UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from to

Commission File Number 001-35366

FORTRESS BIOTECH, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5157386**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2 Gansevoort Street, 9th Floor
New York, New York 10014
(Address including zip code of principal executive offices)

(781) 652-4500
(Registrant's telephone number, including area code)

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 9, 2017, there were 50,656,503 shares of Common Stock of the issuer outstanding.

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

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

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 110,536	$ 88,294
Accounts receivable	5,582	1,830
Short-term investment (certificate of deposit)	44,088	-
Cash deposits with clearing organizations	1,040	1,030
Receivables from broker-dealers and clearing organizations	8,282	3,357
Forgivable loans receivable	1,269	1,712
Securities owned, at fair value	1,595	2,357
Inventory	318	203
Other receivables - related party	638	1,790
Prepaid expenses and other current assets	10,739	9,061
Total current assets	184,087	109,634
Property and equipment, net	8,221	7,376
Restricted cash	16,886	15,860
Long-term investments, at fair value	923	1,414
Intangible asset	15,983	17,408
Goodwill	18,645	18,645
Other assets	346	394
Total assets	**$ 245,091**	**$ 170,731**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 31,978	$ 23,871
Accrued expense - related party	88	-
Accrued commissions and payroll payable	11,255	11,940
Deferred clearing and marketing credits	838	995
Deferred product revenue	680	-
Securities sold, not yet purchased, at fair value	-	298
Interest payable	161	88
Interest payable - related party	497	77
Notes payable, short-term (net of debt discount of $1,277 and $0 at September 30, 2017 and December 31, 2016, respectively)	8,223	1,000
Subsidiary convertible note, short-term, at fair value	4,733	1,031
Contingent consideration payable	637	424
Warrants issued in 2017 and issuable in 2016 - National	8,832	14,359
Contingently issuable liabilities	-	1,682
Derivative warrant liability	313	481
Other current liabilities	193	319
Total current liabilities	68,428	56,565
Notes payable, long-term (net of debt discount of $2,550 and $2,009 at September 30, 2017 and December 31, 2016, respectively)	40,734	22,528
Subsidiary convertible note, long-term, at fair value	9,928	3,656
Other long-term liabilities	4,736	5,014
Total liabilities	**123,826**	**87,763**

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

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

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, 2017 and December 31, 2016, respectively	-	-
Common stock, $.001 par value, 100,000,000 shares authorized, 50,584,937 and 48,932,023 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	51	49
Common stock issuable, 86,272 and 0 shares as of September 30, 2017 and December 31, 2016, respectively	353	-
Additional paid-in-capital	338,254	283,697
Accumulated deficit	(301,714)	(245,251)
Total stockholders' equity attributed to the Company	36,944	38,495
Non-controlling interests	84,321	44,473
Total stockholders' equity	121,265	82,968
Total liabilities and stockholders' equity	**$ 245,091**	**$ 170,731**

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,	
	2017	**2016**	**2017**	**2016**
Revenue				
Fortress				
Product revenue, net	$ 2,170	$ 429	$ 8,309	$ 1,793
Revenue - from a related party	350	546	1,393	2,072
Net Fortress revenue	2,520	975	9,702	3,865
National				
Commissions	24,881	-	73,380	-
Net dealer inventory gains	1,789	-	6,666	-
Investment banking	8,942	-	26,595	-
Investment advisory	3,605	-	10,480	-
Interest and dividends	674	-	2,065	-
Transfer fees and clearing services	1,649	-	5,834	-
Tax preparation and accounting	2,527	-	6,527	-
Other	299	-	1,016	-
Total National revenue	44,366	-	132,563	-
Net revenue	46,886	975	142,265	3,865
Operating expenses				
Fortress				
Cost of goods sold - product revenue	505	41	1,852	365
Research and development	15,890	7,316	34,683	21,416
Research and development – licenses acquired	300	1,000	3,394	3,143
General and administrative	15,104	8,864	36,490	25,414
Total Fortress operating expenses	31,799	17,221	76,419	50,338
National				
Commissions, compensation and fees	39,963	-	118,983	-
Clearing fees	470	-	1,826	-
Communications	690	-	2,094	-
Occupancy	972	-	2,916	-
Licenses and registration	391	-	1,223	-
Professional fees	1,082	-	3,336	-
Interest	5	-	13	-
Depreciation and amortization	507	-	1,513	-
Other administrative expenses	3,610	-	7,315	-
Total National operating expenses	47,690	-	139,219	-
Total operating expenses	79,489	17,221	215,638	50,338
Loss from operations	(32,603)	(16,246)	(73,373)	(46,473)
Other income (expenses)				
Interest income	204	89	530	241
Interest expense and financing fee	(3,220)	(689)	(5,298)	(1,838)
Change in fair value of derivative liabilities	(639)	(16)	5,155	(105)
Change in fair value of subsidiary convertible note	(74)	(13)	(359)	(13)
Change in fair value of investments	270	(81)	(241)	(1,800)
Other expenses	(245)	-	(232)	-
Total other income (expenses)	(3,704)	(710)	(445)	(3,515)
Net loss	**(36,307)**	**(16,956)**	**(73,818)**	**(49,988)**

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)

Less: net loss attributable to non-controlling interests	9,191	3,975	17,355	12,324
Net loss attributable to common stockholders	**$ (27,116)**	**$ (12,981)**	**$ (56,463)**	**$ (37,664)**
Basic and diluted net loss per common share	$ (0.67)	$ (0.32)	$ (1.39)	$ (0.94)
Weighted average common shares outstanding—basic and diluted	40,724,115	40,128,475	40,547,364	39,885,685

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		Common Shares	Additional Paid-In	Accumulated	Non-Controlling	Total Stockholders'
	Shares	Amount	Issuable	Capital	Deficit	Interests	Equity
Balance at December 31, 2016	**48,932,023**	**$ 49**	**$ -**	**$ 283,697**	**$ (245,251)**	**$ 44,473**	**$ 82,968**
Exercise of options for cash	20,000	-	-	27	-	-	27
Stock-based compensation expense	-	-	-	12,048	-	-	12,048
Issuance of restricted stock	1,565,020	2	-	(2)	-	-	-
Issuance of subsidiaries' common shares for license expenses	-	-	-	1,762	-	-	1,762
Issuance of common stock under ESPP	22,076	-	-	42	-	-	42
Subsidiaries' offering, net	-	-	-	94,645	-	-	94,645
Debt discount related to Opus Credit Facility	-	-	-	201	-	-	201
Issuance of warrants by subsidiary in conjunction with NSC debt	-	-	-	750	-	-	750
Issuance of warrants in connection with 2017 promissory notes	-	-	-	1,784	-	-	1,784
Conversion of subsidiaries notes payable	-	-	-	314	-	-	314
Common shares issuable to NSC interest expense		-	353	-	-	-	353
Common shares issued to NSC interest expense	45,818	-	-	189	-	-	189
Non-controlling interest in subsidiaries'	-	-	-	(57,203)	-	57,203	-
Net loss attributable to non-controlling interest	-	-	-	-	-	(17,355)	(17,355)
Net loss attributable to common stockholders	-	-	-	-	(56,463)	-	(56,463)
Balance at September 30, 2017	**50,584,937**	**$ 51**	**$ 353**	**$ 338,254**	**$ (301,714)**	**$ 84,321**	**$ 121,265**

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,	
	2017	**2016**
Cash Flows from Operating Activities:		
Net Loss	$ (73,818)	$ (49,988)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation expense	819	240
Amortization expense of intangible asset	1,235	-
Amortization of debt discount	1,316	586
Amortization of product revenue license fee	401	50
Amortization of forgivable loans to registered representatives	520	-
Amortization of deferred clearing credit	(157)	-
Stock-based compensation expense	12,048	8,792
Recovery for doubtful accounts	(274)	-
Common shares issuable to NSC interest expense	353	-
Common shares issued to NSC interest expense	189	-
Change in fair value of investments	241	1,800
Change in fair value of derivative liabilities	(5,155)	105
Change in fair value of subsidiary convertible note	359	13
Loss on write off of investment	250	-
Research and development-licenses acquired, expense	3,394	3,143
Non-cash research and development expense	50	-
Change in fair value of subsidiaries' assets and liabilities	1,341	491
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:		
Restricted cash	(1,026)	-
Cash deposits with clearing organizations	(10)	-
Accounts receivable	(3,752)	(118)
Receivables from broker-dealers and clearing organizations	(4,925)	-
Forgivable loans receivable	(77)	-
Securities owned, at fair value	762	-
Inventory	(115)	(123)
Other receivables - related party	1,152	(1,389)
Prepaid expenses and other current assets	(1,426)	(797)
Accounts payable and accrued expenses	4,195	5,364
Accrued expense - related party	84	-
Securities sold, but not yet purchased, at fair value	(298)	-
Deferred Revenue	680	-
Interest payable	22	41
Interest payable - related party	430	-
Other long-term liabilities	(288)	3,948
Net cash used in operating activities	(61,480)	(27,842)
Cash Flows from Investing Activities:		
Purchase of research and development licenses	(965)	(3,095)
Purchase of property and equipment	(999)	(5,756)
Purchase of license	-	(350)
Purchase of short-term investment (certificates of deposit)	(44,088)	-
Security deposits refund	42	-
Security deposits collected	-	(5)
Acquisition of business - National	(19)	4,626
Collection on notes receivable - disposal of Gilman branches	28	-
Investment in Origo Acquisition Corp.	-	(175)
Net cash used in investing activities	(46,001)	(4,755)

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)

	For the Nine Months Ended September 30,	
	2017	**2016**
Cash Flows from Financing Activities:		
Proceeds from subsidiaries' offering	94,645	11,652
Proceeds from at-the-market offering	-	434
Payment of cost related to at-the-market offering	-	(49)
Proceeds from NSC note	28,355	-
Payment of debt issuance costs associated with NSC Note	(1,081)	-
Payment of NSC note	(3,608)	(2,792)
Proceeds from exercise of stock options	27	-
Proceeds from issuance of common stock under ESPP	42	81
Proceeds from subsidiaries' Convertible Note	9,914	3,018
Payment of debt issuance costs associated with subsidiaries' Convertible Note	(1,071)	(392)
Proceeds from Opus Credit Facility	2,500	5,000
Proceeds from IDB Note	-	920
Transfer of restricted cash	-	(920)
Net cash provided by financing activities	129,723	16,952
Net increase (decrease) in cash and cash equivalents	22,242	(15,645)
Cash and cash equivalents at beginning of period	88,294	98,182
Cash and cash equivalents at end of period	$ 110,536	$ 82,537
Supplemental disclosure of cash flow information:		
Fortress		
Cash paid for interest	$ 345	$ 238
NHLD		
Cash paid for interest	$ 11	$ 16
Cash paid for income taxes	$ 1,004	$ 76
Supplemental disclosure of non-cash financing and investing activities:		
Fortress		
Issuance of restricted stock	$ 2	$ 2
Issuance of warrants by subsidiary in conjunction with NSC debt	$ 750	$ 634
Issuance of warrants in connection with 2017 Subordinated Note Financing	$ 1,784	$ -
Debt discount related to Opus Credit Facility	$ 201	$ -
Beneficial conversion feature related to Opus Credit Facility	$ -	$ 1,881
Unpaid debt offering cost	$ 42	$ -
Common shares issuable for license acquired	$ 1,682	$ -
Conversion of subsidiaries notes payable	$ 314	$ -

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)

Acquisition of NHLD	$ -	$ (21,739)
Goodwill	-	(4,889)
Accounts receivable	-	(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 interest	-	17,717
Net cash acquired in the acquisition of NHLD	$ -	$ 4,626
NHLD		
Fixed assets (acquired but not paid)	$ 665	$ -
Business acquired:		
Identifiable intangible asset acquired	$ 211	$ -
Contingent consideration payable	(192)	-
Cash paid	$ 19	$ -

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 its subsidiary companies, also referred to as the "Fortress Companies." Additionally, the Company has a controlling interest in National Holdings Corporation, a diversified independent brokerage company (together with its subsidiaries, 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 licenses, acquisitions, partnerships, joint ventures and/or public and private financings (including financings facilitated by NHLD) to accelerate and provide additional funding to support their research and development programs and the commercialization of biopharmaceutical products.

As of September 30, 2017, in addition to NHLD, the Company has several consolidated Fortress Companies, some of which contain product licenses, including Avenue Therapeutics, Inc. ("Avenue"), Aevitas Therapeutics, Inc ("Aevitas"), Cellvation, Inc. ("Cellvation"), Journey Medical Corporation ("Journey or "JMC"), Coronado SO Co. ("Coronado SO"), Checkpoint Therapeutics, Inc. ("Checkpoint"), Mustang Bio, Inc. ("Mustang"), Helocyte, Inc. ("Helocyte"), Escala Therapeutics, Inc. ("Escala"), CB Securities Corporation (which holds investments classified as cash and cash equivalents), Caelum Biosciences, Inc. ("Caelum") and Cyprium Therapeutics, Inc. ("Cyprium"). In addition to the foregoing companies, Fortress also maintains ownership positions in subsidiaries with minimal activity, including Innmune Limited.

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, Avenue, 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 16, 2017, from which the Company derived the balance sheet data at December 31, 2016, as well as National's Form 10-K, filed with SEC on December 29, 2016 and their Form 10-Q, filed with the SEC on August 14, 2017, Checkpoint's Forms 10-K and 10-K/A, filed with the SEC on March 17, 2017 and March 21, 2017, respectively, Mustang's Form 10-K, filed with the SEC on March 31, 2017, and Avenue's Form 10-12G/A, filed with the SEC on March 27, 2017.

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

The National assets acquired and liabilities assumed and revenues and expenses are reported on a one quarter lag. Therefore, the National assets acquired and liabilities assumed included in these consolidated financial statements as of September 30, 2017 are actually the assets and liabilities as of June 30, 2017 and the revenues and expenses included in these consolidated financial statements for the quarter ending September 30, 2017 are actually the revenues and expenses for the quarter ending June 30, 2017.

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of expenses during the reporting period.

Use of Estimates

The Company's unaudited condensed consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The Company's significant estimates include, but are not limited to, useful lives assigned to long-lived 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.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies previously disclosed in the Company's Form 10-K filed with the SEC on March 16, 2017, with the exception of the policies listed below.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at September 30, 2017 and at December 31, 2016 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.

Short-term Investments – Held to Maturity

The company classifies its certificates of deposit as cash and cash equivalents or held to maturity in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments – Debt and Equity Securities.* The Company considers all short-term investments with an original maturity in excess of three months when purchased to be short-term investments. Short-term investments consist of short-term FDIC insured certificates of deposit with a maturity of more than three months and less than twelve months, carried at amortized cost using the effective interest method. The cost of the Company's certificates of deposit approximated fair value. The Company reassesses the appropriateness of the classification of its investments at the end of each reporting period.

At September 30, 2017, the Company had approximately $60.1 million in certificates of deposit with no more than $250,000 at any individual institution. The Company classified $16.0 million as cash and cash equivalents and classified $44.1 million as short-term investments (certificates of deposits) held-to-maturity as of September 30, 2017. There were no short-term investments as of December 31, 2016. This classification was based upon management's determination that it has the positive intent and ability to hold the securities until their maturity dates, as its investments mature within one year and the underlying cash invested in these securities is not required for current operations.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. Under ASU 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 2016-09 eliminates the requirement that excess tax benefits be realized before companies can recognize them. ASU 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 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 2016-09 requires companies to classify the cash paid to a tax authority when shares are withheld to satisfy their 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. The Company adopted ASU 2016-09 on January 1, 2017. The adoption did not have a material impact on its condensed consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment*. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard will be effective for the Company beginning in the first quarter of fiscal year 2021 and is required to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted ASU 2017-04 on January 1, 2017. The adoption did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for fiscal periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted ASU 2017-01 on January 1, 2017. The adoption did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration the entities expect to receive in exchange for those goods or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The FASB subsequently issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* to address issues arising from implementation of the new revenue recognition standard. ASU 2014-09 and ASU 2016-10 are effective for interim and annual periods beginning January 1, 2018, and may be adopted earlier, but not before January 1, 2017. The revenue standard is required to be adopted by taking either a full retrospective or a modified retrospective approach. The Company is continuing to assess the impact of the new guidance on its accounting policies and procedures and is evaluating the new requirements as applied to existing revenue contracts. The Company will adopt Topic 606 in the first quarter of 2018 using the modified retrospective method which consists of applying and recognizing the cumulative effect of Topic 606 at the date of initial application and providing certain additional disclosures. The Company is in the process of reviewing variable consideration, potential disclosures, and our transition adjustments to complete our evaluation of the impact on our consolidated financial statements prior to the end of 2017. In addition, the Company continues to monitor additional changes, modifications, clarifications or interpretations undertaken by the FASB or others, which may impact our current conclusions.

