
U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[mark one]

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

For the quarterly period ended: September 30, 2017

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

For the transition period from _____ to _____

Commission File Number: 1-36598

CELLECTAR BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

04-3321804

(IRS Employer
Identification No.)

**3301 Agriculture Drive
Madison, Wisconsin 53716**

(Address of principal executive offices)

(608) 441-8120

(Registrant's telephone number, including area code)

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 15,813,961 shares of common stock, \$0.00001 par value per share, as of November 9, 2017.

CELLECTAR BIOSCIENCES, INC.

FORM 10-Q INDEX

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,662,227	\$ 11,444,619
Restricted cash	55,000	55,000
Prepaid expenses and other current assets	970,240	693,569
Total current assets	6,687,467	12,193,188
FIXED ASSETS, NET	1,496,566	1,444,058
GOODWILL	1,675,462	1,675,462
OTHER ASSETS	11,872	11,872
TOTAL ASSETS	\$ 9,871,367	\$ 15,324,580
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of notes payable	\$ —	\$ 86,591
Accounts payable and accrued liabilities	2,019,231	1,416,433
Derivative liability	110,500	127,125
Capital lease obligations, current portion	2,929	2,727
Total current liabilities	2,132,660	1,632,876
LONG-TERM LIABILITIES:		
Deferred rent	142,782	146,583
Capital lease obligation, less current portion	3,261	5,249
Total long-term liabilities	146,043	151,832
TOTAL LIABILITIES	2,278,703	1,784,708
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.00001 par value; 7,000 shares authorized; none and 17 Series A issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	—	875,572
Common stock, \$0.00001 par value; 80,000,000 and 40,000,000 shares authorized at September 30, 2017 and December 31, 2016; 13,477,170 and 10,368,325 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	135	104
Additional paid-in capital	87,863,106	83,451,222
Accumulated deficit	(80,270,577)	(70,787,026)
Total stockholders' equity	7,592,664	13,539,872
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 9,871,367	\$ 15,324,580

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
COSTS AND EXPENSES:				
Research and development	\$ 2,333,058	\$ 1,305,610	\$ 6,365,868	\$ 3,310,248
General and administrative	1,150,710	1,162,278	3,146,605	3,491,259
Total costs and expenses	<u>3,483,768</u>	<u>2,467,888</u>	<u>9,512,473</u>	<u>6,801,507</u>
LOSS FROM OPERATIONS	<u>(3,483,768)</u>	<u>(2,467,888)</u>	<u>(9,512,473)</u>	<u>(6,801,507)</u>
OTHER INCOME:				
Gain on revaluation of derivative warrants	9,100	177,912	16,625	3,201,004
Interest income, net	3,969	3,116	12,297	5,303
Total other income, net	<u>13,069</u>	<u>181,028</u>	<u>28,922</u>	<u>3,206,307</u>
NET LOSS	<u>\$ (3,470,699)</u>	<u>\$ (2,286,860)</u>	<u>\$ (9,483,551)</u>	<u>\$ (3,595,200)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>\$ (0.26)</u>	<u>\$ (0.43)</u>	<u>\$ (0.73)</u>	<u>\$ (1.02)</u>
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	<u>13,470,974</u>	<u>5,368,235</u>	<u>12,986,435</u>	<u>3,541,000</u>

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

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

	Nine Months Ended	
	September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (9,483,551)	\$ (3,595,200)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	294,195	269,317
Stock-based compensation expense	573,084	397,132
Gain on revaluation of derivative warrants	(16,625)	(3,201,004)
Changes in:		
Accounts payable and accrued liabilities	602,798	411,516
Prepaid expenses and other current assets	(160,334)	(208,387)
Other assets and liabilities	(3,801)	(6,824)
Cash used in operating activities	<u>(8,194,234)</u>	<u>(5,933,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(346,703)	(5,258)
Cash used in investing activities	<u>(346,703)</u>	<u>(5,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(86,591)	(182,283)
Proceeds from issuance of common stock, net of underwriting issuance costs	—	7,371,121
Cash paid for issuance costs	—	(150,633)
Proceeds from exercise of warrants	2,963,259	652,516
Cash paid for reverse stock split fractional shares	—	(594)
Change in deferred issuance costs	(116,337)	38,569
Payments on capital lease obligations	(1,786)	(1,811)
Cash provided by financing activities	<u>2,758,545</u>	<u>7,726,885</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,782,392)	1,788,177
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,444,619	3,857,791
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 5,662,227</u>	<u>\$ 5,645,968</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	\$ 364	\$ 3,702
Reclassification to equity for warrants that are no longer derivative instruments	<u>\$ —</u>	<u>\$ 1,392,000</u>

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

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

1. NATURE OF BUSINESS, ORGANIZATION AND GOING CONCERN

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

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

The accompanying financial statements have been prepared on a basis that assumes the Company will continue as a going concern and that contemplates the continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has devoted substantially all of its efforts toward research and development and has, during the nine months ended September 30, 2017, generated an operating loss of approximately \$9,512,000. The Company expects that it will continue to generate operating losses for the foreseeable future.

