

U.S. 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: June 30, 2015

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

For the transition period from _____ to _____

Commission File Number: 1-36598

CELLECTAR BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

04-3321804

(IRS Employer
Identification No.)

3301 Agriculture Drive

Madison, Wisconsin 53716

(Address of principal executive offices)

(608) 441-8120

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

(Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if 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

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 7,564,133 shares of common stock, \$0.00001 par value per share, as of August 7, 2015.

CELLECTAR BIOSCIENCES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**CELLECTAR BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,833,277	\$ 9,422,627
Restricted cash	55,000	55,000
Prepaid expenses and other current assets	118,589	220,611
Total current assets	<u>5,006,866</u>	<u>9,698,238</u>
FIXED ASSETS, NET	1,886,014	2,033,944
GOODWILL	1,675,462	1,675,462
OTHER ASSETS	11,872	11,872
TOTAL ASSETS	<u>\$ 8,580,214</u>	<u>\$ 13,419,516</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of notes payable	\$ 240,750	\$ 119,923
Accounts payable and accrued liabilities	712,221	933,988
Derivative liability	4,884,540	5,176,915
Capital lease obligations	2,321	2,180
Total current liabilities	<u>5,839,832</u>	<u>6,233,006</u>
LONG-TERM LIABILITIES:		
Notes payable, less current maturities	208,925	330,077
Deferred rent	148,853	147,774
Capital lease obligation, less current portion	9,233	11,126
Total long-term liabilities	<u>367,011</u>	<u>488,977</u>
TOTAL LIABILITIES	<u>6,206,843</u>	<u>6,721,983</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.00001 par value; 7,000 shares authorized; none issued and outstanding as of June 30, 2015 and December 31, 2014	—	—
Common stock, \$0.00001 par value; 40,000,000 shares authorized; 7,562,762 shares issued and outstanding as of June 30, 2015 and December 31, 2014	76	76
Additional paid-in capital	66,072,671	65,809,127
Deficit accumulated	(63,699,376)	(59,111,670)
Total stockholders' equity	<u>2,373,371</u>	<u>6,697,533</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 8,580,214</u>	<u>\$ 13,419,516</u>

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

CELLECTAR BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
COSTS AND EXPENSES:				
Research and development	\$ 1,382,966	\$ 1,380,798	\$ 3,026,961	\$ 3,096,105
General and administrative	817,657	959,885	1,761,090	2,046,921
Restructuring costs	90,500	204,934	90,500	221,815
Total costs and expenses	<u>2,291,123</u>	<u>2,545,617</u>	<u>4,878,551</u>	<u>5,364,841</u>
LOSS FROM OPERATIONS	<u>(2,291,123)</u>	<u>(2,545,617)</u>	<u>(4,878,551)</u>	<u>(5,364,841)</u>
OTHER INCOME:				
Gain on revaluation of derivative warrants	4,124	573,751	292,375	518,806
Interest income (expense), net	449	(113,970)	(1,530)	(183,214)
Total other income, net	<u>4,573</u>	<u>459,781</u>	<u>290,845</u>	<u>335,592</u>
NET LOSS	<u>\$ (2,286,550)</u>	<u>\$ (2,085,836)</u>	<u>\$ (4,587,706)</u>	<u>\$ (5,029,249)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (.30)</u>	<u>\$ (.73)</u>	<u>\$ (.61)</u>	<u>\$ (1.75)</u>
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>7,562,762</u>	<u>2,869,739</u>	<u>7,562,762</u>	<u>2,869,739</u>

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

CELLECTAR BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,587,706)	\$ (5,029,249)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	180,736	188,369
Stock-based compensation expense	263,545	536,216
Non-cash interest expense related to convertible debt	—	50,805
Loss on disposal of fixed assets	858	2,268
Gain on revaluation of derivative warrants	(292,375)	(518,806)
Changes in:		
Accounts payable and accrued liabilities	(221,767)	33,320
Prepaid expenses and other current assets	102,022	132,115
Other assets and liabilities	1,079	2,622
Cash used in operating activities	<u>(4,553,608)</u>	<u>(4,602,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(33,665)	(15,191)
Cash used in investing activities	<u>(33,665)</u>	<u>(15,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt payments	(325)	—
Proceeds from issuance of convertible debentures	—	4,000,000
Change in deferred issuance costs	—	(172,407)
Reverse stock split fractional shares	—	(1,158)
Payments on capital lease obligations	(1,752)	(1,263)
Cash (used in) provided by financing activities	<u>(2,077)</u>	<u>3,825,172</u>
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(4,589,350)	(792,359)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	<u>9,422,627</u>	<u>2,418,384</u>
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$ 4,833,277</u>	<u>\$ 1,626,025</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Relative fair value of warrants issued with debentures	\$ —	\$ 254,024
Interest paid	\$ 22,594	\$ —

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

CELLECTAR BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF BUSINESS, ORGANIZATION AND GOING CONCERN

Collectar Biosciences, Inc. (the “Company”) is a biopharmaceutical company developing compounds for the treatment, diagnosis and imaging of cancer. The Company’s headquarters are located in Madison, Wisconsin.

The Company is subject to a number of risks similar to those of other small pharmaceutical companies. Principal among these risks are dependence on key individuals, competition from substitute products and larger companies, the successful development and marketing of its products in a highly regulated environment and the need to obtain additional financing necessary to fund future operations.

The accompanying financial statements have been prepared on a basis that assumes that the Company will continue as a going concern and that contemplates the continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has devoted substantially all of its efforts toward research and development and has, during the six months ended June 30, 2015, generated a net loss of approximately \$4,588,000. The Company expects that it will continue to generate operating losses for the foreseeable future. The Company’s ability to execute its operating plan depends on its ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. The Company plans to continue to actively pursue financing alternatives, but there can be no assurance that it will obtain the necessary funding. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The accompanying condensed consolidated balance sheet as of December 31, 2014 has been derived from audited financial statements. The accompanying unaudited condensed consolidated balance sheet as of June 30, 2015, the condensed consolidated statements of operations for the three months and six months ended June 30, 2015 and 2014, the condensed consolidated statements of cash flows for the six months ended June 30, 2015 and 2014 and the related interim information contained within the notes to the condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions, rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and the notes required by U.S. GAAP for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments which are of a nature necessary for the fair presentation of the Company’s consolidated financial position at June 30, 2015 and consolidated results of its operations for the three months and six months ended June 30, 2015 and 2014, and its cash flows for the six months ended June 30, 2015 and 2014. The results for the six months ended June 30, 2015 are not necessarily indicative of future results.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company’s Form 10-K for the fiscal year ended December 31, 2014, which was filed with the SEC on March 24, 2015, as amended by Form 10-K/A filed with the SEC on May 20, 2015.

Principles of Consolidation — The consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Restricted Cash — The Company accounts for cash that is restricted for other than current operations as restricted cash. Restricted cash at June 30, 2015 and December 31, 2014 consisted of a certificate of deposit of \$55,000 required under the Company’s lease agreement for its Madison, Wisconsin facility.

Goodwill — Goodwill is not amortized, but is required to be evaluated for impairment annually or whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable. The Company evaluates goodwill for impairment annually in the fourth fiscal quarter and additionally on an interim basis if an event occurs or there is a change in circumstances, such as a decline in the Company’s stock price or a material adverse change in the business climate, which would more likely than not reduce the fair value of the reporting unit below its carrying amount. No such event or change in circumstances occurred; therefore no changes in goodwill were made during the six months ended June 30, 2015 and 2014.

Long-Lived Assets — Long-lived assets other than goodwill consist primarily of fixed assets, which we periodically evaluate for potential impairment. Whenever events or circumstances change, an assessment is made as to whether there has been an impairment in the value of long-lived assets by determining whether projected undiscounted cash flows generated by the applicable asset exceed its net book value as of the assessment date. No such event or change in circumstances occurred; therefore no such impairment occurred during the six months ended June 30, 2015 and 2014.

Stock-Based Compensation — The Company uses the Black-Scholes option-pricing model to calculate the grant-date fair value of stock option awards. The resulting compensation expense, net of expected forfeitures, for awards that are not performance-based is recognized on a straight-line basis over the service period of the award, which is generally three years for stock options. For stock options with performance-based vesting provisions, recognition of compensation expense, net of expected forfeitures, commences if and when the achievement of the performance criteria is deemed probable. The compensation expense, net of expected forfeitures, for performance-based stock options is recognized over the relevant performance period. Non-employee stock-based compensation is accounted for in accordance with the guidance of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Topic 505, *Equity*. As such, the Company recognizes expense based on the estimated fair value of options granted to non-employees over their vesting period, which is generally the period during which services are rendered and deemed completed by such non-employees.

Fair Value of Financial Instruments — The guidance under FASB ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. Financial instruments in the accompanying financial statements consist of cash equivalents, accounts payable and long-term obligations. The carrying amount of cash equivalents and accounts payable approximate their fair value due to their short-term nature. The carrying value of remaining long-term obligations, including the current portion, approximates fair value because the fixed interest rate approximates current market interest rates available on similar instruments.

Derivative Instruments — The Company generally does not use derivative instruments to hedge exposures to cash flow or market risks. However, certain warrants to purchase common stock that do not meet the requirements for classification as equity, in accordance with the Derivatives and Hedging Topic of the FASB ASC, are classified as liabilities. In such instances, net-cash settlement is assumed for financial reporting purposes, even when the terms of the underlying contracts do not provide for a net-cash settlement. These warrants are considered derivative instruments because the agreements contain a certain type of cash settlement feature, “down-round” provisions whereby the number of shares for which the warrants are exercisable and/or the exercise price of the warrants is subject to change in the event of certain issuances of stock at prices below the then-effective exercise price of the warrants. The number of shares issuable under such warrants was 5,494,388 at June 30, 2015 and December 31, 2014. The primary underlying risk exposure pertaining to the warrants is the change in fair value of the underlying common stock. Such financial instruments are initially recorded at fair value with subsequent changes in fair value recorded as a component of gain or loss on derivatives on the consolidated statements of operations in each reporting period. If these instruments subsequently meet the requirements for equity classification, the Company reclassifies the fair value to equity. At June 30, 2015 and December 31, 2014, these warrants represented the only outstanding derivative instruments issued or held by the Company.

Going Concern — In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern*. The standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements.

ASU 2014-15 applies to all entities and is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its financial statements.

2. FAIR VALUE

In accordance with the Fair Value Measurements and Disclosures Topic of the FASB ASC 820, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1: Input prices quoted in an active market for identical financial assets or liabilities.

- Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable or supported by an active market.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company had issued warrants to purchase 1,365 shares of common stock in July 2010 ("July 2010 Warrants") that are classified within the Level 2 hierarchy. In February 2013, the Company issued warrants in a public offering ("February 2013 Public Offering Warrants"), of which 550,000 warrants are outstanding, and are classified within the Level 3 hierarchy. In August 2014, the Company issued 4,943,023 warrants as part of a public offering (the "August 2014 Warrants") which are listed on the NASDAQ Capital Market under the symbol "CLRBW". There are certain periods, however, when trading volume of the August 2014 Warrants is low, causing them to be classified within the Level 2 hierarchy.

The following tables set forth the Company's financial instruments carried at fair value using the lowest level of input applicable to each financial instrument as of June 30, 2015 and December 31, 2014:

	June 30, 2015			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
July 2010 Warrants	\$ —	\$ 100	\$ —	\$ 100
February 2013 Public Offering Warrants	—	—	935,000	935,000
August 2014 Warrants	—	3,949,440	—	3,949,440
Total	\$ —	\$ 3,949,540	\$ 935,000	\$ 4,884,540

	December 31, 2014			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
July 2010 Warrants	\$ —	\$ 999	\$ —	\$ 999
February 2013 Public Offering Warrants	—	—	1,127,500	1,127,500
August 2014 Warrants	—	4,048,416	—	4,048,416
Total	\$ —	\$ 4,049,415	\$ 1,127,500	\$ 5,176,915

In order to estimate the fair value of the July 2010 Warrants, the Company uses the Black-Scholes option pricing model and assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates. Assumptions used are generally consistent with those disclosed for stock-based compensation (see Note 5).

In order to estimate the value of the February 2013 Public Offering Warrants considered to be derivative instruments as of June 30, 2015, the Company uses a modified option-pricing model together with assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate of .88%, volatility of 90%, remaining contractual term of 2.64 years, future financing requirements and dividend rates. The future financing estimates are based on the Company's estimates of anticipated cash requirements over the term of the warrants as well as the frequency of required financings based on its assessment of its historical financing trends and anticipated future events. Due to the nature of these inputs and the valuation technique utilized, these warrants are classified within the Level 3 hierarchy.