In January 2016, the FASB issued ASU 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 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, if any, of adoption of ASU 2016-01 on its condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 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 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 evaluating the impact, if any, of adoption of ASU 2016-02 on its condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires that expected credit losses relating to financial assets are measured on an amortized cost basis and available-for-sale debt securities be recorded through an allowance for credit losses. ASU 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 and may be adopted earlier. The Company is currently evaluating the impact, if any, that ASU 2016-13 will have on its condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): 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 evaluating the impact, if any, of this new pronouncement on its condensed consolidated statements of cash flows and related disclosures. In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new guidance requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, companies will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. Companies will also need to disclose information about the nature of the restrictions. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, of this new pronouncement on its condensed consolidated statements of cash flows and related disclosures.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. ASU 2017-09 provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. The amendments in ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently assessing the potential impact of adopting ASU 2017-09 on its condensed consolidated financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception.* Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its condensed consolidated financial statements and related disclosures.

3. National Holdings Corporation Acquisition – Intangible Assets

On September 9, 2016, the Company, purchased approximately 56.6% of National's common stock, par value $0.02 per share at the purchase price of $3.25 per share in cash.

In connection with the purchase, the Company recognized $18.6 million of goodwill and does not expect goodwill to be deductible for tax purposes.

Intangible assets consist of trademark and customer lists acquired in the offer under the purchase method of accounting and are recorded at fair value net of accumulated amortization since the purchase date. Amortization is calculated using the straight-line and accelerated methods over the following estimated useful lives:

	Useful life
Trademark	10 years
Customer lists	10 years

The carrying amount related to acquired intangible assets as of September 30, 2017 are as follows ($ in thousands):

Intangible assets at December 31, 2016	$ 15,991
Amortization expense	(1,235)
Intangible assets at September 30, 2017	$ 14,756

The future amortization of these intangible assets is as follows ($ in thousands):

	Total
Three Months Ended December 31, 2017	$ 415
Year Ended December 31, 2018	1,649
Year Ended December 31, 2019	1,649
Year Ended December 31, 2020	1,654
Year Ended December 31, 2021	1,649
Thereafter	7,740
Total	$ 14,756

The Company reviews its finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of a finite-lived intangible asset may not be recoverable. Recoverability of a finite-lived intangible asset is measured by a comparison of its carrying amount to the undiscounted future cash flows expected to be generated by the asset. If the asset is considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no indicators of impairment during the nine months ended September 30, 2017.

4. Broker-Dealers and Clearing Organizations, Other Receivables and Prepaid Expenses and Other Current Liabilities

At June 30, 2017, National's receivables of $2.8 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. National also has other receivables at June 30, 2017 of $6.0 million, which principally represent trailing commissions, tax and accounting fees and investment banking fees and are net of an allowance for uncollectable accounts of $0.5 million and are included in prepaid expenses and other current assets in the Company's Condensed Consolidated Balance Sheet.

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 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 2021. Amortization of loan forgiveness was included in commissions, compensation and fees in the statement of operations. In the event the advisor's affiliation with the subsidiary terminates, the advisor is required to repay the unamortized balance of the note.

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 June 30, 2017, no allowance for doubtful accounts was required.

There were no unamortized forgivable loans outstanding at June 30, 2017 attributable to registered representatives who ended their affiliation with National's 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):

	Estimated Useful Lives (in years)	September 30, 2017	December 31, 2016
Computer equipment	3	$ 523	$ 440
Furniture and fixtures	5	1,002	821
Leasehold improvements	Various	5,351	5,396
Construction in process (1)	N/A	139	-
Total property and equipment		7,015	6,657
Less: accumulated depreciation		(986)	(445)
Property and equipment, net		$ 6,029	$ 6,212

(1) In connection with Mustang's manufacturing facility, Mustang incurred $0.1 million related to the design of the facility as of September 30, 2017.

Fortress's depreciation expense for the three months ended September 30, 2017 and 2016, was approximately $0.2 million and $0.2 million, 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, 2017 and 2016, was approximately $0.5 million and $0.2 million, respectively, and was recorded in both research and development expense and general and administrative expense in the Condensed Consolidated Statements of Operations.

National's property and equipment as of June 30, 2017 consisted of the following ($ in thousands):

	Estimated Useful Lives (in years)	June 30, 2017
Equipment	5	$ 1,305
Furniture and fixtures	5	240
Leasehold improvements	Lesser of useful life or term of lease	685
Capital leases (primarily composed of computer equipment)	5	276
Total property and equipment		2,506
Less: accumulated depreciation		(314)
Property and equipment, net		$ 2,192

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 $0.3 million 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. In August 2017, a clinical trial utilizing this device concluded that there was no strong statistical data demonstrating that the device provided relief from migraine headaches. Accordingly, the third-party company ceased operations and the Company wrote off its investment of $0.3 million. The fair value of this investment was nil as of September 30, 2017 and $0.3 million as of December 31, 2016.

Origo Acquisition Corporation (formerly CB Pharma Acquisition Corporation)

On December 19, 2016, Origo Acquisition Corporation ("Origo") entered into a merger agreement ("Origo Merger Agreement") with Aina Le'a Inc. ("Aina Le'a"), a residential and commercial real estate developer in Hawaii. On February 17, 2017, Origo sent a termination letter, as supplemented on February 22, 2017, to Aina Le'a terminating the Origo Merger Agreement. On March 10, 2017, Origo's shareholders approved an amendment to Origo's organizational documents extending the date by which Origo must consummate a merger to September 12, 2017. On September 11, 2017, Origo's shareholders approved a second amendment to the Articles of Association and extended the date by which to consummate a business combination to March 12, 2018.

On July 24, 2017, Origo entered into a Merger Agreement with High Times Holding Corp. ("HTH"), which was later amended on September 27, 2017 ("Amended Merger Agreement"). Pursuant to the terms of the Amended Merger Agreement, the Merger Sub will merge with and into HTH, with HTH continuing as the surviving entity (the "Merger") and all holders of HTH equity securities and warrants, options and rights to acquire or securities that convert into HTH equity securities (collectively, "HTH Securities") will convert into Origo common shares and, with respect to options, options to acquire Origo common shares.

The Merger Agreement also provides that, immediately prior to the Effective Time, Origo will reincorporate under the laws of the State of Nevada, whether by reincorporation, statutory conversion or otherwise.

As of September 30, 2017, the Company valued its investment in Origo, a publicly traded company, utilizing the following assumptions: probability of a successful business combination of 31.4%, and no dividend rate, which yielded an instrument value upon business combination of $10.61 per ordinary share for the private placement shares. The rights and warrants were valued utilizing a binomial-lattice model at a value of $0.33 for each right and $0.31 for each warrant. Based upon the valuation, the Company recorded a decrease in fair-value of investment of $0.2 million for the nine months ended September 30, 2017. At September 30, 2017, the fair value of the Company's investment in Origo was, $0.9 million. The Company's working capital note with Origo of $0.3 million can be converted to stock upon a successful business combination.

Contingently Issuable Warrant

Pursuant to the Company's promissory note with NSC of March 2015, as amended in July 2015 (the "NSC Note"), (see Note 11), if the Company transfers any proceeds from the NSC Note to a Fortress Company, such Fortress Company will issue to NSC Biotech Venture Fund I LLC a new promissory note on identical terms as the NSC Note and NSC Biotech Venture Fund I LLC will also receive a warrant to purchase a number of shares of such 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 granted in connection with the transfer from Fortress of $3.0 million to Avenue under the NSC Note 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.

On June 26, 2017, Avenue closed on an Initial Public Offering ("IPO") raising gross proceeds of $38.0 million and issuing 6.3 million common shares at $6.00 per share. As such, pursuant to the terms of Avenue's $3.0 million NSC Note, Avenue issued to National a warrant to purchase 125,000 of its common shares at par. The issuance of the warrant relates to the completion of Avenue's IPO in which Avenue's raised gross proceeds from a third-party party exceeding five times the value of the debt. Upon the issuance of the warrant by Avenue, the Company was removed as the guarantor on the note.

($ in thousands)	**Avenue's Contingently Issuable Warrants**
Beginning balance at January 1, 2017	$ 302
Conversion into common shares	(750)
Change in fair value	448
Ending balance at September 30, 2017	$ -

Avenue Warrant Liabilities

On December 30, 2016, Avenue held a closing of the sale of convertible promissory notes. In the closing, WestPark Capital, Inc., the placement agent ("WestPark"), received a warrant (the "WestPark Warrant") to purchase the number of shares of Avenue's common stock equal to $10,000 divided by the price per share at which any note sold to investors first converts into Avenue's common stock. The WestPark Warrant has a ten-year term. Avenue's WestPark Warrant liability was measured at fair value using a Monte Carlo simulation valuation methodology.

Additionally, on June 26, 2017, in connection with Avenue's IPO, Avenue issued 2,488 warrants to purchase common shares of Avenue at $4.02, a 33% discount to the IPO price of $6.00 to Westpark Capital in connection with their role as placement agent for Avenue's 2016 Convertible Notes, which automatically converted to common shares of Avenue upon completion of the IPO.

($ in thousands)	Avenue's Warrant Liability
Beginning balance at January 1, 2017	$ 12
Conversion into common shares	(15)
Change in fair value	3
Ending balance at September 30, 2017	$ -

Helocyte Warrant Liabilities

The fair value of Helocyte's warrant liability, which was issued in connection with Helocyte's convertible note (see Note 11), was measured using a Monte Carlo simulation valuation methodology. A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring Helocyte's warrant liabilities that are categorized within Level 3 of the fair value hierarchy as of September 30, 2017 is as follows:

	September 30, 2017
Risk-free interest rate	1.733% – 1.795%
Expected dividend yield	-%
Expected term in years	3.75 – 4.17
Expected volatility	70.0%
Strike price	$ 0.44

($ in thousands)	Fair Value of Derivative Warrant Liability
Beginning balance at January 1, 2017	$ 167
Change in fair value of derivative liabilities	(79)
Ending balance at September 30, 2017	$ 88

Caelum Warrant Liabilities

The fair value of Caelum's warrant liability, which was issued in connection with Caelum's convertible note (see Note 11), was measured using a Monte Carlo simulation valuation methodology. A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring Caelum's warrant liabilities that are categorized within Level 3 of the fair value hierarchy as of September 30, 2017 is as follows:

	September 30, 2017
Risk-free interest rate	1.895% – 1.914%
Expected dividend yield	-%
Expected term in years	4.84 – 4.96
Expected volatility	70.0%
Strike price	$ 1.43

($ in thousands)	Fair Value of Derivative Warrant Liability
Beginning balance at January 1, 2017	$ -
Change in fair value of derivative liabilities	225
Ending balance at September 30, 2017	$ 225

Helocyte Convertible Notes at Fair Value

Helocyte's convertible note is measured at fair value using the Monte Carlo simulation valuation methodology. A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring Helocyte's convertible debt that is categorized within Level 3 of the fair value hierarchy as of September 30, 2017 is as follows:

	September 30, 2017
Risk-free interest rate	1.199%– 1.336%
Expected dividend yield	-%
Expected term in years	0.50 – 1.16
Expected volatility	59.5%

($ in thousands)	Helocyte Convertible Note, at fair value
Beginning balance at January 1, 2017	$ 4,487
Change in fair value of convertible notes	246
Ending balance at September 30, 2017	$ 4,733

Caelum Convertible Notes at Fair Value

Caelum's convertible debt is measured at fair value using the Monte Carlo simulation valuation methodology. A summary of the weighted average (in aggregate) significant unobservable inputs (Level 3 inputs) used in measuring Caelum's convertible debt that is categorized within Level 3 of the fair value hierarchy as of September 30, 2017 is as follows:

	September 30, 2017
Risk-free interest rate	1.246%– 1.463%
Expected dividend yield	-%
Expected term in years	0.71 – 1.95
Expected volatility	70.0%

($ in thousands)	Caelum Convertible Note, at fair value
Beginning balance at January 1, 2017	$ -
Additions	9,914
Change in fair value of convertible notes	14
Ending balance at September 30, 2017	$ 9,928

Avenue Convertible Notes at Fair Value

On June 26, 2017, upon completion of Avenue's IPO, Avenue's convertible debt automatically converted into approximately 49,749 common shares of Avenue, at $4.02, a 33% discount to the IPO price, pursuant to the terms of the Convertible Note. As of September 30, 2017, Avenue's obligation to its note holders was satisfied.

($ in thousands)	Avenue Convertible Note, at fair value
Beginning balance at January 1, 2017	$ 200
Conversion into common shares	(299)
Change in fair value of convertible notes	99
Ending balance at September 30, 2017	$ -

The following tables classify the fair value hierarchy of Fortress's financial instruments, exclusive of National's financial instruments, measured at fair value as of September 30, 2017 and December 31, 2016:

	Fair Value Measurement as of September 30, 2017			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Long-term investments, at fair value	$ -	$ -	$ 923	$ 923
Total	$ -	$ -	$ 923	$ 923
Liabilities				
Warrant liabilities	$ -	$ -	$ 313	$ 313
Caelum Convertible Note, at fair value	-	-	9,928	9,928
Helocyte Convertible Note, at fair value	-	-	4,733	4,733
Total	$ -	$ -	$ 14,974	$ 14,974

	Fair Value Measurement as of December 31, 2016			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Long-term investments, at fair value	$ -	$ -	$ 1,414	$ 1,414
Total	$ -	$ -	$ 1,414	$ 1,414
Liabilities				
Contingently Issuable Warrants	$ -	$ -	$ 302	$ 302
Warrant liabilities	-	-	179	179
Helocyte Convertible Note, at fair value	-	-	4,487	4,487
Avenue Convertible Note, at fair value	-	-	200	200
Total	$ -	$ -	$ 5,168	$ 5,168

The following table shows the fair values hierarchy of National's financial instruments measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets as of June 30, 2017:

	Fair Value Measurement as of June 30, 2017			
($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
National				
Securities owned, at fair value				
Corporate stocks	$ 70	$ -	$ -	$ 70
Municipal bonds	816	517	-	1,333
Restricted stock	-	192	-	192
Total	$ 886	$ 709	$ -	$ 1,595
Liabilities				
National				
Securities sold, but not yet purchased at fair value				
Contingent consideration	$ -	$ -	$ 637	$ 637
Warrants - National	-		8,832	8,832
Total	$ -	$ -	$ 9,469	$ 9,469

Warrants issuable - National

In accordance with the Company's Merger Agreement with National, since less than 80% of National's issued and outstanding shares of common stock were tendered, National remains a publicly-traded company and National's stockholders post-tender offer received from National a five-year warrant per held share to purchase an additional share of National's common stock at $3.25 as a dividend to all holders of National's common stock.

As National does not have the ability to settle the warrants with unregistered shares and maintenance of an effective registration statement may be considered outside of the Company's control, net cash settlement of the warrants is assumed. The fair value of the 5.4 million National warrants represents 43.4% of the warrants issued to non-Fortress shareholders. These are being classified as a liability in the condensed consolidated statement of financial condition at September 30, 2017. Such valuation (using Level 3 inputs) was determined by use of the Black-Scholes option pricing model using the following assumptions:

	June 30, 2017
Dividend yield	-%
Expected volatility	91%
Risk-free interest rate	1.890%
Life (in years)	4.20

($ in thousands)	**National's Warrants**
Beginning balance at December 31, 2016	$ 14,359
Change in fair value of derivative liability	(5,527)
Ending balance at June 30, 2017	$ 8,832

National listed the warrants on the Nasdaq Capital Market under the symbol "NHLDW" in February 2017.

