

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

**FORM 10-K/A
(Amendment No. 2)**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended: December 31, 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 333-119366

CELLECTAR BIOSCIENCES, INC.

(Exact name of Registrant as specified in its Charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

04-3321804

(I.R.S. Employer Identification No.)

**3301 Agriculture Drive
Madison, WI 53716**

(Address of principal executive offices and zip code)

Registrant's telephone number: **(608) 441-8120**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Class | Name of each exchange on which registered |
|--|--|
| Common stock, par value \$0.00001 | NASDAQ Capital Market |
| Warrant to purchase common stock, expiring August 20, 2019 | NASDAQ Capital Market |
| Warrant to purchase common stock, expiring April 20, 2021 | NASDAQ Capital Market |

Securities Registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Smaller reporting company

(Do not check if a 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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), was \$12,894,808.

As of October 14, 2016, there were 5,368,235 shares of the registrant's common stock, par value \$0.00001 per share, outstanding.

EXPLANATORY NOTE

On July 25, 2016, the Audit Committee of Collectar Biosciences, Inc.'s (the "Company") Board of Directors engaged Baker Tilly Virchow Krause, LLP ("Baker Tilly") as the Company's independent registered public accounting firm for the year ending December 31, 2016. The Company's prior auditors were discharged on July 11, 2016, as reported in the Company's Form 8-K dated July 14, 2016.

On September 20, 2016, the Audit Committee of the Company's Board of Directors engaged Baker Tilly to re-audit the Company's financial statements for the fiscal years ended December 31, 2015 and 2014 in order to replace the report issued by the predecessor auditors. The audit of our consolidated financial statements by Baker Tilly for these two years did not find any material misstatements so as to warrant any restatements of the previously issued financial statements audited by the predecessor auditors for the same periods.

We are filing this Amendment No. 2 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission (the "SEC") on March 11, 2016 (the "Original Report") and as amended by Amendment No. 1 to our Annual Report on Form 10-K, as filed with the SEC on July 18, 2016, to include the new audit report of Baker Tilly on the Company's financial statements for the fiscal years ended December 31, 2015 and 2014, to update Note 17 to the financial statements to reflect certain events occurring subsequent to the filing of our Original Report, and to file certain exhibits in Item 15.

Other than the changes outlined above, there are no changes to the Original Report as amended, and this Amendment No. 2 does not change the other disclosures contained in the Original Report as heretofore amended. Accordingly, this Amendment No. 2 should be read in conjunction with the Original Report as heretofore amended and our other filings with the SEC. In addition, except as specifically described above, this Amendment No. 2 does not reflect events occurring after the filing of the Original Report, nor does it modify or update disclosures therein in any way other than as required to reflect the revisions described above. Among other things, forward-looking statements made in the Original Report have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the Original Report, and such forward looking statements should be read in their historical context.

CELLECTAR BIOSCIENCES, INC.
FORM 10-K

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| PART II | |
| Item 8. Financial Statements | 3 |
| PART IV | |
| Item 15. Exhibits | 26 |

PART II

Item 8. Financial Statements

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS FOR COLLECTAR BIOSCIENCES, INC.

| | <u>Page</u> |
|--|-------------|
| Report of Independent Registered Public Accounting Firm | 4 |
| Consolidated Balance Sheets at December 31, 2015 and 2014 | 5 |
| Consolidated Statements of Operations for the Years Ended December 31, 2015 and 2014 | 6 |
| Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2015 and 2014 | 7 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2015 and 2014 | 8 |
| Notes to Consolidated Financial Statements | 9 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Collectar Biosciences, Inc.

We have audited the accompanying consolidated balance sheets of Collectar Biosciences, Inc. and Subsidiary (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collectar Biosciences, Inc. and Subsidiary as of December 31, 2015 and 2014 and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company incurred losses since its inception and, as of December 31, 2015 has an accumulated deficit of \$64,606,700. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
October 20, 2016

**CELLECTAR BIOSCIENCES, INC.
CONSOLIDATED BALANCE SHEETS**

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|--|------------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,857,791 | \$ 9,422,627 |
| Restricted cash | 55,000 | 55,000 |
| Prepaid expenses and other current assets | 267,783 | 220,611 |
| Total current assets | <u>4,180,574</u> | <u>9,698,238</u> |
| FIXED ASSETS, NET | 1,728,471 | 2,033,944 |
| GOODWILL | 1,675,462 | 1,675,462 |
| OTHER ASSETS | 11,872 | 11,872 |
| TOTAL ASSETS | <u>\$ 7,596,379</u> | <u>\$ 13,419,516</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of notes payable | \$ 243,590 | \$ 119,923 |
| Accounts payable and accrued liabilities | 675,924 | 933,988 |
| Derivative liability | 4,781,082 | 5,176,915 |
| Capital lease obligations, current portion | 2,449 | 2,180 |
| Total current liabilities | <u>5,703,045</u> | <u>6,233,006</u> |
| LONG-TERM LIABILITIES: | | |
| Notes payable, less current maturities | 86,632 | 330,077 |
| Deferred rent | 148,924 | 147,774 |
| Capital lease obligations, less current portion | 7,975 | 11,126 |
| Total long-term liabilities | <u>243,531</u> | <u>488,977</u> |
| Total liabilities | <u>5,946,576</u> | <u>6,721,983</u> |
| COMMITMENTS AND CONTINGENCIES (Notes 12 and 13) | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$0.00001 par value; 7,000 shares authorized; none issued and outstanding as of December 31, 2015 and 2014 | — | — |
| Common stock, \$0.00001 par value; 40,000,000 shares authorized; 858,140 and 756,276 shares issued and outstanding at December 31, 2015 and 2014, respectively | 9 | 8 |
| Additional paid-in capital | 66,256,494 | 65,809,195 |
| Accumulated deficit | (64,606,700) | (59,111,670) |
| Total stockholders' equity | <u>1,649,803</u> | <u>6,697,533</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 7,596,379</u> | <u>\$ 13,419,516</u> |

See report of independent registered public accounting firm and accompanying notes to the consolidated financial statements.

CELLECTAR BIOSCIENCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended December 31, | |
|---|--------------------------------|-----------------------|
| | 2015 | 2014 |
| COSTS AND EXPENSES: | | |
| Research and development | \$ 5,158,874 | \$ 5,964,453 |
| General and administrative | 3,395,360 | 3,704,676 |
| Restructuring costs | 203,631 | 221,816 |
| Total costs and expenses | 8,757,865 | 9,890,945 |
| LOSS FROM OPERATIONS | (8,757,865) | (9,890,945) |
| OTHER INCOME (EXPENSE): | | |
| Gain on revaluation of derivative warrants | 3,667,826 | 2,285,157 |
| Loss on issuance of derivative warrants | (404,150) | — |
| Interest expense, net | (841) | (446,314) |
| Total other income, net | 3,262,835 | 1,838,843 |
| NET LOSS | \$ (5,495,030) | \$ (8,052,102) |
| BASIC AND DILUTED NET LOSS PER COMMON SHARE | \$ (7.03) | \$ (17.53) |
| SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE | 781,975 | 459,266 |

See report of independent registered public accounting firm and accompanying notes to the consolidated financial statements.

CELLECTAR BIOSCIENCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
|---|----------------|---------------|----------------------------------|------------------------|----------------------------------|
| | Shares | Par Amount | | | |
| BALANCE AT DECEMBER 31, 2013 | 286,974 | \$ 3 | \$ 52,759,115 | \$ (51,059,568) | \$ 1,699,550 |
| Issuance of common stock and warrants, net of issuance costs | 358,333 | 4 | 11,877,139 | — | 11,877,143 |
| Fair value of warrants issued in connection with sale of common stock and recorded as a derivative liability | — | — | (4,102,709) | — | (4,102,709) |
| Issuance of common stock and warrants to extinguish convertible debentures and accrued interest | 110,969 | 1 | 4,172,434 | — | 4,172,435 |
| Stock-based compensation | — | — | 850,350 | — | 850,350 |
| Relative fair value of warrants issued with debentures | — | — | 254,024 | — | 254,024 |
| Cash paid in lieu of fractional shares in reverse stock split | — | — | (1,158) | — | (1,158) |
| Net loss | — | — | — | (8,052,102) | (8,052,102) |
| BALANCE AT DECEMBER 31, 2014 | 756,276 | 8 | 65,809,195 | (59,111,670) | 6,697,533 |
| Issuance of common stock and warrants, net of issuance costs | 101,727 | 1 | 2,867,999 | — | 2,868,000 |
| Fair value of warrants issued in connection with sale of common stock and recorded as a derivative liability, net of loss on issuance | — | — | (2,868,000) | — | (2,868,000) |
| Stock-based compensation | — | — | 447,300 | — | 447,300 |
| Cashless option exercise | 137 | — | — | — | — |
| Net loss | — | — | — | (5,495,030) | (5,495,030) |
| BALANCE AT DECEMBER 31, 2015 | 858,140 | \$ 9 | \$ 66,256,494 | \$ (64,606,700) | \$ 1,649,803 |

See report of independent registered public accounting firm and accompanying notes to the consolidated financial statements.

