to the Lenders or the Borrower under any of the Loan Documents, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 6.3 Reimbursement of Legal and Other Expenses. Borrower shall pay to the Lenders the full amount of all reasonable attorneys' fees, actually expended or incurred by the Lenders in connection with the negotiation and preparation of this Agreement and the other Loan Documents up to $25,000. In addition, if any amount owing to the Lenders under any Loan Document shall be collected through enforcement of this Agreement, any Loan Document or restructuring of the Loans in the nature of a work-out, settlement, negotiation, or any process of law, or shall be placed in the hands of third Persons for collection, the Borrower shall pay (in addition to all monies then due in respect of the Loan or otherwise payable under any Loan Document) all reasonable and documented external attorneys' and other fees and out-of-pocket expenses incurred in respect of such collection.

Section 6.4 Governing Law. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE. Each Party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a Party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each Party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such Party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The Parties hereby waive all rights to a trial by jury.

Section 6.5 Successors and Assigns. This Agreement shall bind and inure to the respective successors and permitted assigns of the Parties, except that (a) the Borrower may not assign or otherwise transfer all or any part of its rights under the Loan Documents without the prior written consent of the Lenders and (b) so long as no Event of Default has occurred and is continuing, no Lender may assign or otherwise transfer all or part of its rights or obligations under the Loan Documents without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed). Upon a Lender's assignment of a Note such Lender shall provide notice of the transfer to Borrower for recordation in the Register pursuant to Section 1.4. Upon receipt of a notice of a transfer of an interest in a Note, Borrower shall record the identity of the transferee and other relevant information in the Register, and the transferee shall (to the extent of the interests transferred to such transferee) have all the rights and obligations of, and shall be deemed, a Lender hereunder. Notwithstanding anything to the contrary contained in any Loan Document, no Lender shall assign or otherwise transfer any of its rights under the Loan Documents to a Person that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) without the prior written consent of the Borrower.

Section 6.6 Entire Agreement. The Loan Documents contain the entire understanding of the Parties with respect to the matters covered thereby and supersede any and all other written and oral communications, negotiations, commitments and writings with respect thereto. The provisions of this Agreement may be waived, modified, supplemented or amended only by an instrument in writing signed by the authorized officer of each Party; provided, however, that Lenders with Pro Rata Shares in excess of 50% shall have the right to amend, modify or waive any provision of this Agreement on behalf of all Lenders.

Section 6.7 Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable in any respect under any Applicable Law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.8 Counterparts. This Agreement may be executed in several counterparts, and by each Party on separate counterparts, each of which and any photocopies and facsimile copies thereof shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 6.9 Survival.

(a) This Agreement and all agreements, representations and warranties made in the Loan Documents, and in any document, certificate or statement delivered pursuant thereto or in connection therewith, shall be considered to have been relied upon by the other Parties and shall survive the execution and delivery of this Agreement and the making of the Loans hereunder regardless of any investigation made by any such other Party or on its behalf, and shall continue in force until all amounts payable under the Loan Documents shall have been fully paid in accordance with the provisions thereof; the Lenders shall not be deemed to have waived, by reason of making the Loans, any Event of Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that the Lenders may have had notice or knowledge of any such Event of Default or may have had notice or knowledge that such representation or warranty was false or misleading at the time the Disbursement was made.

(b) The obligations of the Borrower under Sections 1.4 and 2.5 and the obligations of the Borrower and the Lenders under this Article 6 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, or the termination of this Agreement or any provision hereof.

Section 6.10 No Waiver. Neither the failure of, nor any delay on the part of, any Party in exercising any right, power or privilege hereunder, or under any Loan Document, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder, or under any Loan Document, preclude other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver of any right, power, privilege or default hereunder, or under any Loan Document, constitute a waiver of any other right, power, privilege or default or constitute a waiver of any default of the same or of any other term or provision. No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Lenders upon any default under this Agreement or any other Loan Document shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Lenders in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Lenders in respect of any other default. All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

Section 6.11 Indemnity.

(a) The Borrower shall, at all times, indemnify and hold each Lender harmless (the "Indemnity") and each of their respective directors, partners, officers, employees, agents, counsel and advisors (each, an "Indemnified Person") in connection with any losses, claims (including the reasonable attorneys' fees incurred in defending against such claims), damages, liabilities, penalties, or other expenses arising out of, or relating to, the Loan Documents, the extension of credit hereunder or the Loans or the use or intended use of the Loans, which an Indemnified Person may incur or to which an Indemnified Person may become subject, but excluding Excluded Taxes (each, a "Loss"). The Indemnity shall not apply to the extent that a court or arbitral tribunal of competent jurisdiction issues a final judgment that such Loss resulted from the gross negligence or willful misconduct of the Indemnified Person. The Indemnity is independent of and in addition to any other agreement of Borrower under any Loan Document to pay any amount to the Lenders, and any exclusion of any obligation to pay any amount under this subsection shall not affect the requirement to pay such amount under any other section hereof or under any other agreement. For the avoidance of doubt, this Section 6.11 shall not apply to Indemnified Taxes (which are otherwise addressed in Section 2.5 hereof).

(b) Promptly after receipt by an Indemnified Person of notice of the commencement of any action (including any governmental action), such Indemnified Person shall, if it intends to submit a claim for indemnification under this Section 6.11, deliver to Borrower a written notice of the commencement thereof, and Borrower shall have the right to participate in, and, to the extent Borrower so desires, to assume control of the defense thereof with counsel mutually satisfactory to Borrower and the Indemnified Person, as the case may be.

(c) An Indemnified Person shall have the right to retain its own counsel with the documented reasonable fees and out-of-pocket expenses to be paid by the Borrower, if, in the reasonable opinion of counsel for the Indemnified Person, the representation by counsel selected by Borrower would be inappropriate due to actual or potential differing interests between such Indemnified Person and any other party represented by such counsel in such proceeding. The Borrower shall pay for only one separate legal counsel for each Indemnified Person. The failure of an Indemnified Person to deliver written notice to the Borrower within a reasonable time of the commencement of any such action shall not relieve the Borrower of any liability to the Indemnified Person under this Section 6.11, except to the extent that Borrower is actually prejudiced in its ability to defend such action.