The assumptions used to estimate the value of the February 2013 Public Offering Warrants as of December 31, 2014 include the fair value of the underlying stock, risk free interest rates ranging from 1.07% to 2.63%, volatility ranging from 100% to 115%, the contractual term of the warrants ranging from 3.14 to 3.89 years, future financing requirements and dividend rates.

The following table summarizes the changes in the fair market value of the Company's warrants which are classified within the Level 3 fair value hierarchy.

	Six Months Ended June 30, 2015	Twelve Months Ended December 31, 2014
Beginning balance – Fair value	\$ 1,127,500	\$ 3,355,000
Gain on derivatives resulting from change in fair value	(192,500)	(2,227,500)
Ending balance – Fair value	<u>\$ 935,000</u>	<u>\$ 1,127,500</u>

To estimate the fair value of the August 2014 Warrants, the Company calculated the weighted average closing price of the August 2014 Warrants for the 10 trading day period that ended on the balance sheet date.

3. STOCKHOLDERS' EQUITY

August 2014 Underwritten Offering

On August 20, 2014, the Company completed an underwritten public offering of 3,583,333 shares of its common stock and warrants to purchase 3,833,333 shares of its common stock at an exercise price of \$4.68 per share, expiring on August 20, 2019 (the "August 2014 Underwritten Offering"). The offering price was \$3.75 per common share and \$.01 per warrant and resulted in gross proceeds of \$13,475,832 and net proceeds of \$11,877,143 after deducting transaction costs. The underwriter received a weighted average discount of approximately 6.4 percent on the underwritten securities. The underwriting discount, along with other legal and accounting costs associated with the offering, including those previously included as deferred issuance costs, totaling \$1,598,689, was recorded as a reduction of the gross proceeds received. The underwriter also received warrants to purchase 96,988 shares of common stock at an exercise price of \$4.6875 as compensation pursuant to the underwriting agreement. The fair value of the underwriter warrants was approximately \$275,000 at issuance and had no impact on stockholders' equity. The underwriter warrants were valued with the Black-Scholes option pricing model and applied assumptions that considered, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the warrants. Assumptions used were generally consistent with those disclosed for stock-based compensation (see Note 5).

The warrant exercise price for all warrants issued as part of the August 2014 Underwritten Offering and the common stock issuable pursuant to such warrants is subject to adjustment only for stock dividends, stock splits and similar capital reorganizations so that the rights of the warrant holders after such events will be equivalent to the rights of the warrant holders prior to such events. These warrants are considered derivative instruments because the agreements contain a certain type of cash settlement feature; therefore, the Company determined that these warrants meet the requirements for classification as a liability.

In conjunction with the August 2014 Underwritten Offering, the Company's common stock and the warrants issued in the offering were listed on the NASDAQ Capital Market.

August 2014 Debenture Tender and Exchange

In conjunction with the August 2014 Underwritten Offering, all of the holders of the 8% convertible debentures issued in February 2014 elected to participate in the offering of common stock and warrants at the combined offering price of \$3.76 per share. As a result, the \$4,000,000 principal amount of debentures and accrued interest of \$172,435 was extinguished in exchange for 1,109,690 shares of the Company's common stock and warrants to purchase 1,109,690 shares of common stock at \$4.68 per share. All warrants to purchase common stock issues with the convertible debentures expired upon the extinguishment of the debentures.

August 2014 Debenture Tender and Exchange

Common Stock Warrants

The following table summarizes information with regard to outstanding warrants to purchase common stock as of June 30, 2015.

Offering	Number of Shares Issuable Upon Exercise of Outstanding Warrants	Exercise Price	Expiration Date
August 2014 Public Offering (1)	5,040,011	\$ 4.68	August 20, 2019
February 2013 Public Offering (1)	550,000	3.75	February 20, 2018
February 2013 Public Offering – Placement Agents	38,496	12.50	February 4, 2018
November 2012 Private Placement	50,000	25.00	November 2, 2017
June 2012 Public Offering	149,069	25.00	June 13, 2017
December 2011 Underwritten Offering	462,411	12.00	December 6, 2016
April 2011 Private Placement	302,922	15.00	March 31, 2016
July 2010 Warrants (1)	1,365	3.75	July 27, 2015
July 2010 warrants	5,252	321.30	July 27, 2015
July and December 2010 warrants	4,570	1,989.00 - 2019.60	December 31, 2015
Total	6,604,096		

- (1) These warrants have a certain type of cash settlement feature or their exercise prices or the number of shares for which the warrants may be exercised are subject to adjustment for “down-rounds” and the warrants have been accounted for as derivative instruments as described in Note 2, with the exception of 96,988 warrants issued to the underwriter in August 2014, which did not include the cash settlement feature.

4. NOTES PAYABLE

The notes payable balance at June 30, 2015 consists of two loans with original principal amounts that totaled \$450,000 from the Wisconsin Economic Development Corporation dated September 15, 2010.

5. STOCK-BASED COMPENSATION

Accounting for Stock-Based Compensation

The following table summarizes amounts charged to expense for stock-based compensation related to employee and director stock option grants and recorded in connection with stock options granted to non-employee consultants:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Employee and director stock option grants:				
Research and development	\$ 40,296	\$ 47,274	\$ 83,653	\$ 110,701
General and administrative	29,101	176,581	174,436	360,965
Restructuring	—	47,853	—	47,853
	<u>69,397</u>	<u>271,708</u>	<u>258,089</u>	<u>519,519</u>
Non-employee consultant stock option grants:				
Research and development	<u>2,358</u>	<u>1,982</u>	<u>5,456</u>	<u>16,697</u>
Total stock-based compensation	<u>\$ 71,755</u>	<u>\$ 273,690</u>	<u>\$ 263,545</u>	<u>\$ 536,216</u>

Assumptions Used In Determining Fair Value

Valuation and amortization method. The fair value of each stock award is estimated on the grant date using the Black-Scholes option-pricing model. The estimated fair value of employee stock options is amortized to expense using the straight-line method over the vesting period. The estimated fair value of the non-employee options is amortized to expense over the period during which a non-employee is required to provide services for the award (usually the vesting period).

Volatility. The Company estimates volatility based on an average of (1) the Company's historical volatility since its common stock has been publicly traded and (2) review of volatility estimates of publicly held drug development companies with similar market capitalizations.

Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant commensurate with the expected term assumption.

Expected term. The expected term of stock options granted is based on an estimate of when options will be exercised in the future. The Company applied the simplified method of estimating the expected term of the options, as described in the SEC's Staff Accounting Bulletins 107 and 110, as the historical experience is not indicative of the expected behavior in the future. The expected term, calculated under the simplified method, is applied to groups of stock options that have similar contractual terms. Using this method, the expected term is determined using the average of the vesting period and the contractual life of the stock options granted. The Company applied the simplified method to non-employees who have a truncation of term based on termination of service and utilizes the contractual life of the stock options granted for those non-employee grants which do not have a truncation of service.

Forfeitures. The Company records stock-based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. An annual forfeiture rate of 2% and 0% was applied to all unvested options for employees and directors, respectively, for the six months ended June 30, 2015 and for the year ended December 31, 2014. Ultimately, the actual expense recognized over the vesting period will be for only those shares that vest.

The following table summarizes weighted-average values and assumptions used for options granted to employees, directors and consultants in the periods indicated:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Volatility	105-107%	108%
Risk-free interest rate	1.70-1.95%	1.76%
Expected life (years)	6.0	6.0
Dividend	0%	0%
Weighted-average exercise price	\$ 2.65-2.69	\$ 7.40
Weighted-average grant-date fair value	\$ 2.17-2.20	\$ 6.20

Exercise prices for all grants made during the six months ended June 30, 2015 were equal to the market value of the Company's common stock on the date of grant.

Stock Option Activity

A summary of stock option activity is as follows:

	Number of Shares Issuable Upon Exercise of Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2014	719,466	\$ 15.59		
Granted	510,200	\$ 2.65		
Canceled	105,072	\$ 27.22		
Forfeited	229,475	\$ 9.29		
Outstanding at June 30, 2015	<u>895,119</u>	\$ 8.47		
Vested, June 30, 2015	<u>315,203</u>	\$ 18.14	5.33	\$ 7,969
Unvested, June 30, 2015	<u>579,916</u>	\$ 3.21	9.73	\$ 110,269
Exercisable at June 30, 2015	<u>315,203</u>	\$ 18.14	5.33	\$ 7,969

The aggregate intrinsic value of options outstanding is calculated based on the positive difference between the estimated per-share fair value of common stock at the end of the respective period and the exercise price of the underlying options. There have been no option exercises to date. Shares of common stock issued upon the exercise of options are from authorized but unissued shares.

As of June 30, 2015, there was approximately \$1,421,000 of total unrecognized compensation cost related to unvested stock-based compensation arrangements. Of this total amount, the Company expects to recognize approximately \$335,000, \$459,000, \$331,000, \$206,000 and \$90,000 during 2015, 2016, 2017, 2018 and 2019 respectively. The Company expects 579,916 unvested options to vest in the future. In addition, there are outstanding options to purchase 50,000 shares of common stock that vest upon the occurrence of future events.

6. INCOME TAXES

The Company accounts for income taxes in accordance with the liability method of accounting. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities, and net operating loss carryforwards, (NOLs) using the enacted tax rates. Deferred income tax expense or benefit is based on changes in the asset or liability from period to period. The Company did not record a provision or benefit for federal, state or foreign income taxes for the six months ended June 30, 2015 or 2014 because the Company has experienced losses on a tax basis since inception. Because of the limited operating history, continuing losses and uncertainty associated with the utilization of the NOLs in the future, management has provided a full allowance against the value of its gross deferred tax asset.

The Company also accounts for the uncertainty in income taxes related to the recognition and measurement of a tax position taken or expected to be taken in an income tax return. The Company follows the applicable accounting guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition related to the uncertainty in income tax positions. No uncertain tax positions have been identified.

7. NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss, as adjusted, by the sum of the weighted average number of shares of common stock and the dilutive potential common stock equivalents then outstanding. Potential common stock equivalents consist of stock options and warrants. Since there is a net loss attributable to common stockholders for the three and six months ended June 30, 2015 and 2014, the inclusion of common stock equivalents in the computation for those periods would be antidilutive. Accordingly, basic and diluted net loss per share is the same for all periods presented.

The following potentially dilutive securities have been excluded from the computation of diluted net loss per share since their inclusion would be antidilutive:

	Three and Six Months Ended June 30,	
	2015	2014
Warrants	6,604,096	1,964,085
Stock options	895,119	619,663
Convertible debt	—	400,000

8. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal matters and disputes in the ordinary course of business. We do not anticipate that the outcome of such matters and disputes will materially affect the Company's financial statements.

9. RELATED PARTY TRANSACTIONS

The Company's chief scientific officer and principal founder of Collectar, who is a director and shareholder of the Company, is a faculty member at the University of Wisconsin-Madison ("UW"). During the six months ended June 30, 2015, the Company was invoiced \$417,813 by UW, of which \$415,613 has been paid, for costs associated with clinical trial agreements.

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

Forward-Looking Statements

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. For this purpose, any statements contained herein regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management, other than statements of historical facts, are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those disclosed in the forward-looking statements we make. These important factors include our significant accounting estimates, such as those for amounts due to clinical research organizations, and clinical investigators and the risk factors set forth in our annual report on Form 10-K/A and below under the caption "Risk Factors". Although we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of this quarterly report.

Overview

Collectar Biosciences, Inc. (the Company) is a biopharmaceutical company developing phospholipid ether-drug conjugates (PDCs) for the treatment and diagnostic imaging of cancer. Our PDC platform is based on our cancer-targeting and delivery technology which provides selective delivery of a diverse range of oncologic payloads to cancer cells, including cancer stem cells. By linking various payloads to our proprietary phospholipid ether cancer-targeting vehicle, we believe we can create PDCs with the potential to provide highly targeted delivery of chemotherapeutic and radiotherapeutic payloads to a broad range of cancers. As a result, our PDC platform has the potential to improve the therapeutic index of payloads by minimizing delivery to healthy cells while enhancing delivery to a broad range of cancers.