The table below provides a roll-forward of the changes in fair value of Level 3 financial instruments for the nine months ended September 30, 2017:

			Convertible Note, at fair value					
($ in thousands)	**Investment in Origo**	**Investment in laser device**	**Helocyte**	**Avenue**	**Caelum**	**Contingently Issuable Warrants**	**Warrant liabilities**	**Total**
Balance at December 31, 2016	$ 1,164	$ 250	$ 4,487	$ 200	$ -	$ 14,661	$ 179	$ 20,941
Additions during the period	-	-	-	-	9,914	-	225	10,139
Conversion into common shares	-	-	-	(299)	-	(750)	(15)	(1,064)
Issuance of warrants	-	-	-	-	-	(8,190)	8,190	-
Loss on write off investment	-	(250)	-	-	-	-	-	(250)
Change in fair value of investments	(241)	-	-	-	-	-	-	(241)
Change in fair value of convertible notes	-	-	246	99	14	-	-	359
Change in fair value of derivative liabilities	-	-	-	-	-	(5,079)	(76)	(5,155)
Balance at September 30, 2017	$ 923	$ -	$ 4,733	$ -	$ 9,928	$ 642	$ 8,503	$ 24,729

For the nine months ended September 30, 2017, 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 the Company and Mustang, Checkpoint, Helocyte, Caelum and Cyprium require substantial completion of research and development, regulatory and marketing approval efforts in order to reach technological feasibility. As such, for the three and nine months ended September 30, 2017 and 2016, respectively, the purchase price of licenses acquired was classified as research and development-licenses acquired in the Condensed Consolidated Statements of Operations, as reflected in the table below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	**2017**	**2016**	**2017**	**2016**
Fortress	$ -	$ -	$ 300	$ -
Fortress Companies:				
Checkpoint	-	1,000	400	3,060
Helocyte	-	-	-	83
Mustang	300	-	2,375	-
Caelum	-	-	219	-
Cyprium	-	-	100	-
Total	$ 300	$ 1,000	$ 3,394	$ 3,143

Fortress

Effcon Laboratories, Inc.

In September 2016, the Company entered into a development and license agreement with Effcon Laboratories, Inc. ("Effcon") for the development of extended release formulation of Methozolamide. Pursuant to the Agreement, Fortress paid an upfront fee of $0.2 million in December 2016. Additional payments are due for the achievement of five development milestones totaling $2.3 million and royalty payments in the mid-single digits are due on net sales of licensed products. Additionally, the Company agreed to fund a development budget of up to $1.6 million. During the three and nine months ended September 30, 2017, the Company recorded expense of nil and $0.3 million, respectively which was recorded on the Condensed Consolidated Statement of Operations in research and development – licenses acquired

Checkpoint

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, including CK-103. For the nine months ended September 30, 2017, Checkpoint expensed a non-refundable milestone payment of $0.4 million associated with the successful completion of toxicology studies under the terms of the Jubilant License. For the nine months ended September 30, 2016, Checkpoint paid an upfront fee of $2.0 million, included in research and development-licenses acquired in the Condensed Consolidated Statements of Operations.

In connection with the Jubilant 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, with Checkpoint retaining the right to develop and commercialize these compounds in the field of solid tumors. Michael Weiss, Chairman of the Board of Directors of Checkpoint and the Company's Executive Vice Chairman, Strategic Development, is also the Executive Chairman, President and Chief Executive Officer and a stockholder of TGTX. For the three months ended September 30, 2017 and 2016, Checkpoint recognized $0.2 million and $0.3 million, respectively, and for the nine months ended September 30, 2017 and 2016, Checkpoint recognized $0.8 million and $1.3 million, respectively, in revenue related to the sublicense agreement in the Condensed Consolidated Statements of Operations.

Dana-Farber Cancer Institute

In connection with its 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, Chairman of the Board of Directors of Checkpoint and Fortress's Executive Vice Chairman, Strategic Development, is also the Executive Chairman, President and Chief Executive Officer and a stockholder of TGTX. For the three months ended September 30, 2017 and 2016, approximately $46,000 and nil, respectively, was recognized in revenue from the collaboration agreement with TGTX in the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2017 and 2016, approximately $84,000 and $20,000, respectively, was recognized in revenue from the collaboration agreement with TGTX in the Condensed Consolidated Statements of Operations.

Mustang

License Agreement with the City of Hope

In March 2015, Mustang entered into an exclusive license agreement with City of Hope ("COH") to acquire intellectual property rights pertaining to chimeric antigen receptor T cells, CAR-T (the "Original License"). On February 17, 2017, Mustang and COH amended and restated the Original License by entering into three separate exclusive license agreements, one relating to CD123 (the "CD123 License"), one relating to IL13Rα2 (the "IL13Rα2 License") and one relating to the spacer technology (the "Spacer License"). The total potential consideration payable to COH by Mustang under the new license agreements, in equity or cash, did not, in the aggregate, change materially from the Original License.

CD123 License

Pursuant to the CD123 License, Mustang and COH acknowledge that an upfront fee was paid under the Original License. In addition, an annual maintenance fee will continue to apply. COH is eligible to receive up to approximately $14.5 million in milestone payments upon and subject to the achievement of certain milestones. Royalty payments in the mid-single digits are due on net sales of licensed products. Mustang is obligated to pay COH a percentage of certain revenues received in connection with a sublicense in the mid-teens to mid-thirties, depending on the timing of the sublicense in the development of any product. In addition, equity grants made under the Original License were acknowledged, and the anti-dilution provisions of the Original License were carried forward.

IL13Rα2 License

Pursuant to the IL13Rα2 License, Mustang and COH acknowledge that an upfront fee was paid under the Original License. In addition, an annual maintenance fee will continue to apply. COH is eligible to receive up to approximately $14.5 million in milestone payments upon and subject to the achievement of certain milestones. Royalty payments in the mid-single digits are due on net sales of licensed products. Mustang is obligated to pay COH a percentage of certain revenues received in connection with a sublicense in the mid-teens to mid-thirties, depending on the timing of the sublicense in the development of any product. In addition, equity grants made under the Original License were acknowledged, and the anti-dilution provisions of the Original License were carried forward. During the nine months ended September 30, 2017, Mustang recorded an expense of $0.3 million in connection with the achievement of certain milestones pursuant to the IL13Rα2 License.

Spacer License

Pursuant to the Spacer License, Mustang and COH acknowledge that an upfront fee was paid under the Original License. In addition, an annual maintenance fee will continue to apply. No royalties are due if the Spacer technology is used in conjunction with a CD123 CAR or an IL13Rα2 CAR, and royalty payments in the low single digits are due on net sales of licensed products if the Spacer technology is used in conjunction with other intellectual property. Mustang is obligated to pay COH a percentage (in the mid-thirties) of certain revenues received in connection with a sublicense. In addition, equity grants made under the Original License were acknowledged, and the anti-dilution provisions of the Original License were carried forward.

IV/ICV Agreement

On February 17, 2017, Mustang entered into an exclusive license agreement (the "IV/ICV Agreement") with COH to acquire intellectual property rights in patent applications related to the intraventricular and intracerebroventricular methods of delivering T cells that express CARs. Pursuant to the IV/ICV Agreement, Mustang paid COH an upfront fee of $0.1 million in March 2017. COH is eligible to receive up to approximately $0.1 million in milestone payments upon the achievement of a certain milestone as well as an annual maintenance fee. Royalty payments in the low-single digits are due on net sales of licensed products and services.

HER2 Technology License

On May 31, 2017, Mustang entered into an exclusive license agreement with the COH for the use of human epidermal growth factor receptor 2 (HER2) CAR T technology (HER2 Technology), which will initially be applied in the treatment of glioblastoma multiforme. Pursuant to the Agreement, Mustang paid an upfront fee of $0.6 million and will owe an annual maintenance fee of $50,000 (beginning in 2019). Additional payments of up to $14.9 million are due upon and subject to the achievement of ten development milestones, and royalty payments in the mid-single digits are due on net sales of licensed products.

CS1 Technology License

On May 31, 2017, Mustang entered into an exclusive license agreement with the COH for the use of CS1 specific CAR T technology (CS1 Technology) to be directed against multiple myeloma. Pursuant to the Agreement, Mustang paid an upfront fee of $0.6 million on July 3, 2017 and will owe an annual maintenance fee of $50,000 (beginning in 2019). Additional payments of up to $14.9 million are due upon and subject to the achievement of ten development milestones, and royalty payments in the mid-single digits are due on net sales of licensed products.

PSCA Technology License

On May 31, 2017, Mustang entered into an exclusive license agreement with the COH for the use of prostate stem cell antigen (PSCA) CAR T technology (PSCA Technology) to be used in the treatment of prostate cancer. Pursuant to the Agreement, Mustang paid an upfront fee of $0.3 million on July 3, 2017 and will owe an annual maintenance fee of $50,000 (beginning in 2019). Additional payments of up to $14.9 million are due upon and subject to the achievement of ten development milestones, and royalty payments in the mid-single digits are due on net sales of licensed products.

License with University of California

On March 17, 2017, Mustang entered into an exclusive license agreement with the Regents of the University of California ("UCLA License") to acquire intellectual property rights in patent applications related to the engineered anti-prostate stem cell antigen antibodies for cancer targeting and detection. Pursuant to the UCLA Agreement, Mustang paid UCLA an upfront fee of $0.2 million on April 25, 2017. Annual maintenance fees also apply; additional payments are due upon achievement of certain development milestones totaling $14.3 million, and royalty payments in the mid-single digits are due on net sales of licensed products.

Fred Hutchinson Cancer Research Center License

On July 3, 2017, Mustang entered into an exclusive, worldwide licensing agreement with Fred Hutchinson Cancer Research Center ("Fred Hutch") for the use of a CAR T therapy related to autologous T cells engineered to express a CD20-specific chimeric antigen receptor ("CD 20 Technology License"). Pursuant to the CD 20 Technology License, Mustang paid Fred Hutch an upfront fee of $0.3 million and will owe an annual maintenance fee of $50,000 on each anniversary of the license until the achievement by Mustang of regulatory approval of a licensed product using CD20 Technology. Additional payments are due for the achievement of certain development milestones totaling $39.1 million and royalty payments in the mid-single digits are due on net sales of licensed products.

Caelum

License Agreement with Columbia University

In January 2017, Caelum entered into an exclusive license agreement with Columbia University ("Columbia") to secure worldwide license rights to CAEL-101 (11-1F4), a chimeric fibril-reactive monoclonal antibody (mAb) being evaluated in a Phase 1a/1b study for the treatment of amyloid light chain ("AL") amyloidosis. This transaction was accounted for as an asset acquisition pursuant to ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* as the majority of the fair value of the assets acquired was concentrated in a group of similar assets, and the acquired assets did not have outputs or employees. Caelum made an upfront payment of $0.2 million to Columbia upon execution of the exclusive license and also granted Columbia 1,050,000 shares of Common Stock, representing 10% ownership of Caelum, as of such date valued at $29,000 or $0.028 per share. Total consideration is included in research and development licenses acquired on the Condensed Consolidated Statements of Operations. Under the terms of the agreement, Columbia is eligible to receive additional milestone payments of up to $5.5 million upon the achievement of certain development milestones, in addition to royalty payments for sales of the product. CAEL-101 is a novel antibody being developed for patients with AL Amyloidosis, a rare systemic disorder caused by an abnormality of plasma cells in the bone marrow.

Cyprium

License Agreement with the *Eunice Kennedy Shriver* National Institute of Child Health and Human Development

In March 2017, Cyprium and the *Eunice Kennedy Shriver* National Institute of Child Health and Human Development ("NICHD"), part of the National Institutes of Health ("NIH"), entered into a Cooperative Research and Development Agreement to advance the clinical development of Phase 3 candidate CUTX-101 (copper histidinate injection) for the treatment of Menkes disease. Cyprium and NICHD also entered into a worldwide, exclusive license agreement to develop and commercialize AAV-based ATP7A gene therapy for use in combination with CUTX-101 for the treatment of Menkes disease and related copper transport disorders. This transaction was accounted for as an asset acquisition pursuant to ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* as the majority of the fair value of the assets acquired was concentrated in a group of similar assets, and the acquired assets did not have outputs or employees. Cyprium made an upfront payment of $0.1 million to NICHD upon execution of the exclusive license, which has been included in research and development-licenses acquired in the Condensed Consolidated Statements of Operations.

9. Sponsored Research Agreements

Checkpoint

NeuPharma, Inc. Sponsored Research Agreement

In connection with its license agreement with NeuPharma, Inc. ("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 Sponsored Research Agreement and paid Checkpoint for all amounts previously paid by the Company. For the three months ended September 30, 2017 and 2016, approximately $0.1 million and $0.2 million, respectively, was recognized in revenue in connection with the Sponsored Research Agreement in the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2017 and 2016, approximately $0.5 million and $0.7 million, respectively, was recognized in revenue in connection with the Sponsored Research Agreement in the Condensed Consolidated Statements of Operations.

Helocyte

PepVax and Triplex Clinical Research and Support Agreements

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

In February 2016, Helocyte entered into an Investigator-Initiated Clinical Research Support Agreement, as amended, with the COH, to support a Phase 2 clinical study of its Triplex immunotherapy for CMV control in allogeneic stem cell transplant recipients ("Triplex Research Agreement").

For the three months ended September 30, 2017 and 2016, Helocyte incurred expenses of $1.3 million and $0.4 million, related to the Triplex Research Agreement and $0.5 million and $0.5 million related to their PepVax Research Agreement. For the nine months ended September 30, 2017 and 2016, Helocyte incurred expenses of $2.3 million and $1.4 million, related to the Triplex Research Agreement and $0.7 million and $1.5 million related to their PepVax Research Agreement. The Company recorded such expenses under research and development in the Company's Condensed Consolidated Statements of Operations.

Pentamer Sponsored Research Agreement

On May 1, 2017, Helocyte and COH entered in a Sponsored Research Agreement for preclinical studies in connection with the development of Pentatmer. In June 2017, Helocyte made an upfront payment of $1.5 million to fund the development plan, the payment was recorded as a prepayment on the Condensed Consolidated Balance Sheets. For the three and nine months ended September 30, 2017, Helocyte recorded approximately $12,000 and $24,000, respectively in research and development expenses in the Company's Condensed Consolidated Statements of Operations. No such expense was incurred in 2016.

Mustang

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, until 2020. For the three months ended September 30, 2017 and 2016, Mustang incurred expenses of $0.5 million and $0.5 million, respectively. For the nine months ended September 30, 2017 and 2016, Mustang incurred expenses of $1.5 million and $1.5 million, respectively. The Company recorded such expenses under research and development in the Company's Condensed Consolidated Statements of Operations.

CD 123 Clinical Research Support Agreement

On February 17, 2017, Mustang entered into a Clinical Research Support Agreement for CD123. Pursuant to the terms of this agreement Mustang made an upfront payment of approximately $20,000 and will contribute an additional $0.1 million per patient in connection with the on-going investigator initiated study. Further, Mustang agreed to fund approximately $0.2 million over three years pertaining to the clinical development of CD123. For the three and nine months ended September 30, 2017 Mustang recorded approximately $0.6 million and $1.2 million, respectively, in research and development expenses in the Company's Condensed Consolidated Statements of Operations.

IL13Rα2 Clinical Research Support Agreement

Also on February 17, 2017, Mustang entered into a Clinical Research Support Agreement for IL13Rα2 ("IL13Rα2 CRA"). Pursuant to the terms of this agreement Mustang made an upfront payment of approximately $9,300 and will contribute an additional $0.1 million per patient in connection with the on-going investigator initiated study. Further, Mustang agreed to fund approximately $0.2 million over three years pertaining to the clinical development of IL13Rα2. For the three and nine months ended September 30, 2017, Mustang recorded approximately $0.2 million and $1.2 million, respectively, in research and development expenses under the IL13Rα2 CRA in the Company's Condensed Consolidated Statements of Operations.

CD20 Clinical Trial Agreement

Also, on July 3, 2017, in conjunction with the CD20 Technology License from Fred Hutch, Mustang entered into an investigator-initiated clinical trial agreement ("CD20 CTA") to provide partial funding for a Phase 1/2 clinical trial at Fred Hutch evaluating the safety and efficacy of the CD20 Technology in patients with relapsed or refractory B-cell non-Hodgkin lymphomas. In connection with the CD20 CTA, Mustang agreed to fund up to $5.3 million of costs associated with the clinical trial, which commenced during the fourth quarter of 2017. For the three and nine months ended September 30, 2017 Mustang recorded $88,000 of expense in connection with this agreement. Further Mustang made an upfront payment of $0.4 million recorded on the condensed balance sheets as of September 30, 2017, as a prepaid expense, in connection with a startup fee related to the study.

