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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2014**

OR

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

From the transition period from _____ to _____.

Commission File Number **001-35366**

CORONADO BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5157386
(IRS Employer
Identification No.)

24 New England Executive Park
Burlington, MA 01803
(Address of principal executive offices)

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 5, 2014, there were 44,312,193 shares of Common Stock of the issuer outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

CORONADO BIOSCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(\$ in thousands except for share amounts)

	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	<i>(Unaudited)</i>	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 71,592	\$ 99,521
Short-term investment (Note 1)	52	—
Prepaid and other current assets	428	510
Total current assets	72,072	100,031
Property and equipment, net	58	447
Restricted cash	15,446	—
Long-term investment, at fair value (Note 1)	250	—
Other assets	181	104
Total Assets	\$ 88,007	\$ 100,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 333	\$ 468
Accrued expenses	3,199	4,430
Interest payable	25	109
Current portion of note payable	—	6,203
Total current liabilities	3,557	11,210
Note payable	14,009	7,017
Other long-term liabilities	1,181	1,077
Total Liabilities	18,747	19,304
Commitments and Contingencies		
Stockholders' Equity:		
Convertible Preferred Stock, \$.001 par value, 129,767 Series C shares authorized, 0 shares issued and outstanding as of both September 30, 2014 and December 31, 2013	—	—
Common Stock, \$.001 par value, 100,000,000 shares authorized, 44,312,193 and 39,652,950 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	44	40
Additional paid-in capital	207,231	202,580
Accumulated deficit	(138,015)	(121,342)
Total Stockholders' Equity	69,260	81,278
Total Liabilities and Stockholders' Equity	\$ 88,007	\$ 100,582

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

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating expenses:				
Research and development	\$ 1,609	\$ 5,361	\$ 8,473	\$ 19,130
General and administrative	2,737	2,143	7,218	7,126
Loss from operations	(4,346)	(7,504)	(15,691)	(26,256)
Other income/(expense):				
Interest income	168	165	517	350
Interest expense	(121)	(493)	(1,206)	(1,454)
Change in fair value of short-term investment	(293)	—	(293)	—
Net loss	\$ (4,592)	\$ (7,832)	\$ (16,673)	\$ (27,360)
Basic and diluted net loss per common share	\$ (0.13)	\$ (0.24)	\$ (0.46)	\$ (0.95)
Weighted average common shares outstanding—basic and diluted	36,024,810	32,634,683	35,977,355	28,664,822

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

CORONADO BIOSCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(\$ in thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$ (16,673)	\$ (27,360)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	4,082	4,072
Noncash interest expense	555	400
Depreciation expense	17	11
Asset impairment	723	—
Change in fair value of short-term investment	293	—
Changes in operating assets and liabilities:		
Prepaid, other current assets and other short-term investment	(31)	114
Interest payable	(84)	(3)
Accounts payable and accrued expenses	(1,366)	252
End of term charge associated with Hercules Note	(398)	—
Other	75	—
Net cash used in operating activities	<u>(12,807)</u>	<u>(22,514)</u>
Cash flows from investing activities:		
Purchase of property and equipment	—	(187)
Purchase of investments, short-term	(345)	—
Purchase of investment, long-term	(250)	—
Net cash used in investing activities	<u>(595)</u>	<u>(187)</u>
Cash flows from financing activities:		
Proceeds from issuance of Common Stock	606	90,629
Payment of costs related to the issuance of Common Stock	(32)	(1,860)
Payment of Hercules Note	(13,655)	—
Proceeds from IDB Note	14,009	—
Payment of debt issue costs associated with IDB Note	(9)	—
Transfer of restricted cash	(15,446)	—
Net cash (used in)/provided by financing activities	<u>(14,527)</u>	<u>88,769</u>
(Decrease)/Increase in cash and cash equivalents	(27,929)	66,068
Cash and cash equivalents—beginning of period	99,521	40,199
Cash and cash equivalents—end of period	<u>\$ 71,592</u>	<u>\$ 106,267</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 614	\$ 1,052
Supplemental disclosure of non-cash financing and investing activities:		
Issuance of Restricted Stock	\$ 4	\$ —

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

CORONADO BIOSCIENCES, INC. AND SUBSIDIARIES
Notes to the Unaudited Condensed Consolidated Financial Statements

1. Organization and Description of Business

Coronado Biosciences, Inc. (the “Company”), incorporated in Delaware on June 28, 2006 (date of inception), is a biopharmaceutical company involved in the development of novel immunotherapy agents for the treatment of autoimmune diseases and cancer, namely CNDO-201 or *Trichuris suis ova* (“TSO”) and CNDO-109.

The Company is also actively identifying, evaluating and pursuing opportunities to in-license, acquire or invest in pharmaceutical and biotechnology products, technologies and/or companies. The scope of these activities is broad and may from time to time include financing existing or later-acquired products, technologies or companies through partnerships, joint ventures, direct financings, and/or public or private spin-outs. The Company has begun to diversify its product base while continuing to progress and evaluate the CNDO-201 and CNDO-109 clinical programs.

As of September 30, 2014, the Company has six wholly owned subsidiaries: Innmune Limited, Coronado SO Co., Inc., Cyprrium Inc., Altamira Bio Inc. formerly TSO Development Corporation, Inc., Journey Medical Corporation and CB Pharma Acquisition Corp.

Recent 2014 Developments

On March 17, 2014, the Company made a \$250,000 investment in a third party medical device company developing a laser device to treat migraine headaches. The investment represents a 35% ownership position in this company. The Company elected the fair value option and recorded this investment in long-term investment, at fair value in its Unaudited Condensed Consolidated Balance Sheets as of September 30, 2014. (See Note 8).