The Company believes that its cash balance as of the date of this filing is adequate to fund operations at budgeted levels for the next twelve months. In October 2017, the Company completed a registered direct offering of 1,954,388 shares of its common stock and 41,041,294 shares of its preferred stock that are convertible into 2,190,330 shares of common stock that raised gross cash proceeds of approximately \$7,760,000 (see Note 9). The investors in the financing also received in a private placement warrants to purchase an aggregate of 3,108,538 shares of common stock at an exercise price of \$1.78 per share. The Company’s ability to execute its operating plan beyond the next twelve months depends on its ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise.

The accompanying condensed consolidated balance sheet as of December 31, 2016 has been derived from audited financial statements. The accompanying unaudited condensed consolidated balance sheet as of September 30, 2017, the condensed consolidated statements of operations for the three months and nine months ended September 30, 2017 and 2016, the condensed consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 and the related interim information contained within the notes to the condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions, rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and the notes required by U.S. GAAP for complete financial statements. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments which are of a nature necessary for the fair presentation of the Company’s consolidated financial position at September 30, 2017 and consolidated results of its operations for the three months and nine months ended September 30, 2017 and 2016, and its cash flows for the nine months ended September 30, 2017 and 2016. The results for the nine months ended September 30, 2017 are not necessarily indicative of future results.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes thereto included in the Company’s Form 10-K for the fiscal year ended December 31, 2016, which was filed with the SEC on March 15, 2017.

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

Restricted Cash — The Company accounts for cash that is restricted for other than current operations as restricted cash. Restricted cash at September 30, 2017 and December 31, 2016 consisted of a certificate of deposit of \$55,000 required under the Company’s lease agreement for its Madison, Wisconsin facility.

Goodwill — Goodwill is not amortized, but is required to be evaluated for impairment annually or whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable. The Company evaluates goodwill for impairment annually in the fourth fiscal quarter and additionally on an interim basis if an event occurs or there is a change in circumstances, such as a decline in the Company’s stock price or a material adverse change in the business climate, which would more likely than not reduce the fair value of the reporting unit below its carrying amount. No such event or change in circumstances occurred; therefore no changes in goodwill were made during the nine months ended September 30, 2017 and 2016.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill. The standard streamlines the methodology for calculating whether goodwill is impaired based upon whether the carrying amount of goodwill exceeds the reporting unit’s fair value. ASU 2017-04 applies to public business entities and those other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill and is effective for annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its financial statements.

Impairment of Long-Lived Assets — Long-lived assets other than goodwill consist primarily of fixed assets, which we periodically evaluate for potential impairment. Whenever events or circumstances change, an assessment is made as to whether there has been an impairment in the value of long-lived assets by determining whether projected undiscounted cash flows generated by the applicable asset exceed its net book value as of the assessment date. No such event or change in circumstances occurred; therefore no such impairment occurred during the nine months ended September 30, 2017 and 2016.

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

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

Derivative Instruments — The Company generally does not use derivative instruments to hedge exposures to cash flow or market risks. However, certain warrants to purchase common stock that do not meet the requirements for classification as equity, in accordance with the Derivatives and Hedging Topic of the FASB ASC, are classified as liabilities. In such instances, net-cash settlement is assumed for financial reporting purposes, even when the terms of the underlying contracts do not provide for a net-cash settlement. These warrants are considered derivative instruments because the agreements contain a certain type of cash settlement feature, “down-round” provisions whereby the number of shares for which the warrants are exercisable and/or the exercise price of the warrants is subject to change in the event of certain issuances of stock at prices below the then-effective exercise price of the warrants. The number of shares issuable under such warrants was 533,065 at September 30, 2017 and December 31, 2016. The primary underlying risk exposure pertaining to the warrants is the change in fair value of the underlying common stock. Such financial instruments are initially recorded at fair value with subsequent changes in fair value recorded as a component of gain or loss on derivatives on the consolidated statements of operations in each reporting period. If these instruments subsequently meet the requirements for equity classification, the Company reclassifies the fair value to equity. At September 30, 2017 and December 31, 2016, these warrants represented the only outstanding derivative instruments issued or held by the Company.