CELLECTAR BIOSCIENCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | |
|---|------------------------------------|---------------------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (5,495,030) | \$ (8,052,102) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation and amortization | 362,502 | 367,197 |
| Stock-based compensation | 447,300 | 850,350 |
| Non-cash interest expense related to convertible debt | — | 426,458 |
| Loss on disposal of fixed assets | 1,441 | 2,269 |
| Gain on revaluation of derivative warrants | (3,667,826) | (2,285,157) |
| Loss on issuance of derivative warrants | 404,150 | — |
| Changes in: | | |
| Prepaid expenses and other current assets | (8,603) | 74,076 |
| Accounts payable and accrued liabilities | (258,064) | (228,110) |
| Deferred rent | 1,150 | 4,540 |
| Cash used in operating activities | (8,212,980) | (8,840,479) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of fixed assets | (58,470) | (29,569) |
| Cash used in investing activities | (58,470) | (29,569) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of convertible notes | — | 4,000,000 |
| Proceeds from issuance of notes payable | — | 617,500 |
| Payment of notes payable | — | (617,500) |
| Payments on capital lease obligations | (2,882) | (1,694) |
| Reverse stock split fractional shares | — | (1,158) |
| Proceeds from issuance of common stock and warrants | 3,300,000 | 12,395,965 |
| Cash paid for issuance costs | (432,157) | (518,822) |
| Payments on long-term obligations | (119,778) | — |
| Deferred financing costs | (38,569) | — |
| Cash provided by financing activities | 2,706,614 | 15,874,291 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,564,836) | 7,004,243 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 9,422,627 | 2,418,384 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 3,857,791 | \$ 9,422,627 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Exchange of debentures and accrued interest for common stock | \$ — | \$ 4,172,435 |
| Fair value of warrants issued | \$ 3,272,000 | \$ 4,102,709 |
| Relative fair value of warrants issued with debentures | \$ — | \$ 254,024 |
| Asset acquired by the issuance of a capital lease | \$ — | \$ 13,306 |
| Cash paid for interest expense | \$ 45,542 | \$ 3,156 |

See report of independent registered public accounting firm and accompanying notes to the consolidated financial statements.

CELLECTAR BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS, ORGANIZATION AND GOING CONCERN

The Company is a biopharmaceutical company developing compounds for the treatment and imaging of cancer. Prior to February 11, 2014, the name of the Company was Novelos Therapeutics, Inc. (“Novelos”). On April 8, 2011, Novelos entered into a business combination (the “Acquisition”) with Collectar, Inc., a privately held Wisconsin corporation that designed and developed products to detect, treat and monitor a wide variety of human cancers.

References in these financial statements and notes to “Collectar, Inc.” relate to the activities and financial information of Collectar, Inc. prior to the Acquisition, references to “Novelos” relate to the activities and financial information of Novelos prior to the Acquisition and references to “Collectar Bio” or “the Company” or “we” or “us” or “our” relate to the activities and obligations of the combined Company following the Acquisition.

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 incurred losses since inception in devoting substantially all of its efforts toward research and development and has an accumulated deficit of approximately \$65,000,000 at December 31, 2015. During the year ended December 31, 2015, the Company generated a net loss of approximately \$5,495,000 and the Company expects that it will continue to generate operating losses for the foreseeable future.

The Company believes that its cash balance at December 31, 2015 is adequate to fund operations at budgeted levels into second quarter 2016. The Company’s ability to execute its operating plan beyond second quarter 2016 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements reflect the application of certain accounting policies, as described in this note and elsewhere in the accompanying notes to the consolidated financial statements. The consolidated financial statements as of and for the twelve months ended December 31, 2015 are presented on a consolidated basis.

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

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. On an on-going basis, management evaluates its estimates including those related to unbilled vendor amounts, share-based compensation and derivative liability valuation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from those estimates under different assumptions or conditions. Changes in estimates are reflected in reported results in the period in which they become known.

Cash and Cash Equivalents — All short-term investments purchased with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash — The Company accounts for cash and claims to cash that are committed for other than current operations as restricted cash. Restricted cash at December 31, 2015 and 2014 consists of a certificate of deposit of \$55,000 required under the Company's lease agreement for its Madison, Wisconsin facility (see Note 12).

Fixed Assets — Property and equipment are stated at cost. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets (5 to 10 years). Due to the significant value of leasehold improvements purchased during the initial 3-year lease term and the economic penalty for not extending the building lease, leasehold improvements are depreciated over 17 years (their estimated useful life), which represents the full term of the lease, including all extensions. With the exception of goodwill, our only long-lived assets are property and equipment. The Company periodically evaluates long-lived assets for potential impairment. Whenever events or circumstances change, an assessment is made as to whether there has been impairment to 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. (see Note 5).

Goodwill — Intangible assets at December 31, 2015 and 2014 consist of 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 (see Note 4).

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 to four 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.

Research and Development — Research and development costs are expensed as incurred.

Income Taxes — Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement basis and tax basis of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when it is more likely than not that some portion of the deferred tax assets will not be realized. Management has provided a full valuation allowance against the Company's gross deferred tax asset. Tax positions taken or expected to be taken in the course of preparing tax returns are required to be evaluated to determine whether the tax positions are "more likely than not" to be sustained by the applicable tax authority. Tax positions deemed not to meet a more-likely-than-not threshold would be recorded as tax expense in the current year. There were no uncertain tax positions that require accrual to or disclosure in the financial statements as of December 31, 2015 and 2014.

Comprehensive Loss — There were no components of comprehensive loss other than net loss in all of the periods presented.

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 long-term obligations, including the current portion, approximates fair value because the fixed interest rate approximates current market rates of interest available in the market.

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, contain “down-round” provisions whereby the number of shares for which the warrants are exercisable, and/or the exercise price of the warrants are 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 7,475,751 and 5,494,388 at December 31, 2015 and 2014, respectively. The primary underlying risk exposures pertaining to the warrants and their related fair value is the change in fair value of the underlying common stock, the market price of traded warrants, and estimated timing and probability of future financings. 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 December 31, 2015 and 2014, these warrants represented the only outstanding derivative instruments issued or held by the Company.

Concentration of Credit Risk — Financial instruments that subject the Company to credit risk consist of cash and equivalents on deposit with financial institutions. The Company’s excess cash as of December 31, 2015 and 2014 is on deposit in an interest-bearing transaction account with a well-established financial institution. At times, such amounts may exceed the FDIC insurance limits. As of December 31, 2015, uninsured cash balances totaled approximately \$3,358,000.

Development Stage Entity — In June 2014, the FASB published an Accounting Standards Update 2014-10 (ASU 2014-10) that removed the development stage entity guidance under ASC 915 Development Stage Entities, thereby eliminating the financial reporting distinction between development stage entities and other reporting entities.

In addition, ASU 2014-10 eliminates the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage.

Presentation and disclosure requirements under ASC 915 are no longer required for the first annual period beginning after December 15, 2014, including interim periods therein. Earlier adoption of the new guidance for ASC 915 is permitted for any annual or interim period for which financial statements have not yet been issued for public business entities. Accordingly, the Company elected to adopt these changes effective with the filing of its second quarter Form 10-Q on August 4, 2014.

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.

Leases — In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. The Company is currently evaluating the method of adoption and the impact of adopting ASU 2016-02 on its results of operations, cash flows and financial position.

3. FAIR VALUE

In accordance with 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 issued warrants to purchase an aggregate of 82,500 common shares in a February 2013 public offering (the "February 2013 Public Offering Warrants"). On February 20, 2014, 27,500 of the February 2013 Public Offering Warrants expired. The remaining 55,000 warrants are classified within the Level 3 hierarchy. The 494,302 August 2014 Warrants are listed on the NASDAQ Capital Market under the symbol "CLRBW," however, there are certain periods where trading volume is low; therefore, they are classified within the Level 2 hierarchy.