Also on March 17, 2014, the Company provided a \$50,000 bridge loan to a third party emerging specialty pharmaceutical company developing, marketing and distributing Epilepsy drugs. The bridge loan was due on June 16, 2014, accrues interest at a rate of 8% and is secured by the third party’s assets. As of September 30, 2014, the bridge loan remained outstanding and the Company believes the loan is collectable since the assets securing the loan are believed to be worth more than the carrying amount of the loan. The Company recorded this bridge loan in short-term investment in its Unaudited Condensed Consolidated Balance Sheets as of September 30, 2014.

On April 18, 2014, the Company paid \$243,000 to acquire an option to purchase (“Option”) the exclusive rights to a pharmaceutical product from a third party and on August 12, 2014, the Company paid \$50,000 to extend the Option for a total purchase price of \$293,000. On September 30, 2014, the Option expired and the Company chose not to exercise the Option. Therefore, in connection with the expiration of the Option, the Company realized a loss of \$293,000 which is recorded in change in fair value of short-term investment in the Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2014. (See Note 8).

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 our 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 consolidated financial statement results are not necessarily indicative of results to be expected for the full fiscal year or any future period.

The condensed consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements at that date. The condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company's Form 10-K, which was filed with the SEC on March 14, 2014.

The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries. All intercompany balances and transactions have been eliminated.

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

Use of Estimates

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

Restricted Cash

The Company records cash held in trust or pledged to secure certain debt obligations as restricted cash. As of September 30, 2014, the Company has \$15.4 million of restricted cash securing a note payable of \$14.0 million (see Note 4) and a pledge to secure a line of credit in relation to a new lease of \$1.4 million (see Note 11).

Fair Value Measurement

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

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

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

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

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

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

Certain of the Company's financial instruments are not measured at fair value on a recurring basis, but are recorded at amounts that approximate their fair value due to their liquid or short-term nature, such as accounts payable, accrued expenses and other current liabilities. The carrying value of the amount owed Ovamed GmbH, or Ovamed, upon the acquisition of certain manufacturing rights in December 2012 under the Second Amendment and Agreement to our sublicense agreement with Ovamed, is included in both current liabilities and long-term liabilities in the Unaudited Condensed Consolidated Balance Sheets has been recorded at its net present value, which approximates its fair value. (See Note 6).

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value, determined based on discounted cash flows. During the nine month period ended September 30, 2014, in relation to the abandonment of its lease in Woburn, MA, the Company recorded an impairment loss of \$0.4 million related to the write-off of its construction in progress long-lived asset. (See Note 6).

Investments at Fair Value

The Company elected the fair value option for its expired short-term investment of \$293,000 to acquire an option to purchase the exclusive rights to a product owned by a third-party and its long-term investment of \$250,000 in a third-party company developing a laser device to treat migraine headaches, as it best represents the economics and the fair value of these instruments. The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument by instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected are recognized as a change in fair value of financial instruments, net in the Unaudited Condensed Consolidated Statements of Operations.

Stock-Based Compensation

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

The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

Comprehensive Loss

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

Recently Adopted Accounting Standards

In June 2014, the FASB issued Accounting Standard Update No. 2014-10, *Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. The amendments in this update remove the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from GAAP. In addition, the amendments eliminate the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. A public entity is required to apply the amendments for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. An entity should apply the amendments retrospectively for all comparative periods presented. The Company elected to adopt the guidance in the second quarter of 2014. Adoption of this standard did not have a material impact on the Company's financial position, statement of operations, or statement of cash flows.

3. Net Loss Per Common Share

The Company calculates loss per share using the two-class method, which is an earnings allocation formula that determines earnings per share for Common Stock and participating securities (unvested restricted stock), if any, according to dividends declared and non-forfeitable participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to Common Stock and participating securities, if any, based on their respective rights to receive dividends. Holders of restricted Common Stock are entitled to all cash dividends, when and if declared, and such dividends are non-forfeitable. The participating securities do not have a contractual obligation to share in any losses of the Company. As a result, net losses are not allocated to the participating securities for any periods presented.

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

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

(\$ in thousands except share and per share amounts)	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Net loss per share:				
<i>Numerator:</i>				
Net loss	\$ (4,592)	\$ (7,832)	\$ (16,673)	\$ (27,360)
<i>Denominator:</i>				
Weighted-average common shares outstanding—denominator for basic and diluted net loss per share	36,024,810	32,634,683	35,977,355	28,664,822
Basic and diluted net loss per common share	<u>\$ (0.13)</u>	<u>\$ (0.24)</u>	<u>\$ (0.46)</u>	<u>\$ (0.95)</u>

Included in Common Stock issued and outstanding as of September 30, 2014 are 8,287,384 shares of unvested restricted stock, which is excluded from the average weighted Common Shares outstanding since its effect would be dilutive.

The Company's potential dilutive securities which include unvested restricted stock, 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 number of shares of Common Stock outstanding used to calculate both basic and diluted net loss per share is the same.

The following weighted average 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 antidilutive:

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Warrants to purchase Common Stock	685,061	1,040,921	696,526	1,097,869
Options to purchase Common Stock	2,171,032	4,285,503	2,312,461	4,130,936
Unvested Restricted Stock	6,308,038	—	5,880,063	—
	<u>9,164,131</u>	<u>5,326,424</u>	<u>8,889,050</u>	<u>5,228,805</u>

4. Debt and Interest

On February 13, 2014, the Company repaid its term loan with Hercules Growth Capital, Inc. (the “Hercules Note”), of which \$13.2 million in principal was outstanding at the time of repayment. Early payment of the Hercules Note was \$14.0 million, consisting of principal of \$13.2 million, an end of term charge of \$0.4 million, a prepayment fee of \$0.3 million and interest of \$0.1 million, all included as interest expense in the Unaudited Condensed Consolidated Statements of Operations. Prior to re-payment, in January 2014, the Company made a scheduled principal payment of \$0.5 million on the Hercules Note.