The Company currently has several proprietary product candidates in development, including:

- I-131-CLR1404 is a small-molecule, broad-spectrum, cancer-targeting radiotherapeutic PDC that is designed to deliver cytotoxic (cell-killing) radiation directly and selectively to cancer cells and cancer stem cells. I-131-CLR1404 is our lead PDC therapeutic product candidate and is currently being evaluated in a phase I study in relapse/refractory multiple myeloma. This indication was selected for clinical and business related reasons including multiple myeloma's highly radiosensitive nature, clear unmet medical need in the relapse/refractory setting and orphan drug designation. Multiple myeloma is an incurable cancer of plasma cells. The Investigational New Drug (IND) application was accepted by the U.S. Food and Drug Administration (FDA) in March 2014. In December 2014, the FDA granted orphan drug designation for I-131-CLR1404 for the treatment of multiple myeloma. We initiated the phase I study in April of this year and anticipate evaluating our first cohort and initiating the second cohort in Q1 2016. The primary goal of the phase I study is to identify a phase II dose, and possibly obtain an early read on low dose efficacy.
- CLR1601-PTX and CLR1800-GEM are small-molecule, broad-spectrum, cancer-targeting therapeutic PDCs designed to deliver their respective chemotherapeutic payloads, paclitaxel and gemcitabine, selectively and directly to cancer cells and cancer stem cells. Both PDCs are pre-clinical, and we are developing *in vivo* and *in vitro* data to demonstrate stability and efficacy.
- I-124-CLR1404 is a small-molecule, broad-spectrum, cancer-targeting positron emission tomography (PET) imaging PDC that we believe has the potential to be the first of its kind for the selective detection of tumors and metastases in a broad range of cancers. I-124-CLR1404 has been used for PET/CT imaging in a broad array of tumor types via both Company and investigator-sponsored clinical trials, and we are in the process of evaluating the data from those studies. In April 2014, the FDA granted I-124-CLR1404 orphan status as a diagnostic for the management of glioma.
- CLR1502 is a small-molecule, broad-spectrum cancer-targeting, NIR-fluorophore optical imaging PDC for intraoperative tumor and tumor margin illumination. This past June, after review of the Company's IND application, the FDA determined that CLR1502 will be evaluated as a combination product and assigned to the Center for Devices and Radiological Health (CDRH). As a result of this classification, the FDA has advised Celectar that it will need to submit a new investigational application for the combination product prior to initiating its phase I study in breast cancer surgery. As a result, Celectar is identifying the optimal clinical development pathway. Based on the Company's assessment, the product will be similarly treated post marketing approval regardless of regulatory pathway.

We believe our PDC platform has potential to provide targeted delivery of oncologic payloads, as exemplified by the product candidates listed above, that may result in improvements upon current standard of care (SOC) for the treatment, diagnosis and imaging of a broad range of human cancers.

Results of Operations

Research and development expense. Research and development expense consists of costs incurred in identifying, developing and testing, and manufacturing product candidates, which primarily include salaries and related expenses for personnel, costs of our research and manufacturing facility, cost of manufacturing materials and contract manufacturing fees paid to contract research organizations, fees paid to medical institutions for clinical trials, and costs to secure intellectual property. The Company analyzes its research and development expenses based on four categories as follows: clinical projects, preclinical projects, chemistry and manufacturing costs, and general fixed and overhead costs that are not allocated to the functional project costs, including personnel costs, facility costs, related overhead costs and patent costs.

General and administrative expense. General and administrative expense consists primarily of salaries and other related costs for personnel in executive, finance and administrative functions. Other costs include insurance, costs for public company activities, investor relations, directors' fees and professional fees for legal and accounting services.

Six Months Ended June 30, 2015 and 2014

Research and Development. Research and development expense for the six months ended June 30, 2015 was approximately \$3,027,000 (composed of \$728,000 in clinical project costs, \$26,000 of preclinical project costs, \$401,000 of manufacturing and related costs and \$1,872,000 in general unallocated research and development costs) compared to approximately \$3,096,000 (composed of \$624,000 in clinical project costs, \$177,000 of preclinical project costs, \$368,000 of manufacturing and related costs and \$1,927,000 in general unallocated research and development costs) for the six months ended June 30, 2014. The overall decrease in research and development expense of approximately \$69,000, or 2%, was due primarily to the following items: a decrease in purchased services and related expenses which was related to support of educational entities driving the investigator-sponsored IND activities offset by an increase in personnel related costs and a slight increase in travel-related expenses.

General and Administrative. General and administrative expense for the six months ended June 30, 2015 was approximately \$1,761,000 compared to approximately \$2,047,000 in the six months ended June 30, 2014. The approximately \$286,000 or 14% reduction was due primarily to an approximately \$186,000 reduction in stock-based compensation costs, and a decrease in consulting charges of approximately \$90,000.

Restructuring Costs. The Company recorded approximately \$91,000 of restructuring expenses related primarily to the elimination of certain positions in the six months ended June 30, 2015. The approximately \$222,000 incurred in the six months ended June 30, 2014 related to the closure of the Company's Newton, Massachusetts executive offices.

Gain on Revaluation of Derivative Warrants. We recorded a gain on derivative warrants of approximately \$292,000 and \$519,000 in the six month periods ended June 30, 2015 and 2014, respectively. These amounts represent the change in fair value, during the respective period, of outstanding warrants which contain a certain type of cash settlement feature, "down-round" anti-dilution provisions whereby the number of shares for which the warrants are exercisable and/or the exercise price of the warrants is subject to change in the event of certain issuances of stock at prices below the then-effective exercise prices of the warrants.

Interest expense, net. The approximately \$2,000 of interest expense, net, for the six months ended June 30, 2015 included approximately \$3,000 of interest expense related to the accrual of interest on the Company's outstanding debt with the Wisconsin Economic Development Corporation (the "WEDC"), partially offset by interest income. For the six months ended June 30, 2014, interest expense totaled approximately \$183,000, which consisted of approximately \$4,000 for the WEDC debt, the interest expense at the stated rate on the \$4,000,000 aggregate principal amount of 8% convertible debentures, which was \$128,000, and approximately \$51,000 of non-cash interest expense related to the accretion of the discount thereon. Due to the extinguishment of those convertible debentures in August 2014, no such expense was incurred in the six months ended June 30, 2015.

Liquidity and Capital Resources

We have financed our operations since inception primarily through the sale of equity and debt securities. As of June 30, 2015, we had approximately \$4,833,000 in cash and cash equivalents. To date, we have raised capital aggregating approximately \$147 million.

During the six months ended June 30, 2015, we reported a net loss of approximately \$4,588,000, while using approximately \$4,554,000 of cash in operations. The net loss included an approximately \$292,000 gain on the revaluation of derivative warrants, which was partially offset by approximately \$264,000 in stock-based compensation expense and approximately \$181,000 in depreciation and amortization expense. After adjustment for these non-cash items, changes in working capital used cash of \$119,000, which was the result of \$222,000 from the timing of payments of accounts payable and accrued expenses partially offset by a reduction in prepaid and other assets of approximately \$103,000.

During the six months ended June 30, 2015, we purchased approximately \$34,000 in fixed assets.

The accompanying consolidated financial statements have been prepared on a basis that assumes that we will continue as a going concern and that contemplates the continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. During the six months ended June 30, 2015, we generated a net loss of approximately \$4,588,000 and we expect that we will continue to generate operating losses for the foreseeable future. At June 30, 2015, our consolidated cash balance was approximately \$4,833,000. We believe this cash balance is adequate to fund operations into the fourth quarter of 2015. Our ability to execute our operating plan beyond that time depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. We have, in the past, successfully completed multiple rounds of financings, but, due to market conditions and other factors, including our development stage, the proceeds we have been able to secure have been less than the amounts we sought to obtain. We plan to actively pursue all available financing alternatives; however, we have not entered into negotiations for any such transactions and there can be no assurance that we will obtain the necessary funding. Other than the uncertainties regarding our ability to obtain additional funding, there are currently no known trends, demands, commitments, events or uncertainties that are likely to materially affect our liquidity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2015. Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive and financial officers, to allow timely decisions regarding required disclosures.

Based on the evaluation of our disclosure controls and procedures as of June 30, 2015 and due to the material weakness identified below related to the accounting for the equity instruments, our management, including our principal executive officer and principal financial officer, concluded that as of such date, our disclosure controls and procedures were not effective.

Change in Internal Control over Financial Reporting

The Company's management, in connection with its evaluation of internal controls (with the participation of the Company's principal executive officer and principal financial officer), did not identify any change in internal control over the financial reporting process that occurred during the Company's second quarter of 2015 that would have materially effected, or would have been reasonably likely to materially effect, the Company's internal control over financial reporting other than as explained below regarding the accounting for equity instruments.

Remediation of Material Weakness

As disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2014, as amended by Form 10-K/A on May 20, 2015, a material weakness existed in our internal control over financial reporting, related to our accounting for equity instruments.

In response to this material weakness, our management has expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. While we have processes to properly identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we are improving these processes to ensure that the nuances of such transactions are effectively evaluated in the context of the increasingly complex accounting standards. Our actions include acquiring enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third party professionals with whom we consult regarding the application of complex accounting transactions. Our remediation plan can only be accomplished over time and will be continually reviewed to determine that it is achieving its objectives. We can offer no assurance that these initiatives will ultimately have the intended effects, and it may be necessary to take additional measures; however, we believe that the improvements we have implemented in our internal controls will remediate the material weakness.

Limitations on Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, our management recognizes that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part on certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

We will require additional capital in order to continue our operations, and may have difficulty raising additional capital.

We expect that we will continue to generate significant operating losses for the foreseeable future. At June 30, 2015, our consolidated cash balance was approximately \$4,833,000. We believe our cash balance at June 30, 2015, is adequate to fund operations into the fourth quarter of 2015. We will require additional funds to conduct research and development, establish and conduct clinical and preclinical trials, establish commercial-scale manufacturing arrangements and provide for the marketing and distribution of our products. Our ability to execute our operating plan depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. We plan to actively pursue financing alternatives. However, there can be no assurance that we will obtain the necessary funding in the amounts we seek or that it will be available on a timely basis or upon terms acceptable to us. If we obtain capital by issuing debt or preferred stock, the holders of such securities would likely obtain rights that are superior to those of holders of our common stock.

Our capital requirements and our ability to meet them depend on many factors, including:

- the number of potential products and technologies in development;
- continued progress and cost of our research and development programs;
- progress with preclinical studies and clinical trials;
- the time and costs involved in obtaining regulatory clearance;
- costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- costs of developing sales, marketing and distribution channels and our ability to sell our drugs;
- costs involved in establishing manufacturing capabilities for clinical trial and commercial quantities of our drugs;
- competing technological and market developments;
- market acceptance of our products;
- costs for recruiting and retaining management, employees and consultants;
- costs for educating physicians regarding the application and use of our products;
- whether we are able to maintain our listing on a national exchange;
- uncertainty and economic instability resulting from terrorist acts and other acts of violence or war; and
- the condition of capital markets and the economy generally, both in the U.S. and globally.

We may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding sooner than expected. We may seek to raise any necessary additional funds through the issuance of warrants, equity or debt financings or executing collaborative arrangements with corporate partners or other sources, which may be dilutive to existing stockholders or have a material effect on our current or future business prospects. In addition, in the event that additional funds are obtained through arrangements with collaborative partners or other sources, we may have to relinquish economic and/or proprietary rights to some of our technologies or products under development that we would otherwise seek to develop or commercialize by ourselves. If we cannot secure adequate financing when needed, we may be required to delay, scale back or eliminate one or more of our research and development programs or to enter into license or other arrangements with third parties to commercialize products or technologies that we would otherwise seek to develop ourselves and commercialize ourselves. In such an event, our business, prospects, financial condition, and results of operations may be adversely affected.

We will require additional funds to conduct research and development, establish and conduct preclinical and clinical trials, establish commercial-scale manufacturing arrangements and provide for the marketing and distribution of our products. Our ability to execute our operating plan depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise.

We have incurred net losses and negative cash flows since inception. We currently have no product revenues, and may not succeed in developing or commercializing any products that will generate product or licensing revenues. We do not expect to have any products on the market for several years. Our primary activity to date has been research and development and conducting clinical trials. Development of our product candidates requires a process of preclinical and clinical testing, during which our product candidates could fail. We may not be able to enter into agreements with one or more companies experienced in the manufacturing and marketing of therapeutic drugs and, to the extent that we are unable to do so, we may not be able to market our product candidates. Whether we achieve profitability or not will depend on our success in developing, manufacturing, and marketing our product candidates. We have experienced net losses and negative cash flows from operating activities since inception and we expect such losses and negative cash flows to continue for the foreseeable future. As of June 30, 2015, we had a stockholders' equity of approximately \$2,373,000. The net loss for the six months ended June 30, 2015 was approximately \$4,588,000, and we may never achieve profitability.