As is discussed further in Note 8, on October 1, 2015, the Company issued Series A warrants to purchase an aggregate of 150,000 shares of our common stock at an exercise price of \$28.30 per share, and Series B pre-funded warrants to purchase an aggregate of 48,273 shares of our common stock at an offering price of \$22.00 per share. These warrants are classified within the Level 3 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 December 31, 2015 and 2014:

| | December 31, 2015 | | | Fair Value |
|--|--------------------------|---------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Liabilities: | | | | |
| February 2013 Public Offering Warrants | \$ — | \$ — | \$ 209,000 | \$ 209,000 |
| August 2014 Warrants | — | 2,714,000 | — | 2,714,000 |
| October 2015 Warrants | — | — | 1,858,000 | 1,858,000 |
| Total | \$ — | \$ 2,714,000 | \$ 2,067,000 | \$ 4,781,000 |

| | December 31, 2014 | | | Fair Value |
|--|--------------------------|---------------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Liabilities: | | | | |
| Legacy 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 value of the February 2013 Public Offering Warrants considered to be derivative instruments, 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 rates, volatility, the contractual term of the warrants, 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 following table summarizes the modified option-pricing assumptions used:

| | Year Ended December 31, | |
|-------------------------|--------------------------------|--------------|
| | 2015 | 2014 |
| Volatility | 87.3-90.0% | 100.0-115.0% |
| Risk-free interest rate | 0.82-1.10% | 1.07-2.63% |
| Expected life (years) | 2.14-2.89 | 3.14-3.89 |
| Dividend | 0% | 0% |

In order to estimate the value of the October 2015 Warrants considered to be derivative instruments, 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, volatility, the contractual term of the warrants, 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 also classified within the Level 3 hierarchy.

The following table summarizes the modified option-pricing assumptions used:

| | Year Ended |
|-------------------------|---------------------|
| | December 31, |
| | 2015 |
| Volatility | 97.57% |
| Risk-free interest rate | 1.70% |
| Expected life (years) | 4.75 |
| Dividend | 0% |

The following table summarizes the modified option-pricing assumptions used at the issuance date:

| | October 1, 2015 | |
|-------------------------|------------------------|-----------------|
| | Series A | Series B |
| Volatility | 94.33% | 97.57% |
| Risk-free interest rate | 1.76% | 1.76% |
| Expected life (years) | 5.00 | 5.00 |
| Dividend | 0% | 0% |

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.

| | <u>Year Ended December 31,</u> | |
|--|--------------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| Beginning fair value of warrants | \$ 1,127,500 | \$ 3,355,000 |
| Fair value of warrants issued in connection with the October 2015 offering | 3,272,000 | — |
| Gain on derivatives resulting from change in fair value | <u>(2,332,500)</u> | <u>(2,227,500)</u> |
| Ending fair value of warrants | <u>\$ 2,067,000</u> | <u>\$ 1,127,500</u> |

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

4. GOODWILL

The Company has recorded goodwill of \$1,675,462 as described in Note 2. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets. There were no changes in goodwill during the years ended December 31, 2015 or 2014.

The Company is required to perform an annual impairment test related to goodwill which is performed in the fourth quarter of each year, or sooner if changes in circumstances suggest that the carrying value of an asset may not be recoverable. Due to the decline in our stock price during the fourth quarter, we experienced a significant decrease in the excess market capitalization over carrying value of the Company. As a result, we performed certain procedures to ensure that the quoted value of our stock was representative of the fair value. We reviewed the recent volume of trading, who was trading, price trends of industry peers, actual industry control premiums, and other factors. Through this analysis we concluded that the quoted value was reflective of the fair value of our stock and that the market capitalization was reliable for purposes of this test. Our analysis concluded that as of December 31, 2015, goodwill was not impaired.

5. FIXED ASSETS

Fixed assets consisted of the following at December 31:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Office and laboratory equipment | \$ 3,345,353 | \$ 3,317,386 |
| Computer software | 4,000 | 4,000 |
| Leasehold improvements | <u>2,324,672</u> | <u>2,324,672</u> |
| Total fixed assets | 5,674,025 | 5,646,058 |
| Less— accumulated depreciation and amortization | <u>(3,945,554)</u> | <u>(3,612,114)</u> |
| Fixed assets, net | <u>\$ 1,728,471</u> | <u>\$ 2,033,944</u> |

For the years ended December 31, 2015 and 2014, the Company incurred approximately \$363,000 and \$367,000 of depreciation and amortization expense, respectively.

The decline in our stock price during the fourth quarter and continuing losses resulted in a triggering event that required an impairment review of non-current assets. We performed a step 1 impairment assessment of our non-current assets by preparing a probability weighted cash flow forecast. Such an analysis is highly subjective given, the risk associated with the development, approval and marketing of our products, and the extended time required to bring our products to market. As a result, we utilized low probability weighted assumptions to reflect the risk and extended time period before which positive cash flows will be generated. This analysis indicated that the un-discounted cash flows exceeded the carrying amount and no impairment was evident.

6. AGREEMENTS

2003 License Agreement with the University of Michigan

In September 2003, Collectar, Inc. entered into an exclusive license agreement (the “U. Mich. License”) with the Regents of the University of Michigan, (“U. Mich.”) for the development, manufacture and marketing of products under several composition-of-matter patents in North America that expire in December 2016. The U. Mich. License expires upon the expiration of the last covered patent. The Company is responsible for an annual license fee of \$10,000 and is required to pay costs associated with the maintenance of the patents covered by the U. Mich. License. Additionally, the Company is required to make milestone payments of \$50,000 upon the filing of a New Drug Application (“NDA”) with the U.S. Food and Drug Administration (“FDA”) for a licensed product intended for use in a therapeutic or diagnostic application (such milestone fees may be deferred and paid within 12 months of the first commercial sale of such products) and make certain milestone payments within a year following the first commercial sale of any licensed products. The sales milestones range from \$100,000 to \$200,000, dependent upon whether the drug is for use in a diagnostic or therapeutic application, provided that if sales in the first 12 months are less than the amount of the milestone, then we are required to pay 50% of all sales until the milestone is satisfied. The milestone payments may total up to \$400,000. The U. Mich. License provides that the Company pay a royalty equal to 3% of net sales of any licensed products sold by the Company or its sub licensees for such licensed products, provided however if the sublicense fee payable to the Company is between 4% and 5% of net sales, then the royalties payable to U. Mich. Shall be equal to 50% of the sublicense fee. Furthermore, the U. Mich. License provides for a reduction in the royalties owed by up to 50% if the Company is required to pay royalties to any third parties related to the sale of the licensed products. If the Company receives any revenue in consideration of rights to the licensed technology that is not based on net sales, excluding any funded research and development, the Company is required to pay U. Mich. 10% of amounts received. U. Mich. may terminate the license agreement if the Company ceases operations, fails to make any required payment under the license agreement, or otherwise materially breaches the U. Mich. License agreement, subject to the applicable notice and cure periods. To date, the Company has made all payments as they have become due, there have been no defaults under the U. Mich. License, nor has the Company been notified of a default by U. Mich. The Company may terminate the license agreement with six months’ notice to U. Mich. and the return of licensed product and related data. The U. Mich. License contains milestones that required certain development activities to be completed by specified dates. All such development milestones have either been completed or have been removed by subsequent amendment to the agreement. U. Mich. has provided no warranties as to validity or otherwise with respect to the licensed technology.

The Company incurred expenses of approximately \$500 for the reimbursement of patent maintenance fees to U. Mich. during the years ended December 31, 2015 and 2014. As of December 31, 2015 and 2014, all annual license fees have been paid in a timely manner.

2015 Material Transfer Arrangement with Pierre Fabre

On December 14, 2015 the Company entered into an arrangement (the “MTA”) with Institut de Recherche Pierre Fabre (“IRPF”). Under this arrangement, IRPF will provide a selection of its proprietary cytotoxics to the Company for use in an in vivo proof-of-concept study to evaluate the potential to create new drug conjugates (“NDCs”) in combination with the Company’s proprietary Phospholipid Drug Conjugate platform technology. The Company will own all intellectual property associated with the NDCs developed as part of the research collaboration. If the Company decides to further develop any of the NDCs for preclinical studies, the Company will enter into good faith discussions with IRPF to acquire an option to in-license the IRPF Materials. In the event that the Company proposes to enter into a business relationship with a third party for advancement of the NDCs, the Company will grant IRPF a right of first refusal to enter into the same business relationship, which will be exercisable by IRPF within 60 days. In the event that the Company does not choose to further develop the NDCs for preclinical studies and IRPF desires to do so within four years following expiration of this arrangement, the Company and IRPF will enter into good faith business discussions relating to IRPF’s use of the results of the study and certain of the Company’s proprietary technologies relating to the IRPF Materials. The Company has agreed to perform the study by December 14, 2017, and the Company’s obligation to grant a right of first refusal will continue for four years following the date on which the Company provides the results of the study to IRPF.