Also on February 13, 2014, the Company executed a Promissory Note (the “IDB Note”) with the Israel Discount Bank of New York (the “Bank”) in an amount of up to \$15.0 million. At September 30, 2014, the amount of debt outstanding under the IDB Note was \$14.0 million. The Company used substantially all of the proceeds from the IDB Note to repay its prior loan from Hercules Technology Growth Capital, Inc. The Company may request revolving advances under the IDB Note in a minimum amount of \$100,000 (or the remaining amount of the undrawn balance under the IDB Note, if such amount is less than \$100,000). All amounts advanced under the IDB Note are due in full at the earlier of: (i) February 13, 2016, or (ii) on the Bank’s election following the occurrence and continuation of an event of default. The unpaid principal amount of each advance shall bear interest at a rate per annum equal to the rate payable on the Company’s money market account of 0.75% plus a margin of 150 basis points. The IDB Note contains various representations and warranties customary for financings of this type.

The obligations of the Company under the IDB Note are collateralized by a security interest in, a general lien upon, and a right of set-off against the Company’s money market account equal to amounts outstanding under the IDB Note, pursuant to the Assignment and Pledge of Money Market Account, dated as of February 13, 2014 (the “Pledge Agreement”). Pursuant to the Pledge Agreement, the Bank may, after the occurrence and continuation of an event of default under the IDB Note, recover from the money market account all amounts outstanding under the IDB Note. The Pledge Agreement requires that the money market account equal the amount of outstanding debt, until such time that the debt is repaid. The Pledge Agreement contains various representations, warranties, and covenants customary for pledge agreements of this type.

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

Interest expense for the three and nine months ended September 30, 2014 was \$121,000 and \$1.2 million, respectively. Interest expense for the three and nine months ended September 30, 2013 was \$493,000 and \$1.5 million, respectively. During the three and nine month period ended September 30, 2014 and the three and nine month period ended September 30, 2013, interest expense related to the Hercules Note was nil, \$845,000, \$454,000 and \$1.3 million respectively, including nil, \$435,000, \$99,000 and \$286,000 related to accretion of the debt discount, and nil, \$43,000, \$5,000 and \$15,000 related to the amortization of financing costs, respectively. For the nine month period ended September 30, 2014, borrowings under the IDB Note were \$14.0 million, and for the three and nine month periods ended September 30, 2014, interest expense incurred on the IDB Note was \$81,000 and \$201,000, and \$3,000 and nil related to amortization of financing costs, respectively.

5. Property and Equipment, net

Property and equipment, net, consisted of the following:

<i>(\$ in thousands)</i>	Useful Life (Years)	As of September 30, 2014	As of December 31, 2013
Construction in progress	N/A	\$ —	\$ 373
Computer equipment	3	13	13
Furniture and fixtures	5	70	69
Leasehold improvements	5	12	12
Total property and equipment		95	467
Less: Accumulated depreciation		(37)	(20)
Property and equipment, net		\$ 58	\$ 447

During the three and nine month periods ended September 30, 2014, in relation to the abandonment of its Woburn, MA manufacturing facility, the Company recorded nil and \$0.4 million, respectively, of impairment loss related to the write-off of its construction in progress long-lived asset. (See Note 6).

6. Accrued Expenses and Other Long-Term Liabilities

Effective January 28, 2014, Dr. Kevin Horgan was separated from service with the Company. Dr. Horgan was the Company's Chief Medical Officer. In connection with Dr. Horgan's termination, the Company recorded a severance charge of \$0.4 million. During the three and nine month period ended September 30, 2014, the Company also paid \$0.3 million and \$1.7 million, respectively, in severance obligations to its former executives, including Dr. Horgan.

In March 2014, the Company made the decision to abandon its plans to build-out its Woburn, MA manufacturing facility and to close its New York, NY office. As a result, the Company commenced marketing both facilities for sub-lease. In April 2014, the Company entered into a sub-lease arrangement for its New York, NY office for the remaining term of the lease. During the three and nine months ended September 30, 2014, the Company recognized expense related to these decisions of approximately nil and \$0.8 million, respectively, which is included in research and development expenses. Expense related to the nine months ended September 30, 2014 was comprised of \$0.7 million related to the decision to delay manufacturing of TSO in the Woburn, MA facility, which included future rent payments of \$0.3 million through the lease termination date of February 2018, offset by \$0.1 million of rental income from a probable sublease, and \$0.4 million related to the write-down, to its estimated net realizable value, of its long-lived assets. The Company also recognized \$0.1 million in expense related to a sub-lease for the Company's New York, NY office space effective May 1, 2014 through the termination of the lease in May 2016. During the three and nine month period ended September 30, 2014, the Company paid \$35,000 and \$82,000 in rent expense, net of rent receivable from a sub-tenant.

In December 2012, the Company acquired certain manufacturing rights from Ovamed and agreed to pay an aggregate of \$1.5 million, in three installments of \$500,000 on December 12, 2014, 2015 and 2016, respectively. The accrual is recorded at present value on the Company's Unaudited Condensed Consolidated Balance Sheets as a current accrued expense of \$500,000 and as a long-term liability of \$793,000 as of September 30, 2014. This obligation was recorded at its estimated net present value; accretion of the obligation was \$39,000 and \$34,500 for the three month periods ended September 30, 2014 and 2013, respectively, and \$114,000 and \$100,500 for the nine month period ended September 30, 2014 and 2013, respectively, and is recorded as interest expense.