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.

Recent Accounting Pronouncement — In November 2016, the FASB issued ASU 2016-18, Statement of cash flows (Topic 230): Restricted Cash, providing specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will become effective for fiscal years, and the interim periods within those years, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The Company does not anticipate any material impact from the adoption of this accounting standard.

2. FAIR VALUE

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

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

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

The Company 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. On May 20, 2016, 16,250 warrants were exercised. The remaining 38,750 warrants are classified within the Level 3 hierarchy.

In August 2014, as part of an underwritten public offering, the Company issued 494,315 warrants to purchase common stock (the "August 2014 Warrants"). The 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 as Level 2 within the 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 September 30, 2017 and December 31, 2016:

	September 30, 2017			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
February 2013 Public Offering Warrants	\$ —	\$ —	\$ 15,500	\$ 15,500
August 2014 Warrants	—	95,000	—	95,000
Total	<u>\$ —</u>	<u>\$ 95,000</u>	<u>\$ 15,500</u>	<u>\$ 110,500</u>

	December 31, 2016			
	Level 1	Level 2	Level 3	Fair Value
Liabilities:				
February 2013 Public Offering Warrants	\$ —	\$ —	\$ 27,125	\$ 27,125
August 2014 Warrants	—	100,000	—	100,000
Total	<u>\$ —</u>	<u>\$ 100,000</u>	<u>\$ 27,125</u>	<u>\$ 127,125</u>

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:

	Nine Months Ended September 30, 2017	Twelve Months Ended December 31, 2016
Volatility	76-118%	92.72-134%
Risk-free interest rate	1.03-1.21%	0.53-1.15%
Expected life (years)	0.39-0.89	1.14-1.89
Dividend	0%	0%

During fiscal year 2016, the Company had warrants outstanding for part of the year that were considered financial instruments. Those warrants were either extinguished or amended such that they were no longer considered financial instruments as of December 31, 2016, and were, therefore, not financial instruments during the three or nine months ended September 30, 2017. The following table summarizes the modified option-pricing assumptions used for the period they were considered financial instruments:

	Twelve Months Ended December 31, 2016
Volatility	89.73%
Risk-free interest rate	1.65%
Expected life (years)	4.50
Dividend	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:

	Nine Months Ended September 30, 2017	Twelve Months Ended December 31, 2016
Beginning balance – Fair value	\$ 27,125	\$ 2,067,000
Reclassification to equity for warrants that are no longer derivative liabilities	—	(1,392,429)
Gain on derivatives resulting from change in fair value or extinguishment	(11,625)	(647,446)
Ending balance – Fair value	<u>\$ 15,500</u>	<u>\$ 27,125</u>

In order to estimate the fair value of the August 2014 Warrants, the Company calculated the weighted average closing price for the trailing 10 day period with trades that ended on the balance sheet date.

3. STOCKHOLDERS' EQUITY

Authorized Share Increase

At a special meeting held on September 12, 2017, the Company's stockholders approved the ratification of the approval of the Certificate of Amendment to our Certificate of Incorporation to increase the number of authorized shares by 40,000,000 to 80,000,000 which was previously approved by the Company's stockholders at our annual meeting of stockholders held on May 31, 2017.

November 2016 Underwritten Offering

On November 23, 2016, the Company entered into an Underwriting Agreement with Ladenburg Thalmann & Co. Inc., as representative of the several underwriters named therein, 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 800,000 shares of common stock, 68 shares of Series A preferred stock convertible into 4,533,356 shares of common stock, and Series C warrants to purchase 5,333,356 shares of common stock, plus up to an additional 800,000 shares of common stock and Series C warrants to purchase up to an additional 800,000 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 C warrant to purchase one share of common stock was \$1.50. The public offering price to purchase one share of Series A preferred stock, each of which is convertible into 66,667 shares of common stock, together with a Series C warrant to purchase 66,667 shares of common stock was \$100,000. The preferred stock was non-voting, had no dividend rights (except to the extent dividends were also paid on common stock), liquidation preference, or other preferences over common stock. The Series C warrants have an exercise price of \$1.50 per share, and are exercisable for five years from the date of issuance. The net proceeds were allocated to each security based upon the pro-rata values of the underlying common stock and a Black-Scholes valuation of the warrants.