Section 6.12 No Usury. The Loan Documents are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration or otherwise, shall the amount paid or agreed to be paid to the Lenders for the Loans exceed the maximum amount permissible under Applicable Law. If from any circumstance whatsoever fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, *ipso facto*, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Lenders shall ever receive anything which might be deemed interest under Applicable Law that would exceed the highest lawful rate, such amount that would be deemed excessive interest shall be applied to the reduction of the principal amount owing on account of the Loans, or, if such deemed excessive interest exceeds the unpaid balance of principal of the Loan, such deemed excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Lenders for the Loans shall, to the extent permitted by Applicable Law, be deemed to be amortized, prorated, allocated and spread throughout the full term of the Loans until payment in full so that the deemed rate of interest on account of the Loans is uniform throughout the term thereof. The terms and provisions of this Section shall control and supersede every other provision of this Agreement and the other Loan Documents.

Section 6.13 Further Assurances. From time to time, the Borrower shall perform any and all acts and execute and deliver to the Lenders such additional documents as may be necessary or as reasonably requested by the Lenders to carry out the purposes of any Loan Document or any or to preserve and protect the Lenders' rights as contemplated therein.

Section 6.14 Termination. The Borrower may upon 15 days' notice to the Lenders terminate this Agreement, and the other Loan Documents (other than the Warrants) upon payment in full of the Obligations (other than under the Warrants).

Section 6.15 Lenders' Obligations. The obligations of the Lenders hereunder are several, and no Lender shall be responsible for the obligations or Commitment of any other Lender hereunder. Nothing contained herein or in any other Loan Document, and no action taken by the Lenders pursuant hereto or thereto, shall be deemed to constitute the Lenders as a partnership, an association, a joint venture or any other kind of entity. Anything in this Agreement or any other Loan Document to the contrary notwithstanding, each Lender hereby agrees with each other Lender that each Lender shall be permitted to take any action to protect or enforce its rights arising out of this Agreement or any Note or otherwise with respect to the Obligations without first obtaining the prior written consent of the other Lender, it being the intent of the Lenders that any such action to protect or enforce rights under this Agreement and any Note or otherwise with respect to the Obligations shall be independent rights of action. Any Lenders that are Affiliates as of any date of determination shall constitute one (1) creditor holding a single claim for purposes of determining whether a class of claims has made an election pursuant to § 1111(b) of the Bankruptcy Code and for determining whether a class of claims has accepted or rejected a plan pursuant to § 1126 (c) of the Bankruptcy Code. In the event of a bankruptcy of the Borrower, the Lenders that are Affiliates of one another shall not take or agree to take actions inconsistent with their agreement to be deemed one (1) creditor holding a single claim.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Lenders and the Borrower have caused this Agreement to be duly executed as of the date first written above.

BORROWER:

FORTRESS BIOTECH, INC.

By: /s/ Lindsay A. Rosenwald, MD
Name: Lindsay A. Rosenwald, MD
Title: President & CEO

[Signature Page to Credit Facility Agreement]

LENDERS:

OPUS POINT HEALTHCARE INNOVATIONS FUND, LP

By: Opus Point Healthcare Fund GP, LLC,
its general partner

By: /s/ Michael S. Weiss
Name: Michael S. Weiss
Title: Manager

Commitment Amount: $
Address: 2 Gansevoort, 9th Floor
New York, NY 10014

[ ]

By: _____
Name: _____
Title: _____

Commitment Amount: $
Address:

EXHIBIT A – FORM OF NOTE

[See attached.]

EXHIBIT B-1 – FORM OF COMMITMENT WARRANTS

[See attached.]

EXHIBIT B-2 – FORM OF FUNDING WARRANTS

[Same as Exhibit B-1.]

Exhibit 10.34

Form of Fortress Biotech, Inc.

CONVERTIBLE SECURED PROMISSORY NOTE

FOR AMOUNTS ADVANCED AS SHOWN
ON EXHIBIT A ATTACHED HERETO

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in that certain Credit Facility Agreement, dated as of September 14, 2016, by and among Fortress Biotech, Inc. (the "Company"), Opus Point Healthcare Innovations Fund, LP and other lenders (if any) listed on the signature pages thereto (the "Facility Agreement").

1. Principal and Interest. Fortress Biotech, Inc. (the "Company"), for value received, pursuant to this Senior Secured Convertible Promissory Note (the "Note"), hereby promises to pay to the order of_____("Holder") in lawful money of the United States of America, the principal amount as may be advanced from time to time by Holder as shown on Exhibit A attached hereto, with interest from the date of each advance at 12% per annum on the unpaid balance until paid. Interest shall be accrued in accordance with the Facility Agreement. Such principal and Accrued Interest Amounts shall be due and payable in accordance with the Facility Agreement. All unpaid principal and interest on this Note may be prepaid at any time without penalty.

2. Advances. Advances under this Note shall be subject to the following terms and conditions:

(a) draws may be made upon request by the Company with at least fifteen (15) days' advance notice to Holder; and

(b) all advances, at the time made, shall be noted on Exhibit A of this Note and shall be signed by an authorized officer of the Company.

3. Conversion. From and after the date hereof, this Note shall be convertible at Holder's discretion into shares of the common stock of the Company, par value $0.001 per share, at $10.00 per share, in accordance with the Facility Agreement.

4. Security. All indebtedness represented by this Note shall be secured by the Pledged Shares, in accordance with the Loan Documents.

5. Attorneys' Fees. If the indebtedness represented by this Note or any part thereof is collected in bankruptcy, receivership or other judicial proceedings or if this Note is placed in the hands of attorneys for collection after default, the Company agrees to pay, in addition to the principal and interest payable hereunder, reasonable attorneys' fees and costs incurred by Holder.

6. Notices. Any notice, other communication or payment required or permitted hereunder shall be in writing and shall be deemed to have been given upon receipt by the other party.