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

<i>(\$ in thousands)</i>	As of September 30, 2014	As of December 31, 2013
Accrued expenses:		
Salaries, bonuses and related benefits	\$ 632	\$ 450
Severance	285	1,502
Professional fees	651	351
Research and development expenses	758	1,245
State franchise taxes	—	190
Ovamed manufacturing rights – short-term component	500	500
Lease impairment	165	—
Other	208	192
Total accrued expenses	<u>\$ 3,199</u>	<u>\$ 4,430</u>
Other long-term liabilities:		
Hercules Note end of term charge	—	398
Ovamed manufacturing rights – long-term component	793	679
Long-term lease impairment charge	268	—
Deferred rent	120	—
Total other long-term liabilities	<u>\$ 1,181</u>	<u>\$ 1,077</u>

7. TSO

Research Agreement

On February 22, 2013, the Company and Freie Universität Berlin (“FU Berlin”) entered into a Research Agreement (the “Research Agreement”) to, among other things, identify and evaluate secretory proteins from TSO (the “Project”). The duration of the Project was expected to be four years, during which the Company would have paid FU Berlin a total maximum amount of approximately €648,000, or approximately \$843,000 in research fees and FU Berlin would have periodically produced written progress reports on the Project.

On March 25, 2014, the Company terminated the Research Agreement effective June 30, 2014. In connection with this termination, the Company incurred a one-time termination fee of \$167,000, comprised primarily of unpaid research fees, which is included in research and development expenses during the nine month period ended September 30, 2014.

8. Investments at Fair Value

On March 17, 2014, the Company invested \$250,000 for a 35% ownership position in a third-party company developing a laser device to treat migraine headaches. The Company elected the fair value option for recording this investment. In conjunction with this investment, the Company entered into a Purchase Agreement with the third-party company, in which the Company received 13,409,962 Class A Preferred Units, representing 83% of a total 16,091,954 Class A Preferred Units. Concurrently with the Purchase Agreement, the third-party entered into a Revenue Sharing Agreement (“Revenue Agreement”) with the Company. Under the terms of this Revenue Agreement, the Company will be paid an amount equal to 5% of all the third party’s Intellectual Property Revenue, which includes fees, royalties, sub-licensing, licensing, grant of rights, milestone payments or any payment for any Intellectual Property (“Revenue Share Amount”). This Revenue Share Amount is payable to the Company.

On April 18, 2014, the Company paid \$243,000 for the Option to purchase the exclusive rights to a pharmaceutical product from a third-party and paid an additional \$50,000 in August 2014 to extend the term of the Option for a total purchase price of \$293,000. On September 30, 2014, the Company recognized a loss of \$293,000 in connection with the expiration of the Option in the Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014.

The following table classifies into the fair value hierarchy, financial instruments measured at fair value on a recurring basis in the accompanying Unaudited Condensed Consolidated Balance Sheets as of September 30, 2014; at December 31, 2013, the Company had no investments at fair value:

(\$ in thousands)	Fair Value Measurement as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Long-Term Investment, at fair value	—	—	\$ 250	\$ 250

The table below provides a rollforward of the changes in fair value of Level 3 financial instruments for the three-months ended September 30, 2014:

(\$ in thousands)	Fair Value of Investment	
	Short-term	Long-term
Balance at June 30, 2014	\$ 243	\$ 250
Purchases	50	—
Change in fair value of investment	(293)	—
Balance at September 30, 2014	\$ —	\$ 250

The table below provides a rollforward of the changes in fair value of Level 3 financial instruments for the nine-months ended September 30, 2014:

(\$ in thousands)	Fair Value of Investment	
	Short-term	Long-term
Balance at December 31, 2013	\$ —	\$ —
Purchases	293	250
Change in fair value of investment	(293)	—
Balance at September 30, 2014	\$ —	\$ 250

The value of the Company's investment in the third party developing a laser treatment for migraine headaches and the Option were determined based on a valuation which takes into consideration, when applicable, cash received, cost of the investment, market participant inputs, estimated cash flows based on entity specific criteria, purchase multiples paid in other comparable third-party transactions, market conditions, liquidity, operating results and other qualitative and quantitative factors. The values at which the Company's investments are carried on its books are adjusted to estimated fair value at the end of each quarter taking into account general economic and stock market conditions and those characteristics specific to the underlying investments. Based upon these inputs at September 30, 2014, the fair values approximated cost.

9. Common Stock

At Market Issuance Programs

On April 29, 2013, the Company entered into an At Market Issuance Sales Agreement with MLV & Co. LLC ("2013 ATM") whereby it could issue and sell up to \$45.0 million of its Common Stock pursuant to its Form S-3 filed in September 2012. During the nine month period ended September 30, 2014, although the Company neither issued any shares of its Common Stock nor received any proceeds in connection with the 2013 ATM, the Company did incur approximately \$32,000 of cost for an audit consent in connection with the 2013 ATM.

Stock-based Compensation Plans

As of September 30, 2014, the Company had three equity compensation plans: the Coronado Biosciences, Inc. 2007 Stock Incentive Plan, the Coronado Biosciences, Inc. 2013 Stock Incentive Plan, and the Coronado Biosciences, Inc. 2012 Employee Stock Purchase Plan.

The following table summarizes the stock-based compensation expense from stock option awards, restricted common stock awards, employee stock purchase programs and warrants for the three and nine months ended September 30, 2014 and 2013:

(\$ in thousands)	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Employee awards	\$ 1,460	\$ 1,158	\$ 4,035	\$ 3,174
Non-employee awards	24	106	47	758
Non-employee warrants	—	2	—	140
Total stock-based compensation expense	\$ 1,484	\$ 1,266	\$ 4,082	\$ 4,072

For the three months ended September 30, 2014 and 2013, \$0.3 million was included in research and development expenses and \$1.2 million was included in general and administrative expenses, and \$0.7 million was included in research and development expenses and \$0.6 million was included in general and administrative expenses, respectively. For the nine months ended September 30, 2014 and 2013, \$0.9 million was included in research and development expenses and \$3.2 million was included in general and administrative expenses, and \$2.1 million was included in research and development expenses and \$2.0 million was included in general and administrative expenses, respectively.