Item 6. Exhibits

Exhibit No.	Description	Filed with this Form 10-Q	Incorporation by Reference		
			Form	Filing Date	Exhibit No.
3.1	Second Amended and Restated Certificate of Incorporation		8-K	April 11, 2011	3.1
3.1.1	Amendment to the Second Amended and restated Articles of Incorporation		8-K	June 13, 2014	3.1
3.1.2	Amendment of Second Amended and restated Articles of Incorporation		8-K	June 19, 2015	3.2
3.2	Amended and Restated By-laws		8-K	June 1, 2011	3.1
10.1	2015 Stock Incentive Plan	X			
10.2	Employment Agreement between the Company and James Caruso, dated June 15, 2015	X			
10.3	Stock Option Agreement between the Company and James Caruso, dated June 15, 2015	X			
31.1	Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of chief executive officer and chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101	Interactive Data Files	X			

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELLECTAR BIOSCIENCES, INC.

Date: August 12, 2015

By: /s/ James Caruso

James Caruso

President and Chief Executive Officer

Collectar Biosciences, Inc.

2015 STOCK INCENTIVE PLAN

SECTION 1. General Purpose of the Plan; Definitions

The purpose of this 2015 Stock Incentive Plan (the “Plan”) is to encourage and enable officers and employees of, and other persons providing services to, Collectar Biosciences, Inc. (the “Company”) and its Subsidiaries (as defined below) to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“Award” or “Awards”, except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Statutory Stock Options, Restricted Stock Awards, Unrestricted Stock Awards, Performance Share Awards, Stock Appreciation Rights and Restricted Stock Units. Awards shall be evidenced by a written agreement (which may be in electronic form and may be electronically acknowledged and accepted by the recipient) containing such terms and conditions not inconsistent with the provisions of this Plan as the Committee shall determine.

“Board” means the Board of Directors of the Company.

“Cause” shall mean, with respect to any Award holder, a determination by the Company (including the Board) or any Subsidiary that the Holder’s employment or other relationship with the Company or any such Subsidiary should be terminated as a result of (i) a material breach by the Award holder of any agreement to which the Award holder and the Company (or any such Subsidiary) are parties, (ii) any act (other than retirement) or omission to act by the Award holder that may have a material and adverse effect on the business of the Company, such Subsidiary or any other Subsidiary or on the Award holder’s ability to perform services for the Company or any such Subsidiary, including, without limitation, the proven or admitted commission of any crime (other than an ordinary traffic violation), or (iii) any material misconduct or material neglect of duties by the Award holder in connection with the business or affairs of the Company or any such Subsidiary.

“Change of Control” shall have the meaning set forth in Section 16.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“Committee” shall have the meaning set forth in Section 2.

“Covered Employee” means an employee who is a “covered employee” within the meaning of Section 162(m) of the Code.

“Disability” means disability as set forth in Section 22(e)(3) of the Code.

“Effective Date” means the date on which the Plan is approved by the stockholders as set forth in Section 18.

“Eligible Person” shall have the meaning set forth in Section 4.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Fair Market Value” on any given date means the closing price per share of the Stock on such date as reported by such registered national securities exchange on which the Stock is listed, or, if the Stock is not listed on such an exchange, as quoted in the Over-the-Counter Market provided, that, if there is no trading on such date, Fair Market Value shall be deemed to be the closing price per share on the last preceding date on which the Stock was traded. If the Stock is not listed on any registered national securities exchange or quoted in the Over-the-Counter Market, the Fair Market Value of the Stock shall be determined in good faith by the Committee.

“Incentive Stock Option” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“Non-Employee Director” means any director who: (i) is not currently an officer of the Company or a Subsidiary, or otherwise currently employed by the Company or a Subsidiary, (ii) does not receive compensation, either directly or indirectly, from the Company or a Subsidiary, for services rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Rule 404(a) of Regulation S-K promulgated by the SEC, (iii) does not possess an interest in any other transaction for which disclosure would be required pursuant to Rule 404(a) of Regulation S-K, and (iv) is not engaged in a business relationship for which disclosure would be required pursuant to Rule 404(b) of Regulation S-K.

“Non-Statutory Stock Option” means any Stock Option that is not an Incentive Stock Option.

“Option” or “Stock Option” means any option to purchase shares of Stock granted pursuant to Section 5.

“Outside Director” means any director who (i) is not an employee of the Company or of any “affiliated group,” as such term is defined in Section 1504(a) of the Code, which includes the Company (an “Affiliated Group Member”), (ii) is not a former employee of the Company or any Affiliated Group Member who is receiving compensation for prior services (other than benefits under a tax-qualified retirement plan) during the Company’s or any Affiliated Group Member’s taxable year, (iii) has not been an officer of the Company or any Affiliated Group Member and (iv) does not receive remuneration from the Company or any Affiliated Group Member, either directly or indirectly, in any capacity other than as a director. “Outside Director” shall be determined in accordance with Section 162(m) of the Code and the Treasury regulations issued thereunder.

“Performance Criteria ” means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for an individual for a Performance Period. The Performance Criteria (which shall be applicable to the organizational level specified by the Committee, including, but not limited to, the Company as a whole, or a unit, division, department, group, line of business, or other business unit, whether or not legally constituted, in which the individual works) that will be used to establish Performance Goals are limited to the following: (i) stock price, (ii) market share, (iii) sales, (iv) revenue, (v) return on equity, assets or capital, (vi) economic profit (economic value added), (vii) total stockholder return, (viii) costs, (ix) expenses, (x) margins, (xi) earnings (including EBITDA) or earnings per share, (xii) cash flow (including adjusted operating cash flow), (xiii) customer satisfaction, (xiv) operating profit, (xv) net income, (xvi) research and development, (xvii) product releases, (xviii) manufacturing , or (xix) any combination of the foregoing, any of which under the preceding clauses (i) through (xix) may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group or market index.

“Performance Goals” means, for a Performance Period, the specific goals established in writing by the Committee for a Performance Period based upon the Performance Criteria.

“Performance Period” means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Criteria will be measured for the purpose of determining a recipient’s right to and the payment of a Performance-Based Award granted pursuant to Section 11.

“Performance Share Award” means an Award pursuant to Section 8.

“Restricted Stock Award” means an Award granted pursuant to Section 6.

“Restricted Stock Unit” means an Award granted pursuant to Section 10.

“SEC” means the Securities and Exchange Commission or any successor authority.

“Section 409A” means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

“Stock” means the common stock, \$0.00001 par value per share, of the Company, subject to adjustments pursuant to Section 3.

“Stock Appreciation Right” means an Award granted pursuant to Section 9.

“Subsidiary” means any subsidiary corporation of the Company, as defined in Section 424 of the Code.

“Termination Date” means the date, as determined by the Committee, that an individual’s employment or service relationship, as applicable, with the Company or a Subsidiary terminates for any reason.

“Unrestricted Stock Award” means Awards granted pursuant to Section 7.

SECTION 2. Administration of Plan; Committee Authority to Select Participants and Determine Awards.

(a) Committee. It is intended that the Plan shall be administered by the Compensation Committee of the Board (the “Committee”), consisting of not less than two (2) persons each of whom qualifies as an Outside Director and a Non-Employee Director, but, except as required by law, the authority and validity of any act taken or not taken by the Committee shall not be affected if any person administering the Plan is not an Outside Director or a Non-Employee Director. Except as specifically reserved to the Board under the terms of the Plan, and subject to any limitations set forth in the charter of the Committee, the Committee shall have full and final authority to operate, manage and administer the Plan on behalf of the Company.

(b) Powers of Committee. The Committee shall have the power and authority to grant and modify Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the persons to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Statutory Stock Options, Restricted Stock, Unrestricted Stock, Performance Shares and Stock Appreciation Rights, or any combination of the foregoing, granted to any one or more participants;

(iii) to determine the number of shares to be covered by any Award;

(iv) to determine and modify the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards, except that repricing of Stock Options and Stock Appreciation Right shall not be permitted without stockholder approval; provided, however, that no such action shall adversely affect rights under any outstanding Award without the participant's consent;

(v) to accelerate the exercisability or vesting of all or any portion of any Award;

(vi) to extend the period in which any outstanding Stock Option or Stock Appreciation Right may be exercised; and

(vii) to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Committee shall be binding on all persons, including the Company and Plan participants. No member or former member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to this Plan.

SECTION 3. Shares Issuable under the Plan; Mergers; Substitution.

(a) Shares Issuable. The maximum number of shares of Stock which may be issued in respect of Awards (including Stock Appreciation Rights) granted under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in this Section 3, shall be 700,000 shares, plus an additional number of shares, that are currently available under the Company's Amended and Restated 2006 Stock Incentive Plan (the "Prior Plan") or may be added back to the Prior Plan pursuant to the next sentence, in each case subject to adjustment upon changes in capitalization of the Company as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any Awards, or awards under the Prior Plan, as applicable, which are forfeited, cancelled, reacquired by the Company or otherwise terminated (other than by exercise) shall be added back to the shares of Stock with respect to which Awards may be granted under the Plan. Shares issued under the Plan may be authorized but unissued shares or shares reacquired by the Company.

(b) Change in Stock. Subject to Section 16 hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for a different number or kind of securities of the Company or any successor entity (or a parent or subsidiary thereof), the Committee shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of shares of Stock that can be granted to any one individual recipient, (iii) the maximum number of shares that may be granted under a Performance-Based Award, (iv) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (v) the repurchase price per share subject to each outstanding Restricted Stock Award, and (vi) the price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options or Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The adjustment by the Committee shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Committee in its discretion may make a cash payment in lieu of fractional shares.

(c) Substitute Awards. The Committee may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who concurrently become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation applicable to individuals set forth in the penultimate sentence of Section 3(a)

SECTION 4. Eligibility.

Incentive Stock Options may be granted to employees (including officer and directors who are also employees) of the Company or a Subsidiary, and all other Awards may be granted to officers, directors and employees of, and consultants and advisers to, the Company and its Subsidiaries (all such persons, "Eligible Persons").

SECTION 5. Stock Options.

Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options (subject to compliance with applicable law) or Non-Statutory Stock Options. Unless otherwise so designated, an Option shall be a Non-Statutory Stock Option. To the extent that any option does not qualify as an Incentive Stock Option, it shall constitute a Non-Statutory Stock Option.

No Incentive Stock Option shall be granted under the Plan after the tenth anniversary of the date of adoption of the Plan by the Board.

Stock Options granted pursuant to this Section 5 shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable.

(a) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Committee at the time of grant but shall be not less than one hundred percent (100%) of Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company or any subsidiary or parent corporation and an Incentive Stock Option is granted to such employee, the option price shall be not less than one hundred ten percent (110%) of Fair Market Value on the date of grant.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten (10) years after the date the option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company or any subsidiary or parent corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five (5) years from the date of grant.

(c) Exercisability; Rights of a Stockholder. Stock Options shall become vested and exercisable at such time or times, whether or not in installments, as shall be determined by the Committee. The Committee may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(d) Method of Exercise. Stock Options may be exercised in whole or in part, by delivering written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by delivery of cash or bank check or other instrument acceptable to the Committee in an amount equal to the exercise price of such Options, or, to the extent provided in the applicable Option Agreement, by one or more of the following methods:

(i) by delivery to the Company of (or attestation to the ownership of) shares of Stock, not subject to restrictions under any Company plan, having a Fair Market Value equal in amount to the aggregate exercise price of the Options being exercised; or

(ii) if the class of Stock is registered under the Exchange Act at such time, by delivery to the Company of a properly executed exercise notice along with irrevocable instructions to a broker to deliver promptly to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event that the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Committee shall prescribe as a condition of such payment procedure (including, in the case of an optionee who is an executive officer of the Company, such procedures and agreements as the Committee deems appropriate in order to avoid any extension of credit in the form of a personal loan to such officer). The Company need not act upon such exercise notice until the Company receives full payment of the exercise price; or

(iii) by reducing the number of Option shares otherwise issuable to the optionee upon exercise of the Option by a number of shares of Common Stock having a Fair Market Value equal to such aggregate exercise price of the Options being exercised; or

(iv) by any combination of such methods of payment.

The delivery of certificates representing shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or imposed by applicable law.