7. LONG-TERM NOTES PAYABLE

On September 15, 2010, Collectar, Inc. entered into certain loan agreements with the Wisconsin Department of Commerce (the “WDOC Notes”) to borrow a total of \$450,000. The WDOC Notes bear interest at 2% per annum beginning on the date of disbursement and allow for the deferral of interest and principal payments until April 30, 2015. In the event of default of payment, interest on the delinquent payment is payable at a rate equal to 12% per annum. Monthly payments of \$20,665 for principal and interest commenced on May 1, 2015 and continue for 23 equal installments with the final installment of any remaining unpaid principal and interest due on April 1, 2017.

As of December 31, 2015, notes payable mature as follows:

| Years ending December 31, | |
|---------------------------|-------------------|
| 2016 | \$ 243,590 |
| 2017 | 86,632 |
| | <u>\$ 330,222</u> |

The Company recorded interest expense related to these notes of approximately \$4,000 and \$17,000 for the years ended December 31, 2015 and 2014, respectively.

On February 6, 2014, the Company sold \$4,000,000 in aggregate principal of convertible debentures and warrants to purchase 400,000 shares of its common stock for an aggregate purchase price of \$4,000,000. The debentures and warrants were extinguished through the holders' participation in the public offering completed by the Company in August 2014 (see Note 8).

8. STOCKHOLDERS' EQUITY

October 2015 Registered Direct Offering

On October 1, 2015, the Company completed a registered direct offering of 101,727 shares of our common stock and Series B pre-funded warrants to purchase an aggregate of 48,273 shares of our common stock at an offering price of \$22.00 per share (collectively, the "2015 Registered Offering").

In a concurrent private placement (the "2015 Private Placement" and, together with the 2015 Registered Offering, the "2015 Offerings"), the Company issued a Series A warrant (the "Series A Warrants" and, together with the Shares and the Pre-Funded Warrants, the "Securities") to purchase one share of our common stock for each share of common stock purchased or pre-funded in the Registered Offering. The Series A Warrants cover, in the aggregate, 150,000 shares of common stock and become exercisable six months following the date of issuance at an exercise price of \$28.30 per share and expire five years from the date they become exercisable. The Offerings resulted in gross proceeds of \$3,300,000 and net proceeds of approximately \$2,868,000. A charge of approximately \$404,000 was recorded in the year ended December 31, 2015 and represents the amount by which the initial fair value of warrants issued in connection with the October 2015 Public Offering exceeded the net proceeds received from the offering. The net proceeds of the offering were allocated first to the warrants based on their fair value with the residual to common stock. The actual net proceeds were less than the combined fair value of the warrants at the closing date. As a result the company recorded a loss on issuance of derivative warrants of \$404,150. Additionally, the placement agent received a warrant to purchase up to 3,750 shares of our common stock at \$28.30 per share, the fair value of which was approximately \$61,000 at issuance and had no effect on stockholders' equity.

Under the terms of the Pre-Funded Warrants, if the Company issues shares of common stock or common stock equivalents at a purchase price (a "Dilutive Price") less than the then-effective warrant share purchase price for the Pre-Funded Warrants, which is initially \$22.00 per share, the number of shares of Common Stock issuable upon the exercise of the Pre-Funded Warrants will be increased to equal (i) the product of the then-effective warrant share purchase price multiplied by the number of shares of Common Stock for which the Pre-Funded Warrants may be exercised, divided by (ii) the Dilutive Price. Following any such adjustment, the warrant share purchase price shall be adjusted to equal the Dilutive Price. Similarly, until the Company completes an equity financing with gross proceeds of at least \$10.0 million, if the Company issues shares of common stock or common stock equivalents for a purchase price less than the then-effective exercise price for the Series A Warrants, the exercise price of the Series A Warrants will be lowered to equal that lower price.

In connection with the entry into the purchase agreement, the Company and the purchasers entered into a registration rights agreement, which required the Company to file a registration statement on Form S-3 to provide for the resale of the shares of Common Stock issuable upon the exercise of the Series A Warrants. The Company will also be required to file one or more registration statements from time to time to register the issuance or resale of any additional shares of Common Stock that may become issuable as a result of the Offerings. The Company will be obligated to use its commercially reasonable efforts to keep any registration statement effective until the earlier of (i) the date on which the shares of Common Stock subject to the registration statement may be sold without registration pursuant to Rule 144 under the Securities Act, or (ii) the date on which all of the shares of Common Stock subject to the registration statement have been sold under the registration statement or pursuant to Rule 144 under the Securities Act or any other rule of similar effect.

2014 Reverse Stock Split and Recapitalization

At the annual meeting of stockholders held on May 22, 2014, the Company's stockholders approved an amendment to our certificate of incorporation to effect a reverse split of the Company's common stock at a ratio between 1:10 to 1:20 in order to satisfy requirements for the listing of the Company's common stock on the NASDAQ Capital Market. In addition, the proposal approved by the stockholders provided that if the reverse split was effected, the number of shares of common stock that the Company is authorized to issue would be reduced from 150,000,000 to the greater of (A) 20,000,000 and (B) the number of shares equal to three (3) times the sum of the number of all shares of common stock outstanding and the number of shares of common stock issuable upon exercise or conversion of all outstanding options, warrants and convertible debt. The Company's stockholders further authorized the board of directors to determine the ratio at which the reverse split would be effected and the corresponding reduction in authorized shares of common stock by filing an appropriate amendment to the Company's certificate of incorporation. The board of directors authorized the ratio of the reverse split and corresponding reduction in authorized shares on June 6, 2014, and effective at the close of business on June 13, 2014, the certificate of incorporation was amended to effect a 1-for-20 reverse split of the Company's common stock (the "Listing Reverse Split") and reduce the number of authorized shares of common stock to 20,000,000 from 150,000,000. All share and per share numbers included in these consolidated financial statements give effect to the Listing Reverse Split.

August 2014 Underwritten Offering

On August 20, 2014, the Company completed an underwritten public offering of 358,333 shares of its common stock and warrants to purchase 383,333 shares of its common stock at an exercise price of \$46.80 per share, expiring on August 20, 2019. The offering price was \$37.50 per common share and \$.10 per warrant, which 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 totaling \$1,598,689, including those previously included as deferred issuance costs, was recorded as a reduction of the gross proceeds received. The underwriter also received warrants to purchase 9,699 shares of common stock at an exercise price of \$46.88 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 Company used the Black-Scholes option pricing model to value the warrants issued to the underwriter and applied assumptions that consider, 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 are generally consistent with those disclosed for stock-based compensation (see Note 9).

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. As discussed in Note 1A above, since the warrants have a certain type of cash settlement feature, the Company has determined that these warrants should be classified as a derivative liability.

Due to the issuance of common stock at \$37.50 per share as part August 2014 Underwritten Offering, the remaining outstanding warrants issued as part of the February 2013 Public Offering, as well as the Legacy Warrants (see Note 3) were adjusted to reflect the revised exercise price of \$37.50 each.

As a result of the August 2014 Underwritten Offering, the Company's common stock and the warrants issued in the offering were listed on the NASDAQ Capital Market under the ticker symbols CLRB and CLRBW, respectively.

August 2014 Debenture Tender and Exchange

In conjunction with the August 2014 Underwritten Offering, all of the debenture holders elected to participate in the offering of common stock and warrants at the combined offering price of \$37.60 per share. As a result, the \$4,000,000 principal amount of debentures and accrued interest of \$172,435 was extinguished in exchange for 110,969 shares of the Company's common stock and warrants to purchase 110,969 shares of common stock at \$46.80 per share.