The following table summarizes stock option activity:

	Outstanding Options			Weighted Average Remaining Contractual Life (in years)
	Number of Shares	Weighted Average Exercise Price	Total Weighted Average Intrinsic Value	
At December 31, 2013	3,117,777	\$ 4.31	\$ —	8.36
Options granted	—	—	—	
Options exercised	(323,412)	1.84	—	
Options cancelled	(630,000)	4.28	—	
At September 30, 2014	2,164,365	\$ 4.69	\$ —	7.64
Options vested and expected to vest	2,164,365	\$ 4.69	\$ —	7.64
Options vested and exercisable	1,647,698	\$ 4.40	\$ —	7.36

The following table summarizes restricted stock activity:

	Restricted Stock	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance at December 31, 2013	3,958,692	\$ 1.93
Restricted stock granted	4,343,692	2.69
Restricted stock cancelled	(15,000)	2.69
Unvested balance at September 30, 2014	8,287,384	\$ 2.33

As of September 30, 2014, the Company had unrecognized stock-based compensation expense related to unvested stock options and restricted stock awards of \$1.5 million and \$16.4 million, respectively, which is expected to be recognized over the remaining weighted-average vesting period of 0.8 years and 3.3 years, respectively.

The following table summarizes warrant activity:

	Warrants	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2013	711,894	\$ 6.63
Warrants cancelled due to expiration	(26,833)	6.15
Outstanding at September 30, 2014	685,061	\$ 6.65

As of September 30, 2014, the Company had no unrecognized stock-based compensation expense related to unvested warrants as all of the outstanding warrants are fully vested.

Michael Weiss

Mr. Michael Weiss has served as a director of the Company since December 19, 2013 and from that time until February 19, 2014 served as the Co-Vice Chairman of the board of directors. On February 20, 2014, Mr. Weiss was appointed Executive Vice Chairman, Strategic Development. The Company does not intend to enter into any employment contract with Mr. Weiss addressing his officer positions with the Company and the Company will pay Mr. Weiss an annual base salary of \$28,275, the lowest salary permissible under New York State law. Mr. Weiss will also be eligible for a discretionary bonus based on his achievement of performance goals and objectives as established by the board of directors. On December 19, 2013, the Company issued Mr. Weiss 1,979,346 shares of restricted stock for services to be rendered to the Company. The fair value was \$3.8 million based upon a value of \$1.93 per share calculated using a Monte Carlo Simulation model, this award vests based upon the passage of time and certain pre-defined market conditions. In addition, on February 20, 2014, the Company issued Mr. Weiss 3,958,692 shares of restricted stock as an inducement to employment and for services to be rendered to the Company. The fair value was \$10.6 million and was based on a closing common stock price of \$2.69 on the date of grant. Such shares shall vest at a rate of 16.67% for the first three annual anniversaries and the remaining 50% will vest in five equal installments of 10% upon certain events occurring.

Malcolm Hoenlein

On February 20, 2014, the Company appointed Mr. Malcolm Hoenlein to the vacant seat on its board of directors. Mr. Hoenlein was granted 30,000 shares of restricted stock, of which one-third vests on each annual anniversary of grant. The fair value was \$80,700 and was based on a closing Common Stock price of \$2.69 per share on the date of grant.

Warrants to Purchase Common Stock

For the nine months ended September 30, 2014, the Company did not issue any shares of Common Stock pursuant to the exercise of warrants. For the nine months ended September 30, 2013, the Company issued 80,705 shares of Common Stock pursuant to the cashless exercise of 158,429 warrants at a weighted average exercise price of \$5.02, and 340 shares of Common Stock for cash proceeds of \$1,098.

Strategic Transaction Committee

On February 20, 2014, the Company established a Strategic Transaction Committee of the board of directors. Messrs. Lobell (Chairman) and Barrett, and Drs. Harvey and Rowinsky were appointed to the Committee. Each member was granted 50,000 shares of restricted stock, of which one third will vest on each annual anniversary of grant. The fair value was \$0.5 million and was based on a closing Common Stock price of \$2.69 per share on the date of grant.

Shareholders' Agreement

On February 20, 2014, Drs. Harvey, Rosenwald and Rowinsky and Messrs. Barrett, Lobell and Weiss, entered into a Shareholders' Agreement, pursuant to which they agreed that, until the end of the Company's annual meeting held in calendar year 2016 and so long as Dr. Rosenwald and Mr. Weiss are on the proposed slate of directors to be nominated, they each will vote all of their shares of Common Stock in favor of electing those individuals, and only those individuals, to the board of directors whom the Company's Nominating and Corporate Governance Committee proposes. Until that time, they also agreed to not publicly or otherwise advocate for or encourage in any way (outside of fulfilling their director duties) the election of any individual to our board whom is not proposed by the Nominating and Corporate Governance Committee.

10. Related Party Transactions

Related Party Service Agreement

On April 3, 2014, the Company entered into a Shared Services Agreement with Opus Point Partners Management, LLC ("OPPM") in which the parties agreed to share a rented facility as well as costs for certain services, which they individually require for the operation of their respective entities. Dr. Rosenwald, Chairman, President and Chief Executive Officer and Mr. Weiss, Executive Vice President, Strategic Development, are both Partners of OPPM. The Company incurred expense of approximately \$40,000 and \$79,000 for the three and nine month periods ended September 30, 2014, respectively. The agreement can be terminated by either party with thirty days' notice.