(e) Non-transferability of Options. Except as the Committee may provide with respect to a Non-Statutory Stock Option, no Stock Option shall be transferable other than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(f) Annual Limit on Incentive Stock Options. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its Subsidiaries become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000.

(g) Exercise Period following Termination. When an optionee's employment (or other service relationship) with the Company and its Subsidiaries terminates, the optionee's Stock Options may be exercised within the period of time specified in the agreement evidencing the Option, to the extent that the Option is vested on the optionee's Termination Date. In the absence of a specific period of time set forth in such agreement, Stock Options shall remain exercisable (to the extent vested on the optionee's Termination Date): (i) for 90 days following the Termination Date upon any termination by us without cause; (ii) for 30 days following voluntary termination by the optionee; (iii) for 90 days following the Disability of the optionee; or (iv) for 180 days following the Termination Date upon termination for death; provided however that in no event shall any Option be exercisable after the expiration of the term of such Option; and provided further that in the event that an optionee's employment with the Company or a Subsidiary has been terminated by the Company for Cause, as determined by the Committee in its sole discretion, any Stock Option held by such optionee shall immediately terminate and be of no further force and effect.

(h) Non-Employee Director Options. Notwithstanding anything to the contrary in the foregoing, in the event that any Non-Employee Director holding a Stock Option granted under the Plan resigns voluntarily from the Board, the vesting of such Option shall be accelerated such that the Option is fully vested on the Non-Employee Director's Termination Date, and the Non-Employee Director shall be allowed to exercise such Option for a period equal to the lesser of the term of the Option or three years from the Termination Date.

SECTION 6. Restricted Stock Awards.

(a) Nature of Restricted Stock Award. The Committee in its discretion may grant Restricted Stock Awards to any Eligible Person, entitling the recipient to acquire, for such purchase price, if any, as may be determined by the Committee, shares of Stock subject to such restrictions and conditions as the Committee may determine at the time of grant ("Restricted Stock"), including continued employment and/or achievement of pre-established performance goals and objectives.

(b) Acceptance of Award. A participant who is granted a Restricted Stock Award shall have no rights with respect to such Award unless the participant shall have accepted the Award within sixty (60) days (or such shorter date as the Committee may specify) following the award date by making payment to the Company of the specified purchase price, if any, of the shares covered by the Award and by executing and delivering to the Company a written instrument that sets forth the terms and conditions applicable to the Restricted Stock in such form as the Committee shall determine.

(c) Rights as a Stockholder. Upon complying with Section 6(b) above, a participant shall have all the rights of a stockholder with respect to the Restricted Stock, including voting and dividend rights, subject to non-transferability restrictions and Company repurchase or forfeiture rights described in this Section 6 and subject to such other conditions contained in the written instrument evidencing the Restricted Award. Unless the Committee shall otherwise determine, certificates evidencing shares of Restricted Stock Award shall remain in the possession of the Company until such shares are vested as provided in Section 6(e) below.

(d) Restrictions. Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein. In the event of termination of employment by the Company and its Subsidiaries for any reason (including death, Disability, Normal Retirement and for Cause), any shares of Restricted Stock which have not then vested shall automatically be forfeited to the Company.

(e) Vesting of Restricted Stock. The Committee at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." The Committee at any time may accelerate such date or dates and otherwise waive or, subject to Section 14, amend any conditions of the Award.

(f) Waiver, Deferral and Reinvestment of Dividends. The written instrument evidencing the Restricted Stock Award may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7. Unrestricted Stock Awards.

(a) Grant or Sale of Unrestricted Stock. The Committee in its discretion may grant or sell to any Eligible Person shares of Stock free of any restrictions under the Plan ("Unrestricted Stock") at a purchase price determined by the Committee. Shares of Unrestricted Stock may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration.

(b) Restrictions on Transfers. The right to receive unrestricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution.

SECTION 8. Performance Share Awards.

A Performance Share Award is an award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals; provided however that the Committee, in its discretion, may provide either at the time of grant or at the time of settlement that a Performance Share Award will be settled in cash. The Committee may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. Performance Share Awards may be granted under the Plan to any Eligible Person. The Committee in its discretion shall determine whether and to whom Performance Share Awards shall be made, the performance goals applicable under each such Award (which may include, without limitation, continued employment by the recipient or a specified achievement by the recipient, the Company or any business unit of the Company), the periods during which performance is to be measured, and all other limitations and conditions applicable to the Award or the Stock issuable thereunder. Upon the attainment of the specified performance goal shares of Stock (or cash, as applicable) shall be issued pursuant to the Performance Share Award as soon as practicable thereafter, but in no event later than two and one-half months after the calendar year in which such performance goal is attained.

SECTION 9. Stock Appreciation Rights.

The Committee in its discretion may grant Stock Appreciation Rights to any Eligible Person. A Stock Appreciation Right shall entitle the participant upon exercise thereof to receive from the Company, upon written request to the Company at its principal offices (the "Request"), a number of shares of Stock, a cash payment, or a combination of shares and cash (as provided in the Stock Appreciation Right) having an aggregate Fair Market Value equal to the product of (a) the excess of Fair Market Value, on the date of such Request, over the exercise price per share of Stock specified in such Stock Appreciation Right (which exercise price shall be not less than one hundred percent (100%) of Fair Market Value on the date of grant), multiplied by (b) the number of shares of Stock for which such Stock Appreciation Right shall be exercised. Any Stock Appreciation Right granted under the Plan shall contain such terms and conditions with respect to its termination as the Committee, in its discretion, may from time to time determine; provided however that the term of a Stock Appreciation Right shall not exceed ten years.

SECTION 10. Restricted Stock Units.

A Restricted Stock Unit is a bookkeeping entry representing the right to receive, upon its vesting, one share of Stock (or a percentage or multiple of one share of Stock if so specified in the agreement evidencing the Award) for each Restricted Stock Unit awarded to a recipient and represents an unfunded and unsecured obligation of the Company. The Committee shall determine the restrictions and conditions applicable to each Restricted Stock Unit at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. At the end of the vesting period, the Restricted Stock Units, to the extent vested, shall be settled in the form of shares of Stock. Notwithstanding the foregoing, the Committee, in its discretion, may determine either at the time of grant or at the time of settlement, that a Restricted Stock Unit shall be settled in cash. Except to the extent that the Committee provides otherwise, a recipient's right in all Restricted Stock Units that have not vested shall automatically terminate immediately following the recipient's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries.

SECTION 11. Performance-Based Awards to Covered Employees.

(a) Performance-Based Awards. A Performance-Based Award means any Restricted Stock Award, Performance Share Award, or Restricted Stock Unit granted to a Covered Employee (or to an employee that the Committee determines may become a Covered Employee) that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code. A Performance-Based Award shall be payable upon the attainment of Performance Goals that are established by the Committee and related to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Committee. The Committee shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for any Performance Period. The Committee, in its discretion, may adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of an individual (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development, (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or (iii) in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions; provided, however, that the Committee may not exercise such discretion in a manner that would increase the amount of the Performance-Based Award.

(b) Grant of Performance-Based Awards. With respect to each Performance-Based Award, the Committee shall select, within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) the Performance Criteria for such grant, and the Performance Goals with respect to each Performance Criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-Based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable Performance Goals.

(c) Payment of Performance-Based Awards. Following the completion of a Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, shall calculate and certify in writing the amount of the Performance-Based Awards earned for the Performance Period. The Committee shall then determine the actual size of each recipient's Performance-Based Award, and, in doing so, may reduce (but not increase) or eliminate the amount of the Performance-Based Award if, in its sole judgment, such reduction or elimination is appropriate.

SECTION 12. Tax Withholding.

(a) Payment by Participant. Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of any Federal, state, local and/or payroll taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(b) Payment in Shares. A participant may elect, with the consent of the Committee, to have the statutory minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to an Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due with respect to such Award, or (ii) delivering to the Company a number of shares of Stock with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

SECTION 13. Transfer and Leave of Absence.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another;

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Committee otherwise so provides in writing; provided, that the vesting date or dates of any unvested Award held by such employee shall automatically be extended by a period of time equal to the period of such approved leave of absence.

SECTION 14. Amendments and Termination.

The Board may at any time amend or discontinue the Plan and the Committee may at any time amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Notwithstanding the foregoing, neither the Board nor the Committee shall have the power or authority to decrease the exercise price of any outstanding Stock Option or Stock Appreciation Right, whether through amendment, cancellation and regrant, exchange or any other means, except for changes made pursuant to Section 3(b).

This Plan shall terminate as of the tenth anniversary of its effective date. The Board may terminate this Plan at any earlier time for any reason. No Award may be granted after the Plan has been terminated. No Award granted while this Plan is in effect shall be adversely altered or impaired by termination of this Plan, except upon the consent of the holder of such Award. The power of the Committee to construe and interpret this Plan and the Awards granted prior to the termination of this Plan shall continue after such termination.

SECTION 15. Status of Plan.

With respect to the portion of any Award which has not been exercised and any payments in cash, Stock or other consideration not received by a participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards.

SECTION 16. Change of Control Provisions.

(a) Upon the occurrence of a Change of Control as defined in this Section 16, the Committee in its discretion may, at the time an Award is made or at any time thereafter, take one or more of the following actions: (i) provide for the acceleration of any time period relating to the exercise or payment of the Award; (ii) provide for termination of any Awards not exercised prior to the occurrence of a Change in Control; (iii) provide for payment to the holder of the Award of cash or other property with a Fair Market Value equal to the amount that would have been received upon the exercise or payment of the Award had the Award been exercised or paid upon the Change in Control in exchange for cancellation of the Award; (iv) adjust the terms of the Award in a manner determined by the Committee to reflect the Change in Control; (v) cause the Award to be assumed, or new rights substituted therefor, by another entity; or (vi) make such other provision as the Committee may consider equitable to the holders of Awards and in the best interests of the Company.

(b) "Change of Control" shall mean the occurrence of any one of the following events:

(i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) becomes, after the Effective Date of this Plan, a "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities; or

(ii) the consummation of a merger or consolidation of the Company with any other corporation or other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iii) the closing of a sale or other disposition by the Company of all or substantially all of the assets of the Company;

(iv) individuals who constitute the Board on the Effective Date (“Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; *provided*, that any individual who becomes a member of the Board subsequent to the Effective Date, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors shall be treated as an Incumbent Director unless he or she assumed office as a result of an actual or threatened election contest with respect to the election or removal of directors; or

(v) a complete liquidation or dissolution of the Company;

provided, in each case, that such event also constitutes a “change in control event” within the meaning of the Treasury Regulation Section 1.409A-3(i)(5) if necessary to avoid the imposition of additional taxes under Section 409A.

SECTION 17. General Provisions.

(a) No Distribution; Compliance with Legal Requirements. The Committee may require each person acquiring shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities laws and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

No Award under the Plan shall be a nonqualified deferred compensation plan, as defined in Code Section 409A, unless such Award meets in form and in operation the requirements of Code Section 409A(a)(2),(3), and (4).

Notwithstanding anything to the contrary contained in this Plan, Awards may be made to an individual who is a foreign national or employed or performing services outside of the United States on such terms and conditions different from those specified in the Plan as the Committee considers necessary or advisable to achieve the purposes of the Plan or to comply with applicable laws.

(b) Delivery of Stock Certificates. Delivery of stock certificates to participants under this Plan shall be deemed effected for all purposes when the Company or a stock transfer agent of the Company shall have delivered such certificates in the United States mail, addressed to the participant, at the participant’s last known address on file with the Company. In lieu of delivery of stock certificates, the Company may, to the extent permitted by law and the Certificate of Incorporation and by-laws of the Company, issue shares of Stock hereunder in book entry form.

(c) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan or any Award under the Plan does not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(d) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company’s insider trading policy, as in effect from time to time.

(e) Lock-Up Agreement. By accepting any Award, the recipient shall be deemed to have agreed that, if so requested by the Company or by the underwriters managing any underwritten offering of the Company's securities, the recipient will not, without the prior written consent of the Company or such underwriters, as the case may be, sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares subject to any such Award during the Lock-up Period, as defined below. The "Lock-Up Period" shall mean a period of time not exceeding 180 days or, if greater, such number of days as shall have been agreed to by each director and executive officer of the Company in connection with such offering in a substantially similar lock-up agreement by which each such director and executive officer is bound. If requested by the Company or such underwriters, the recipient shall enter into an agreement with such underwriters consistent with the foregoing.

(f) Section 409A Awards. To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Committee from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a recipient who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the recipient's separation from service, or (ii) the recipient's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any 409A Award may not be accelerated or postponed except to the extent permitted by Section 409A.