Registration Rights

In connection with securities purchase agreements entered into on April 8, 2011 with certain accredited investors, the Company is subject to certain registration requirements. The Company filed a registration statement with the SEC on July 17, 2012 covering the resale of 20,000 shares of common stock pursuant to the registration requirements and this registration statement was declared effective on July 26, 2012. The Company is required to keep the registration statement continuously effective under the Securities Act of 1933, as amended (the "Securities Act"), until the earlier of the date when all the registrable securities covered by the registration statement have been sold or such time as all the registrable securities covered by the registration statement can be sold under Rule 144 without any volume limitations. The Company will be allowed to suspend the use of the registration statement for not more than 30 consecutive days on not more than two occasions in any 12-month period (the "Allowed Delay"). If the Company suspends the use of the registration for longer than the Allowed Delay, it may be required to pay to the purchasers liquidated damages equal to 1.5% per month (pro-rated on a daily basis for any period of less than a full month) of the aggregate purchase price of the units purchased until the use of the registration statement is no longer suspended, not to exceed 5% of the aggregate purchase price. As of December 31, 2015, and through the date of this filing, the Company has not concluded that it is probable that damages will become due; therefore, no accrual for damages has been recorded.

Additionally, in connection with registered offerings of common stock and warrants during 2013, the Company has entered into certain securities purchase agreements which require the Company to use commercially reasonable efforts to keep the applicable registration statements effective for the issuance of shares of common stock pursuant to the exercise of warrants issued in the offering as long as the warrants remain outstanding.

Common Stock Warrants

The following table summarizes information with regard to outstanding warrants to purchase common stock as of December 31, 2015.

| Offering | Number of Shares Issuable Upon Exercise of Outstanding Warrants | Exercise Price | Expiration Date |
|--|--|---------------------------|------------------------|
| October 2015 Registered Offering ⁽¹⁾ | 150,000 | \$ 28.30 | April 1, 2021 |
| October 2015 Private Placement ⁽¹⁾ | 48,273 | \$ 22.00 | October 1, 2020 |
| October 2015 Offering – Placement Agent | 3,750 | \$ 28.30 | October 1, 2020 |
| August 2014 Public Offering ⁽¹⁾ | 504,001 | \$ 46.80 | August 20, 2019 |
| February 2013 Public Offering ⁽¹⁾ | 55,000 | \$ 22.00 ⁽²⁾ | February 20, 2018 |
| February 2013 Public Offering – Placement Agents | 3,850 | \$ 125.00 | February 4, 2018 |
| November 2012 Private Placement | 5,000 | \$ 250.00 | November 2, 2017 |
| June 2012 Public Offering | 14,907 | \$ 250.00 | June 13, 2017 |
| December 2011 Underwritten Offering | 46,241 | \$ 120.00 | December 6, 2016 |
| April 2011 Private Placement | 30,292 | \$ 150.00 | March 31, 2016 |
| Total | 861,314 | | |

- (1) These warrants have a certain type of cash settlement feature or their exercise prices or the number of shares for which the warrant may be exercised are subject to adjustment for “down-rounds” and the warrants have been accounted for as derivative instruments as described in Note 3, with the exception of 9,699 warrants issued in August 2014.
- (2) Due to the issuance of common stock at \$22.00 per share as part of the October 2015 Registered Offering, the remaining outstanding warrants issued as part of the February 2013 Public Offering were adjusted to reflect the revised exercise price of \$22.00 each.

Reserved Shares

The following shares were reserved for future issuance upon exercise of stock options and warrants:

| | December 31, | |
|---|---------------------|----------------|
| | 2015 | 2014 |
| Warrants | 861,314 | 660,410 |
| Stock options | 70,916 | 71,947 |
| Total number of shares reserved for future issuance | <u>932,230</u> | <u>732,357</u> |

9. STOCK-BASED COMPENSATION

2015 Stock Incentive Plan. The 2015 Stock Incentive Plan (the “2015 Plan”) was approved for a total of 70,000 shares of common stock and are authorized for issuance under the plan for grants of incentive or nonqualified stock options, rights to purchase restricted and unrestricted shares of common stock, stock appreciation rights and performance share grants. A committee of the board of directors determines exercise prices, vesting periods and any performance requirements on the date of grant, subject to the provisions of the Plan. Options are granted at or above the fair market value of the common stock at the grant date and expire on the tenth anniversary of the grant date. Vesting periods are generally between one and four years. Options granted pursuant to the Plan generally will become fully vested upon a termination event occurring within one year following a change in control, as defined. A termination event is defined as either termination of employment or services other than for cause or constructive termination of employees or consultants resulting from a significant reduction in either the nature or scope of duties and responsibilities, a reduction in compensation or a required relocation. The 2015 Plan replaces our 2006 Stock Incentive Plan (the “2006 Plan”). Awards will no longer be granted under the 2006 Plan; however, all outstanding awards under the 2006 Plan will remain in effect according to the terms of the 2006 Plan and the respective agreements relating to such awards. In addition, any shares that are currently available under the 2006 Plan and any shares underlying awards under the 2006 Plan which are forfeited, cancelled, reacquired by the Company or otherwise terminated will instead be added to the number of shares available for grant under the 2015 Plan. The 2015 Plan was approved by stockholders at our 2015 Annual Meeting of Stockholders. As of December 31, 2015, there are an aggregate of 106,577 shares available for future grants under the Plan.

2006 Stock Option Plan. Prior to the approval of the 2015 Stock Incentive Plan, option grants to directors and employees were made under the 2006 Plan. A total of 70,000 shares of common stock were authorized for issuance under the Plan for grants of incentive or nonqualified stock options, rights to purchase restricted and unrestricted shares of common stock, stock appreciation rights and performance share grants. A committee of the board of directors determined exercise prices, vesting periods and any performance requirements on the date of grant, subject to the provisions of the Plan. Options were granted at or above the fair market value of the common stock at the grant date and expire on the tenth anniversary of the grant date. Vesting periods were generally between one and four years. Options granted pursuant to the Plan generally will become fully vested upon a termination event occurring within one year following a change in control, as defined. A termination event is defined as either termination of employment or services other than for cause or constructive termination of employees or consultants resulting from a significant reduction in either the nature or scope of duties and responsibilities, a reduction in compensation or a required relocation.

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:

| | <u>Year Ended December 31,</u> | |
|--|--------------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Employee and director stock option grants: | | |
| Research and development | \$ 130,901 | \$ 174,666 |
| General and administrative | 317,257 | 621,563 |
| Restructuring costs | — | 47,853 |
| | <u>448,158</u> | <u>844,082</u> |
| Non-employee consultant stock option grants: | | |
| Research and development | (858) | 6,268 |
| General and administrative | — | — |
| | <u>(858)</u> | <u>6,268</u> |
| Total stock-based compensation | <u>\$ 447,300</u> | <u>\$ 850,350</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 required service period which is generally 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, during the periods ended December 31, 2015 and 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:

| | Year Ended December 31, | |
|--|--------------------------------|-------------|
| | 2015 | 2014 |
| Volatility | 106%-107% | 107%-109% |
| Risk-free interest rate | 1.70%-1.95% | 1.76%-1.83% |
| Expected life (years) | 6 | 6 |
| Dividend | 0% | 0% |
| Weighted-average exercise price | \$ 26.50 | \$ 36.90 |
| Weighted-average grant-date fair value | \$ 21.60 | \$ 30.10 |

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, 2013 | 63,466 | \$ 180.70 | | |
| Granted | 12,030 | \$ 36.90 | | |
| Expired | (1,844) | \$ 241.90 | | |
| Forfeited | (1,706) | \$ 145.80 | | |
| Outstanding at December 31, 2014 | 71,946 | \$ 155.90 | | |
| Granted | 46,520 | \$ 26.50 | | |
| Exercised | (833) | \$ 27.40 | | |
| Expired | (18,340) | \$ 241.80 | | |
| Forfeited | (28,377) | \$ 82.20 | | |
| Outstanding at December 31, 2015 | 70,916 | 79.80 | | |
| Vested, December 31, 2015 | 23,683 | \$ 180.70 | 5.70 | \$ — |
| Unvested, December 31, 2015 | 47,233 | \$ 29.20 | 9.35 | \$ — |
| Exercisable at December 31, 2015 | 23,683 | \$ 180.70 | 5.70 | \$ — |

Exercise prices for all grants made during the twelve months ended December 31, 2015 and 2014 were equal to or greater than the market value of the Company's common stock on the date of grant. 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 were 833 options exercised in 2015. Shares of common stock issued upon the exercise of options are from authorized but unissued shares.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2015 and 2014 was \$21.60 and \$30.10, respectively. The total fair value of shares vested during the years ended December 31, 2015 and 2014 was \$449,649 and \$936,310, respectively. The weighted-average grant-date fair value of vested and unvested options outstanding at December 31, 2015 was \$125.70 and \$23.90, respectively. The weighted-average grant-date fair value of vested and unvested options outstanding at December 31, 2014 was \$145.50 and \$46.70, respectively.