7. Acceleration. This Note shall become immediately due and payable if (i) the Company commences any proceeding in bankruptcy or for dissolution, liquidation, winding-up, composition or other relief under state or federal bankruptcy laws; (ii) such proceedings are commenced against the Company, or a receiver or trustee is appointed for the Company or a substantial part of its property; (iii) there is any material breach of any material covenant, warranty, representation or other term or condition of this Note at any time that is not cured within the time periods permitted therein, or if no cure period therein, within five (5) days after the date on which such breach occurs; or (iv) as set forth in Section 5.5 of the Facility Agreement.

8. No Dilution or Impairment. The Company will not, by amendment of its charter documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder.

9. Waivers. Company hereby waives presentment, demand for performance, notice of nonperformance, protest, notice of protest and notice of dishonor. No delay on the part of the Holder in exercising any right hereunder shall operate as a waiver of such right or any other right.

10. Governing Law. This Note is being delivered in and shall be construed in accordance with the laws of the State of New York, without regard to the conflict of laws provisions thereof.

11. Credit Facility Agreement. This Note shall be subject in all respects to and construed in accordance with the Facility Agreement. In the event of a discrepancy or inconsistency between the terms of this Note and the terms of the Facility Agreement, the terms of the Facility Agreement shall control.

ISSUED as of_____ _____, 201____.

Fortress Biotech, Inc.

By: _____
Name:
Title:

EXHIBIT A

SCHEDULE OF ADVANCES

Date of Advance	Amount Advanced	Signature

Exhibit 10.35

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

FORM OF COMMON STOCK PURCHASE WARRANT

To Purchase [_____] Shares of Common Stock of

Fortress Biotech, Inc.

THIS COMMON STOCK PURCHASE WARRANT (THIS "*WARRANT*") CERTIFIES that, for value received, [_____] (the "*Holder*"), is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "*Initial Exercise Date*") and on or prior to the close of business on the fifth anniversary of the date hereof (the "*Termination Date*") but not thereafter, to subscribe for and purchase from Fortress Biotech, Inc., a corporation incorporated in the State of Delaware (the "*Company*"), up to_____shares (the "*Warrant Shares*") of Common Stock, par value $0.001 per share, of the Company (the "*Common Stock*"). The purchase price of one share of Common Stock (the "*Exercise Price*") under this Warrant shall be $3.00, subject to adjustment hereunder. The Exercise Price and the number of Warrant Shares for which the Warrant is exercisable shall be subject to adjustment as provided herein.

1. *Title to Warrant.* Prior to the Termination Date and subject to compliance with applicable laws and Section 7 of this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, at the office or agency of the Company by the Holder in person or by duly authorized attorney, upon surrender of this Warrant together with the "Assignment Form" annexed hereto properly endorsed. The transferee shall sign an investment letter in form and substance reasonably satisfactory to the Company.

2. *Authorization of Shares.* The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

3. *Exercise of Warrant.*

(a) Cash Exercise. Exercise of the purchase rights represented by this Warrant may be made at any time or times, in whole or in part, on or after the Initial Exercise Date and on or before the Termination Date by the surrender of this Warrant and the "Notice of Exercise Form" annexed hereto duly executed, at the office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of such Holder appearing on the books of the Company) and, upon payment of the Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank, if applicable, the Holder shall be entitled to receive a certificate for the number of Warrant Shares so purchased. Certificates for shares purchased hereunder shall be delivered to the Holder within ten (10) business days after the date on which this Warrant shall have been exercised as aforesaid. This Warrant shall be deemed to have been exercised, such certificate or certificates shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised by payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, pursuant to Section 5 prior to the issuance of such shares have been paid.

(b) Net Issue Exercise. If, as of any date after the Initial Exercise Date and on or before the Termination Date, there is no effective registration statement of the Company covering the resale of the Warrant Shares issuable upon the exercise of this Warrant, the Holder, at its option, may elect (in whole or in part) on any such date (and only on any such date) to receive Warrant Shares equal to the value of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company together with "Notice of Exercise Form" annexed hereto duly executed, in which event the Company shall issue to the Holder a number of Warrant Shares computed using the following formula:

$$X = \frac{Y\ (A-B)}{A}$$

Where: X = the number of Warrant Shares to be issued to the Holder;

Y = the number of Warrant Shares purchasable under this Warrant;

A = the Fair Market Value of one Share on the date of determination; and

B = the per share Exercise Price (as adjusted to the date of such calculation).

For purposes of this Section 3, the per share "Fair Market Value" of the Warrant Shares shall mean:

(i) If the Company's Common Stock is publicly traded, the per share fair market value of the Warrant Shares shall be the average of the closing prices of the Common Stock as quoted on the Over-the-Counter Bulletin Board, or the principal exchange on which the Common Stock is listed, in each case for the fifteen business days ending five business days prior to the date of determination of fair market value; or

(ii) If the Company's Common Stock is not so publicly traded, the per share fair market value of the Warrant Shares shall be such fair market value as is determined in good faith by the Board of Directors of the Company after taking into consideration factors it deems appropriate, including, without limitation, recent sale and offer prices of the capital stock of the Company in private transactions negotiated at arm's length.

(c) If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

4. *No Fractional Shares or Scrip.* No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which Holder would otherwise be entitled to purchase upon such exercise, the Company shall pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price.

5. *Charges, Taxes and Expenses.* Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; *provided*, *however*, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the "Assignment Form" attached hereto duly executed by the Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

6. *Closing of Books.* The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

7. *Transfer, Division and Combination.*

(a) Subject to compliance with any applicable securities laws and the conditions set forth in Sections 1 and 7(e) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant at the office of the Company, together with a written assignment of this Warrant substantially in the "Assignment Form" attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment: (i) the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment (ii) the Company shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and (iii) this Warrant shall promptly be cancelled. A Warrant, if properly assigned, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) The Company may require, as a condition of allowing such transfer (i) that the Holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable state securities or blue sky laws, (ii) that the Holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company and (iii) that the transferee be an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act.

8. *No Rights as Shareholder until Exercise.* This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof. Upon the surrender of this Warrant and the payment of the aggregate Exercise Price, the Warrant Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the later of the date of such surrender or payment.