11. Subsequent Events

Lease Obligation

On October 3, 2014, the Company entered into a 15 year lease for office space in New York, NY at an average annual rent of \$2.7 million. Also, on October 3, 2014, the Company entered into Desk Space Agreements with OPPM and TG Therapeutics, Inc. ("TGTX"), to occupy 20% and 40%, respectively, of the New York, NY office space that requires them to pay their respective share of the average annual rent of \$0.5 million and \$1.1 million, respectively. These initial rent allocations will be adjusted periodically, for each party, based upon actual percentage of the office space occupied. Additionally, the Company has reserved the right to execute additional desk space agreements with additional related and unrelated third parties and those arrangements will also affect the cost of the lease actually borne by the Company. The Company does not expect to take possession of the space until late 2015 or early 2016 and lease expense shall commence upon occupancy of the space. The lease was executed by the Company to flexibly facilitate the Company's new business growth plan, which includes formation of additional subsidiaries and/or affiliate companies. Mr. Weiss is Executive Chairman, Interim Chief Executive Officer and stockholder of TGTX. The lease is subject to early termination by the Company, or in circumstances including events of default, the landlord, and includes a five-year extension option in favor of the Company.

In connection with this lease, on September 30, 2014, the Company paid \$200,000, which was recorded as prepaid rent in the accompanying Unaudited Condensed Consolidated Balance Sheet as of September 30, 2014 and \$119,000 recorded as deferred rent in the accompanying Unaudited Condensed Consolidated Balance Sheet as of September 30, 2014, which represents the portion of the rent reimbursed by OPPM and TGTX. Also in connection with this lease, the Company was obligated to pledge \$1.4 million to secure a line of credit, which is recorded as restricted cash on the Company's Unaudited Condensed Consolidated Balance Sheet as of September 30, 2014. During October 2014, this obligation was reduced to \$0.6 million when OPPM and TGTX paid the Company their respective portions of this pledge.

TSO

The Company has retained an investment banker to evaluate strategic options, including a potential financing, for its TSO asset.

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

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

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this Form 10-Q. Our condensed 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,” “might,” or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information set forth under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2013.

Overview

Since inception, we have been a biopharmaceutical company involved in the development of novel immunotherapy agents for the treatment of autoimmune diseases and cancer, namely CNDO-201 or *Trichuris suis ova* (“TSO”) and CNDO-109, as more fully described below. In addition, we are actively identifying, evaluating and pursuing opportunities to in-license, acquire or invest in pharmaceutical and biotechnology products, technologies and/or companies. The scope of these activities is broad and may from time to time include financing existing or later-acquired products, technologies or companies through partnerships, joint ventures, direct financings, and/or public or private spin-outs. We have begun to diversify our product base while continuing to progress and evaluate the CNDO-201 and CNDO-109 clinical programs.

Our two principal pharmaceutical product candidates currently in clinical development are:

- TSO, or CNDO-201, the microscopic eggs of the porcine whipworm, for the treatment of autoimmune diseases, such as Crohn’s disease, or CD, ulcerative colitis, or UC, multiple sclerosis, or MS, autism, psoriasis, and type 1 diabetes, or T1D; and
- CNDO-109, a biologic that activates natural killer, or NK, cells of the immune system to seek and destroy cancer cells, for the treatment of acute myeloid leukemia.

In October 2013, we announced that our TRUST-I study did not meet its primary endpoint of improving response which was driven by a higher-than-expected placebo response rate in patients with CDAI<290. While we are continuing to analyze the trial data, the results of this trial negatively impact the potential for successful development of TSO.

In November 2013, Dr. Falk Pharma GmbH (“Falk”), our development partner, informed us that an independent data monitoring committee had conducted a second interim analysis of data from its Phase 2 clinical for CD known as TRUST-II and recommended that the trial be stopped due to lack of efficacy and noted no safety concerns. Falk adopted the committee’s recommendations and discontinued the study.

We are continuing to evaluate the data from TRUST-I. We will use this analysis, along with the clinical study report of TRUST-II data, other current data on TSO and other factors to determine our future development plans for TSO. Our current focus is on our investigator initiated studies in psoriasis and autism.

In March 2014, we submitted an Investigational New Drug Study to the U.S. Food and Drug Administration for the treatment of autism in 20 pediatric patients. In May 2014, we initiated a Phase 2a clinical trial of TSO for the treatment of 20 pediatric patients with autism spectrum disorder at multiple sites in the United States.

In February 2014, we repaid in full our term loan with Hercules Technology Growth Capital, Inc. (the "Hercules Note") and entered into a new promissory note ("IDB Note") with Israel Discount Bank of New York ("IDB"), under which we can borrow up to \$15.0 million. At September 30, 2014, the amount of debt outstanding under the IDB Note was \$14.0 million. (See Note 4 of Notes to Unaudited Condensed Consolidated Financial Statements).

In March 2014, we made the decision to abandon our plans to build-out the Woburn, MA manufacturing facility and to close our New York, NY office. As a result, we commenced marketing both facilities for sub-lease. In April 2014, we entered into a sub-lease arrangement for our New York, NY office for the remaining term of the lease. During the nine month period ended September 30, 2014, a lease impairment and fixed asset impairment charge related to these facilities of \$0.8 million was recorded in our Unaudited Condensed Consolidated Statements of Operations. (See Note 6 of Notes to Unaudited Condensed Consolidated Financial Statements).

In March 2014, we terminated our Sponsored Research Agreement with Freie Universität Berlin effective June 30, 2014 and recorded a one-time charge of \$0.2 million related to the contract termination in our Unaudited Condensed Consolidated Statements of Operations. (See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements).

On March 17, 2014, we made a \$250,000 investment in a third party medical device company developing a laser device to treat migraine headaches. The investment represents a 35% ownership position. We elected the fair value option to record this investment. (See Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements).

Also on March 17, 2014, we provided a \$50,000 bridge loan to an emerging specialty pharmaceutical company developing, marketing and distributing Epilepsy drugs. The bridge loan is payable in 90 days, accrues interest at a rate of 8% and is secured by the assets of the company. We recorded this bridge loan in short-term investments in our Unaudited Condensed Consolidated Balance Sheets as of September 30, 2014. As of September 30, 2014, the loan remained outstanding and management believes it continues to be collectable.