The weighted average grant date fair value of options expired during the years ended December 31, 2015 and December 31, 2014 was \$126.10 and \$196.21, respectively. The weighted average grant date fair value of options forfeited during the years ended December 31, 2015 and December 31, 2014 was \$47.09 and \$58.70, respectively. The number of options vested during the years ended December 31, 2015 and December 31, 2014 was 9,466 and 10,912, respectively. The number of options unvested at January 1, 2015 and January 1, 2014 was 38,555 and 39,144, respectively. The weighted average grant date fair value of options unvested at January 1, 2015 and January 1, 2014 was \$49.52 and \$65.99, respectively.

As of December 31, 2015, there was \$964,935 of total unrecognized compensation cost related to unvested stock-based compensation arrangements. Of this total amount, the Company expects to recognize \$376,553, \$292,060, \$206,132 and \$90,190 during 2016, 2017, 2018 and 2019 respectively. The Company expects options to purchase 46,404 shares to vest in the future.

10. INCOME TAXES

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|--------------------|--------------------|
| Tax provision (benefit) | | |
| Current | | |
| Federal | \$ — | \$ — |
| State | — | — |
| Total current | <u>—</u> | <u>—</u> |
| Deferred | | |
| Federal | (3,105,641) | (3,868,524) |
| State | 42,562 | 810,914 |
| Total deferred | <u>(3,063,079)</u> | <u>(3,057,610)</u> |
| Change in valuation allowance | 3,063,079 | 3,057,610 |
| Total | <u>\$ —</u> | <u>\$ —</u> |

Deferred tax assets consisted of the following at December 31:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Deferred tax assets | | |
| Federal net operating loss | \$ 32,565,906 | \$ 29,246,965 |
| Federal research and development tax credit carryforwards | 2,858,628 | 2,689,775 |
| State net operating loss | 1,812,722 | 1,813,954 |
| State research and development tax credit carryforwards | 806,568 | 753,818 |
| Capitalized research and development expenses | 9,883,932 | 10,609,942 |
| Stock-based compensation expense | 1,993,664 | 1,758,909 |
| Charitable contributions carryforwards | 340 | — |
| Intangible assets | 253,971 | 313,412 |
| Charitable contribution carryforwards | — | — |
| Accrued liabilities | 35,332 | 35,392 |
| Total deferred tax assets | <u>50,211,063</u> | <u>47,222,167</u> |
| Deferred tax liabilities | | |
| Depreciable assets | (171,602) | (245,785) |
| Total deferred tax liabilities | <u>(171,602)</u> | <u>(245,785)</u> |
| Net deferred tax assets | <u>50,039,461</u> | <u>46,976,382</u> |
| Less— valuation allowance | (50,039,461) | (46,976,382) |
| Total deferred tax assets | <u>\$ —</u> | <u>\$ —</u> |

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations is as follows:

| | Year ended December 31, | |
|--|--------------------------------|-------------|
| | 2015 | 2014 |
| Income tax benefit using U.S. federal statutory rate | 34.00% | 34.00% |
| State income taxes | (0.50)% | (6.65)% |
| Permanent items | 23.18% | 9.62% |
| Change in valuation allowance | (55.76)% | (37.98)% |
| Other | (0.92)% | 1.01% |
| Total | <u>—%</u> | <u>—%</u> |

As of December 31, 2015, the Company had federal and state net operating loss carryforwards (“NOLs”) of approximately \$95,782,000 and \$34,530,000 respectively, which expire in 2018 through 2034 and in 2015 through 2034, respectively. In addition, the Company has federal and state research and development and investment tax credits of approximately \$2,859,000 and \$1,222,000, respectively which expire in 2018 through 2033 and in 2018 through 2028, respectively. The amount of NOLs and tax credit carryforwards which may be utilized annually in future periods will be limited pursuant to Section 382 of the Internal Revenue Code as a result of substantial changes in the Company’s ownership that have occurred or that may occur in the future. The Company has not quantified the amount of such limitations.

Because of the Company’s 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 gross deferred tax asset.

The Company did not have unrecognized tax benefits or accrued interest and penalties at any time during the years ended December 31, 2015 or 2014, and does not anticipate having unrecognized tax benefits over the next twelve months. The Company is subject to audit by the IRS and state taxing authorities for tax periods commencing January 1, 2009. Additionally, the Company may be subject to examination by the IRS for years beginning prior to January 1, 2009 as a result of its NOLs. However, any adjustment related to these periods would be limited to the amount of the NOL generated in the year(s) under examination.

11. 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 years ended December 31, 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:

| | Year Ended December 31, | |
|---------------|--------------------------------|----------------|
| | 2015 | 2014 |
| Warrants | <u>861,314</u> | <u>660,410</u> |
| Stock options | <u>70,916</u> | <u>71,947</u> |

12. COMMITMENTS

Real Property Leases

On September 5, 2007, Collectar, Inc. entered into a 36-month lease for office and manufacturing space, commencing September 15, 2007. The lease provides for the option to extend the lease under its current terms for seven additional two-year terms. Rent was \$8,050 per month for the first year and then escalates by 3% per year for the duration of the term including any lease extension terms. The lease also requires the payment of monthly rent of \$1,140 for approximately 3,400 square feet of expansion space. The monthly rent for the expansion space is fixed until such time as the expansion space is occupied at which time the rent would increase to the current per square foot rate in effect under the original lease terms. The Company is responsible for certain building-related costs such as property taxes, insurance, and repairs and maintenance. Rent expense is recognized on a straight-line basis and accordingly the difference between the recorded rent expense and the actual cash payments has been recorded as deferred rent as of each balance sheet date. Due to the significant value of leasehold improvements purchased during the initial 3-year lease term and the economic penalty for not extending the building lease, straight-line rent expense and the associated deferred rent has been calculated over 17 years, which represents the full term of the lease, including all extensions.

The Company is required to remove certain alterations, additions and improvements upon termination of the lease that altered a portion of the rentable space. In no event shall the cost of such removal, at commercially reasonable rates, paid by the Company exceed \$55,000 (the "Capped Amount"). Any amount in excess of the Capped Amount shall be the obligation of the landlord. The Company is required to maintain a certificate of deposit equal to the Capped Amount during the term of the lease, which amount is shown as restricted cash on the accompanying balance sheets.

In February 2014, the Company exercised its option to extend the lease for an additional two-year term that commenced on September 15, 2014 and continues through September 14, 2016 (see Note 17).

As of December 31, 2015, future minimum lease payments under this non-cancelable lease are approximately as follows:

| | |
|---------------------------|------------------|
| Years ending December 31, | |
| 2016 | \$ 88,000 |
| Thereafter | — |
| | <u>\$ 88,000</u> |

Rent expense was approximately \$142,000 and \$180,000 for the years ended December 31, 2015 and 2014, respectively.

13. 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.

On August 14, 2015 we received a notice from NASDAQ of non-compliance with its continuing listing rules, namely that our stockholders' equity at June 30, 2015 of \$2,373,371, as reported in our Form 10-Q for the quarter then ended, was less than \$2,500,000 minimum. The failure to meet continuing compliance standards subjects our common stock to delisting. We have requested, and the NASDAQ has granted, a hearing to be conducted in March 2016, at which the Company will request an extension of time to effect transactions to allow us to regain compliance and to report the same. There can be no assurance that NASDAQ will grant the extension we are seeking as a result of the hearing, or that we will be able to effect such transactions on a timely basis or at all. The delisting of our common stock from NASDAQ may make it more difficult for us to raise capital on favorable terms in the future (see Note 17).

On January 21, 2016 we received a notice from NASDAQ of non-compliance with its listing rules regarding the requirement that the listed securities maintain a minimum bid price of \$1 per share. Based upon the closing bid price for the last 30 consecutive business days, the Company no longer meets this requirement. However, the Rules also provide the Company a compliance period of 180 calendar days in which to regain compliance (see Note 17).

14. EMPLOYEE RETIREMENT PLAN

The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code that allows eligible employees who meet minimum age requirements to contribute a portion of their annual compensation on a pre-tax basis. The Company has not made any matching contributions under this plan.