SECTION 18. Effective Date of Plan.

This Plan shall become effective upon approval by the holders of a majority of the shares of stock of the Company present or represented and entitled to vote at a meeting of stockholders at which a quorum is present or by written consent of the stockholders. Subject to such approval by the stockholders, Stock Options and other Awards may be granted hereunder on and after adoption of this Plan by the Board.

SECTION 19. Governing Law.

This Plan shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware without regard to its principles of conflicts of laws.

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of the 15th day of June, 2015, by and between Collectar Biosciences, Inc., a Delaware corporation, with its principal offices in Madison, Wisconsin (the "Company"), and James Caruso of Lauderdale By The Sea, Florida (the "Executive").

WITNESSETH

WHEREAS, the Company and the Executive desire to set forth the terms and conditions on which, from and after the Effective Date, (i) the Company shall employ the Executive, (ii) the Executive shall render services to the Company, and (iii) the Company shall compensate the Executive for such services;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the Company and the Executive (individually a "Party" and together the "Parties") agree as follows:

1. Employment.

1.1. **Term of Employment.** This Agreement shall be effective on June 15, 2015 or such other date as the Company and the Executive shall mutually agree in writing (the "Effective Date"), and employment hereunder shall be at will. Notwithstanding the foregoing, the term of employment (the "Term") shall end on the date on which the Executive's employment is terminated by either Party in accordance with the provisions herein.

1.2. **Title and Responsibilities.** The Executive shall serve the Company as President and Chief Executive Officer. In addition, on the Effective Date the Executive will be elected as a Director of the Company. In such positions, the Executive shall have the duties, responsibilities and authorities as determined and designated from time to time by the board of directors, including, without limitation, management authority with respect to, and responsibility for, the overall day-to-day business and affairs of the Company. The Executive shall serve under the direction and supervision of, and report to, the board of directors. Notwithstanding the above, the Executive shall not be required to perform any duties and responsibilities which would result in noncompliance with or violation of any applicable law or regulation.

2. Compensation and Benefits. The compensation and benefits payable to the Executive under this Agreement shall be as follows:

2.1. **Salary.** For all services rendered by the Executive to the Company, the Executive shall be entitled to receive a base salary at the rate of \$375,000 per year beginning on the Effective Date. The Executive's base salary shall be reviewed annually by the compensation committee of the board of directors, with the first review no later than the first anniversary of the Effective Date, and shall be subject to increase from time to time as approved by the compensation committee of the board of directors. In addition, if the compensation committee of the board of directors increases the Executive's annual base salary, such increased annual base salary shall become a floor below which such annual base salary shall not fall without the Executive's written consent. Executive's salary shall be payable in periodic installments in accordance with the Company's usual practice for its senior executives, but no less frequently than monthly.

2.2. **Bonus.** The Executive shall be eligible to receive an annual bonus at the discretion of the compensation committee of the board of directors based on the Executive's performance. The Executive's target bonus shall be up to fifty percent (50%) of the Executive's base salary.

2.3. **Equity Awards.** The Company shall grant to the Executive an inducement option to purchase up to 375,000 shares of the Common Stock, representing approximately five percent (5%) of the outstanding stock of the Company (the "Option"). The exercise price per share shall be equal to the closing market price on the date of grant. The option shall vest in four equal annual installments beginning on the first anniversary of the date of grant. The option shall be evidenced by an option agreement in substantially the form attached hereto as Exhibit B (the "Option Agreement"). The Executive shall be eligible to receive periodic future stock option grants at the discretion of the board of directors.

2.4. **Regular Benefits.** The Executive shall also be entitled to participate in any and all employee benefit plans, medical insurance plans, disability income plans, retirement plans, bonus incentive plans, and other benefit plans from time to time in effect for senior executives of the Company. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Company and (iii) the discretion of the board of directors or any administrative or other committee provided for in or contemplated by such plan.

2.5. **Relocation Expenses.** The Company shall reimburse the Executive for reasonable moving and relocation expenses, not to exceed \$100,000, in connection with the Executive's relocation to Madison, Wisconsin.

2.6. **Business Expenses.** The Company shall reimburse the Executive for all reasonable travel and other business expenses incurred by the Executive in the performance of his duties and responsibilities, subject to such reasonable requirements with respect to substantiation and documentation as may be specified by the Company. In no event shall any reimbursement be made later than the last day of the year following the year in which the expenses were incurred.

2.7. **Vacation.** The Executive shall be entitled to four (4) weeks of paid vacation per year, to be taken at such times and intervals as shall be determined by the Executive consistent with his responsibilities.

3. Service.

3.1. **Extent of Service.** The Executive shall, subject to the direction and supervision of the board of directors, devote his full time, best efforts and business judgment, skill and knowledge to the advancement of the Company's interests and to the discharge of his duties and responsibilities hereunder; *provided, however*, that nothing herein shall be construed as preventing the Executive from:

(a) investing his assets in such form or manner as shall not require any material services on his part in the operations or affairs of the companies or the other entities in which such investments are made;

(b) serving on the board of directors of any other company, *provided* that he obtains the prior approval of a majority of the board of directors to serve on more than one other board and shall not be required to render any material services with respect to the operations or affairs of any such company; or

(c) engaging in religious, charitable or other community or non-profit activities which do not impair his ability to fulfill his duties and responsibilities under this Agreement.

4. Termination by the Company.

4.1. **Termination by Company for Cause.** The Executive's employment hereunder may be terminated by the Company, without further liability on the part of the Company, effective immediately, by the board of directors for Cause (as such term is defined in Section 4.2) by written notice to the Executive setting forth in reasonable detail the nature of such Cause.

4.2. **Definition of Cause.** For purposes of this agreement, "Cause" shall mean:

(a) Executive's dishonesty relating to the Company or its assets (including, without limitation, theft or embezzlement of Company funds or assets);

(b) A material misstatement or misrepresentation by Executive to the Company with respect to his educational and professional background and experience;

(c) Executive's commission of any action with the intent to injure the Company, its business or its assets;

(d) Executive is indicted for any felony, or for any misdemeanor which may interfere with the performance of his duties or responsibilities under this Agreement;

(e) Executive violates any material directive, policy, standard or instruction of the Board with respect to the operation of the Company's business;

(f) Executive fails to obey any direction of the Board which is not illegal;

(g) Executive's willful noncompliance in any material respect with any laws or regulations, foreign or domestic, in the operation of the Company's business;

(h) Executive's material breach of any of his obligations pursuant to this Agreement or any fiduciary duty arising under law;

(i) Executive's gross negligence or willful misconduct with respect to the business affairs of the Company or with respect to performing his duties or responsibilities under this agreement (*other than* on account of a medically determinable disability which renders the Executive incapable of performing such services); or

(j) Executive's unlawful use of alcohol or controlled substances or other drugs.

4.3. Termination Procedure. With respect to the circumstances described in clauses (e) through (i) of Section 4.2, a termination by reason of any such circumstances shall be deemed to be for Cause only if such circumstances are not cured by the Executive in all material respects within 30 days following written notice thereof to the Executive, which notice shall identify in reasonable detail the facts that lead the Company to believe that such circumstances exist and shall give Executive an opportunity to respond; *provided, however,* that Executive shall be entitled to only one notice and one cure period with respect to each alleged breach. In each case, in determining Cause, the alleged acts or omissions of the Executive shall be measured against standards prevailing in the industry generally and the ultimate existence of Cause must be confirmed by a majority of the board of directors (excluding the Executive) at a meeting prior to any termination therefor. In the event of such a confirmation, the Company shall notify the Executive that the Company intends to terminate the Executive's employment for Cause under this Section 4 (the "Confirmation Notice").

4.4. Termination of Obligations. In the event of termination pursuant to Section 4.1, all obligations of the Company under this Agreement, other than the Company's obligations under the provisions of COBRA, shall terminate as of the date specified in the Confirmation Notice, but vested rights of the parties hereunder as of such date shall not be affected.

4.5. Termination by the Company Without Cause. The Executive's employment with the Company may be terminated without cause by a majority of the board of directors on five (5) business days prior written notice to the Executive (or, in lieu of such notice, the Executive's base salary for one week), *provided, however,* that the Company shall have the obligation upon any such termination to make the payments to the Executive provided for under Section 6 of this Agreement.

5. Termination by the Executive

5.1. Termination by the Executive for Good Reason. The Executive shall be entitled to terminate his employment hereunder for Good Reason (as defined in Section 5.3), provided that (i) within 30 days of the first occurrence of one or more of the events listed in Section 5.3 below the Executive delivers to the board of directors written notice of his intention to terminate employment for Good Reason, which notice specifies in reasonable detail the circumstances claimed to give rise to such right, (ii) the Company shall have 30 days after receipt of such notice to cure such circumstances, and (iii) failing a cure, the Executive terminates employment within 10 days after the expiration of the 30 day period set forth in clause (ii).

Upon any such termination, the Executive shall be entitled to receive the benefits set forth in Section 6.

5.2. Other Voluntary Termination by the Executive. The Executive may effect, upon thirty (30) days prior written notice to the Company, which notice may be waived by the Company, a Voluntary Termination of his employment hereunder. A "Voluntary Termination" shall mean a termination of employment by the Executive on his own initiative *other than* a termination for Good Reason. If the Executive's employment is so terminated due to Voluntary Termination, the Executive shall be entitled to his base salary up to the date of termination. Provision of medical benefits shall be in accordance with the provisions of COBRA.

5.3. **Good Reason.** For purposes of this Agreement, the term “Good Reason” shall mean any of the following:

(a) the failure of the board of directors to elect the Executive to the offices of President and Chief Executive Officer, or to continue the Executive in such offices;

(b) the failure by the stockholders of the Company to continue to elect the Executive to the board of directors;

(c) the failure by the Company to pay compensation as provided for in Sections 2.1, 2.2, 2.3 or 2.4, except for across the board cuts applicable to all officers of the Company on an equal percentage basis; provided that such reduction is approved by the board of directors;

(d) there occurs any reduction of base salary or material reduction in other benefits or any material change by the Company to the Executive’s function, duties, authority, or responsibilities in effect on the date hereof or as set forth in this Agreement, which change would cause the Executive’s position with the Company to become one of lesser responsibility, importance, or scope from the position and attributes thereof in effect on the date hereof or as set forth in this Agreement (and any such material change shall be deemed a continuing breach of this Agreement); and

(e) a material breach by the Company of any of the other provisions of this Agreement.

5.4. **Change of Control.** For purposes of this Agreement, the term “Change of Control” means (i) the sale of all or substantially all of the assets or issued and outstanding capital stock of the Company, (ii) merger or consolidation involving the Company in which stockholders of the Company immediately before such merger or consolidation do not own immediately after such merger or consolidation capital stock or other equity interests of the surviving corporation or entity representing more than fifty percent (50%) in voting power of capital stock or other equity interests of such surviving corporation or entity outstanding immediately after such merger or consolidation, or (iii) a change, without the approval of the board of directors, in the composition of the board of directors such that directors who were serving as of the date of this Agreement cease to constitute a majority of the board of directors.

6. **Certain Termination Benefits.** In the event of termination pursuant to Section 4.5 or Section 5.1, the Executive shall be entitled to certain benefits (the “Termination Benefits”), subject to the following provisions:

6.1. **Benefits.** The Termination Benefits are:

(a) **Payment of Salary.** For a period of six (6) months following the date of the Executive’s termination, the Executive shall continue to receive the installments of base salary set forth in Section 2.1 payable when and as if the Executive had continued to be employed by the Company.

(b) **Option Acceleration and Exercise.** Contingent upon the Executive's execution and delivery of the release discussed below, in the event of a termination pursuant to Sections 4.5 or 5.1, the Option shall be vested as to such number of additional shares of Common Stock as if the Executive had been employed for a period ending on the first anniversary of termination. In the event of such termination within twelve (12) months of Change of Control, one hundred percent (100%) of the Executive's unvested Option shall vest. In either instance the Option shall remain exercisable for a period ending on the first anniversary of termination.

(c) **Benefit Continuation.** For the six (6) month period subsequent to the date of termination, provided that the Executive has elected COBRA coverage, the Company shall pay the portion of the Executive's medical insurance COBRA premium equal to the medical insurance premium paid by the Company for the Executive prior to the date of termination, provided however that the Company in its sole discretion may elect to make a lump sum cash payment equal to the aggregate of such premiums in lieu of paying the premiums.