10. Intangibles, net

Journey

Pursuant to the terms of Journey's license agreements for its branded products, Journey made upfront payments totaling $1.6 million. With the commencement of sales of these products, Journey began amortization of these costs over their respective three year estimated useful life. For the three months ended September 30, 2017 and 2016, Journey recognized expense of approximately $0.1 million and $29,000, respectively, which was recorded in costs of goods sold in the Company's Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2017 and 2016, Journey recognized expense of approximately $0.4 million and $50,000, respectively, which was recorded in costs of goods sold in the Company's Condensed Consolidated Statements of Operations.

11. Debt and Interest

Debt

Total debt consists of the following as of September 30, 2017 and December 31, 2016:

($ in thousands)	**September 30, 2017**	**December 31, 2016**	**Interest rate**	**Maturity**
IDB Note	$ 14,929	$ 14,929	2.25%	Feb - 2018
NSC Note	-	3,608	8.00%	Sep - 2018
2017 Subordinated Note Financing	3,254	-	8.00%	March - 2020
2017 Subordinated Note Financing	13,893	-	8.00%	May - 2020
2017 Subordinated Note Financing	1,820	-	8.00%	June - 2020
2017 Subordinated Note Financing	3,017	-	8.00%	August - 2020
2017 Subordinated Note Financing	6,371	-	8.00%	September - 2020
Opus Credit Facility	9,500	7,000	12.00%	Sep - 2018
Helocyte Convertible Note, at fair value	1,084	1,031	5.00% - 8.00%	December 2017
Helocyte Convertible Note, at fair value	2,164	2,051	5.00% - 8.00%	March - 2018
Helocyte Convertible Note, at fair value	1,049	991	5.00% - 8.00%	April - 2018
Helocyte Convertible Note, at fair value	436	414	5.00% - 8.00%	May - 2018
Avenue Convertible Note, at fair value	-	200	5.00% - 8.00%	June - 2018
Caelum Convertible Note, at fair value	1,004	-	8.00%	January - 2019
Caelum Convertible Note, at fair value	6,810	-	8.00%	February -2019
Caelum Convertible Note, at fair value	2,114	-	8.00%	June - 2019
Total notes payable	67,445	30,224		
Less: Discount on notes payable	3,827	2,009		
Total notes payable	$ 63,618	$ 28,215		

IDB Note

On February 13, 2014, the Company executed a secured promissory note in favor of Israel Discount Bank of New York ("IDB") in the amount of $15.0 million (the "IDB Note"). As of September 30, 2017, the Company had $14.9 million outstanding under the IDB Note, secured by a $15.0 million pledge account. On September 18, 2017, the maturity on the IDB Note was extended to August 1, 2020.

NSC Note

On July 5, 2017, the Company repaid it NSC Note in the amount of $3.6 million.

2017 Subordinated Note Financing

On March 31, 2017, the Company entered into Note Purchase Agreements (the "Purchase Agreements") with NAM Biotech Fund II, LLC I ("NAM Biotech Fund") and NAM Special Situations Fund I QP, LLC ("NAM Special Situations Fund"), both of which are accredited investors, and sold subordinated promissory notes (the "Notes") of the Company (the "2017 Subordinated Note Financing") in the aggregate principal amount of $3.25 million. The Notes bear interest at the rate of 8% per annum; additionally, the Notes accrue paid-in-kind interest at the rate of 7% per annum, which will be paid quarterly in shares of the Company's common stock and/or shares of common stock of one of the Company's subsidiaries that are publicly traded, in accordance with the terms of the Notes. Each Note is due on the third anniversary of its issuance, provided that the Company may extend the maturity date for two one-year periods in its sole discretion. The 2017 Subordinated Note Financing is for a maximum of $40.0 million (which the Company may, in its sole discretion, increase to $50.0 million).

National Securities Corporation ("NSC"), a subsidiary of National and a related party, (see Note 17), pursuant to a Placement Agency Agreement entered into between the Company, NAM Biotech Fund and NSC (the "NAM Placement Agency Agreement") and a Placement Agency Agreement entered into between the Company, NAM Special Situations Fund and NSC (together with the NAM Placement Agency Agreement, the "Placement Agency Agreements") acts as placement agent in the 2017 Subordinated Note Financing. Pursuant to the terms of the Placement Agency Agreements, NSC receives (in addition to reimbursement of certain expenses) an aggregate cash fee equal to 10% of the aggregate sales price of the Notes sold in the 2017 Subordinated Note Financing to NAM Biotech Fund and NAM Special Situations Fund. The Placement Agent also receives warrants equal to 10% of the aggregate principal amount of the Notes sold in the 2017 Subordinated Note Financing divided by the closing share price of the Company's common stock on the date of closing (the "Placement Agent Warrants"). The Placement Agent Warrants are exercisable immediately at such closing share price for a period of five years. The Placement Agent will have a right of first offer for a period of 12 months for any proposed issuance of the Company's capital stock in a private financing, subject to certain exceptions, and will also have the right to participate as an investor in subsequent financings.

On March 31, 2017, held its first closing of the 2017 Subordinated Note Financing and received a gross proceeds of $3.2 million. NSC received a cash fee of approximately $0.3 million and warrant to purchase 87,946 shares of the Company's common stock at an exercise price of per share $3.70.

On May 1, 2017, the Company held a second closing of the 2017 Subordinated Note Financing and received gross proceeds of $8.6 million, before expenses. NSC received a placement agent fee of approximately $0.9 million in the second closing and warrants to purchase 234,438 shares of the Company's common stock at an exercise price of $3.65 per share.

On May 31, 2017, the Company held a third closing of the 2017 Subordinated Note Financing and received gross proceeds of $5.3 million, before expenses. NSC received a placement agent fee of approximately $0.5 million in the third closing and warrants to purchase 147,806 shares of the Company's common stock at an exercise price of $3.61 per share.

On June 30, 2017, the Company held a fourth closing of the 2017 Subordinated Note Financing and received gross proceeds of $1.8 million, before expenses. NSC received a placement agent fee of approximately $0.2 million in the fourth closing and warrants to purchase 38,315 shares of the Company's common stock at an exercise price of $4.75 per share.

On August 31, 2017, the Company held a fifth closing of the 2017 Subordinated Note Financing and received gross proceeds of $3.0 million, before expenses. NSC received a placement agent fee of approximately $0.3 million in the fifth closing and warrants to purchase 63,526 shares of the Company's common stock at an exercise price of $4.75 per share.

On September 30, 2017, the Company held a sixth closing of the 2017 Subordinated Note Financing and received gross proceeds of $6.4 million, before expenses. NSC received a placement agent fee of approximately $0.6 million in the sixth closing and warrants to purchase 144,149 shares of the Company's common stock at an exercise price of $4.42 per share.

Caelum Convertible Notes

On July 31, 2017 Caelum through National Securities Corporation ("NSC" or "Placement Agent"), a subsidiary of National offered up to $10 million, convertible promissory notes (the "Caelum Convertible Notes") to accredited investors (as defined under the U.S. Federal securities laws). Under the terms of the offering the Placement Agent received a 10% selling commission, payable by Caelum and deducted from the gross proceeds (see Note 17).

For the three months ended September 30, 2017, Caelum raised $9.9 million in the offering, in three separate closings and paid a placement fee equal to 10% of the proceeds of the sale or $0.9 million. Additionally NSC received warrants to purchase a number of shares the Caelum's Common Stock equal to 10% of the aggregate amount of shares underlying the Notes with a per share exercise price equal to 110% of the per share conversion price of the Notes; provided, however, that if no Note converts, the exercise price will be $75 million dollars divided by the total number of fully-diluted shares of Common Stock outstanding immediately prior to exercise of the warrant, giving effect to the assumed conversion of all options, warrants, and convertible securities of the Company.

The notes convert upon a qualified financing in which Caelum raises gross proceeds of at least $10 million as follows: the lesser of (a) a discount to the price per common share being paid in the Sale of the Company equal to 20% or (b) a conversion price per share based on a pre-sale valuation of $75,000,000 divided by the number of common shares outstanding at that time assuming the hypothetical conversion or exercise of any convertible securities, options, warrants and other rights to acquire common shares of the Company. The Company elected the fair value option to account for this note.

Opus Credit Facility

As of September 30, 2017, the Company had $9.5 million outstanding under the Opus Credit Facility (see Note 17), net of a debt discount related to the allocated value of the warrants associated with the Opus Credit Facility of $1.3 million. The commitment period for the Opus Credit Facility expired on September 1, 2017.

Interest Expense

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
($ in thousands)	**2017**	**2016**	**2017**	**2016**
IDB Note				
Interest	$ 85	$ 84	$ 254	$ 243
Amortization of fees	-	-	-	1
Total IDB Note	85	84	254	244
NSC Debt				
Interest	(8)	145	147	456
Amortization of fees	127	135	200	557
Total NSC Debt	119	280	347	1,013
2017 Subordinated Note				
Interest	755	-	1,161	-
Amortization of fees	208	-	383	-
Total 2017 Subordinated Note	963	-	1,544	-
Opus Credit Facility				
Interest	287	26	798	26
Amortization of fees	282	28	733	28
Total Opus Note	569	54	1,531	54
LOC Fees				
Interest	7	3	22	10
Total LOC	7	3	22	10
Helocyte Convertible Note				
Interest	64	26	175	26
Financing fee	-	242	1	491
Total Helocyte Convertible Note	64	268	176	517
Avenue Convertible Note				
Interest	-	-	5	-
Financing fee	-	-	3	-
Total Avenue Convertible Note	-	-	8	-
Caelum Convertible Note				
Interest	68	-	68	-
Financing fee	1,317	-	1,317	-
Total Caelum Convertible Note	1,385	-	1,385	-
Falk CSR				
Interest	26	-	26	-
Total Falk CSR	26	-	26	-
D&O Insurance				
Interest	2	-	5	-
Total D&O Insurance	2	-	5	-
Total Interest Expense and Financing Fee	$ 3,220	$ 689	$ 5,298	$ 1,838

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, 2017	December 31, 2016
Accrued expenses:		
Professional fees	$ 1,297	$ 1,253
Salaries, bonuses and related benefits	4,178	2,846
Accrued Severance	-	53
Accrued Legal Settlement (1)	2,212	-
Ovamed manufacturing rights - short term component	-	900
Research and development	3,311	394
Dr. Falk Pharma milestone	2,950	2,634
Other	2,703	2,002
Total accrued expenses	$ 16,651	$ 10,082
Other long-term liabilities:		
Deferred rent and long-term lease abandonment charge	4,736	5,014
Total other long-term liabilities	$ 4,736	$ 5,014

(1) In connection with a legal settlement (see Note 16), the Company is required to deliver 200,000 Mustang common shares, held by the Company, to the Plaintiff. At September 30, 2017, the Company recorded, this settlement as an accrued, since in accordance with ASC 450 – *Contingencies,* the transfer of the consideration was probable. As such the Company recorded an accrued expense of $2.0 million representing the value of the shares transferred.

National's accounts payable and other accrued expenses as of June 30, 2017, consisted of the following:

	June 30, 2017
Legal	$ 836
Audit	148
Telecommunications	196
Data Services	450
Regulatory	661
Settlements	2,633
Deferred rent	177
Contingent consideration payable	636
Income taxes payable	927
Other	1,844
Total	**$ 8,508**

13. Non-Controlling Interests

Non-controlling interests in consolidated entities, as recorded on the Condensed Consolidated Balance Sheets are as follows:

	As of September 30, 2017										
($ in thousands)	Avenue	Coronado SO	Mustang	Checkpoint	JMC	Helocyte	Cellvation	Caelum	Aevitas	National	Total
NCI equity share	$ 17,306	$ (236)	$ 47,840	$ 22,368	$ (535)	$ (1,848)	$ (239)	$ 7	$ (9)	$ 17,022	$101,676
Net loss attributed to non-controlling interests	(1,329)	(22)	(8,268)	(10,144)	(150)	(975)	(60)	(1,086)	(166)	4,845	(17,355)
Non-controlling interests in consolidated entities	**$ 15,977**	**$ (258)**	**$ 39,572**	**$ 12,224**	**$ (685)**	**$ (2,823)**	**$ (299)**	**$ (1,079)**	**$ (175)**	**$ 21,867**	**$ 84,321**

	As of December 31, 2016								
($ in thousands)	Avenue	Coronado SO	Mustang	Checkpoint	JMC	Helocyte	Cellvation	National	Total
NCI equity share	$ (494)	$ (217)	$ 12,376	$ 32,160	$ (192)	$ (612)	$ 4	$ 17,643	$ 60,668
Net loss attributed to non-controlling interests	(349)	(19)	(1,805)	(11,733)	(355)	(1,155)	(158)	(621)	(16,195)
Non-controlling interests in consolidated entities	**$ (843)**	**$ (236)**	**$ 10,571**	**$ 20,427**	**$ (547)**	**$ (1,767)**	**$ (154)**	**$ 17,022**	**$ 44,473**

The components of non-controlling interests in loss of consolidated entities, as recorded on the Condensed Consolidated Statement of Operations are as follows:

	For the three months ended September 30, 2017										
($ in thousands)	Avenue (2)	Coronado SO	Mustang (2)	Checkpoint (1)	JMC	Helocyte	Cellvation	Caelum	Aevitas	National	Total
Non-controlling interests in loss of consolidated entities	$ (1,015)	$ (15)	$ (3,241)	$ (3,437)	$ (103)	$ (376)	$ 24	$ (835)	$ (166)	$ (27)	$ (9,191)
Non-controlling ownership	66.1%	13.0%	60.8%	61.9%	6.9%	20.0%	22.0%	25.2%	25.3%	43.4%	

	For the nine months ended September 30, 2017										
($ in thousands)	Avenue	Coronado SO	Mustang	Checkpoint (1)	JMC	Helocyte	Cellvation	Caelum	Aevitas	National	Total
Non-controlling interests in loss of consolidated entities	$ (1,329)	$ (22)	$ (8,268)	$ (10,144)	$ (150)	$ (975)	$ (60)	$ (1,086)	$ (166)	$ 4,845	$ (16,011)
Non-controlling ownership	28.9%	13.0%	58.7%	61.9%	6.9%	20.0%	22.0%	25.2%	25.3%	43.4%	

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

	For the nine months ended September 30, 2016						
($ in thousands)	Avenue	Coronado SO	Mustang	Checkpoint	JMC	Helocyte	Total
Non-controlling interests in loss of consolidated entities	$ (231)	$ (14)	$ (363)	$ (10,767)	$ (333)	$ (616)	$ (12,324)
Non-controlling ownership (3)	10.5%	13.0%	10.0%	63.5%(1)	8.1%	20.6%	

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

(2) - Mustang and Avenue are consolidated with Fortress's operations because Fortress maintains voting control through its ownership of Mustang's and Avenue's Class A preferred shares which provide super-majority voting rights.

(3) - Represents a weighted average of ownership during the periods presented.

14. Net Loss per Common Share

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

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

The following shares of potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding, as the effect of including such securities would be anti-dilutive at the end of the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
	2017	2016
Warrants to purchase Common Stock	678,072	480,559
Opus warrants to purchase Common Stock	206,593	1,700,000
Options to purchase Common Stock	1,095,905	1,769,426
Unvested Restricted Stock	9,848,505	8,763,797
Unvested Restricted Stock Units	1,234,555	1,054,091
Total	13,063,630	13,767,873

15. Stockholders' Equity

Stock-based Compensation excluding National

As of September 30, 2017, the Company had four equity compensation plans: the Fortress Biotech, Inc. 2007 Stock Incentive Plan, the Fortress Biotech, Inc. 2013 Stock Incentive Plan, as amended, the Fortress Biotech, Inc. 2012 Employee Stock Purchase Plan and the Fortress Biotech, Inc. Long Term Incentive Plan.

The following table summarizes the stock-based compensation expense from stock option awards, restricted common stock awards, employee stock purchase programs and warrants granted by Fortress for the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2017**	**2016**	**2017**	**2016**
Employee awards	$ 1,650	$ 1,937	$ 5,170	$ 5,490
Non-employee awards	24	3	60	9
Fortress Companies	2,510(1)	963(2)	6,506(3)	3,293(4)
Total stock-based compensation expense	$ 4,183	$ 2,903	$ 11,736	$ 8,792

(1) Consists of approximately $0.2 million of Avenue's compensation expenses, approximately $0.9 million of Checkpoint's compensation expense, approximately $0.8 million of Mustang's compensation expense, approximately $0.4 million of Caelum's compensation expense, approximately $62,000 of JMC's compensation expenses, approximately $27,000 of Helocyte's compensation expenses and approximately $5,000 of Cellvation's compensation expenses on stock and option grants for the three months ended September 30, 2017.