On April 18, 2014, we paid \$243,000 to acquire an option to purchase ("Option") the exclusive rights to a product owned by a third-party and on August 12, 2014, we paid \$50,000 to extend this Option for a total purchase price of \$293,000. On September 30, 2014, the Option expired and we recognized a loss of \$293,000, which reflects the change in the fair value of the Option and is recorded in the Unaudited Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2014. (See Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements).

Results of Operations

General

To date, we have not generated any revenues from operations and, at September 30, 2014, we had an accumulated deficit of \$138.0 million, primarily as a result of research and development expenses, purchase of in-process research and development and general and administrative expenses. 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 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 or any revenues.

Research and Development Expenses

Conducting research and development is central to our business, for the three months ended September 30, 2014 and 2013, we incurred \$1.6 million and \$5.4 million, respectively, of research and development expenses; included in this expenses is noncash, stock-based compensation expense of \$0.3 million and \$0.6 million, respectively. For the nine months ended September 30, 2014 and 2013, we incurred \$8.5 million and \$19.1 million, respectively, of research and development expenses; included in these expenses is noncash, stock-based compensation expense of \$0.9 million and \$2.1 million, respectively. Research and development expenses consist primarily of:

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

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

For the three months ended September 30, 2014 and 2013, we incurred \$0.3 million and \$2.4 million, respectively, and for the nine months ended September 30, 2014 and 2013 we incurred \$2.2 million and \$9.8 million, respectively, on direct, external development costs incurred for our TSO product development program, inclusive of manufacturing rights and development. For the three months ended September 30, 2014 and 2013, we incurred \$0.4 million and \$0.7 million, respectively, and for the nine months ended September 30, 2014 and 2013 we incurred \$1.6 million and \$1.7 million, respectively, on direct, external development costs incurred for our CNDO-109 product development program.

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. For the three months ended September 30, 2014 and 2013, we incurred \$2.7 million and \$2.1 million, respectively, and for the nine months ended September 30, 2014 and 2013, we incurred \$7.2 million and \$7.1 million, respectively, of general and administrative expenses. Noncash, stock-based compensation expense included in general and administrative expense for the three months ended September 30, 2014 and 2013, was \$1.2 million and \$0.6 million, respectively, and for the nine months ended September 30, 2014 and 2013, was \$3.2 million and \$2.0 million, respectively. We anticipate general and administrative expenses will increase in future periods, reflecting continued and increasing costs associated with:

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

Comparison of three months ended September 30, 2014 and 2013

(\$ in thousands)	For the three months ended September 30,		Change	
	2014	2013	\$	%
Operating expenses:				
Research and development	\$ 1,609	\$ 5,361	\$ (3,752)	(70)%
General and administrative	2,737	2,143	594	28%
Loss from operations	(4,346)	(7,504)	3,158	42%
Interest income	168	165	3	1%
Interest expense	(121)	(493)	372	75%
Change in fair value of short-term investment	(293)	—	(293)	(100)%
Net loss	<u>\$ (4,592)</u>	<u>\$ (7,832)</u>	<u>\$ 3,240</u>	<u>41%</u>

Research and development expenses decreased \$3.8 million, or 70%, from \$5.4 million in the three months ended September 30, 2013 to \$1.6 million in the three months ended September 30, 2014. This decrease was primarily due to a \$2.1 million reduction in TSO product development costs and costs related to the wind down of Phase 2 of the TRUST-I trial in the quarter ended September 30, 2014 in comparison to the ramp up of the same trial in the quarter ended September 30, 2013. In addition, personnel costs decreased by \$0.7 million, which was primarily comprised of a reduction of \$0.3 million in salary, travel and consulting expense and \$0.4 million in stock compensation expense. Lastly, product development costs decreased approximately \$0.5 million and consulting expenses related to manufacturing activities decreased by \$0.2 million. We expect to incur expenses related to our research and development efforts going forward with existing products as well as related to new products.

General and administrative expenses increased \$0.6 million, or 28%, from \$2.1 million in the three months ended September 30, 2013 to \$2.7 million in the three months ended September 30, 2014. This increase was primarily due to a \$0.6 million increase in stock-based compensation expense due to restricted stock grants made to our Executive Vice Chairman, Strategic Development and the independent members of our board of directors in the first quarter of 2014.

Interest expense in 2014 primarily relates to interest on the IDB Note and the change in fair value of short-term investment relates to the decision not to exercise the Option.

Comparison of nine months ended September 30, 2014 and 2013

(\$ in thousands)	For the nine months ended September 30,		Variance	
	2014	2013	\$	%
Operating expenses:				
Research and development	\$ 8,473	\$ 19,130	\$ (10,657)	(56)%
General and administrative	7,218	7,126	92	1%
Loss from operations	(15,691)	(26,256)	10,565	40%
Interest income	517	350	167	48%
Interest expense	(1,206)	(1,454)	248	17%
Change in fair value of short-term investment	(293)	—	(293)	(100)%
Net loss	<u>\$ (16,673)</u>	<u>\$ (27,360)</u>	<u>\$ 10,687</u>	<u>39%</u>

Research and development expenses decreased \$10.7 million, or 56%, from \$19.1 million in the nine months ended September 30, 2013 to \$8.5 million in the nine months ended September 30, 2014. This decrease was primarily due to a \$7.5 million reduction in TSO product development costs related to the wind down of Phase 2 of the TRUST-I trial and reduced development activities. In addition, administrative costs decreased by \$2.7 million which was primarily comprised of reductions of \$1.5 million in salary, benefits, bonus, consulting, lease impairment charge and travel expense and \$1.2 million in stock-based compensation expense, primarily due to a decrease in headcount as well as a reduction in the unvested mark-to-market value of our non-employee option grants. In addition, consulting expenses related to manufacturing activities decreased by \$1.0 million. These decreases in expense were partially offset by a \$0.7 million charge related to the decision to delay manufacturing of TSO in the Woburn, MA facility. We expect to incur expenses related to our research and development efforts going forward with existing products as well as related to new products.