6.2. **Release and Procedure.** The Company's obligation to make payments pursuant to this Section 6 shall be conditioned upon the Executive's execution of a release in favor of the Company and its affiliates in the form attached hereto as Exhibit A (which the Company agrees to execute and deliver simultaneously), subject to the following provisions.

- (a) The Company will deliver the release to the Executive for execution no later than eight days after the Executive's termination of employment.
- (b) The Executive must execute and deliver the release within 21 days after receipt thereof.
- (c) If the Executive has revocation rights, he shall exercise such rights, if at all, not later than seven days after executing the release.

Subject to the execution and effectiveness of such release, any payments that, pursuant to this Section 6, would otherwise be payable within the 46 day period commencing on termination of employment shall be paid in a lump sum within 10 days after execution of the release; provided that, if the 46 day period begins in one calendar year and ends in the subsequent calendar year, the payment shall be made in the subsequent calendar year.

(d) The failure of the Executive to provide the release within the time periods specified above will relieve the Company of its obligations to make the payments and accelerate the options covered in Section 6.1.

7. **Death, Disability.** The Executive's employment shall terminate immediately upon the death or Disability of the Executive. "Disability" means Executive's failure by reason of sickness, accident or physical or mental disability to substantially perform the duties and responsibilities of his employment with the Company for a period of ninety (90) consecutive days. In the event of termination under this Section 7, the Executive or his estate shall receive the Executive's Pre-Termination Compensation as defined in Section 6.1, and fifty percent (50%) of the Executive's unvested options shall vest and all vested options held by the Executive shall remain exercisable for a period ending of the first anniversary of termination.

8. Applicability of Section 280G of the Code.

8.1. **Limitation of Benefit.** In the event that any payment or benefit arising out of or in connection with a change of ownership or effective control of the Company or a substantial portion of its assets within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code", and such change, a "280G Change in Control"), that is made or provided, or to be made or provided, by the Company (or any successors thereto or affiliates thereof) to the Executive, whether pursuant to the terms of this Agreement or any other plan, agreement, or arrangement (any such payment or benefit, a "Parachute Payment") would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Parachute Payments shall be reduced to the extent necessary to eliminate the imposition of the Excise Tax.

8.2. **Determination.** A determination as to whether any reduction in the Executive's Parachute Payments is required and if so, as to the amount of reduction so required, shall be made by no later than 30 days after the closing of the transaction or the occurrence of the event that constitutes the 280G Change in Control, or as soon thereafter as administratively practicable. Such determination, and the assumptions to be utilized in arriving at such determination, shall be made reasonably and in good faith by the Company.

8.3. **Order of Reductions.** Any reduction in the Parachute Payments required to be made shall be made first with respect to Parachute Payments payable in cash before being made in respect of any Parachute Payments to be provided in the form of benefits or equity award acceleration, and in the form of benefits before being made with respect to equity award acceleration, and in any case, shall be made with respect to such Parachute Payments in inverse order of the scheduled dates or times for the payment or provision of such Parachute Payments.

8.4. **Scope.** For the avoidance of doubt, the provisions of this Section 8 are intended to apply to any and all payments or benefits available to the Executive under this Agreement or any other plan, agreement, or arrangement of the Company under which the Executive may receive Parachute Payments, and shall supersede any contrary language in such plan, agreement, or arrangement.

9. **Confidential Information.** Executive understands that the Company continually obtains and develops valuable proprietary and confidential information concerning its technical and business affairs (the "Confidential Information") which may become known to Executive in connection with Executive's employment by the Company.

9.1. Executive acknowledges that all Confidential Information, whether or not in writing and whether or not labeled or identified as confidential or proprietary, is and shall remain the exclusive property of the Company or the third party providing such information to Executive or the Company. By way of illustration, but not limitation, Confidential Information may include inventions, trade secrets, technical information, know-how, research and development activities of the Company, product and marketing plans, customer and supplier information and information disclosed to the Company or to Executive by third parties of a proprietary or confidential nature or under an obligation of confidence. Confidential Information is contained in various media, including patent applications, research data and observations, computer programs in object and/or source code, technical specifications, notebooks, supplier and customer lists, internal financial data and other documents and records of the Company. Confidential Information also shall include all documents, records and other tangible items of any kind in which Confidential Information is stored, maintained or recorded or from which Confidential Information may be readily ascertained or derived (whether in the form of documents, correspondence, memoranda, books, records, files, notes, plans, reports, programs, drawings, sketches, designs, graphics, photographs, prints, mats, films, negatives, recordings, magnetic media, software (whether in source code or object code), disks, diskettes, CD, CD-ROM, electronic files or other media, charts, manuals, materials or any other medium. Such Confidential Information shall include all such information not generally known by the trade or public, even though such information has been disclosed to one or more third parties pursuant to publishing agreements, development agreements, distribution agreements, joint research agreements, confidentiality agreements, disclosure agreements or other agreements or collaborations entered into by any of the Company. The definition of Confidential Information applies equally to information acquired, learned, or disclosed prior to, simultaneously with, or after the date of this Agreement.

9.2. Executive agrees that Executive shall not, during the term of Executive's engagement by the Company and thereafter, publish, disclose or otherwise make available to any third party any Confidential Information except as expressly authorized herein or in writing by the Company. Executive may disclose Confidential Information to (i) directors, employees, consultants and representatives of the Company, to (ii) accountants, financial advisors and legal counsel of Executive, who have a bona fide need to know such information and who are bound by an obligation not to use or disclose such information without authorization from the Company and to (iii) other parties that enter into confidentiality or non-disclosure agreements with the Company and to whom such Confidential Information will be disclosed for legitimate business purposes of the Company. Executive agrees that Executive shall use such Confidential Information only in the performance of Executive's duties for the Company and in accordance with any Company policies with respect to the protection of Confidential Information. Executive agrees not to use such Confidential Information for Executive's own benefit or for the benefit of any other person or business entity.

9.3. Executive agrees to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in Executive's possession and not to remove any materials containing Confidential Information from the Company's premises except to the extent necessary to Executive's employment for the benefit of the Company. Upon the termination of Executive's employment by the Company, or at any time upon the Company's request, Executive shall return immediately to the Company any and all materials containing any Confidential Information then in Executive's possession or under Executive's control.

9.4. Confidential Information shall not include information which (i) is or becomes generally known within the Company's industry or otherwise through no fault of Executive; (ii) was known to Executive at the time it was disclosed as evidenced by Executive's written records in existence at the time of disclosure; (iii) is lawfully and in good faith made available to Executive by a third party who did not derive it from the Company and who imposes no obligation of confidence on Executive; or (iv) is required to be disclosed by a governmental authority or by order of a court of competent jurisdiction, provided that Executive shall cooperate with the Company at its expense in seeking to obtain all applicable governmental or judicial protection available for like material and provide reasonable advance notice to the Company.

10. Non-Competition. In the event of termination, the Executive shall not, for a period of six (6) months after termination, directly or indirectly, alone or as a partner, officer, director, employee, consultant, agent, or independent contractor of any company or business organization, (a) engage in any business activity which is directly or indirectly in competition with the business of the Company in the area of the development of drugs for the treatment or diagnosis of cancer based on cancer-targeting technologies (“Competitive Activity”) or (b) solicit or contact in connection with, or in furtherance of, a Competitive Activity any of the Company’s employees, consultants, agents, suppliers, customers, or prospects that were such with respect to the Company at any time during the one year immediately preceding the date of termination or that become such with respect to the Company at any time during the three (3) months immediately following the date of termination; *provided, however*, that at the election of the Company, the obligations under this Section 10 shall survive for a period of one (1) year from the termination of employment on condition that the Company provide the Termination Benefits set forth in Section 6.1(a) and (c) for the duration of such period. The provisions of this Section 10 shall survive the termination of this Agreement. The Executive represents and warrants that the covenant imposed by this Section 10 would not cause him an undue hardship.

11. No Mitigation; No Offset. In the event of any termination of employment under this Agreement, the Executive shall be under no obligation to seek other employment or to mitigate damages, and there shall be no offset against any amounts due to the Executive under this Agreement for any reason, including, without limitation, on account of any remuneration attributable to any subsequent employment that the Executive may obtain. Any amounts due under this Agreement are in the nature of severance payments or liquidated damages, or both, and are not in the nature of a penalty.

12. Specific Performance. The Executive agrees that any breach of Sections 9 or 10 of this Agreement by the Executive could cause irreparable damage and that in the event of such breach the Company shall have, in addition to any and all remedies available at law or in equity, the right to an injunction, specific performance or other equitable relief to prevent the violation of the Executive’s obligations hereunder.

13. Section 409A of the Code.

13.1. It is intended that this Agreement comply with or be exempt from Section 409A of the Code and the Treasury Regulations and IRS guidance thereunder (collectively referred to as “Section 409A”). Notwithstanding anything to the contrary in this Agreement, this Agreement shall, to the maximum extent possible, be administered, interpreted, and construed in a manner consistent with Section 409A (it being understood that the Company shall in no event have any obligation to indemnify the Executive in respect of any taxes incurred under Section 409A). To the extent that any reimbursement, fringe benefit, or other, similar plan or arrangement in which the Executive participates during the Term or thereafter provides for a “deferral of compensation” within the meaning of Section 409A, (a) the amount of expenses eligible for reimbursement provided to the Executive during any calendar year shall not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to the Executive in any other calendar year, (b) the reimbursements for expenses for which the Executive is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, (c) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit, and (d) the reimbursements shall be made pursuant to objectively determinable and nondiscretionary Company policies and procedures regarding such reimbursement of expenses. If and to the extent required to comply with Section 409A, no payment or benefit required to be paid under this Agreement on account of termination of the Executive’s employment shall be made unless and until the Executive incurs a “separation from service” within the meaning of Section 409A. In the case of any amounts payable to the Executive under this Agreement that may be treated as payable in the form of “a series of installment payments”, as defined in Treasury Regulation Section 1.409A-2(b)(2)(iii), the Executive’s right to receive such payments shall be treated as a right to receive a series of separate payments for purposes of such Treasury Regulation. If any paragraph of this Agreement provides for payment within a time period, the determination of when such payment shall be made within such time period shall be solely in the discretion of the Companies.

13.2. If the Executive is a "specified employee" as determined pursuant to Section 409A as of the date of the Executive's termination of employment and if any payment or benefit provided for in this Agreement or otherwise both (x) constitutes a "deferral of compensation" within the meaning of Section 409A and (y) cannot be paid or provided in the manner otherwise provided without subjecting the Executive to additional tax, interest, or penalties under Section 409A, then any such payment or benefit shall be delayed until the earlier of (i) the date which is 6 months after the Executive's "separation from service" within the meaning of Section 409A for any reason other than death, or (ii) the date of the Executive's death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty, or interest pursuant to Section 409A. Any payment or benefit otherwise payable or to be provided to the Executive upon or in the 6 month period following the Executive's "separation from service" that is not so paid or provided by reason of this Section 13 shall be accumulated and paid or provided to the Executive in a single lump sum, as soon as practicable (and in all events within 15 days) after the date that is 6 months after the Executive's "separation from service" (or, if earlier, as soon as practicable, and in all events within 15 days, after the date the Executive's death).

14. **Miscellaneous.**

14.1. **Conflicting Agreements.** The Executive hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder shall not breach or be in conflict with any other agreement to which he is a party or is bound, and that he is not now subject to any covenants against competition or similar covenants which would affect the performance of his obligations hereunder.

14.2. **Definition of "Person"**. For purposes of this Agreement, the term "Person" shall mean an individual, a corporation, an association, a partnership, an estate, a trust and any other entity or organization.

14.3. **Withholding.** All payments made by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

14.4. Arbitration.

(a) Except for claims of fraud or intentional misrepresentation, which shall be filed in any state or federal court having jurisdiction over the parties, any claim regarding the Executive's ongoing relationship with the Company that is not resolved by mutual agreement shall be resolved solely and exclusively by binding arbitration to be conducted in Chicago, Illinois before a single arbitrator (the "Arbitrator") and shall be conducted in accordance with the American Arbitration Association Rules and Procedures unless specifically modified herein.