(2) 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.

(3) Consists of approximately $0.3 million of Avenue's compensation expenses, approximately $4.3 million of Checkpoint's compensation expense, approximately $1.2 million of Mustang's compensation expense, approximately $0.4 million of Caelum's compensation expense, approximately $0.2 million of JMC's compensation expenses, approximately $0.1 million of Helocyte's compensation expenses and approximately $19,000 of Cellvation's compensation expenses on stock and option grants for the nine months ended September 30, 2017.

(4) Consists of 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.

For the three months ended September 30, 2017 and 2016, approximately $1.6 million and $0.9 million, respectively, of stock based compensation expense was included in research and development expenses in connection with equity grants made to employees and consultants and approximately $2.6 million and $2.0 million, respectively, was included in general and administrative expenses in connection with grants made to employees, members of the board of directors and consultants.

For the nine months ended September 30, 2017 and 2016, approximately $4.8 million and $3.4 million, respectively, of stock based compensation expense was included in research and development expenses in connection with equity grants made to employees and consultants and approximately $6.9 million and $5.4 million, respectively, was included in general and administrative expenses in connection with grants made to employees, members of the board of directors and consultants.

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, 2016	1,130,501	$ 3.73	$ 602,451	4.93
Exercised	(20,000)	1.37	61,000	-
Options vested and expected to vest at September 30, 2017	1,100,501	$ 3.78	$ 1,620,046	4.21
Options vested and exercisable	1,085,501	$ 3.75	$ 1,620,046	4.18

As of September 30, 2017, Fortress had no unrecognized stock-based compensation expense related to options.

The following table summarizes Fortress's 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, 2016	10,094,095	$ 2.49
Restricted stock granted	1,325,396	2.70
Restricted stock vested	(213,333)	2.75
Restricted stock units granted	930,000	4.31
Restricted stock units forfeited	(15,000)	2.98
Restricted stock units vested	(214,625)	3.44
Unvested balance at September 30, 2017	11,906,533	$ 2.63

As of September 30, 2017, the Company had unrecognized stock-based compensation expense related to restricted stock and restricted stock unit awards of approximately $1.7 million and $5.6 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 2.0 years and 2.2 years, respectively. 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.

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, 2017, 199,995 shares have been purchased and 205,000 shares are available for future sale under the Company's ESPP. Share-based compensation expense recorded was approximately $52,000 and $35,000, respectively for the three months ended September 30, 2017 and 2016 and was approximately $0.1 million and $91,000, respectively, for the nine months ended September 30, 2017 and 2016. The Company issued approximately 22,000 shares under the ESPP for approximately $41,900 during the nine months ended September 30, 2017.

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, 2016	2,263,453	$ 3.62	$ 79,800	4.74
Granted	816,180	1.33	329,954	4.87
Forfeited	(230,444)	8.39	-	-
Outstanding as of September 30, 2017	2,849,189	$ 2.57	$ 3,358,161	4.69
Exercisable as of September 30, 2017	869,189	$ 3.96	$ 546,561	4.30

Long-Term Incentive Program ("LTIP")

On January 1, 2017 and 2016, the Compensation Committee granted 552,698 and 510,434 shares each to Lindsay Rosenwald and Michael Weiss, respectively. These equity grants, made in accordance with the LTIP, represent 1% of total outstanding shares of the Company as of the dates of such grants and were granted in recognition of their performance in 2016 and 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 $100.0 million, 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. The fair value of each grant on the grant date was approximately $1.5 million for the 2017 grant and $1.4 million for the 2016 grant. For the three months ended September 30, 2017 and 2016, the Company recorded approximately $0.2 million and $75,000, and approximately $0.5 million and $0.2 million, for the nine months ended September 30, 2017 and 2016, respectively, related to these grants in general and administrative expenses on the Condensed Consolidated Statements of Operations. These grants are expensed by the Company over the remaining life of the LTIP which expires in July 2025.

Additionally, in connection with the LTIP Lindsay Rosenwald and Michael Weiss receive 5% of the outstanding shares of Fortress Companies upon formation. During the nine months ended September 30, 2017, LTIP grants from Aevitas, Caleum and Cyprium were made. For the three months ended September 30, 2017 and 2016, the Company recorded approximately $52,000 and nil, respectively for the nine months ended September 30, 2017 and 2016, respectively, related to these grants in general and administrative expenses on the Condensed Consolidated Statements of Operations. These grants are expensed by the Company at the time of the grant.

Fortress Companies

Checkpoint Therapeutics, Inc.

Checkpoint has a long-term incentive plan under which it has issued grants to both employees and non-employees. For the three months ended September 30, 2017 and 2016, Checkpoint re-measured its non-employee and research and development employee grants and recorded expense of approximately $0.4 million and $0.4 million, respectively, and $2.8 million and $1.6 million, respectively, for the nine months ended September 30, 2017 and 2016, in research and development expenses on the Condensed Consolidated Statements of Operations.

Certain Checkpoint employees and directors also have been awarded restricted stock under Checkpoint's 2015 Incentive Plan. Checkpoint recorded stock-based compensation expense of $0.5 million and $0.3 million, respectively, for the three months ended September 30, 2017 and 2016 and $1.5 million and $1.0 million, respectively, for the nine months ended September 30, 2017 and 2016, in general and administrative expenses on the Condensed Consolidated Statements of Operations.

Avenue Therapeutics, Inc.

In connection with stock grants made to both employees and non-employees, Avenue for the three months ended September 30, 2017 and 2016, recorded approximately $0.2 million and $3,000, respectively, as general and administrative expenses and approximately $78,000 and $3,000, respectively, as research and development expenses on the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2017 and 2016, Avenue recorded approximately $0.2 million and $12,000, respectively, as general and administrative expenses and approximately $90,000 and $12,000, respectively, as research and development expenses on the Condensed Consolidated Statements of Operations.

Journey Medical Corporation

During the nine months ended September 30, 2017, JMC granted option awards to numerous sales employees exercisable for 395,000 shares of Journey common stock pursuant to its equity award plan.

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. JMC does not expect to pay dividends in the foreseeable future. As a result, 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 SEC'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 2017 was estimated using the following assumptions:

	September 30, 2017
Risk-free interest rate	1.88% - 2.22%
Expected dividend yield	-%
Expected term in years	5.0 – 7.0
Expected volatility	107%

During the three and nine months ended September 30, 2017, stock-based compensation associated with the amortization of stock option expenses was approximately 8,000 and $29,000, respectively. JMC also recorded approximately $95,000 and $25,000 related to the restricted stock during such periods.

Mustang

The employment agreement grants Dr. Litchman an option to purchase 1,041,675 shares of Mustang common stock (the "Option"). The Option has an exercise price per share equal to the fair market value of a share of Mustangs' common stock $5.73 on the date of the grant of the stock option, subject to the conditions and vesting schedule set forth in his Employment Agreement.

On April 7, 2017, Mustang granted 200,000 options to two employees of Fortress, who provide services to Mustang in connection with its research and development. These options have an exercise price of $5.73, representing the fair market value of a share of Mustangs' common stock on the date of the grant of the stock option.

Both grants have the following vesting schedule: 50% of the options vest over-time with 25% vesting over 12 months of continued service, with the remaining 25% vesting in 12 equal installments thereafter, subject to continued employment. The remaining 50% vest and become exercisable upon the occurrence of the following milestones being achieved: (i) 25% of the grant vest upon the dosing of the first patient in the first Phase 2 clinical trial of any Mustang product candidate, (ii) 25% of the grant vest upon the dosing of the first patient in the first Phase 2 clinical trial of a second Mustang product candidate, (iii) 25% of the grant vest upon Mustangs' achievement of a fully-diluted market capitalization of $500,000,000 and (iv) 25% of the grant vest upon Mustangs' achievement of a fully-diluted market capitalization of $1,000,000,000.

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, expected dividend yield, and a stock price of $5.73. Mustang does not expect to pay dividends in the foreseeable future. As a result, the expected dividend yield is 0%. The value associated with the market award vesting was determined utilizing a Monte Carlo simulation valuation methodology and the following assumptions:

	September 30, 2017
Risk-free interest rate	1.81% – 2.38%
Expected dividend yield	-%
Expected term in years	5.5 – 10.0
Expected volatility	77.3%

The following table summarizes stock option activities for the nine months ended September 30, 2017:

	Stock Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (in years)**
Nonvested at December 31, 2016	-	$ -	-
Options granted	1,241,675	$ 5.73	9.56
Options outstanding	1,241,675	5.73	9.56
Options vested and exercisable at September 30, 2017	-	$ -	-

As of September 30, 2017, Mustang had unrecognized stock-based compensation expense related to options of $2.3 million with a weighted average vesting period of 1.61 years.

During the three and nine months ended September 30, 2017, stock-based compensation associated with the amortization of stock option expense was approximately $0.7 million and $1.1 million, respectively. There was no expense in the same period in 2016.

Certain Mustang employees and directors also have been awarded restricted stock and restricted stock units in 2017. Mustang recorded stock-based compensation expense of $0.2 million and $0.2 million for the three and nine months ended September 30, 2017, respectively. There was no expense in the same period in 2016.

Helocyte, Inc.

For the three months ended September 30, 2017 and 2016, Helocyte re-measured its non-employee grants and recorded expense of approximately $20,000 and $50,000, respectively, in research and development expenses on the Condensed Consolidated Statements of Operations.

For the three months ended September 30, 2017 and 2016, Helocyte recorded approximately $7,000 and $17,000, respectively, as general and administrative expenses on the Condensed Consolidated Statements of Operations. 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.

For the nine months ended September 30, 2017 and 2016, Helocyte re-measured its non-employee grants and recorded expense of approximately $82,000 and $0.1 million, respectively, in research and development expenses on the Condensed Consolidated Statements of Operations.

For the nine months ended September 30, 2017 and 2016, Helocyte recorded approximately $25,000 and $42,000, respectively, as general and administrative expenses on the Condensed Consolidated Statements of Operations.

Cellvation, Inc.

For the three and nine months ended September 30, 2017, Cellvation recorded expenses for non-employee grants of approximately $2,000 and $7,000, respectively, in research and development expenses on the Condensed Consolidated Statements of Operations. There was no expense during the same period in 2016.

For the three and nine months ended September 30, 2017, Cellvation recorded approximately $3,000 and $11,000, respectively, in connection with a grant made to its Chief Executive Officer, as general and administrative expenses on the Condensed Consolidated Statements of Operations. There was no expense during the same periods in 2016.

Capital Raises

Avenue

On June 26, 2017, Avenue completed an initial public offering (“IPO”) of its common stock, which resulted in the issuance of 6,325,000 shares of its common stock, inclusive of 825,000 shares which were subject to an underwriter over-allotment. The shares were issued at $6.00 per share, resulting in net proceeds of approximately $34.2 million after deducting underwriting discounts and other offering costs. Immediately preceding the IPO, Avenue effected a 3-For-1 reverse stock split.

In conjunction with the closing of the IPO, Avenue issued warrants in connection with its NSC Debt and its Convertible Notes.

Mustang

In September 2016, Mustang entered into a Placement Agent Agreement with NSC relating to Mustang's offering of shares of common stock in a private placement. Pursuant to the Placement Agent Agreement, Mustang agreed to pay NSC a cash fee of 10.0% of the gross proceeds from the offering and grant NSC a warrant exercisable for shares of Mustang common stock equal to 10% of the aggregate number of shares of common stock sold in the offering (the "Placement Agent Warrants"). In addition, Mustang and the investors entered into a unit purchase agreement (the "Unit Purchase Agreement"). Each unit consisting of 10,000 shares of Mustang's common stock, and Warrants exercisable for 2,500 shares of common stock at an exercise price of $8.50 per share. The purchase price was $65,000 per Unit. The warrants have a five-year term and are only exercisable for cash.

On January 31, 2017, Mustang held a sixth closing of its private placement for gross proceeds of $55.5 million, before expenses. Mustang issued 8,536,774 unregistered shares of common stock and 2,134,193 warrants in connection with this closing. NSC received a placement agent fee of $5.5 million or approximately 10% of the gross proceeds. In addition, NSC received 853,677 warrants or approximately 10% of the shares issued.

On March 31, 2017, Mustang closed an additional private placement with substantially similar terms as the offering described above resulting in gross proceeds of $0.4 million, before expenses. Mustang issued 64,000 unregistered shares of common stock and 16,000 warrants in connection with this transaction. NSC received a placement agent fee of approximately $42,000 or approximately 10% of the gross proceeds. In addition, NSC received 6,400 warrants or approximately 10% of the shares issued.

On August 3, 2017, Mustang closed the final round of financing totaling gross proceeds of $65,000. Mustang issued 10,000 unregistered shares of common stock and 2,500 warrants in connection with this transaction. In addition, NSC received 1,000 warrants or approximately 10% of the shares issued.

Pursuant to the Founders Agreement (see Note 17), Mustang issued 215,269 shares to Fortress in 2017, representing 2.5% of the aggregate number of shares of common stock issued in the offerings noted above. For the three months ended September 30, 2017, Mustang recorded expenses of approximately $1.2 million, related to this issuance (based upon the fair value of common shares on the date of issuance), which is included in general and administrative expenses in Mustang's Statements of Operations.

As of September 30, 2017, the Company determined that the warrants still did not meet the definition of a derivative and continued to qualify for equity recognition.

16. Commitments and Contingencies

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.

On January 15, 2016, Dr. Winson Tang ("Plaintiff") filed a Complaint against the Company in the Superior Court of the State of California, County of Los Angeles. *Winson Tang v. Lindsay Rosenwald et al.,* Case No. BC607346. As amended, the Complaint alleged a breach of contract by the Company and two of its officers, Dr. Rosenwald and Mr. Weiss, and two claims against other Defendants. On November 3, 2017, Plaintiff and Defendants entered into a Settlement Agreement.

In connection with settlement, above, the Company is required to deliver 200,000 Mustang common shares, which it holds, to the Plaintiff. At September 30, 2017, the Company recorded this transaction as a capital contribution to Mustang and a corresponding expense of approximately $2.0 based upon the closing share price of Mustang shares on the date of settlement was also recorded. In addition to the share issuance, Mustang paid, in November 2017, a $0.2 million cash settlement to the plaintiff, such amount was accrued as of September 30, 2017. The expense for the settlement was recorded in general and administrative expenses on the Condensed Consolidated Statements of Operations at September 30, 2017.

Litigation and Regulatory Matters - National

National and its subsidiaries are defendants or respondents 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 registered representatives 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 National 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 National'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.

17. Related Party Transactions

Shared Services Agreement with TGTX

TGTX and the Company entered into an arrangement to share the cost of certain research and development employees. The Company's Executive Vice Chairman, Strategic Development, is Executive Chairman and Interim Chief Executive Officer of TGTX. Under the terms of the Agreement, TGTX will reimburse the Company for the salary and benefit costs associated with these employees based upon actual hours worked on TGTX related projects. For the three months ended September 30, 2017 and 2016, the Company invoiced TGTX $0.2 million and $0.3 million, respectively. For the nine months ended September 30, 2017 and 2016, the Company invoiced TGTX $0.8 million and $0.6 million, respectively. At September 30, 2017, the amount receivable from TGTX approximated $0.1 million.

Desk Space Agreements with TGTX and OPPM

In connection with the Company's Desk Space Agreements with TGTX and Opus Point Partners Management, LLC ("OPPM"), as of September 30, 2017, the Company had paid $1.8 million in rent under the Desk Space Agreements, and invoiced OPPM and TGTX approximately $0.1 million and $0.6 million, respectively, for their prorated share of the rent base. In addition, for the nine months ended September 30, 2017, the Company had incurred $0.3 million in connection with the build out of the space and recorded a receivable of $0.1 million due from TGTX and $28,000 due from OPPM. At September 30, 2017, the amount due from TGTX approximated $56,000 and the amount due from OPPM approximated $0.1 million.

Opus Credit Facility

In September 2016, the Company and Opus Point Health Innovations Fund ("OPHIF") entered into a Credit Facility Agreement (the "Opus Credit Facility"). Fortress's Chairman, President and Chief Executive Officer (Lindsay A. Rosenwald) and Fortress's Executive Vice President, Strategic Development (Michael Weiss), are Co-Portfolio Managers and Partners of OPPM, an affiliate of OPHIF. As such, all of the disinterested directors of Fortress's board of directors approved the terms of the Opus Credit Facility and related agreements (see Note 11). For the three and nine months ended September 30, 2017 and 2016, we paid $0.3 million and $0.8 million, and $nil and $nil, respectively.