9. *Loss, Theft, Destruction or Mutilation of Warrant.* The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

10. *Saturdays, Sundays, Holidays, etc.* If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

11. *Adjustments of Exercise Price and Number of Warrant Shares.* The number and kind of securities purchasable upon the exercise of this Warrant at the Exercise Price shall be subject to adjustment from time to time in accordance with the following: In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock to all holders of its outstanding Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) issue any shares of its capital stock in a reclassification of the Common Stock, then the number of Warrant Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the Holder shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which it would have owned or have been entitled to receive had such Warrant been exercised in advance thereof. Upon each such adjustment of the kind and number of Warrant Shares or other securities of the Company which are purchasable hereunder, the Holder shall thereafter be entitled to purchase the number of Warrant Shares or other securities resulting from such adjustment at an Exercise Price per Warrant Share or other security obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of Warrant Shares purchasable pursuant hereto immediately prior to such adjustment and dividing by the number of Warrant Shares or other securities of the Company resulting from such adjustment. An adjustment made pursuant to this paragraph shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

12. *Reclassification, Merger, Consolidation or Disposition of Assets.* In case the Company shall reclassify its Common Stock, consolidate or merge with or into another corporation (where the Company is not the surviving corporation), or sell, transfer or otherwise dispose of all or substantially all its property, assets or business to another corporation and, pursuant to the terms of such reclassification, merger, consolidation or disposition of assets, shares of common stock of the successor or acquiring corporation, or any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the successor or acquiring corporation ("*Other Property*"), are to be received by or distributed to the holders of Common Stock of the Company, then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the number of shares of common stock of the successor or acquiring corporation and Other Property receivable upon or as a result of such reclassification, merger, consolidation or disposition of assets by a holder of the total number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. In case of any such reclassification, merger, consolidation or disposition of assets, the successor or acquiring corporation (if other than the Company) shall expressly assume the due and punctual observance and performance of each and every covenant and condition of this Warrant to be performed and observed by the Company and all the obligations and liabilities hereunder, subject to such modifications as may be deemed appropriate (as determined in good faith by resolution of the Board of Directors of the Company) in order to provide for adjustments of Warrant Shares for which this Warrant is exercisable which shall be as nearly equivalent as practicable to the adjustments provided for in this Section 12. For purposes of this Section 12, "common stock of the successor or acquiring corporation" shall include stock of such corporation of any class which is not preferred as to dividends or assets over any other class of stock of such corporation and which is not subject to redemption and shall also include any evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for any such stock, either immediately or upon the arrival of a specified date or the happening of a specified event and any warrants or other rights to subscribe for or purchase any such stock. The foregoing provisions of this Section 12 shall similarly apply to successive reorganizations, reclassifications, mergers, consolidations or disposition of assets.

13. *Notice of Adjustment.* Whenever the number of Warrant Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, as herein provided, the Company shall give notice thereof to the Holder, which notice shall state the number of Warrant Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Warrant Shares (and other securities or property) after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

14. *Authorized Shares.* The Company covenants that during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the NASDAQ or any other exchange on which the Common Stock may be listed.

15. *Miscellaneous.*

(a) *Jurisdiction.* This Warrant shall constitute a contract made under the laws of New York, without regard to its conflict of law, principles or rules.

(b) *Restrictions.* The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant will have restrictions upon resale imposed by state and federal securities laws and will have an appropriate legend imprinted thereon.

(c) *Nonwaiver.* No course of dealing or any delay or failure to exercise any right hereunder on the part of the Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies; provided, however, that all rights hereunder terminate on the Termination Date.

(d) *Notices.* Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Agreement; provided that upon any permitted assignment of this Warrant, the assignee shall promptly provide the Company with its contact information.

(e) *Limitation of Liability.* No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant or purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(f) *Successors and Assigns.* Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of the Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and shall be enforceable by any such Holder or holder of Warrant Shares.

(g) *Amendment.* This Warrant may be modified or amended (or the provisions hereof waived) with the written consent of the Company and the Holder.

(h) *Severability.* Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(i) *Headings.* The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

Dated:

Fortress Biotech, Inc.

By: _____

Name
Title:

NOTICE OF EXERCISE FORM

To: Fortress Biotech, Inc.
2 Gansevoort Street, 9th Floor
New York, NY 10014
Attn: Legal Department

(1) The undersigned hereby elects to purchase_____Warrant Shares of Fortress Biotech, Inc. pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Method of Exercise (Please initial the applicable blank):

_____ The undersigned elects to exercise the attached Warrant by means of a cash payment and tenders herewith or by concurrent wire transfer payment in full for the purchase price of the shares being purchased, together with all applicable transfer taxes, if any.

_____ The undersigned elects to exercise the attached Warrant by means of the net exercise provisions of Section 1(b) of the Warrant.

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following:

_____

_____

_____

(3) *Accredited Investor.* The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[PURCHASER]

By:

_____
Name:
Title:

Dated: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.36

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT (this "**Agreement**"), dated as of September 14, 2016 (the "**Effective Date**"), is made by **Fortress Biotech, Inc.**, a Delaware corporation (the "**Company**" and a "**Grantor**" and, collectively with FBIO Acquisition, Inc., the "**Grantors**"), in favor of **Opus Point Healthcare Innovations Fund, LP**, in its capacity as collateral agent (in such capacity, the "**Collateral Agent**") for the Holders (as defined below) of Notes (as defined below) issued pursuant to the Credit Facility Agreement, dated as of September 14, 2016 (as amended, restated or otherwise modified from time to time, the "**Facility Agreement**").