General and administrative expenses increased \$0.1 million, or 1%, from \$7.1 million in the nine months ended September 30, 2013 to \$7.2 million in the nine months ended September 30, 2014, largely due to a \$1.2 million increase in stock-based compensation expense due to restricted stock grants made to our Executive Vice Chairman, Strategic Development and the independent members of our board of directors in the first quarter of 2014. This increase was partially offset by a decrease in personnel costs primarily resulting from the November 2013 termination of certain personnel.

Interest expense in 2014 primarily relates to interest on the Hercules Note, which included a prepayment fee of \$0.3 million, representing 2% of the outstanding debt and interest on the IDB Note. The increase in interest income in 2014 compared to the same period last year was primarily due to on average higher cash balances for the period and the change in fair value of short-term investment relates to the decision not to exercise the Option.

Liquidity and Capital Resources

To date, we have funded our operations through the sale of debt and equity securities, aggregating \$166.0 million of net proceeds. At September 30, 2014, we had cash and cash equivalents of \$71.6 million and restricted cash of \$15.4 million, \$14.0 million of which is securing the IDB Note and \$1.4 million of which is securing a line of credit related to the New York, NY lease that became effective on October 3, 2014.

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

We may require additional financing to fully develop, and prepare regulatory filings and obtain regulatory approvals for our existing product candidates (and potentially new product candidates), fund operating losses, and, if deemed appropriate, establish or secure through third parties manufacturing for our potential products (and potentially new product candidates), sales and marketing capabilities. We have funded our operations to date primarily through the sale of equity and debt securities. We believe that our current cash is sufficient to fund operations for at least the next twelve months. Our failure to raise capital as and when needed would have a material adverse impact on our financial condition and our ability to pursue our business strategies. We may seek funds through equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financing. Adequate additional funding, particularly subsequent to the negative results from our TRUST-I clinical trial, 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, 2014 and 2013

(\$ in thousands)	For the Nine Months Ended		Change
	September 30,		
	2014	2013	
Statement of Cash Flows Data:			
Total cash (used in)/provided by:			
Operating activities	\$ (12,807)	\$ (22,514)	\$ 9,707
Investing activities	(595)	(187)	(408)
Financing activities	(14,527)	88,769	(103,296)
(Decrease)/increase in cash and cash equivalents	\$ (27,929)	\$ 66,068	\$ (93,997)

Operating Activities

Net cash used in operating activities decreased \$9.7 million from the nine month period ended September 30, 2013 to the nine month period ended September 30, 2014 primarily due to a \$10.7 million decrease in net loss, a \$0.7 million charge related to the decision to delay manufacturing of TSO in the Woburn, MA facility, and a \$0.3 million charge associated with the change in fair value of the Option. These changes were partially offset by a decrease of \$1.6 million in the change in payables and accrued expenses and the end of term charge related to the Hercules debt of \$0.4 million.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2014 relates to our \$250,000 investment in a third party developing a laser device for the treatment of migraine headaches, our \$293,000 investment to acquire the Option to purchase the exclusive rights to a product owned by a third-party and our \$52,000 bridge loan, including interest, to a third party specialty pharmaceutical company. Net cash used in investing activities during the nine months ended September 30, 2013 relates to payments for construction of our Woburn, MA manufacturing facility and the purchase of equipment for our office in Burlington, MA.

Financing Activities

Net cash used in financing activities of \$14.5 million for the nine months ended September 30, 2014, reflects \$14.0 million in proceeds from the IDB Note offset by a transfer of \$14.0 million to restricted cash to secure the IDB Note, \$13.7 million from the repayment of the Hercules Note as well as \$1.4 million to restricted cash to secure a line of credit in connection with the New York, NY lease; these reductions in cash were partially offset by \$0.6 million related to the proceeds from the issuance of Common Stock. Net cash provided by financing activities of \$88.8 million in the nine months ended September 30, 2013 reflects net proceeds primarily from the sale of Common Stock under our 2012 and 2013 ATMs of \$88.0 million as well as proceeds from the exercise of employee options and our ESPP.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations and commitments outside of the ordinary course of business from those disclosed on our annual report on Form 10-K for the year ended December 31, 2013 and those disclosed in Note 11.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

We held no marketable securities at September 30, 2014 and December 31, 2013. The IDB Note bears an interest rate per annum of the rate payable on the pledge account, currently set at 0.75% plus a margin of 1.50%. To the extent the interest payable on the pledge account increases, the Company would pay higher interest on the outstanding debt.

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, 2014, 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 fiscal quarter with respect to our operations, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

None.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits.

(b) Exhibits

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

SIGNATURES

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

CORONADO BIOSCIENCES, INC.

Date: November 6, 2014

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

Date: November 6, 2014

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

EXHIBIT INDEX

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CORONADO BIOSCIENCES, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

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

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

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

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

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

c. evaluated the effectiveness of Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

(5) The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

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

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

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

November 6, 2014

CORONADO BIOSCIENCES, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

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

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

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

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

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

c. evaluated the effectiveness of Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

(5) The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

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

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

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

November 6, 2014

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

In connection with the Quarterly Report of Coronado Biosciences, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lindsay A. Rosenwald, M.D., Chairman, President, and Chief Executive Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Report.

November 6, 2014

By: /s/ Lindsay A. Rosenwald, M.D.

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

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

In connection with the Quarterly Report of Coronado Biosciences, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lucy Lu M.D., Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of, and for, the periods presented in the Report.

November 6, 2014

By: /s/ Lucy Lu, M.D.

Lucy Lu, M.D.
Chief Financial Officer
(Principal Financial Officer)