2017 Subordinated Note Financing

On March 17, 2017, the Company and NSC, a subsidiary of National (of which the Company owns 56.6% and Michael Weiss serves as Chairman of the Board of Directors), entered into placement agency agreements with NAM Biotech Fund and NAM Special Situation Fund in connection with the sale of subordinated promissory notes (see Note 11). Pursuant to the terms of the agreements, NSC will receive a placement agent fee in cash of 10% of the debt raised and warrants equal to 10% of the aggregate principal amount of debt raised divided by the closing share price of the Company's common stock on the date of closing.

For the three and nine months ended September 30, 2017, NSC earned a placement agent fee of $0.9 million and $2.8 million, respectively, and a Placement Agent Warrant to purchase 716,180 shares of the Company's common stock, all of which are outstanding, with exercise prices ranging from $3.61 to $4.75.

Caelum Convertible Notes

On July 31, 2017 Caelum through NSC, a subsidiary of National offered up to $10 million, convertible promissory notes to accredited investors (as defined under the U.S. Federal securities laws). Caelum raised $9.9 million in the offering, in three separate closings and paid a placement fee equal to NSC of 10% of the proceeds of the sale or $0.9 million. Additionally NSC received warrants to purchase a number of shares the Caelum's Common Stock equal to 10% of the aggregate amount of shares underlying the Notes with a per share exercise price equal to 110% of the per share conversion price of the Notes; provided, however, that if no Note converts, the exercise price will be $75 million dollars divided by the total number of fully-diluted shares of Common Stock outstanding immediately prior to exercise of the warrant, giving effect to the assumed conversion of all options, warrants, and convertible securities of the Company.

Avenue IPO

On June 26, 2017, Avenue completed an IPO in which NSC acted as co-manager and earned fees and commissions of approximately $2.3 million that were deducted from the proceeds.

Founders Agreements

The Company has entered into Founders Agreements and, in some cases, Exchange Agreements with certain of its subsidiaries as described in the Company's Form 10-K for the year ended December 31, 2016, filed with the SEC on March 16, 2017. The following table summarizes, by subsidiary, the effective date of the Founders Agreements and PIK dividend or equity fee payable to the Company in accordance with the terms of the Founders Agreements, Exchange Agreements and the subsidiaries' certificates of incorporation.

Fortress Company	Effective Date (1)	PIK Dividend as a % of fully diluted outstanding capitalization	Class of Stock Issued
Helocyte	March 20, 2015	2.5%	Common Stock
Avenue	February 17, 2015	2.5%	Common Stock
Mustang	March 13, 2015	2.5%	Common Stock
Checkpoint	March 17, 2015	0.0%(2)	Common Stock
Cellvation	October 31, 2016	2.5%	Common Stock
Caelum	January 1, 2017	2.5%	Common Stock
Cyprium	March 13, 2017	2.5%	Common Stock
Aevitas	July 28, 2017	2.5%	Common Stock

(1) - Represents the effective date of each subsidiary's Founders Agreement. Each PIK dividend and equity fee is payable on the annual anniversary of the effective date of the original Founders Agreement.

(2) - Instead of a PIK dividend, Checkpoint pays the Company an annual equity fee in shares of Checkpoint's common stock equal to 2.5% of Checkpoint's fully diluted outstanding capitalization.

Pursuant to the Founders' Agreement, Caelum, in connection with each Convertible Note Closing during the three months ended September 30, 2017, issued to Fortress approximately 218,000 shares of its common stock representing the 2.5% fee or approximately $0.2 million.

On June 26, 2017, pursuant to the Founders' Agreement, Avenue, in connection with its IPO, issued to Fortress approximately 158,000 shares of its common stock representing the 2.5% fee.

Management Services Agreements

The Company has entered in Management Services Agreements (the "MSAs") with certain of its subsidiaries as described in the Company's Form 10-K for the year ended December 31, 2016, filed with the SEC on March 16, 2017. The following table summarizes, by subsidiary, the effective date of the MSA and the annual consulting fee payable by the subsidiary to the Company in quarterly installments:

($ in thousands)

Fortress Company	Effective Date	R&D	G&A	Annual MSA Fee (Income)/Expense
Helocyte	March 20, 2015	$ 250	$ 250	$ 500
Avenue	February 17, 2015	250	250	500
Mustang	March 13, 2015	250	250	500
Checkpoint	March 17, 2015	250	250	500
Cellvation	October 31, 2016	250	250	500
Caelum	January 1, 2017	250	250	500
Cyprium	March 13, 2017	250	250	500
Aevitas	July 28, 2017	250	250	500
Fortress		(2,000)	(2,000)	(4,000)
Consolidated (Income)/Expense		$ -	$ -	$ -

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, Caelum, Helocyte and Mustang. Pursuant to the agreements with Helocyte, Mustang and Caelum, Chord provides back office accounting support and accounting policy and financial reporting services, including the services of Mr. Horin. Chord receives up to $5,000 per month from Caelum and Helocyte, and up to $7,500 per month from Mustang. Checkpoint and Avenue are billed at a blended hourly rate, for services incurred. For the three and nine months ended September 30, 2017, Checkpoint incurred approximately $15,000 and $52,000, and Avenue incurred approximately $17,000 and $58,000 respectively, in hourly fees.

National

As of September 30, 2017, the Company owns approximately 56.6% of National. The Company's Executive Vice Chairman, Strategic Development is the Chairman of the Board of National.

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. In the normal course, National provides the Company and the Company's subsidiaries with placement agent services in connection with third party raises.

18. Net Capital Requirements of Broker-Dealer Subsidiaries

NSC is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) (the "Rule"), which, among other things, requires the maintenance of minimum net capital. At June 30, 2017, National Securities had net capital of $10.5 which was $10.2 in excess of its required net capital of $250,000. National Securities is exempt from the provisions of the SEC's Rule 15c3-3 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.

vFinance Investments, Inc. (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 June 30, 2017, vFinance Investments had net capital of $1.5 million which was $0.5 million in excess of its required net capital of $1,000,000. vFinance Investments' ratio of aggregate indebtedness to net capital was 0.8 to 1. vFinance Investments is exempt from the provisions of the SEC's Rule 15c3-3 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.

Advances, dividend payments and other equity withdrawals from the Company's 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 had no cost of goods sold.

($ in thousands) **Three Months Ended September 30, 2017**	**Dermatology Products Sales**	**Pharmaceutical and Biotechnology Product Development**	**National**	**Consolidated**
Net Revenue	$ 2,170	$ 350	$ 44,366	$ 46,886
Direct cost of goods	(505)	-		(505)
Sales and marketing costs	(2,786)	-		(2,786)
Research and development		(16,190)		(16,190)
General and administrative	(349)	(11,969)		(12,318)
National Expenses	-	-	(47,690)	(47,690)
Segment loss from operations	$ (1,470)	$ (27,809)	$ (3,324)	$ (32,603)
Segment assets	$ 7,362	$ 160,038	$ 77,691	$ 245,091

($ 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) **Nine Months Ended September 30, 2017**	**Dermatology Products Sales**	**Pharmaceutical and Biotechnology Product Development**	**National**	**Consolidated**
Net Revenue	$ 8,309	$ 1,393	$ 132,563	$ 142,265
Direct cost of goods	(1,852)	-		(1,852)
Sales and marketing costs	(7,663)	-		(7,663)
Research and development		(38,077)		(38,077)
General and administrative	(961)	(27,866)		(28,827)
National Expenses	-	-	(139,219)	(139,219)
Segment loss from operations	$ (2,167)	$ (64,550)	$ (6,656)	$ (73,373)
Segment assets	$ 7,362	$ 160,038	$ 77,691	$ 245,091

($ 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

Significant Customers

For the three months ended September 30, 2017, two of the Company's customers each accounted for more than 10.0% of its total gross product revenue in the amount of $3.0 million and $1.7 million, respectively. The revenue from these customers is captured in the product revenue, net line item within the Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2017, two of the Company's customers each accounted for more than 10.0% of its total gross revenue in the amount of $6.7 million and $6.0 million, respectively. The revenue from these customers is captured in the product revenue, net line item within the Condensed Consolidated Statements of Operations.

For the three months ended September 30, 2016, two of the Company's customers accounted for more than 10.0% of its total product 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, 2017, two of the Company's customers each accounted for more than 10.0% of its total accounts receivable balance in the amount of $1.7 million and $1.5 million, respectively.

At December 31, 2016, two of the Company's customers each accounted for more than 10.0% of its total accounts receivable balance in the amount of $1.1 million and $0.5 million, 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 Manufacturing Facility

On October 27, 2017, Mustang entered into a lease agreement with WCS - 377 Plantation Street, Inc., a Massachusetts nonprofit corporation ("Landlord"). Pursuant to the terms of the lease agreement, Mustang agreed to lease 27,043 sf from the Landlord for the facility through November 2026, subject to additional extensions at Mustang's option. Base rent, net of abatements of $0.6 million, over the lease term totals approximately $3.6 million, on a triple-net basis. Mustang plans to make improvements to the facility of approximately $3.5 million.

The terms of the lease also require that Mustang post an initial security deposit of $0.8 million, in the form of $0.5 million letter of credit and $0.3 million in cash, which shall increase to $1.3 million ($1.0 million letter of credit, $0.3 million in cash) when the space is fully occupied by Mustang. After the fifth lease year, the letter of credit obligation is subject to reduction.

The facility is expected to be operational for the production of personalized CAR T therapies in 2018.

Fortress

Perpetual Preferred Offering

On November 6, 2017, the Company priced an underwritten public offering of one million shares of our 9.375% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Perpetual Preferred Stock") at a price of $25.00 per share, with expected gross proceeds to us of $25 million. In addition, the Company granted the underwriters a 30-day option to purchase up to 150,000 additional shares at the public offering price, less underwriting discounts and commissions. The offering is expected to close on November 14, 2017, subject to customary closing conditions. The Series A Perpetual Preferred Stock received an "A-" investment-grade rating from Egan-Jones Rating Co., an independent, unaffiliated rating agency.

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, 2016.

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. We focus 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 has 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 licenses, acquisitions, partnerships, joint ventures and/or public and private financings (including financings facilitated by NHLD) to accelerate and provide additional funding to support their research and development programs and commercialization of products. 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, 2017, we had several consolidated Fortress Companies, some of which contain product licenses, including Aevitas Therapeutics, Inc. ("Aevitas"), Avenue Therapeutics, Inc. ("Avenue"), Cellvation, Inc. ("Cellvation"), Journey Medical Corporation ("Journey" or "JMC"), Coronado SO Co. ("Coronado SO"), Checkpoint Therapeutics, Inc. ("Checkpoint"), Mustang Bio, Inc. ("Mustang"), Helocyte, Inc. ("Helocyte"), Escala Therapeutics, Inc. ("Escala"), CB Securities Corporation (which holds investments classified as cash and cash equivalents), Caelum Biosciences, Inc. ("Caelum") and Cyprium Therapeutics, Inc. ("Cyprium"). In addition, as of September 30, 2017, we are the majority owner of National.

Recent Events

Fortress

On March 17, 2017, we entered into Note Purchase Agreements with NAM Biotech Fund II, LLC and NAM Special Situations Fund I QP, LLC, both of which are accredited investors, in connection with our subordinated promissory note financing (the "2017 Subordinated Note Financing").

National Securities Corporation ("NSC"), a subsidiary of National and a related party (see Note 17 in the Notes to Unaudited Condensed Consolidated Financial Statements above), acts as the placement agent in the 2017 Subordinated Note Financing. NSC receives a cash placement agent fee equal to 10% of the aggregate proceeds raised and warrants equal to 10% of the aggregate principal amount of the notes sold divided by the closing share price of our common stock on the date of closing.

As of September 30, 2017, we had issued notes totaling approximately $28.4 million in the 2017 Subordinated Note Financing and, in connection therewith, paid placement agent fees of approximately $2.8 million to NSC. In addition, as of September 30, 2017, we had issued warrants to NSC for 716,180 shares of our common stock in connection with the 2017 Subordinated Note Financing.

Perpetual Preferred Offering

On November 6, 2017, we priced an underwritten public offering of one million shares of our 9.375% Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Perpetual Preferred Stock") at a price of $25.00 per share, with expected gross proceeds to us of $25 million. In addition, we granted the underwriters a 30-day option to purchase up to 150,000 additional shares at the public offering price, less underwriting discounts and commissions. The offering is expected to close on November 14, 2017, subject to customary closing conditions. The Series A Perpetual Preferred Stock received an "A-" investment-grade rating from Egan-Jones Rating Co., an independent, unaffiliated rating agency.

Aevitas Therapeutics, Inc.

Aevitas Therapeutics, Inc. ("Aevitas"), was formed on July 28, 2017, to develop novel gene therapy approaches for complement-mediated diseases. The proprietary technology, was licensed from a leading university and uses adeno-associated virus (AAV)-based gene therapy to restore lasting production of functional complement regulatory proteins, providing a potentially curative treatment.

Avenue Therapeutics, Inc.

Avenue initiated their first Phase 3 trial in patients with moderate-to-severe pain following bunionectomy with the dosing of its first patient in September 2017. Avenue anticipates that they will have topline data from this study in the second quarter of 2018.

Checkpoint

In October 2017, Checkpoint dosed its first patient in a Phase 1 clinical study evaluating the safety and tolerability of its anti-PD-L1 antibody, CK-301 in checkpoint therapy-naïve patients with selected recurrent or metastatic cancers. The Phase 1 CK-301 Study is a first-in-human, Phase 1, open-label, multicenter study. Secondary endpoints include the evaluation or characterization of the pharmacokinetics, immunogenicity and preliminary efficacy of CK-301. Following dose escalation, up to four dose-expansion cohorts may be enrolled to further characterize the safety and efficacy of CK-301 in specific patient subgroups. The study will initially enroll patients in study sites across Australia and New Zealand.

Caelum Biosciences, Inc.

During the third quarter Caelum completed a third party financing of Convertible Note. In connection with this financing Caelum raised $9.9 million and paid a 10% financing fee of approximately $1.0 million to National Securities Corporation, a Subsidiary of National.

Mustang Bio, Inc.

Manufacturing Facility

On October 27, 2017, Mustang entered into a lease agreement for a 27,043 sf facility in Massachusetts for the production of personalized CAR T therapies. Mustang expects the facility to be operational in 2018.

Legal Settlement

On January 15, 2016, Dr. Winson Tang ("Plaintiff") filed a Complaint against the us in the Superior Court of the State of California, County of Los Angeles. *Winson Tang v. Lindsay Rosenwald et al.,* Case No. BC607346. As amended, the Complaint alleged a breach of contract by us and two of our officers, Dr. Rosenwald and Mr. Weiss, and two claims against other Defendants, including Mustang. On November 3, 2017, Plaintiff and Defendants entered into a Settlement Agreement.

Fred Hutchinson Cancer Research Center License

Effective July 3, 2017, Mustang entered into an exclusive, worldwide licensing agreement with Fred Hutchinson Cancer Research Center ("Fred Hutch"), for the use of a CAR T therapy related to autologous T cells engineered to express a CD20-specific chimeric antigen receptor ("CD20 Technology" or "CD20"). The CAR T was developed in the laboratory of Oliver Press, M.D., Ph.D., and Brian Till, M.D., in Fred Hutch's Clinical Research Division. As part of the transaction, Mustang also entered into an investigator-initiated clinical trial agreement to provide partial funding for a Phase 1/2 clinical trial at Fred Hutch evaluating the safety and efficacy of the CD20 Technology in patients with relapsed or refractory B-cell non-Hodgkin lymphomas. The trial commenced during the fourth quarter of 2017, and is being led by principal investigator Mazyar Shadman, M.D., Assistant Member of Fred Hutch's Clinical Research Division.

Nasdaq Global Market Listing

On August 22, 2017, Mustang commenced trading on the Nasdaq Global Market under the symbol MBIO.

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

For the nine months ended September 30, 2017, we generated $142.3 million of net revenue, of which $132.6 million of revenue relates to National, $1.4 million of revenue is in connection with Checkpoint's collaborative agreements with TGTX and $8.3 million of revenue relates primarily to the sale of Journey branded products. At September 30, 2017, we had an accumulated deficit of $301.7 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.