W I T N E S S E T H:

WHEREAS, the Company, the Collateral Agent and the Lenders are parties to the Facility Agreement, pursuant to which the Company has the right to borrow up to $25 million;

WHEREAS, it is a condition precedent to the Lenders consummating the transactions contemplated by the Facility Agreement that the Grantors execute and deliver to the Collateral Agent this Agreement providing for the grant to the Collateral Agent for the benefit of the Holders (as defined below) a security interest in the Pledged Shares (as defined below) to secure all of the Company's obligations under the Facility Agreement and the Notes issued pursuant thereto and the other Loan Documents;

WHEREAS, the Grantors (i) are mutually dependent on each other in the conduct of their respective businesses as an integrated operation and (ii) will receive a mutual benefit from the proceeds received by the Company in respect of the issuance of the Notes; and

WHEREAS, each Grantor has determined that the execution, delivery and performance of this Agreement directly benefit and are in the best interest of the Company and such Grantor.

NOW, THEREFORE, in consideration of the premises and the agreements herein and in order to induce the Holders (as defined below) to perform under the Facility Agreement, each Grantor agrees with the Collateral Agent, for the benefit of the Holders (as defined below), as follows:

SECTION 1. Definitions.

(a) Reference is hereby made to the Facility Agreement and the Notes for a statement of the terms thereof. All capitalized terms used in this Agreement and the recitals hereto which are defined in the Facility Agreement, the Notes or in Articles 8 or 9 of the Uniform Commercial Code (the "**Code**"), as in effect from time to time in the State of New York, and which are not otherwise defined herein shall have the same meanings herein as set forth therein; provided that terms used herein which are defined in the Code as in effect in the State of New York on the date hereof shall continue to have the same meanings, notwithstanding any replacement or amendment of such statute, except as the Collateral Agent may otherwise determine.

(b) As used in this Agreement, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of such terms:

"**Collateral**" has the meaning set forth in Section 2 hereof.

"**Event of Default**" means (i) any defined event of default under any one or more of the Loan Documents, in each instance, after giving effect to any notice, grace, or cure periods provided for in the applicable Loan Document, (ii) the failure by the Company to pay any amounts when due under the Notes or any other Loan Document, or (iii) the material breach of any representation, warranty or covenant by any Grantor under this Agreement.

"**Existing Issuer**" has the meaning specified therefor in the definition of the term "Pledged Shares".

"**Holder**" means each holder of any of the Notes (as defined in the Facility Agreement), together with their respective successors and permitted assigns.

"**Insolvency Proceeding**" means any proceeding commenced by or against any Person under any provision of the U.S. Bankruptcy Code (Chapter 11 of Title 11 of the United States Code) or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, or extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"**Lien**" means any mortgage, deed of trust, pledge, lien (statutory or otherwise), security interest, charge or other encumbrance or security or preferential arrangement of any nature, including, without limitation, any conditional sale or title retention arrangement, any capitalized lease and any assignment, deposit arrangement or financing lease intended as, or having the effect of, security.

"**Obligations**" has the meaning set forth in Section 3 hereof.

"**Pledged Issuer**" has the meaning specified therefor in the definition of the term "Pledged Shares".

"**Pledged Shares**" means (a) the shares of capital stock or other equity interests described in Schedule II hereto (as such schedule shall be updated from time to time with the mutual agreement of the Grantors and the Collateral agent pursuant to Section 10(a)), whether or not evidenced or represented by any stock certificate, certificated security or other Instrument, issued by the Persons described in such Schedule II (the "Existing Issuers") and (b) the certificates representing such shares of capital stock. For the avoidance of doubt, with respect to entities, the ownership interests of which are granted hereunder by a Grantor (each, a "Pledged Issuer") existing as of the Effective Date, "Pledged Shares" shall not include any shares in any such Pledged Issuer which any Grantor shall receive subsequent to the Effective Date.

SECTION 2. Grant of Security Interest. As collateral security for all of the Obligations, each Grantor hereby pledges and assigns to the Collateral Agent for the benefit of the Holders, and grants to the Collateral Agent for the benefit of the Holders, a continuing first priority security interest in the Pledged Shares (the "**Collateral**").

SECTION 3. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security for all of the following obligations, whether now existing or hereafter incurred (collectively, the "**Obligations**"):

(a) the prompt payment by each Grantor, as and when due and payable (by scheduled maturity, required prepayment, acceleration, demand or otherwise), of all amounts from time to time owing by it in respect of the Facility Agreement, the Notes and the other Loan Documents, including, without limitation, (i) all principal of and interest on the Notes (including, without limitation, all interest that accrues after the commencement of any Insolvency Proceeding of any Grantor, whether or not the payment of such interest is unenforceable or is not allowable due to the existence of such Insolvency Proceeding) and (ii) all fees, commissions, expense reimbursements, indemnifications and all other amounts due or to become due under any of the Loan Documents; and

(b) the due performance and observance by each Grantor of all of its other obligations from time to time existing in respect of any of the Loan Documents for so long as the Notes are outstanding.

SECTION 4. Representations and Warranties. Each Grantor represents and warrants as follows:

(a) Schedule I hereto sets forth the exact legal name, jurisdiction of organization and entity type of such Grantor.

(b) There is no pending or written notice threatening any action, suit, proceeding or claim affecting such Grantor before any governmental authority or any arbitrator, or any order, judgment or award by any governmental authority or arbitrator, that may adversely affect the grant by such Grantor, or the perfection of the security interest purported to be created hereby in the Collateral, or the exercise by the Collateral Agent of any of its rights or remedies hereunder.

(c) All Federal, state and local tax returns and other reports required by applicable law to be filed by such Grantor have been filed, or extensions have been obtained, and all taxes, assessments and other governmental charges imposed upon such Grantor or any property of such Grantor (including, without limitation, all federal income and social security taxes on employees' wages) and which have become due and payable on or prior to the date hereof have been paid, except to the extent contested in good faith by proper proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves have been set aside for the payment thereof in accordance with GAAP.

(d) Such Grantor is and will be at all times the sole and exclusive owner of, or otherwise has and will have adequate rights in, the Collateral free and clear of any Liens, except for Permitted Liens. No effective financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording or filing office except (A) such as may have been filed in favor of the Collateral Agent relating to this Agreement, and (B) such as may have been filed to perfect any Permitted Liens.

(e) The exercise by the Collateral Agent of any of its rights and remedies hereunder will not contravene any law or any contractual restriction binding on or otherwise affecting such Grantor or any of its properties and will not result in or require the creation of any Lien, upon or with respect to any of its properties.