15. RELATED PARTY TRANSACTIONS

The Company's Chief Scientific Officer and principal founder of Collectar, Inc. and a director and shareholder of the Company, is a faculty member at the University of Wisconsin-Madison ("UW"). During 2015 the Company incurred approximately \$178,000 in expenses from UW for costs associated with clinical trial agreements. During 2014 the Company incurred approximately \$290,000 in expenses from UW which was also related to the costs associated with clinical trial agreements. The Company had accrued liabilities to UW of approximately \$40,000 and \$353,000 as of December 31, 2015 and 2014, respectively.

16. RESTRUCTURING COSTS AND OTHER CORPORATE CHANGES

On June 15, 2015, the Company appointed a new President and Chief Executive Officer, who was also named to the Company's Board as a Class II director. The former President, Chief Executive Officer and Class II director retired from each of those positions. In addition, during third quarter 2015 the Company eliminated certain personnel positions, which resulted in restructuring charges of approximately \$204,000 being recorded in the twelve months ended December 31, 2015.

Restructuring costs in 2014 related primarily to the restructuring of the Company's management and was composed of approximately \$208,000 for severance and stock-based compensation.

17. SUBSEQUENT EVENTS

Reverse Stock Split

At a special meeting held on February 8, 2016, the Company's stockholders approved an amendment to the Company's certificate of incorporation to effect a reverse split of the Company's common stock at a ratio between 1:5 to 1:10 in order to ensure that adequate authorized but unissued shares would be available for anticipated future financings, and to satisfy requirements for the continued listing of the Company's common stock on the NASDAQ Capital Market. In addition, the proposal approved by the stockholders provided that if the reverse split was effected, the number of shares of common stock that the Company is authorized to issue would remain unchanged at 40,000,000. The Company's stockholders further authorized the board of directors to determine the ratio at which the reverse split would be effected by filing an appropriate amendment to the Company's certificate of incorporation. The board of directors authorized the ratio of the reverse split and corresponding reduction in authorized shares on February 24, 2016, and effective at the close of business on March 4, 2016, the Company's certificate of incorporation was amended to effect a 1-for-10 reverse split of the Company's common stock (the "2016 Reverse Split"). All share and per share numbers included in these consolidated financial statements give effect to the 2016 Reverse Split.

2016 Underwritten Offering

On April 15, 2016 the Company entered into an Underwriting Agreement with Ladenburg Thalmann & Co., Inc. in connection with the Company's Registration Statement on Form S-1. Pursuant to the Underwriting Agreement, the Company agreed to sell to the Underwriter 1,378,364 shares of common stock, Series B pre-funded warrants to purchase 1,908,021 shares of common stock and Series A warrants to purchase 3,286,385 shares of common stock, plus up to an additional 492,957 shares of common stock and Series A warrants to purchase up to an additional 492,957 shares of common stock in the event of the exercise by the Underwriter of its over-allotment option. The public offering price of a share of common stock together with a Series A warrant to purchase one share of common stock was \$2.13. The public offering price of a Series B pre-funded warrant to purchase one share of common stock together with a Series A warrant to purchase one share of common stock was \$2.12. The Series B pre-funded warrants have an exercise price of \$0.01 per share, are immediately exercisable and do not expire. The Series A warrants have an exercise price of \$3.04 per share, are exercisable for five years from the date of issuance, and are callable by the Company under certain circumstances.

On April 20, 2016 the Company closed on its underwritten public offering (the "2016 Underwritten Offering") of 1,871,321 shares of its common stock and Series B pre-funded warrants to purchase 1,908,021 shares of common stock, plus the issuance of Series A warrants to purchase 3,779,342 shares of common stock, reflecting the exercise in full of the Underwriter's over-allotment option. The gross proceeds of the offering amounted to approximately \$8.0 million with net proceeds to the Company of approximately \$7.2 million.

Warrant Restructuring

On April 13, 2016, the Company entered into an exchange and amendment agreement (the "Warrant Restructuring Agreement") pursuant to which the Company agreed to exchange the 2015 Pre-Funded Warrants relating to 48,274 shares of the Company's common stock for shares of a newly designated Series Z Convertible Preferred Stock (the "Series Z Preferred Stock") having an aggregate stated value equal to approximately \$1,062,000, which was the aggregate purchase price of the 2015 Pre-Funded Warrants. The exchange of the 2015 Pre-Funded Warrants for shares of Series Z Preferred Stock was conditioned upon the Company obtaining the approval of its stockholders as required by the applicable rules and regulations of the Nasdaq Stock Market. The Company agreed to hold a meeting of stockholders to obtain their approval of the issuance of the Series Z Preferred Stock and the shares of common stock issued upon conversion, which occurred on June 29, 2016; however, prior to that date, the holders of all the 2015 Pre-Funded Warrants chose to exercise them, eliminating the need for the exchange or stockholder approval.

Pursuant to the Warrant Restructuring Agreement, the Company also agreed with the holders of 2015 Series A Warrants that upon the consummation of the 2016 Underwritten Offering, the exercise price of the 2015 Series A Warrants would be reduced to the public offering price per share of the shares of common stock sold in this offering and that the warrants would be amended such that the exercise price would no longer be subject to adjustment in connection with future equity offerings we may undertake. On April 20, 2016, the Company issued to each of those holders, pursuant to the amendment, a new warrant to purchase 300,006 shares of common stock underlying the 2015 Series A Warrants held by them. The new warrants have an exercise price equal to \$2.13 (the public offering price of the shares of

common stock sold in the 2016 Underwritten Offering), become exercisable on October 20, 2016, and expire on the fifth anniversary of that date.

As a result of the amendment to the 2015 Series A Warrant agreement eliminating any future price adjustment potential in the 2015 Series A Warrants, and the settlement of the 2015 Series B Warrants due to their having been exercised, the fair value of these warrants on the date of amendment or settlement, respectively, has been reclassified to equity.

Nasdaq Listing

At a hearing on March 31, 2016, the Company requested, and Nasdaq granted, an extension through May 16, 2016, to effect transactions to allow us to regain compliance with Nasdaq's continuing listing rules and to report the same. On April 20, 2016, the Company closed the 2016 Underwritten Offering, and on May 16, 2016, Nasdaq issued a determination that the Company had evidenced compliance with all requirements for continued listing on The Nasdaq Capital Market and, accordingly, the listing qualifications matter had been closed.

Real Property Lease

In March 2016, the Company exercised its option to extend the lease for its primary office and manufacturing space for an additional two-year term that commenced on September 15, 2016 and continues through September 14, 2018.

PART IV

Item 15. Exhibits.

| Exhibit No. | Description | Filed with this Form 10-K/A | Incorporated by Reference | | Exhibit No. |
|--------------------|--|------------------------------------|----------------------------------|--------------------|--------------------|
| | | | Form | Filing Date | |
| 2.1 | Agreement and Plan of Merger by and among Novelos Therapeutics, Inc., Cell Acquisition Corp. and Collectar, Inc. dated April 8, 2011 | | 8-K | April 11, 2011 | 2.1 |
| 3.1 | Second Amended and Restated Certificate of Incorporation | | 8-K | April 11, 2011 | 3.1 |
| 3.2 | Certificate of Ownership and Merger of Collectar Biosciences, Inc. with and into Novelos Therapeutics, Inc. | | 8-K | February 11, 2014 | 3.1 |
| 3.3 | Certificate of Amendment to Second Amended and Restated Certificate of Incorporation | | 8-K | June 13, 2014 | 3.1 |
| 3.4 | Certificate of Amendment to Second Amended and Restated Certificate of Incorporation | | 8-K | June 19, 2015 | 3.2 |
| 3.5 | Certificate of Amendment to Second Amended and Restated Certificate of Incorporation | | 8-K | March 4, 2016 | 3.1 |
| 3.6 | Amended and Restated By-laws | | 8-K | June 1, 2011 | 3.1 |
| 4.1 | Form of common stock certificate | | S-1/A | November 9, 2011 | 4.1 |
| 5.1 | Legal Opinion of Foley Hoag LLP | | S-1/A | July 7, 2014 | 5.1 |
| 10.1 | Form of non-plan non-qualified stock option used from February to May 2005 * | | SB-2 | November 16, 2005 | 10.4 |
| 10.2 | Form of non-plan non-qualified stock option used after May 2005 * | | SB-2 | November 16, 2005 | 10.5 |
| 10.3 | 2006 Stock Incentive Plan, as amended * | | 8-K | December 18, 2013 | 10.1 |
| 10.4 | Form of Incentive Stock Option under Novelos Therapeutics, Inc.'s 2006 Stock Incentive Plan* | | 8-K | December 15, 2006 | 10.1 |
| 10.5 | Form of Non-Statutory Stock Option under Novelos Therapeutics, Inc.'s 2006 Stock Incentive Plan* | | 8-K | December 15, 2006 | 10.2 |
| 10.6 | Common Stock Purchase Warrant dated February 11, 2009 | | 8-K | February 18, 2009 | 4.2 |
| 10.7 | Form of Common Stock Purchase Warrant issued pursuant to the Consent and Waiver of Holders of Series C Convertible Preferred Stock and Series E Convertible Preferred Stock dated July 6, 2010 | | S-1A | July 7, 2010 | 10.53 |
| 10.8 | Form of Common Stock Purchase Warrant dated April 8, 2011 | | 8-K | April 11, 2011 | 4.3 |
| 10.9 | Securities Purchase Agreement dated April 8, 2011 | | 8-K | April 11, 2011 | 10.1 |
| 10.10 | License Agreement between Collectar, LLC and the Regents of the University of Michigan dated September 14, 2003, as amended through June 2010 | | S-1 | July 1, 2011 | 10.31 |
| 10.11 | Lease Agreement between Collectar, LLC and McAllen Properties LLC, as amended and extended | | S-1 | July 1, 2011 | 10.32 |
| 10.12 | Loan Agreement between the Wisconsin Department of Commerce and Collectar, Inc. dated September 15, 2010 | | S-1 | July 1, 2011 | 10.33 |