(b) The parties covenant and agree that the arbitration shall commence within 90 days of the date on which a written demand for arbitration is filed by any party hereto. In connection with the arbitration proceeding, the Arbitrator shall have the power to order the production of documents by each party and any third-party witnesses. In addition, each party may take up to six depositions as of right, and the Arbitrator may in his or her discretion allow additional depositions upon good cause shown by the moving party. There shall be no interrogatories or requirements for or response to requests for admission but the parties may require production of documents. In connection with any arbitration, each party shall provide to the other, no later than seven (7) business days before the date of the arbitration, the identity of all persons that may testify at the arbitration and a copy of all documents that may be introduced at the arbitration or considered or used by a party's witnesses or experts. The Arbitrator's decision and award shall be made and delivered within six (6) months of the selection of the Arbitrator. The Arbitrator's decision shall set forth a reasoned basis for any award of damages or finding of liability. The Arbitrator shall not have power to award damages in excess of actual compensatory damages and shall not multiply actual damages or award punitive damages or any other damages that are specifically excluded under this Agreement, and each party hereby irrevocably waives any claim to such damages in connection with any such arbitration.

(c) The parties covenant and agree that they will participate in the arbitration in good faith and that they will (i) bear their own attorneys' fees, costs and expenses in connection with the arbitration, and (ii) share equally in the fees and expenses charged by the Arbitrator. Any party unsuccessfully refusing to comply with an order of the Arbitrator shall be liable for costs and expenses, including reasonable attorneys' fees, incurred by the other party in enforcing the award. In the case of temporary or preliminary injunctive relief any party may proceed in court prior to, during or after arbitration for the purpose of avoiding immediate and irreparable harm or to enforce its rights under any non-disclosure, confidentiality or non-competition covenants; provided, that the right to equitable relief by a court is not intended to derogate from this arbitration procedure.

14.5. **Assignment; Successors and Assigns, etc.** Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party and without such consent any attempted transfer or assignment shall be null and of no effect; *provided, however*; that the Company may assign its rights under this Agreement without the consent of the Executive in the event either Company shall hereafter effect a reorganization, consolidate with or merge into any other Person, or transfer all or substantially all of its properties or assets to any other Person. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, and their respective successors, executors, administrators, heirs and permitted assigns. In the event of the Executive's death prior to the completion by the Company of all payments due his under this Agreement, the Company shall continue such payments to the Executive's beneficiary designated in writing to the Company prior to his death (or to his estate, if he fails to make such designation).

14.6. **Enforceability.** If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14.7. **Waiver.** No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

14.8. **Notices.** Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage prepaid, to the Executive at the last address the Executive has filed in writing with the Company or, in the case of the Company, at its main office, attention of the board of directors.

14.9. **Amendment.** This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Company.

14.10. **Counterparts; Facsimile Signatures.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and in pleading or proving any provision of this Agreement it shall not be necessary to produce more than one such counterpart. A signature sent by telecopy or facsimile transmission shall be as valid and binding upon a Party as an original signature of such Party.

14.11. **Governing Law.** This contract and shall be construed under and be governed in all respects by the laws of the State of Delaware without regard to its conflict of laws principles.

* * * * *

IN WITNESS WHEREOF, this Agreement has been executed by the Company, by its duly authorized officer, and by the Executive, as of the date first above written.

CELLECTAR BIOSCIENCES, INC.

/s/ Stephen Hill

By:

Name: Stephen Hill

Title: Chairman of the Board of Directors

EXECUTIVE:

/s/ James Caruso

James Caruso

Release

In consideration of the undertakings by Cellerar Biosciences, Inc. (the “Company”) set forth in the Employment Agreement with the undersigned (the “Employee”) dated June 15, 2015 to which this Release is attached as an exhibit (the “Employment Agreement”) and for other good and valuable consideration, the receipt of which is hereby acknowledged, Employee, on behalf of himself, his successors, heirs, administrators, executors, assigns, agents, representatives, and all those in privity with him, releases and forever discharges the Company, all of its present and former officers, directors, employees, servants, agents, representatives, shareholders, successors, assigns, and beneficiaries, (collectively, the “Company Releasees”), of and from any and all claims, charges, complaints, causes of action, demands, obligations, liabilities, damages, attorneys fees, expenses, and costs of any kind which Employee now has or ever had arising out of his employment by the Company (“Released Claims”), including but not limited to any causes of action or claims arising under or based on the National Labor Relations Act, as amended; the Civil Rights Act of 1886, 42 U.S.C. § 1981; Section 2 of the Civil Rights Act of 1871, 42 U.S.C. § 1985(c); Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000a et seq., as amended by the Equal Employment Opportunity Act of 1972, 42 U.S.C. § 2000e et seq. and the Civil Rights Act of 1991, 42 U.S.C. § 1981a et seq.; the Equal Pay Act of 1963, 29 U.S.C. §206(d); the Rehabilitation Act of 1973, as amended by the Americans With Disabilities Act and the 1991 Civil Rights Act, 29 U.S.C. §§ 706(8), 791, 793, 794, 794a; the Americans with Disabilities Act of 1990, as amended by the Civil Rights Act of 1991, 42 U.S.C. § 12101 et seq.; the Age Discrimination in Employment Act (“ADEA”) of 1967, 29 U.S.C. § 621 et seq.; Executive Order No. 11246, 3 C.F.R. 1964, reprinted as amended in 42 U.S.C. § 2000e; sections 111.310 through 111.395 of the Wisconsin Statutes; and any other state, federal or municipal equal employment opportunity law, statute, public policy, order, ordinance, or regulation, and any other federal or state law, statute, order, public policy, or regulation affecting or relating to the claims or rights of employees, and any and all Released Claims sounding in tort or contract or otherwise, which Employee had, now has, or claimed to have, known or unknown, against the Company Releasees; *provided, however*, the foregoing release shall not relate to any obligations of the Company arising under (i) the Employment Agreement relating to the payment of severance and other post-termination payments, (ii) any equity award granted by the Company to the Employee, (iii) the 401(k) plan or similar retirement benefit plan of the Company and any agreements thereunder, or (iv) any statute, provision of the Company’s certificate of incorporation or by-laws or insurance or other agreement providing indemnification rights to Employee in connection with his services as an officer of the Company.

Employee acknowledges and understands that the consideration Employee is being provided constitutes a full, fair and complete payment for the release and waiver of all possible claims. Employee represents that Employee understands the various claims Employee could have asserted under federal or state law, including but not limited to the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefits Protection Act, and other similar laws; that Employee has read this Release carefully and understands all of its provisions; that Employee understands that Employee has the right to and is advised to consult an attorney concerning this Release and in particular the waiver of rights Employee might have under these laws; that to the extent, if any, that Employee desired, Employee availed himself of this right; that Employee has been provided at least twenty-one (21) days to consider whether to sign this Release; that to the extent Employee has signed this Release before the expiration of such twenty-one (21) day period Employee has done so knowingly and willingly; that Employee enters into this Release and waives any claims knowingly and willingly; and that this Release shall become effective seven (7) days after it is signed. Employee may revoke this Release within seven (7) days after it is signed and it shall not become effective or enforceable until this seven (7) day revocation period has expired.

James Caruso

Dated: _____

NON-STATUTORY STOCK OPTION

Granted by

Collectar Biosciences, Inc.(the “Company”)

Under the 2015 Stock Incentive Plan

This Option is and shall be subject in every respect to the provisions of the Company’s 2015 Stock Incentive Plan, as amended from time to time, which is incorporated herein by reference and made a part hereof. The holder of this Option (the “Holder”) hereby accepts this Option subject to all the terms and provisions of the Plan and agrees that (a) in the event of any conflict between the terms hereof and those of the Plan, the latter shall prevail, and (b) all decisions under and interpretations of the Plan by the Board or the Committee shall be final, binding and conclusive upon the Holder and his or her heirs and legal representatives.

1. **Name of Holder:** James Caruso

2. **Date of Grant:** June 15, 2015

3. **Maximum Number of Shares for which this Option is exercisable:** 375,000

4. **Exercise (purchase) price per share:** \$2.64

5. **Payment method:**

a personal, certified or bank check or postal money order payable to the order of the Company for an amount equal to the exercise price of the shares being purchased; or

with the consent of the Company, any of the other methods set forth in the Plan.

6. **Expiration Date of Option:** June 15, 2025

7. **Vesting Schedule:** This Option shall vest in four equal annual installments beginning on the first anniversary of the date of grant.

The unvested portion of the stock option is subject to acceleration and full vesting if the employment is terminated without “cause” or if he terminates his employment for “good reason,” in each case within 12 months following, or in connection with but prior to, a “change in control” of Collectar.

As used herein, a “Termination Event” shall mean either of the following events, but only if such event occurs within one year of a “Change of Control” (as defined in the Plan):

(i) termination by the Company of the Holder’s employment or service relationship with the Company for any reason other than for “Cause,” as defined in the Plan; or

(ii) the Holder’s resignation as an employee of, or service provider to, the Company, other than for reasons of Disability (as defined in the Plan), following (x) a significant reduction in the nature or scope of the Holder’s duties, responsibilities, authority or powers, from the duties, responsibilities, authority or powers exercised by the Holder immediately prior to the Change of Control, or (y) a reduction in the Holder’s annual base salary (or base fees, as applicable) or benefits as in effect on the date of the Change of Control, except for across-the-board salary or benefits reductions affecting all similarly situated personnel of the Company, or (z) a transfer of the Holder from the office of the Company where he is based immediately before the Change of Control to an office more than twenty-five (25) miles away such office (unless the distance the Holder has to travel to work is actually shortened as a result of such transfer).

For purposes of this Section 7, “Company” shall include any surviving entity, in the case of a merger or acquisition in which the Company is not the surviving entity.

8. **Termination of Employment or Provision of Services.** This Option shall terminate on the earliest to occur of:

- (i) the date of expiration thereof;
- (ii) immediately upon termination of the Holder’s employment with, or provision of services to, the Company by the Company for Cause (as defined in the Plan);
- (iii) thirty (30) days after the date of voluntary termination of employment or provision of services by the Holder (other than upon death, or for Disability or Normal Retirement, each as defined in the Plan);
- (iv) ninety (90) days after the date of involuntary termination of the Holder’s employment with, or provision of services to, the Company by the Company without Cause (as defined in the Plan), or termination of the Holder’s employment or provision of services by reason of Disability or Normal Retirement (each as defined in the Plan); or
- (v) 180 days after the date of termination of the Holder’s employment with, or provision of services to, the Company by reason of death.

9. **Lock-Up Agreement.** The Holder agrees for a period of up to 180 days from the effective date of any registration of securities of the Company under the Securities Act of 1933, as amended (the “Securities Act”), upon request of the Company or underwriters managing any underwritten offering of the Company’s securities, not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares issued pursuant to the exercise of this Option, without the prior written consent of the Company and such underwriters.

10. **Tax Withholding.** The Company's obligation to deliver shares shall be subject to the Holder's satisfaction of any federal, state and local income and employment tax withholding requirements.
11. **Notice.** Any notice to be given to the Company hereunder shall be deemed sufficient if addressed to the Company and delivered to the office of the Company, 3301 Agriculture Drive, Madison, WI 53716, attention of the president, or such other address as the Company may hereafter designate.

Any notice to be given to the Holder hereunder shall be deemed sufficient if addressed to and delivered in person to the Holder at his or her address furnished to the Company or when deposited in the mail, postage prepaid, addressed to the Holder at such address.

IN WITNESS WHEREOF, the parties have executed this Option, or caused this Option to be executed, as of the Date of Grant.

CELLECTAR BIOSCIENCES, INC.

By: /s/ Chad Kolean
Chad Kolean, VP of Finance/CFO

The undersigned Holder hereby acknowledges receipt of a copy of the Plan and this Option, and agrees to the terms of this Option and the Plan.

/s/ James Caruso
Holder

I, JAMES CARUSO, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Collectar Biosciences, Inc., a Delaware Corporation;
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 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 the 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 fiscal quarter in the case of an annual report) that has materially effected, or is reasonably likely to materially effect, 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 effect 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 control over financial reporting.

Date: August 12, 2015

/s/ James Caruso

James Caruso

President and Chief Executive Officer (Principal Executive Officer)

I, CHAD KOLEAN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Collectar Biosciences, Inc., a Delaware Corporation;
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 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 the 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 fiscal quarter in the case of an annual report) that has materially effected, or is reasonably likely to materially effect, 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 effect 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 control over financial reporting.

Date: August 12, 2015

/s/ Chad Kolean

Chad Kolean

Chief Financial Officer (Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. § 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 Collectar Biosciences, Inc. (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, James Caruso, president and chief executive officer of the Company, and Chad Kolean, vice president, chief financial officer and treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

- 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.

/s/ James Caruso

James Caruso
President and Chief Executive Officer (Principal Executive Officer)

Date: August 12, 2015

/s/ Chad Kolean

Chad Kolean
Chief Financial Officer (Principal Financial and Accounting Officer)

Date: August 12, 2015