(f) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or other regulatory body, or any other Person, is required for (i) the grant by such Grantor of the security interest purported to be created hereby in the Collateral, or (ii) the exercise by the Collateral Agent of any of its rights and remedies hereunder, except (A) for the filing under the Uniform Commercial Code as in effect in the applicable jurisdiction of the financing statements.

(g) This Agreement creates in favor of the Collateral Agent a legal, valid and enforceable security interest in the Collateral, as security for the Obligations. Such security interests are, or, in the case of Collateral in which such Grantor obtains rights after the date hereof, will be, first priority security interests, subject only to Permitted Liens and the recording of such instruments of assignment.

(h) Each of the Grantors (other than the Company) is a wholly-owned Subsidiary of the Company.

SECTION 5. Covenants as to the Collateral. So long as any of the Obligations shall remain outstanding, unless the Collateral Agent shall otherwise consent in writing:

(a) Further Assurances. Each Grantor will at its expense, at any time and from time to time, promptly execute and deliver all further instruments and documents and take all further action that the Collateral Agent may reasonably request in order to: (i) perfect and protect the security interest purported to be created hereby; (ii) enable the Collateral Agent to exercise and enforce its rights and remedies hereunder in respect of the Collateral; or (iii) otherwise effect the purposes of this Agreement, including, without limitation: delivering and pledging to the Collateral Agent hereunder each of the Pledged Shares, now or hereafter owned by such Grantor, duly endorsed and accompanied by executed instruments of transfer or assignment, all in form and substance satisfactory to the Collateral Agent, (C) executing and filing (to the extent, if any, that such Grantor's signature is required thereon) or authenticating the filing of, such financing or continuation statements, or amendments thereto, as may be necessary or desirable or that the Collateral Agent may request in order to perfect and preserve the security interest purported to be created hereby, (D) furnishing to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral in each case as the Collateral Agent may reasonably request, all in reasonable detail, (E) if any Collateral shall be in the possession of a third party, notifying such Person of the Collateral Agent's security interest created hereby and obtaining a written acknowledgment from such Person that such Person holds possession of the Collateral for the benefit of the Collateral Agent, which such written acknowledgement shall be in form and substance satisfactory to the Collateral Agent, within 10 Business Days of the receipt by a Grantor of any additional Pledged Shares, delivery to the Collateral Agent of a Pledge Amendment, duly executed by such Grantor, in substantially the form of Exhibit A hereto; and (I) taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable, in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

(b) Taxes, Etc. Each Grantor agrees to pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment and Inventory, except to the extent the validity thereof is being contested in good faith by proper proceedings which stay the imposition of any penalty, fine or Lien resulting from the non-payment thereof and with respect to which adequate reserves in accordance with GAAP have been set aside for the payment thereof.

(c) Transfers and Other Liens.

(i) No Grantor will sell, assign (by operation of law or otherwise), lease, license, exchange or otherwise transfer or dispose of any of the Collateral.

(ii) No Grantor will create, suffer to exist or grant any Lien upon or with respect to any Collateral, other than a Permitted Lien.

SECTION 6. Additional Provisions Concerning the Collateral.

(a) Each Grantor hereby (i) authorizes the Collateral Agent to file one or more Uniform Commercial Code financing or continuation statements, and amendments thereto, relating to the Collateral and (ii) ratifies such authorization to the extent that the Collateral Agent has filed any such financing or continuation statements, or amendments thereto, prior to the date hereof. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by applicable law.

(b) Each Grantor hereby irrevocably appoints the Collateral Agent as its attorney-in-fact and proxy, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time in the Collateral Agent's discretion, so long as an Event of Default shall have occurred and is continuing, to take any action and to execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Agreement (subject to the rights of such Grantor under Section 5 hereof). This power is coupled with an interest and is irrevocable until the complete conversion of all of the Company's obligations under the Notes to equity securities of the Company and/or indefeasible payment in full in cash of all obligations under the Notes (together with any matured indemnification obligations as of the date of such conversion and/or payment, but excluding any inchoate or unmatured contingent indemnification obligations).

(c) If a Grantor fails to perform any agreement contained herein, the Collateral Agent may itself perform, or cause performance of, such agreement or obligation, in the name of such Grantor or the Collateral Agent, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by such Grantor upon demand and shall be secured by the Collateral.

(d) The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

SECTION 7. Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing:

(a) The Collateral Agent may exercise in respect of the Collateral, in addition to any other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party upon default under the Code (whether or not the Code applies to the affected Collateral), and also may (i) take absolute control of the Collateral, including, without limitation, transfer into the Collateral Agent's name or into the name of its nominee or nominees (to the extent the Collateral Agent has not theretofore done so) and thereafter receive, for the benefit of the Collateral Agent, all payments made thereon, give all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the outright owner thereof, (ii) require each Grantor to, and each Grantor hereby agrees that it will at its expense and upon request of the Collateral Agent forthwith, assemble all or part of its respective Collateral as directed by the Collateral Agent and make it available to the Collateral Agent at a place or places to be designated by the Collateral Agent that is reasonably convenient to both parties, and the Collateral Agent may enter into and occupy any premises owned or leased by such Grantor where the Collateral or any part thereof is located or assembled for a reasonable period in order to effectuate the Collateral Agent's rights and remedies hereunder or under applicable law, without obligation to such Grantor in respect of such occupation, and (iii) without notice, except as specified below, and without any obligation to prepare or process the Collateral for sale, (A) sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Collateral Agent may deem commercially reasonable and/or (B) lease, license or dispose of the Collateral or any part thereof upon such terms as the Collateral Agent may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale or any other disposition of its respective Collateral shall be required by applicable law, at least ten (10) days' prior notice to such Grantor of the time and place of any public sale or the time after which any private sale or other disposition of its respective Collateral is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale or other disposition of any Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Grantor hereby acknowledges that (i) any such sale of its respective Collateral by the Collateral Agent shall be made without warranty, (ii) the Collateral Agent may specifically disclaim any warranties of title, possession, quiet enjoyment or the like, and (iii) such actions set forth in clauses (i) and (ii) above shall not adversely affect the commercial reasonableness of any such sale of Collateral. Any cash held by the Collateral Agent as Collateral, and all Cash Proceeds received by the Collateral Agent in respect of any sale of or collection from, or other realization upon, all or any part of the Collateral may, in the discretion of the Collateral Agent, be held by the Collateral Agent as collateral for, and/or then or at any time thereafter applied in whole or in part by the Collateral Agent against, all or any part of the Obligations in such order as the Collateral Agent shall elect, consistent with the provisions of the Facility Agreement. Any surplus of such cash or Cash Proceeds held by the Collateral Agent and remaining after the complete conversion of all of the Company's obligations under the Notes to equity securities of the Company and/or indefeasible payment in full in cash of all obligations under the Notes (together with any matured indemnification obligations as of the date of such conversion and/or payment, but excluding any inchoate or unmatured contingent indemnification obligations) shall be paid over to whomsoever shall be lawfully entitled to receive the same or as a court of competent jurisdiction shall direct.