For the nine months ended September 30, 2017 we had $1.9 million of costs of goods sold in connection with the sale of JMC branded products, compared to $0.4 million at September 30, 2016.

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, 2017 and 2016, research and development expenses were approximately $15.9 million and $7.3 million, respectively. Additionally, during the three months ended September 30, 2017 and 2016, we expensed $0.3 million and $1.0 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, 2017 and 2016, was $1.6 million and $0.9 million, respectively.

Included in the remaining $14.3 million and $6.4 million figures for the three months ended September 30, 2017 and 2016, respectively, are the following subsidiary level expenses related to license development: Avenue: $1.7 million and $0.1 million; Checkpoint: $4.3 million and $3.2 million; Escala: $27,000 and $0.1 million; Helocyte: $2.1 million and $0.9 million; Caelum: $1.5 million and nil; Cyprium: $0.2 million and nil; and Mustang: $1.0 million and $0.5 million. Additionally, for the three months ended September 30, 2017 and 2016, expenses related to CNDO-109 and CD38 were $0.1 million and $0.1 million, and $0.2 million and nil, 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, 2017 and 2016, were $1.5 million and $1.0 million, respectively, of employee costs.

For the nine months ended September 30, 2017 and 2016, research and development expenses were approximately $34.7 million and $21.4 million, respectively. Additionally, during the nine months ended September 30, 2017 and 2016, we expensed $3.4 million and $3.1 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, 2017 and 2016, was $4.8 million and $3.4 million, respectively.

Included in the remaining $29.9 million and $18.0 million research and development expense figures for the nine months ended September 30, 2017 and 2016, respectively, are the following subsidiary level expenses related to license development: Avenue: $2.1 million and $0.9 million; Checkpoint: $10.0 million and $7.6 million; Escala: $0.2 million and $0.7 million; Helocyte: $3.8 million and $3.1 million; Caelum: $1.5 million and nil; Cyprium: $0.4 million and nil; and Mustang: $2.7 million and $1.5 million. Additionally, for the nine months ended September 30, 2017 and 2016, expenses related to CNDO-109 and CD 38 were $0.3 million and $0.7 million, and $.6 million and nil, respectively. Further during the nine months ended September 30, 2017 and 2016, Fortress incurred expenses for the option to acquire licenses for potential new products of nil and $0.5 million, respectively. Employee costs of $4.4 million and $3.1 million were also included in research and development expenses for the nine-months ended September 30, 2017 and 2016, 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, 2017 and 2016, general and administrative expenses were approximately $15.1 million and $8.9 million, respectively. Noncash, stock-based compensation expense included in general and administrative expenses for the three months ended September 30, 2017 and 2016, was $2.6 million and $2.0 million, of which $1.4 million and $1.5 million relates to Fortress, $0.1 million and $0.1 million relates to JMC, $0.2 million and $2,500 relates to Avenue, $0.5 million and nil relates to Mustang and $0.5 million and $0.3 million relates to Checkpoint, respectively.

Included in the remaining $12.5 million and $6.9 million figures for the three months ended September 30, 2017 and 2016, respectively, are employee related costs as follows: Fortress: $1.6 million and $1.0 million, JMC: $2.5 million and $1.2 million; Checkpoint: $0.2 million and $0.2 million; and Helocyte: $0.1 million and $0.1 million. The remaining costs for the three months ended September 30, 2017 and 2016, respectively, are comprised primarily of professional fees and services costs as follows: Fortress: $1.4 million and $2.5 million; JMC: $0.6 million and $0.3 million; Avenue: $0.4 million and $0.1 million; Checkpoint: $0.5 million and $0.4 million; Helocyte: $0.1 million and $0.1 million, Caelum $0.2 million and nil, and Mustang: $3.9 million (which includes a $2.2 million legal settlement) and $0.8 million, respectively.

For the nine months ended September 30, 2017 and 2016, general and administrative expenses were approximately $36.5 million and $25.4 million, respectively. Noncash, stock-based compensation expense included in general and administrative expenses for the nine months ended September 30, 2017 and 2016, was $6.9 million and $5.4 million, of which $4.2 million and $3.9 million relates to Fortress, $0.2 million and $0.5 million relates to JMC, $0.8 million and nil relates to Mustang, $0.2 million and $11,000 relates to Avenue and $1.5 million and $1.0 million 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 $29.4 million and $20.0 million figures for the nine months ended September 30, 2017 and 2016, respectively, are employee related costs as follows: Fortress: $4.5 million and $3.0 million; JMC: $6.7 million and $3.9 million; Checkpoint: $0.7 million and $0.6 million; and Helocyte: $0.4 million and $0.4 million. Additional costs related to professional fees and services were incurred for the nine months ended September 30, 2017 and 2016 as follows: Fortress: $4.5 million and $6.0 million; JMC: $1.6 million and $1.2 million; Checkpoint: $1.5 million and $1.6 million; Helocyte: $0.2 million and $0.4 million; Escala: $29,000 and $0.1 million; Caelum: $0.3 million and nil; and Mustang: $5.7 million (which includes a $2.2 million legal settlement) and $1.4 million, respectively.

Comparison of three months ended September 30, 2017 and 2016

	For the Three Months Ended September 30,		Change	
($ in thousands, except per share amounts)	**2017**	**2016**	**$**	**%**
Revenue				
Fortress				
Product revenue, net	$ 2,170	$ 429	$ 1,741	406%
Revenue - from a related party	350	546	(196)	-36%
Net Fortress revenue	2,520	975	1,545	158%
National				
Commissions	24,881	-	24,881	100%
Net dealer inventory gains	1,789	-	1,789	100%
Investment banking	8,942	-	8,942	100%
Investment advisory	3,605	-	3,605	100%
Interest and dividends	674	-	674	100%
Transfer fees and clearing services	1,649	-	1,649	100%
Tax preparation and accounting	2,527	-	2,527	100%
Other	299	-	299	100%
Total National revenue	44,366	-	44,366	100%
Net revenue	46,886	975	45,911	4709%
Operating expenses				
Fortress				
Cost of goods sold - product revenue	505	41	464	1132%
Research and development	15,890	7,316	8,574	117%
Research and development – licenses acquired	300	1,000	(700)	-70%
General and administrative	15,104	8,864	6,240	70%
Total Fortress operating expenses	31,799	17,221	14,578	85%
National				
Commissions, compensation and fees	39,963	-	39,963	100%
Clearing fees	470	-	470	100%
Communications	690	-	690	100%
Occupancy	972	-	972	100%
Licenses and registration	391	-	391	100%
Professional fees	1,082	-	1,082	100%
Interest	5	-	5	100%
Depreciation and amortization	507	-	507	100%
Other administrative expenses	3,610	-	3,610	100%
Total National operating expenses	47,690	-	47,690	100%

Total operating expenses	79,489	17,221	62,268	362%
Loss from operations	(32,603)	(16,246)	16,357	101%
Other income (expenses)				
Interest income	204	89	115	129%
Interest expenses	(3,220)	(689)	(2,531)	367%
Change in fair value of derivative liabilities	(639)	(16)	(623)	-3894%
Change in fair value of subsidiary convertible note	(74)	(13)	(61)	469%
Change in fair value of investments	270	(81)	(351)	-433%
Other income	(245)	-	245	-100%
Total other income (expenses)	(3,704)	(710)	(2,994)	-422%
Net loss	**(36,307)**	(16,956)	**19,351**	**114%**
Less: net loss attributable to non-controlling interest	9,191	3,975	5,216	131%
Net loss attributable to common stockholders	**$ (27,116)**	$ (12,981)	**$ 14,135**	**109%**

Net revenues increased $45.9 million or 4709% from the three months ended September 30, 2016 to the three months ended September 30, 2017. The increase in net revenue is related to an increase in product revenue of $1.9 million associated with Journey's branded products, offset slightly by a decrease in Journey's co-promote revenue of $0.2 million, as well as a decrease of $0.2 million in collaboration revenue between Checkpoint and TGTX. National's revenue increased by $44.4 million of which $24.9 million is commissions, this increase was due to the acquisition of National September 2016 with no revenue attributable to National prior to the acquisition.

Cost of goods sold increased by $0.5 million or 1132% from the three months ended September 30, 2016 to the three months ended September 30, 2017 due to the increase in Journey branded product revenue in the third quarter of 2017 as compared to the third quarter of 2016.

Research and development expenses increased $8.6 million or 117% from the three months ended September 30, 2016 to the three months ended September 30, 2017. This increase is attributable to increases in spending of: $1.1 million for Helocyte related to clinical trial agreements with the COH for the development of Triplex, PapVax and Pentamer, $1.6 million for Mustang and $1.2 million for Checkpoint related to increased clinical research activity, (inclusive of $0.3 million and $0.1 million, respectively, of employee cost increases), $2.0 million for Caelum, $0.2 million for Cyprium for sponsored research, and $0.7 for Aevitas pre-clinical activity. Personnel costs related to Fortress increased by $0.3 million during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, as a result of an increase in employee headcount while non-cash stock compensation expenses increased by $0.7 million, due to additional awards granted to new employees of both Mustang and Avenue.

During the three months ended September 30, 2017, we made expenditures totaling $0.3 million in connection with new research and development licenses for Mustang, compared with $1.0 million in new research and development licenses purchased by Checkpoint during the three months ended September 30, 2016.

General and administrative expenses increased $6.2 million or 70% from the three months ended September 30, 2016 to the three months ended September 30, 2017. The increase is related to $1.3 million for the continued building of our sales and marketing infrastructure at JMC (including increasing the headcount of its out-sourced sales force from 15 to 29, $1.3 million for the increase in headcount excluding JMC (of which $0.7 million relates to Fortress, $0.1 million to Caelum, $0.1 million to Avenue and $0.2 million to Mustang). A $2.2 million legal settlement for Mustang. Finally, stock compensation expense increased by $0.6 million from the three months ended September 30, 2016 due to new stock grants by Mustang, Avenue and Caelum.

National's operating expenses increased by $47.7 million or 100% for the three months ended September 30, 2017, this increase is related to our acquisition of National in September 2016. We incurred no costs related to National for the three months ended September 30, 2016.

Interest expense increased $2.5 million, or 367% from the three months ended September 30, 2016 to the three months ended September 30, 2017. The increase in interest is primarily related to amounts owed under the Opus Credit Facility and the 2017 Subordinated Note Financing.

Comparison of nine months ended September 30, 2017 and 2016

	For the Nine Months Ended September 30,		Change	
($ in thousands, except per share amounts)	**2017**	**2016**	**$**	**%**
Revenue				
Fortress				
Product revenue, net	$ 8,309	$ 1,793	$ 6,516	363%
Revenue - from a related party	1,393	2,072	(679)	-33%
Net Fortress revenue	9,702	3,865	5,837	151%
National				
Commissions	73,380	-	73,380	100%
Net dealer inventory gains	6,666	-	6,666	100%
Investment banking	26,595	-	26,595	100%
Investment advisory	10,480	-	10,480	100%
Interest and dividends	2,065	-	2,065	100%
Transfer fees and clearing services	5,834	-	5,834	100%
Tax preparation and accounting	6,527	-	6,527	100%
Other	1,016	-	1,016	100%
Total National revenue	132,563	-	132,563	100%
Net revenue	142,265	3,865	138,400	3581%
Operating expenses				
Fortress				
Cost of goods sold - product revenue	1,852	365	1,487	407%
Research and development	34,683	21,416	13,267	62%
Research and development – licenses acquired	3,394	3,143	251	8%
General and administrative	36,490	25,414	11,076	44%
Total Fortress operating expenses	76,419	50,338	26,081	52%
National				
Commissions, compensation and fees	118,983	-	118,983	100%
Clearing fees	1,826	-	1,826	100%
Communications	2,094	-	2,094	100%
Occupancy	2,916	-	2,916	100%
Licenses and registration	1,223	-	1,223	100%
Professional fees	3,336	-	3,336	100%
Interest	13	-	13	100%
Depreciation and amortization	1,513	-	1,513	100%
Other administrative expenses	7,315	-	7,315	100%
Total National operating expenses	139,219	-	139,219	100%
Total operating expenses	215,638	50,338	165,300	328%
Loss from operations	(73,373)	(46,473)	26,900	58%
Other income (expenses)				
Interest income	530	241	289	120%
Interest expenses	(5,298)	(1,838)	3,460	188%
Change in fair value of derivative liabilities	5,155	(105)	5,260	5010%
Change in fair value of subsidiary convertible note	(359)	(13)	(346)	2662%
Change in fair value of investments	(241)	(1,800)	(1,559)	-87%
Other income	(232)	-	232	-100%
Total other income (expenses)	(445)	(3,515)	3,070	87%

Net loss	(73,818)	(49,988)	23,830	48%
Less: net loss attributable to non-controlling interest	17,355	12,324	5,031	41%
Net loss attributable to common stockholders	**$ (56,463)**	**$ (37,664)**	**$ 18,799**	**50%**

Net revenues increased $138.4 million or 3581% from the nine months ended September 30, 2016 to the nine months ended September 30, 2017. The increase in net revenue is related to an increase in product revenue of $7.2 million associated with Journey's branded products, offset slightly by a decrease in Journey's co-promote revenue of $0.7 million, as well as a decrease of $0.7 million in collaboration revenue between Checkpoint and TGTX. National's revenue increased by $132.6 million of which $73.4 million is commissions, this increase was due to the acquisition in of National September 2016 with no revenue attributable to National prior to the acquisition.

Cost of goods sold increased by $1.5 million or 407% from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 due to Journey branded product revenue in 2017 versus three months of sales during the nine-month period ended September 30, 2016.

Research and development expenses increased $13.3 million or 62% from the nine months ended September 30, 2016 to the nine months ended September 30, 2017. This increase is attributable to increases in spending of: $2.6 million for Checkpoint related to clinical development programs and $2.5 million related to Mustang for sponsored research. Personnel costs increased by $1.9 million during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, as a result of an increase in employees at the subsidiary level while non-cash stock compensation expenses increased by $1.5 million.

During the nine months ended September 30, 2017, we made expenditures totaling $3.4 million in connection with new research and development licenses as follows: for Mustang $2.4 million, Checkpoint $0.4 million, Caelum $0.2 million, Cyprium $0.1 million, and Fortress $0.3 million compared with $3.1 million in new research and development licenses purchased by Checkpoint during the nine months ended September 30, 2016.

General and administrative expenses increased $11.1 million or 44% from the nine months ended September 30, 2016 to the nine months ended September 30, 2017. The increase is related to $2.7 million for the continued building of our sales and marketing infrastructure at JMC (including increasing the headcount of its out-sourced sales force from 15 to 29), $2.8 million for the increase in headcount excluding JMC (of which $1.6 million relates to Fortress, $0.4 million to Caelum, $0.2 million to Avenue and $0.3 million to Mustang). A $2.2 million legal settlement for Mustang. Finally, stock compensation expense increased by $1.5 million from the nine months ended September 30, 2016 due to grants made to new employees.

National's operating expenses increased by $139.2 million or 100% for the nine months ended September 30, 2017, this increase is related to our acquisition of National in September 2016. We incurred no costs related to National for the nine months ended September 30, 2016.

Interest expense increased $3.5 million or 188% from the nine months ended September 30, 2016 to the nine months ended September 30, 2017. The increase in interest is primarily related to amounts owed under the Opus Credit Facility and the 2017 Subordinated Note Financing.

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, along with the funds we anticipate receiving from our perpetual preferred offering, 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 Ended September 30, 2017 and 2016

	For the Nine Months Ended September 30,	
($ in thousands)	**2017**	**2016**
Statement of cash flows data:		
Total cash (used in)/provided by:		
Operating activities	$ (61,480)	$ (27,842)
Investing activities	(46,001)	(4,755)
Financing activities	129,723	16,952
Net increase (decrease) in cash and cash equivalents	$ 22,242	$ (15,645)

Operating Activities

Net cash used in operating activities increased $33.6 million from the nine months ended September 30, 2016, compared to the nine months ended September 30, 2017. The increase was primarily due to the decrease of $5.3 million in the fair value of derivative liabilities, an increase of $23.8 million in net loss, a decrease in the fair value of investments of $0.1 million, and a decrease of $11.5 million in changes in operating assets and liabilities partially offset by an increase of $3.3 million of depreciation and amortization expense of which $1.2 million related to amortization of National's intangible assets related to our ownership in National, a $0.3 million increase of expense related to research and development-licenses acquired, an increase of $3.3 million in stock based compensation expense, an increase of $0.5 million related to the value of shares issued and issuable in connection with interest on our 2017 Subordinated Notes and a decrease of $0.3 million in the reserve against doubtful accounts relating to National.