| | | | | |
|-------|--|-------|--------------------|-------|
| 10.13 | General Business Security Agreement dated September 15, 2010 | S-1 | July 1, 2011 | 10.34 |
| 10.14 | Form of Warrant dated December 6, 2011 | S-1/A | November 9, 2011 | 4.2 |
| 10.15 | Placement Agent Agreement dated April 9, 2012 between the Company and Rodman and Renshaw, LLC | S-1 | April 9, 2012 | 10.31 |
| 10.16 | Securities Purchase Agreement dated June 7, 2012 | 8-K | June 11, 2012 | 10.1 |
| 10.17 | Amendment Agreement dated May 11, 2012 between the Company and Rodman and Renshaw, LLC | S-1/A | May 14, 2012 | 10.33 |
| 10.18 | Form of Common Stock Purchase Warrant dated June 13, 2012 | 8-K | June 11, 2012 | 4.1 |
| 10.19 | Securities Purchase Agreement between the Company and Renova Industries Ltd. | 10-Q | November 6, 2012 | 10.2 |
| 10.20 | Form of Securities Purchase Agreement | 8-K | February 14, 2013 | 10.1 |
| 10.21 | Form of Common Stock Purchase Warrant | 8-K | February 14, 2013 | 4.1 |
| 10.22 | Amendment and restated Placement Agent Agreement dated January 8, 2013 between the Company and Burrill LLC | S-1/A | January 31, 2013 | 10.37 |
| 10.23 | Retention Agreement between the Company and Christopher Pazoles dated July 26, 2013* | 10-Q | November 13, 2013 | 10.2 |
| 10.24 | Retention Agreement between the Company and Joanne M. Protano dated July 26, 2013* | 10-Q | November 13, 2013 | 10.3 |
| 10.25 | Consulting Agreement between the Company and Simon Pedder dated October 4, 2013* | 10-Q | November 13, 2013 | 10.4 |
| 10.26 | Employment Agreement between the Company and Simon Pedder dated October 4, 2013* | 10-Q | November 13, 2013 | 10.5 |
| 10.27 | Waiver Agreement between the Company and Renova Assets Ltd. dated October 9, 2013 | 8-K | October 10, 2013 | 10.1 |
| 10.28 | Securities Purchase Agreement dated February 5, 2014 | 8-K | February 10, 2014 | 10.1 |
| 10.29 | Form of Convertible Debenture | 8-K | February 10, 2014 | 4.1 |
| 10.30 | Form of Common Stock Purchase Warrant | 8-K | February 10, 2014 | 4.2 |
| 10.31 | Form of Warrant Agreement between Collectar Biosciences, Inc. and American Stock Transfer and Trust Company | S-1/A | July 7, 2014 | 10.31 |
| 10.32 | Form of Underwriting Agreement | S-1/A | July 7, 2014 | 1.1 |
| 10.33 | Form of Note Purchase and Security Agreement | 10-Q | August 4, 2014 | 10.1 |
| 10.34 | Form of 8% Secured Promissory Note | 10-Q | August 4, 2014 | 10.2 |
| 10.35 | Form of Consent Agreement with Debenture Holders | 10-Q | August 4, 2014 | 10.3 |
| 10.36 | 2015 Stock Incentive Plan | 10-Q | August 12, 2015 | 10.1 |
| 10.37 | Employment Agreement between the Company and James Caruso, dated June 15, 2015 | 10-Q | August 12, 2015 | 10.2 |
| 10.38 | Placement Agency Agreement dated September 28, 2015 between the Company and Ladenburg Thalmann & Co. Inc. | 8-K | September 30, 2015 | 1.1 |
| 10.39 | Form of Series B Pre-Funded Warrant | 8-K | September 30, 2015 | 4.1 |
| 10.40 | Form of Series A Warrant | 8-K | September 30, 2015 | 4.2 |
| 10.41 | Securities Purchase Agreement dated September 28, 2015 | 8-K | September 30, 2015 | 10.1 |
| 10.42 | Registration Rights Agreement dated September 28, 2015 | 8-K | September 30, 2015 | 10.2 |
| 10.43 | Amendment and Exchange Agreement dated April 13, 2016 | S-1/A | April 14, 2016 | 10.43 |
| 10.44 | Form of Underwriting Agreement | S-1/A | April 14, 2016 | 1.1 |
| 10.45 | Form of Series A Warrant | S-1/A | April 14, 2016 | 4.2 |
| 10.46 | Form of Series B Pre-Funded Warrant | S-1/A | April 14, 2016 | 4.3 |
| 10.47 | Form of Warrant Agency Agreement | S-1/A | April 14, 2016 | 4.4 |
| 21.1 | List of Subsidiaries | 10-K | March 11, 2016 | 21.1 |
| 23.1 | Consent of Independent Registered Public Accounting Firm | 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 | | |

* Compensation-related agreement.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CELLECTAR BIOSCIENCES, INC.

By: /s/ James V. Caruso

James V. Caruso

Title: Chief Executive Officer

October 20, 2016

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James V. Caruso

James V. Caruso

Title: Chief Executive Officer (Principal Executive Officer)

October 20, 2016

By: /s/ Chad J. Kolean

Chad J. Kolean

Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

October 20, 2016

By: /s/ Stephen A. Hill

Stephen A. Hill

Title: Director

October 20, 2016

By: /s/ John Neis

John Neis

Title: Director

October 20, 2016

By: /s/ Stefan Loren

Stefan Loren

Title: Director

October 20, 2016

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (File No. 333-208189, 333-201429 and 333-212111) and Forms S-8 (File No. 333-195255 and 333-164398) of our report dated October 20, 2016, relating to our audit of the consolidated financial statements of Collectar Biosciences, Inc and Subsidiary as of and for the years ended December 31, 2015 and 2014, which includes an explanatory paragraph relating to the Company's ability to continue as a going concern and appears in this Annual Report on Form 10-K/A for the years ended December 31, 2015 and December 31, 2014.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

Madison, Wisconsin
October 20, 2016

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

I, James V. Caruso, Chief Executive Officer, Cellectar Biosciences, Inc., certify that:

1. I have reviewed this Amendment No. 2 on Form 10-K/A to the Annual Report on Form 10-K of Cellectar Biosciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of 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 affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 20, 2016

/s/ James V. Caruso

James V. Caruso
Principal Executive Officer

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

I, Chad J. Kolean, Chief Financial Officer, Collectar Biosciences, Inc., certify that:

1. I have reviewed this Amendment No. 2 on Form 10-K/A to the Annual Report on Form 10-K of Collectar Biosciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of 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 affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 20, 2016

/s/ Chad J. Kolean

Chad J. Kolean
Principal Financial Officer

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Amendment No. 2 on Form 10-K/A to the Annual Report on Form 10-K of Collectar Biosciences, Inc. (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James V. Caruso, Chief Executive Officer of the Company, and I, Chad J. Kolean, Chief Financial Officer of the Company, certify, to the best of our knowledge and belief, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 V. Caruso

James V. Caruso
Principal Executive Officer

/s/ Chad J. Kolean

Chad J. Kolean
Principal Financial Officer

Dated: October 20, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Collectar Biosciences, Inc. and will be retained by Collectar Biosciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