The sale of securities pursuant to the Underwriting Agreement, including the entire over-allotment option, closed on November 29, 2016 (the “November 2016 Underwritten Offering”). Gross proceeds were \$9.2 million with net proceeds to the Company of approximately \$8.3 million.

As of December 31, 2016, 17 shares of Series A preferred stock were outstanding. During the nine months ended September 30, 2017, all 17 shares were converted into 1,133,339 shares of common stock.

During the nine months ended September 30, 2017, Series C warrants representing 1,975,506 shares of common stock were exercised by the holders, for proceeds of \$2,963,259.

April 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 prefunded 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 had an exercise price of \$0.01 per share, were immediately exercisable and did 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 the underwritten public offering (the “April 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. Prior to September 30, 2016, all of the Series B pre-funded warrants were exercised. 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 the Warrant Restructuring Agreement, the Company 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. In consideration of this amendment, the Company agreed to issue to each of those holders a new warrant to purchase an additional number of shares of common stock equal to twice the number of shares of common stock underlying the 2015 Series A Warrants held by them (the “Incremental Series A Warrants”). As a result, the 2015 Series A warrants and the Incremental Series A 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).

2016 Reverse Stock Split and Recapitalization

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 remained 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.

See Authorized Share Increase above concerning a special meeting held on September 12, 2017 regarding the increase of authorized shares by 40,000,000 to 80,000,000.

Common Stock Warrants

The following table summarizes information with regard to outstanding warrants to purchase common stock as of September 30, 2017:

Offering	Number of Shares Issuable Upon Exercise of Outstanding Warrants	Exercise Price	Expiration Date
November 2016 Public Offering Series C	4,157,850	\$ 1.50	November 29, 2021
April 2016 Underwritten Registered Series A	3,626,942	\$ 3.04	April 20, 2021
October 2015 Incremental Series A	300,006	\$ 2.13	October 20, 2021
October 2015 Private Placement Series A	86,365	\$ 2.13	April 1, 2021
October 2015 Offering – Placement Agent	3,750	\$ 28.30	October 1, 2020
August 2014 Public Offering ⁽¹⁾	504,019	\$ 46.80	August 20, 2019
February 2013 Public Offering ⁽¹⁾	38,750	\$ 1.50 ⁽²⁾	February 20, 2018
February 2013 Public Offering – Placement Agents	3,854	\$ 125.00	February 4, 2018
November 2012 Private Placement	5,000	\$ 250.00	November 2, 2017
Total	<u>8,726,536</u>		

(1) These warrants have a certain type of cash settlement feature or the exercise price for which the warrant may be exercised is 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 9,704 warrants issued in August 2014.

(2) Due to the issuance of common stock at \$1.50 per share as part of the November 2016 Underwritten Offering, the remaining outstanding warrants issued as part of the February 2013 Public Offering were adjusted to reflect the revised exercise price of \$1.50 each.

Reserved Shares

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

	September 30, 2017	December 31, 2016
Warrants	8,726,536	10,716,952
Preferred stock	—	1,133,339
Stock options and grants	934,562	471,433
Total number of shares reserved for future issuance	<u>9,661,098</u>	<u>12,321,724</u>

4. NOTES PAYABLE

During the quarter ended March 31, 2017, the two loans with initial principal amounts totaling \$450,000 from the Wisconsin Economic Development Corporation, dated September 15, 2010, were paid in full.

5. STOCK-BASED COMPENSATION

Accounting for Stock-Based Compensation

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Employee and director stock and stock option grants:				
Research and development	\$ 46,059	\$ 22,281	\$ 102,780	\$ 46,651
General and administrative	130,265	151,965	470,305	350,819
	<u>176,324</u>	<u>174,246</u>	<u>573,084</u>	<u>397,470</u>
Non-employee consultant stock option grants:				
Research and development	—	—	—	(338)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(338)</u>
Total stock-based compensation	<u>\$ 176,324</u>	<u>\$ 174,246</u>	<u>\$ 573,084</u>	<u>\$ 397,132</u>

Assumptions Used In Determining Fair Value for Stock Options

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

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

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

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

Forfeitures. The Company records stock-based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. An annual forfeiture rate of 2% was applied to all unvested options for the nine months ended September 30, 2017 and for the year ended December 31, 2016. Ultimately, the actual expense recognized over the vesting period will be for only those shares that vest.