Investing Activities

Net cash used in investing activities increased $41.2 million from the nine months ended September 30, 2016, compared to the nine months ended September 30, 2017 The increase is primarily due to a $44.1 million increase in the purchase of short-term investments with the purchase of certificates of deposit by Mustang and Avenue, offset by the decrease of $4.8 million in the purchase of property and equipment as the build-out of the New York City office is complete, as well as a decrease of $2.1 million in funds used to purchase research and development licenses.

Financing Activities

Net cash provided by financing activities was $129.7 million for the nine months ended September 30, 2017, compared to $17.0 million of net cash used in financing activities for the nine months ended September 30, 2016. During the nine months ended September 30, 2017, net proceeds from subsidiaries' offerings were $94.6 million, net proceeds from the 2017 Subordinated Note Financing were $27.3 million proceeds from the Opus credit facility were $2.5 million, and net proceeds from subsidiaries' Convertible Note were $8.8 million. During the nine months ended September 30, 2016, we paid-off $2.8 million of the NSC Note, partially offset by proceeds from subsidiary offering of $13.0 million, proceeds from at-the-market offering of $0.4 million and proceeds from subsidiaries' Convertible Note of $3.0 million.

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, for the years ended December 31, 2015, December 31, 2016 and for the interim period through September 30, 2017, we determined 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 to be 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, 2017, 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

On January 15, 2016, Dr. Winson Tang ("Plaintiff") filed a Complaint against the Company in the Superior Court of the State of California, County of Los Angeles. *Winson Tang v. Lindsay Rosenwald et al.,* Case No. BC607346. As amended, the Complaint alleged a breach of contract by the Company and two of its officers, Dr. Rosenwald and Mr. Weiss, and two claims against other Defendants. On November 3, 2017, Plaintiff and Defendants entered into a Settlement Agreement. See Note 16.

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" or "National"), Checkpoint Therapeutics, Inc. ("Checkpoint"), Mustang Bio, Inc. ("Mustang") and Avenue Therapeutics, Inc. ("Avenue") 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, Mustang or Avenue 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 disrupting 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 of, joint ventures with and investments in other companies, such as our acquisition of a controlling interest in NHLD, involve numerous risks, including, but not necessarily limited to:

- risk of entering new markets in which we have little to no experience;
- 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 our and 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 businesses and our ownership stakes in our subsidiaries 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, ongoing 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 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 us 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 on the continued contributions of our executive officers, financial, scientific and technical personnel and consultants, and on our ability to attract additional personnel for us 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 us 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 any of our and our subsidiaries' key personnel. We only maintain a limited amount of directors' and officers' liability insurance coverage. There can be no assurance that this coverage will be sufficient to cover the costs of the events that may occur, 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 on which stockholders can base an investment decision.

We are 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 inception. As of September 30, 2017, we had an accumulated deficit of approximately $301.7 million. We and certain of our subsidiaries have not demonstrated the 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, but not necessarily limited to:

- 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 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 capabilities 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, but not necessarily limited to:

- 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;
- changes in regulatory requirements by government authorities for our product candidates;
- 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 changes to restrictions on reimbursements are difficult to predict and 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.

Additionally, we are unable to predict the future course of federal or state health care legislation and regulations, including regulations related to the health care reform legislation enacted in March 2010, known as the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the ACA. The Affordable Care Act and any revisions or replacements of that Act, any substitute legislation, and other changes in the law or regulatory framework could have a material adverse effect on our business.

Among the provisions of the ACA of importance to our potential product candidates are:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- expansion of healthcare fraud and abuse laws, including the federal False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for non-compliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for a manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 138% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expansion of the entities eligible for discounts under the 340B Drug Pricing Program;
- the new requirements under the federal Open Payments program and its implementing regulations;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

The Supreme Court upheld the ACA in the main challenge to the constitutionality of the law in 2012. The Supreme Court also upheld federal subsidies for purchasers of insurance through federally facilitated exchanges in a decision released in June 2015. Any remaining legal challenges to the ACA are viewed generally as not significantly impacting the implementation of the law if the plaintiffs prevail.

President Trump ran for office on a platform that supported the repeal of the ACA, and one of his first actions after his inauguration was to sign an Executive Order instructing federal agencies to waive or delay requirements of the ACA that impose economic or regulatory burdens on states, families, the health-care industry and others. Modifications to or repeal of all or certain provisions of the ACA have been attempted in Congress as a result of the outcome of the recent presidential and congressional elections, consistent with statements made by the incoming administration and members of Congress during the presidential and congressional campaigns and following the election. In January 2017, Congress voted to adopt a budget resolution for fiscal year 2017, or the Budget Resolution, that authorizes the implementation of legislation that would repeal portions of the ACA. The Budget Resolution is not a law. However, it is widely viewed as the first step toward the passage of legislation that would repeal certain aspects of the ACA. In March 2017, following the passage of the budget resolution for fiscal year 2017, the U.S. House of Representatives passed legislation known as the American Health Care Act of 2017, which, if enacted, would amend or repeal significant portions of the ACA. Attempts in the Senate in 2017 to pass ACA repeal legislation, including the Better Care Reconciliation Act of 2017, so far have been unsuccessful.

Legislative proposals such as expanding the Medicaid drug rebate program to the Medicare Part D program, providing authority for the government to negotiate drug prices under the Medicare Part D program and lowering reimbursement for drugs covered under the Medicare Part B program have been raised in Congress but have been met with opposition and have not been enacted so far.

The administration can rely on its existing statutory authority to make policy changes that could have an impact on the drug industry. For example, the Medicare program has in the past proposed to test alternative payment methodologies for drugs covered under the Part B program and currently is proposing to pay hospitals less for Part B-covered drugs purchased through the 340B Drug Pricing Program.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved drug. Any reduction in reimbursement from Medicare or other government healthcare programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drugs.

Our, and our subsidiaries', current and future relationships with customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, transparency, health information privacy and security and other healthcare laws and regulations, which could expose us or our subsidiaries to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors in the US and elsewhere will play a primary role in the recommendation and prescription of any product candidates for which we, or our subsidiaries, obtain marketing approval. Our, and our subsidiaries', future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act, which may constrain the business or financial arrangements and relationships through which we and our subsidiaries sell, market and distribute any product candidates for which we obtain marketing approval. In addition, we or our subsidiaries may be subject to transparency laws and patient privacy regulation by the federal and state governments and by governments in foreign jurisdictions in which we conduct our business. The applicable federal, state and foreign healthcare laws and regulations that may affect our ability to operate, or our subsidiaries' ability to operate, include, but are not necessarily limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs, such as Medicare and Medicaid;

- federal civil and criminal false claims laws and civil monetary penalty laws, including the federal False Claims Act, which impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government; the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, which impose obligations on covered healthcare providers, health plans, and healthcare clearinghouses, as well as their business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

- the federal Open Payments program, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services, or CMS, information related to "payments or other transfers of value" made to physicians, which is defined to include doctors, dentists, optometrists, podiatrists and chiropractors, and teaching hospitals and applicable manufacturers and applicable group purchasing organizations to report annually to CMS ownership and investment interests held by the physicians and their immediate family members. Data collection began on August 1, 2013 with requirements for manufacturers to submit reports to CMS by March 31, 2014 and 90 days after the end each subsequent calendar year. Disclosure of such information was made by CMS on a publicly available website beginning in September 2014; and

- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business and our subsidiaries' business arrangements with third parties will comply with applicable healthcare laws and regulations may involve substantial costs. It is possible that governmental authorities will conclude that our or our subsidiaries' business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our or our subsidiaries' operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, including, without limitation, damages, fines, imprisonment, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations, which could have a material adverse effect on our business. If any of the physicians or other healthcare providers or entities with whom we expect to do business, including our collaborators, is found not to be in compliance with applicable laws, it may be subject to criminal, civil or administrative sanctions, including exclusions from participation in government healthcare programs, which could also materially affect our business.

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 shares 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 product candidates 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 candidates, 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 our product candidates 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 that 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 that 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.

Moreover, in all interactions with regulatory authorities, the company is exposed to liability risks under the Foreign Corrupt Practices Act or similar anti-bribery laws.

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 candidates, 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. 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 and our subsidiaries' 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 certain of 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 certain of our subsidiaries to withdraw such products from the market.

Delays in the commencement of our and certain of our subsidiaries' 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, but not necessarily limited to, 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 (or replacing) 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, but not necessarily limited to:

- failure to conduct the clinical trial in accordance with regulatory requirements or our or our subsidiaries' 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 or the ability of our subsidiaries 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 certain of 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 and/or applicable compliance. 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 and our subsidiaries' 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 internally, 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 in a timely or cost-effective manner, 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 those of ours and our subsidiaries. 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 clinical and pre-clinical 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 under which 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 may use biological materials and 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 and certain of our subsidiaries 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 in obtaining patents. These risks and uncertainties include, but are not necessarily limited to, the following:

- patent applications may not result in any patents being issued, or the scope of issued patents may not extend to competitive product candidates and their formulations and uses developed or produced by others;

- 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. Moreover, we or our subsidiaries may be subject to a third-party pre-issuance submission of prior art to the PTO, or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or interference proceedings challenging our patent rights or the patent rights of others. The costs of these proceedings could be substantial and it is possible that our efforts to establish priority of invention would be unsuccessful, resulting in a material adverse effect on our US patent position. An adverse determination in any such submission, patent office trial, proceeding or litigation could reduce the scope of, render unenforceable, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Third parties are often responsible for maintaining patent protection for our product candidates and those of our subsidiaries, at our and their expense. If that party fails to appropriately prosecute and maintain patent protection for a product candidate, our and our subsidiaries' ability to develop and commercialize or products may be adversely affected and we may not be able to prevent competitors from making, using and selling competing products. Such a 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 USPTO 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. Despite these efforts, any of these parties may breach the agreements and may unintentionally or willfully disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. Moreover, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

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 generally 12 years from the date of marketing approval (depending on the nature of the specific product), there is a risk that the U.S. Congress could amend laws to significantly shorten this exclusivity period, as initially 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. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the US and other jurisdictions are typically not published until 18 months after a first filing, or in some cases not at all. Therefore, we and our subsidiaries cannot know with certainty whether we and our subsidiaries or our licensors were the first to make the inventions claimed in patents or pending patent applications that we and our subsidiaries own or licensed, or that we and our subsidiaries or our licensors were the first to file for patent protection of such inventions. In the event that a third party has also filed a US patent application relating to our product candidates or a similar invention, depending upon the priority dates claimed by the competing parties, we may have to participate in interference proceedings declared by the PTO to determine priority of invention in the US. The costs of these proceedings could be substantial and it is possible that our efforts to establish priority of invention would be unsuccessful, resulting in a material adverse effect on our US patent position. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

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, among other things:

- 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. Any claims we or our subsidiaries assert against accused infringers could provoke these parties to assert counterclaims against us or our subsidiaries alleging that we or our subsidiaries infringe their patents; or provoke those parties to petition the PTO to institute inter partes review against the asserted patents, which may lead to a finding that all or some of the claims of the patent are invalid. In addition, in a patent infringement proceeding, a court may decide that a patent of ours or our subsidiaries is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to stop the other party from using the technology at issue on the grounds that our or our subsidiaries' patents do not cover the technology in question. 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 is 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, and requirements regarding company presentations and interactions with health care professionals. 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 marketing or regulatory approvals;
- refusal to permit the import or export of products;
- 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 the security of confidential information 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 ability to maintain the security of confidential information. We cannot assure you that we will be able to prevent an extended and/or material system failure or the unintentional disclosure of confidential information if any of the following or similar events occurs:

- 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.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad.

We cannot predict the likelihood, nature or extent of how government regulation that may arise from future legislation or administrative or executive action taken by the U.S. presidential administration may impact our business and industry. In particular, the U.S. President has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. Notably, on January 23, 2017, President Trump ordered a civilian hiring freeze for all executive departments and agencies, including the FDA, which prohibits the FDA from filling employee vacancies or creating new positions. Under the terms of the order, the freeze will remain in effect until implementation of a plan to be recommended by the Director for the Office of Management and Budget ("OMB") in consultation with the Director of the Office of Personnel Management, to reduce the size of the federal workforce through attrition. An under-staffed FDA could result in delays in FDA's responsiveness or in its ability to review submissions or applications, issue regulations or guidance or implement or enforce regulatory requirements in a timely fashion or at all. Moreover, on January 30, 2017, President Trump issued an Executive Order, applicable to all executive agencies, including the FDA, which requires that for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency shall identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the "two-for-one" provisions. This Executive Order includes a budget neutrality provision that requires the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the Executive Order requires agencies to identify regulations to offset any incremental cost of a new regulation and approximate the total costs or savings associated with each new regulation or repealed regulation. In interim guidance issued by the Office of Information and Regulatory Affairs within OMB on February 2, 2017, the administration indicates that the "two-for-one" provisions may apply not only to agency regulations, but also to significant agency guidance documents. It is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

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 $65.7 million, $50.5 million and $20.7 million for the years ended December 31, 2016, 2015 and 2014, respectively, and losses from operations of $73.4 million for the nine months ended September 30, 2017. At September 30, 2017, we had an accumulated deficit of approximately $301.7 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, 2017, the total amount of debt outstanding was $63.6 million. If we default on our obligations, the holders of our debt may declare the outstanding amounts immediately payable together with accrued interest. 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 terms of our current indebtedness and any future indebtedness may limit our ability to finance future operations or satisfy capital needs or to engage in, expand or pursue our business activities. They 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, 2016, 2015 and 2014, we incurred R&D expenses of approximately $35.1 million, $29.8 million and $10.2 million, respectively. For the nine months ended September 30, 2017, we incurred research and development expenses of approximately $34.7 million. 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. 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 or sublicensing 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, 2017, Lindsay Rosenwald, our Chairman, President and Chief Executive Officer, beneficially owned 13.5% of our issued and outstanding capital stock. At September 30, 2017, Michael Weiss, our Executive Vice Chairman, Strategic Development, beneficially owned 15.9% 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, but not necessarily limited to:

- 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 or issuance of debt;
- 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 administration change;
- 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 50.5 million outstanding shares of our Common Stock, inclusive of outstanding equity awards, as of September 30, 2017 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, pursuant to our current shelf registration statement on Form S-3, we may issue and sell shares of our common stock having an aggregate offering price of up to $53.0 million from time to time. Any sale of a substantial number of shares of our Common Stock could cause a drop in the trading price of the Common Stock on the Nasdaq Stock Market.

We and certain of our subsidiaries have never paid and currently do not intend to pay cash dividends in the near future. 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, or made stock dividends, and we and many of our subsidiaries currently intend to retain future earnings, if any, to fund the development and growth of our businesses, and retain our stock positions. In addition, the terms of existing and future debt agreements may preclude us and certain of our subsidiaries from paying cash of stock dividends. Equally, our subsidiaries are governed by their own boards of directors with individual governance and decision-making regimes and mandates to oversee such subsidiaries in accordance with their respective fiduciary duties. As a result, we alone cannot determine the acts of our subsidiaries that could maximize value to you, such as declaring cash or stock 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

Exhibit Index

Exhibit Number	Exhibit Title
31.1	Certification of Chairman, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief 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 Document.
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, 2017 By: /s/ Lindsay A. Rosenwald, M.D.
Lindsay A. Rosenwald, M.D., Chairman, President and Chief Executive Officer (Principal Executive Officer)

November 9, 2017 By: /s/ Robyn M. Hunter
Robyn M. Hunter Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lindsay A. Rosenwald, M.D., 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.

Dated: November 9, 2017

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

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robyn M. Hunter, 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.

Dated: November 9, 2017

By: /s/ Robyn M. Hunter
Robyn M. Hunter
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 on Form 10-Q of Fortress Biotech, Inc. (the "Company") for the quarterly period ended September 30, 2017, 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 of the Company, 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.

Dated: November 9, 2017

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

Exhibit 32.2

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 on Form 10-Q of Fortress Biotech, Inc. (the "Company") for the quarterly period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robyn M. Hunter, Chief Financial Officer of the Company, 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.

Dated: November 9, 2017

By: /s/ Robyn M. Hunter
Robyn M. Hunter
Chief Financial Officer
(Principal Financial Officer)