(b) In the event that the proceeds of any such sale, collection or realization are insufficient to pay all amounts to which the Collateral Agent and the Holders are legally entitled, the Grantor shall continue to be liable for the deficiency, together with interest thereon as determined in the Loan Documents for interest on overdue principal thereof or such other rate as shall be fixed by applicable law, together with the costs of collection and the reasonable fees, costs, expenses and other client charges of any attorneys employed by the Collateral Agent to collect such deficiency.

(c) Each Grantor hereby acknowledges that if the Collateral Agent complies with any applicable state, provincial, or federal law requirements in connection with a disposition of the Collateral, such compliance will not adversely affect the commercial reasonableness of any sale or other disposition of the Collateral.

(d) The Collateral Agent shall not be required to marshal any present or future collateral security (including, but not limited to, this Agreement and the Collateral) for, or other assurances of payment of, the Obligations, or to resort to such collateral security or other assurances of payment in any particular order, and all of the Collateral Agent's rights hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that each Grantor lawfully may, such Grantor hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Collateral Agent's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, such Grantor hereby irrevocably waives the benefits of all such laws.

SECTION 8. Indemnity. Each Grantor agrees, jointly and severally, to defend, protect, indemnify and hold the Collateral Agent and each of the Holders, jointly and severally, harmless from and against any and all claims, damages, losses, liabilities, obligations, penalties, fees, costs and expenses (including, without limitation, reasonable legal fees, costs, expenses, and disbursements of such Person's counsel) to the extent that they arise out of or otherwise result from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting solely and directly from such Person's gross negligence or willful misconduct, as determined by a final judgment of a court of competent jurisdiction.

SECTION 9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed (by certified mail, postage prepaid and return receipt requested), telecopied or delivered, if to a Grantor at its address specified below and if to the Collateral Agent to it, at its address specified below; or as to any such Person, at such other address as shall be designated by such Person in a written notice to such other Person complying as to delivery with the terms of this Section 9. All such notices and other communications shall be effective (a) if sent by certified mail, return receipt requested, when received or five days after deposited in the mails, whichever occurs first, (b) if telecopied or sent by electronic mail, when transmitted (during normal business hours), or (c) if delivered, upon delivery.

SECTION 10. Miscellaneous.

(a) No amendment of any provision of this Agreement shall be effective unless it is in writing and signed by each Grantor and the Collateral Agent, and no waiver of any provision of this Agreement, and no consent to any departure by a Grantor therefrom, shall be effective unless it is in writing and signed by the Collateral Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of the Collateral Agent to exercise, and no delay in exercising, any right hereunder or under any of the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Collateral Agent or any Holder provided herein and in the other Loan Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by applicable law. The rights of the Collateral Agent or any Holder under any of the other Loan Documents against any party thereto are not conditional or contingent on any attempt by such Person to exercise any of its rights under any of the other Loan Documents against such party or against any other Person, including but not limited to any Grantor.

(c) To the extent permitted by applicable law, each Grantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Agreement and any requirement that the Collateral Agent exhaust any right or take any action against any other Person or any Collateral. Each Grantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated herein and that the waiver set forth in this Section 10(c) is knowingly made in contemplation of such benefits. The Grantors hereby waive any right to revoke this Agreement and acknowledge that this Agreement is continuing in nature and applies to all Obligations, whether existing now or in the future.

(d) No Grantor may exercise any rights that it may now or hereafter acquire against any other Grantor that arise from the existence, payment, performance or enforcement of any Grantor's obligations under this Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Collateral Agent against any Grantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Grantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security solely on account of such claim, remedy or right, unless and until the complete conversion of all of the Company's obligations under the Notes to equity securities of the Company and/or indefeasible payment in full in cash of all obligations under the Notes (together with any matured indemnification obligations as of the date of such conversion and/or payment, but excluding any inchoate or unmatured contingent indemnification obligations). If any amount shall be paid to a Grantor in violation of the immediately preceding sentence at any time prior to the complete conversion of all of the Company's obligations under the Notes to equity securities of the Company and/or indefeasible payment in full in cash of all obligations under the Notes (together with any matured indemnification obligations as of the date of such conversion and/or payment, but excluding any inchoate or unmatured contingent indemnification obligations), such amount shall be held in trust for the benefit of the Collateral Agent and shall forthwith be paid to the Collateral Agent to be credited and applied to the Obligations and all other amounts payable under the Loan Documents, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as Collateral for any Obligations or other amounts payable under the Loan Documents thereafter arising.

(e) Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(f) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the complete conversion of all of the Company's obligations under the Notes to equity securities of the Company and/or indefeasible payment in full in cash of all obligations under the Notes (together with any matured indemnification obligations as of the date of such conversion and/or payment, but excluding any inchoate or unmatured contingent indemnification obligations), and (ii) be binding on each Grantor and all other Persons who become bound as debtors to this Agreement in accordance with the provisions hereof and with Section 9-203(d) of the Code and shall inure, together with all rights and remedies of the Collateral Agent and the Holders hereunder, to the benefit of the Collateral Agent and the Holders and their respective permitted successors, transferees and assigns. Without limiting the generality of clause (ii) of the immediately preceding sentence, without notice to any Grantor, the Collateral Agent and the Holders may assign or otherwise transfer their rights and obligations under this Agreement and any of the other Loan Documents, to any other Person, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted to the Collateral Agent and the Holders herein or otherwise. Upon any such assignment or transfer, all references in this Agreement to the Collateral Agent or any such Holder shall mean the assignee of the Collateral Agent or such Holder. None of the rights or obligations of any Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Collateral Agent, and any such assignment or transfer without the consent of the Collateral Agent shall be null and void.

(g) Upon the complete conversion of all of the Company's obligations under the Notes to equity securities of the Company and/or indefeasible payment in full in cash of all obligations under the Notes (together with any matured indemnification obligations as of the date of such conversion and/or payment, but excluding any inchoate or unmatured contingent indemnification obligations), (i) this Agreement and the security interests created shall terminate, (ii) and all rights to the Collateral shall revert to the respective Grantor that granted such security interests hereunder, and (iii) the Collateral Agent will, upon such Grantor's request and at such Grantor's expense, (A) return to such Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and (B) execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination, all without any representation, warranty or recourse whatsoever.

(h) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND EXCEPT TO THE EXTENT THAT THE VALIDITY AND PERFECTION, OR THE EFFECT OF PERFECTION OR NON-PERFECTION OF THE SECURITY INTEREST CREATED HEREBY, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(i) ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY DOCUMENT RELATED THERETO MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS THEREOF, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH GRANTOR HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION, SUIT OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT.

(j) EACH GRANTOR AND (BY ITS ACCEPTANCE OF THE BENEFITS OF THIS AGREEMENT) THE COLLATERAL AGENT WAIVE ANY RIGHT THEY MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, VERBAL OR WRITTEN STATEMENT OR OTHER ACTION OF THE PARTIES HERETO.

(k) Nothing contained herein shall affect the right of the Collateral Agent to serve process in any other manner permitted by applicable law or commence legal proceedings or otherwise proceed against any Grantor or any property of such Grantor in any other jurisdiction.

(l) Each Grantor irrevocably and unconditionally waives any right it may have to claim or recover in any legal action, suit or proceeding referred to in this Section 10 any special, exemplary, punitive or consequential damages.

(m) Section headings herein are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(n) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together constitute one in the same Agreement.

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IN WITNESS WHEREOF, each Grantor has caused this Agreement to be executed and delivered by its officer thereunto duly authorized, as of the date first above written.

FORTRESS BIOTECH, INC., a Delaware corporation

By: /s/ Lindsay A. Rosenwald
Name: Lindsay A. Rosenwald, MD
Title: President & CEO

Address for Notices:
2 Gansevoort, 9th Floor
Attn: Legal Dept.
New York, NY 10014

FBIO ACQUISITION, INC., a Delaware corporation

By: /s/ Lindsay A. Rosenwald
Name: Lindsay A. Rosenwald, MD
Title: President & CEO

Address for Notices:
2 Gansevoort, 9th Floor
Attn: Legal Dept.
New York, NY 10014

ACCEPTED BY:

OPUS POINT HEALTHCARE INNOVATIONS FUND, LP,
as Collateral Agent

By: Opus Point Healthcare Fund GP, LLC,
its general partner

By: /s/ Michael S. Weiss
Name: Michael S. Weiss
Title: Manager
Address: 2 Gansevoort, 9th Floor
New York, NY 10014

SCHEDULE I

LEGAL NAMES; ORGANIZATIONAL IDENTIFICATION NUMBERS; STATES OR JURISDICTION OF ORGANIZATION

Legal Name:	State of Organization:	Type of Organization:
Fortress Biotech, Inc.	Delaware	Corporation
FBIO Acquisition, Inc.	Delaware	Corporation

SCHEDULE II

PLEDGED SHARES

Grantor:	Name of Pledged Issuer:	Number of Shares/Units:	Class:
FBIO Acquisition, Inc.	National Holdings Corporation	7,037,482	Common Stock
Fortress Biotech, Inc.	Avenue Therapeutics, Inc.	6,960,000	Common Stock
Fortress Biotech, Inc.	Avenue Therapeutics, Inc.	200,000	Class A Preferred Stock
Fortress Biotech, Inc.	Checkpoint Therapeutics, Inc.	1,584,804	Common Stock
Fortress Biotech, Inc.	Checkpoint Therapeutics, Inc.	5,600,000	Class A Common Stock
Fortress Biotech, Inc.	Helocyte, Inc.	6,404,482	Common Stock
Fortress Biotech, Inc.	Helocyte, Inc.	200,000	Class A Preferred Stock
Fortress Biotech, Inc.	Journey Medical Corporation	4,800,000	Class A Common Stock
Fortress Biotech, Inc.	Mustang Bio, Inc.	7,200,000	Common Stock
Fortress Biotech, Inc.	Mustang Bio, Inc.	200,000	Class A Preferred Stock

EXHIBIT A

PLEDGE AMENDMENT

This Pledge Amendment, dated_____ ____,____, is delivered pursuant to Section 5(a) of the Pledge and Security Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Pledge and Security Agreement, dated as of September 14, 2016, as it may heretofore have been or hereafter may be amended, restated, supplemented, modified or otherwise changed from time to time (the "Pledge and Security Agreement") and that the shares listed on this Pledge Amendment shall be hereby pledged and assigned to the Collateral Agent and become part of the Pledged Shares referred to in such Pledge and Security Agreement and shall secure all of the Secured Obligations referred to in such Pledge and Security Agreement.

Pledged Shares			
Grantor	Name of Pledged Issuer	Number of Shares	Class

[GRANTOR]

By: _____
Name:
Title:

Opus Point Healthcare Innovations Fund, LP,
as the Collateral Agent

By: _____
Name:
Title:

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.

November 9, 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.

November 9, 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 September 30, 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.

November 9, 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 September 30, 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.

November 9, 2016

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