Exercise prices for all grants made during the nine months ended September 30, 2017 and 2016 were equal to the market value of the Company's common stock on the date of grant.

Stock Option Activity

A summary of stock option activity is as follows:

	Number of Shares Issuable Upon Exercise of Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2016	471,433	\$ 7.59		
Granted	112,300	\$ 1.91		
Expired	(4)	\$ 21,420		
Forfeited	(29,167)	\$ 1.48		
Outstanding at September 30, 2017	<u>554,562</u>	\$ 6.60		
Vested, September 30, 2017	<u>246,734</u>	\$ 10.54	7.69	<u>\$ 21,880</u>
Unvested, September 30, 2017	<u>307,828</u>	\$ 3.45	8.95	<u>\$ 25,094</u>
Exercisable at September 30, 2017	<u>246,734</u>	\$ 10.54	7.69	<u>\$ 21,880</u>

The aggregate intrinsic value of options outstanding is calculated based on the positive difference between the estimated per-share fair value of common stock at the end of the respective period and the exercise price of the underlying options. There have been no options exercised during the nine months ended September 30, 2017. Shares of common stock issued upon the exercise of options are from authorized but unissued shares.

Stock Grants

During the three months ended June 30, 2017, the Company issued 460,000 shares of restricted stock to members of the executive team. The restricted stock was granted at a price of either \$2.08 or \$2.10, which was the closing price of the stock on the date of issuance, and vests in equal annual amounts over three years. The related expense will be amortized ratably over the vesting period. During the three months ended September 30, 2017, 80,000 shares of restricted stock were forfeited.

The unvested portion of the restricted stock grants is not considered outstanding for accounting purposes; therefore, the related shares are not included in the earnings per share calculation or included in the shares reported as outstanding on the balance sheet, as of or for the periods ended September 30, 2017. Note that such shares are considered outstanding from a legal perspective as of the date of grant.

Unrecognized Compensation Cost

As of September 30, 2017, there was approximately \$1,403,000 of total unrecognized compensation cost related to unvested stock-based compensation arrangements. Of this total amount, the Company expects to recognize approximately \$184,000, \$673,000, \$474,000 and \$72,000 during 2017, 2018, 2019 and 2020 respectively. The Company's expense estimates are based upon the expectation that all unvested stock grants and stock options will vest in the future, less the forfeiture rate discussed above. The weighted-average grant-date fair value of vested and unvested stock grants and stock options outstanding at September 30, 2017 was \$8.34 and \$2.42, respectively.

6. INCOME TAXES

The Company accounts for income taxes in accordance with the liability method of accounting. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities, and net operating loss carryforwards (NOLs), using the enacted tax rates. Deferred income tax expense or benefit is based on changes in the asset or liability from period to period. The Company did not record a provision or benefit for federal, state or foreign income taxes for the nine months ended September 30, 2017 or 2016 because the Company has experienced losses on a tax basis since inception. Because of the continuing losses and uncertainty associated with the utilization of the NOLs in the future, management has provided a full allowance against the value of its gross deferred tax assets.

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

7. NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss 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 grants, stock options and warrants. Since there is a net loss attributable to common stockholders for the three months and nine months ended September 30, 2017 and 2016, 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:

	Nine Months Ended September 30,	
	2017	2016
Warrants	8,726,536	4,629,842
Stock options and grants	934,562	488,142

8. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal matters and disputes, however we do not anticipate that the outcome of such matters and disputes will materially affect the Company's financial statements.

9. SUBSEQUENT EVENTS

On October 12, 2017, we completed a registered direct offering of 1,954,388 shares of our common stock and 41.0412949 shares of Series B preferred stock together with a private placement of Series D warrants convertible into 3,108,538 shares of our common stock (the "2017 Financing"). Shares of common stock were issued in fixed combinations with 0.75 shares of common stock issuable upon exercise of the Series D warrants at an offering price of \$1.87375 per share. Shares of Series B preferred stock convertible into approximately 53,369 shares of common stock were issued in fixed combinations with 40,026 shares of common stock issuable upon exercise of Series D warrants at an offering price of \$100,000 per share. The preferred stock is non-voting, and has no dividend rights (except to the extent dividends were also paid on common stock), liquidation preference, or other preferences over common stock. The Series D warrants are immediately exercisable at an exercise price of \$1.78 per share and expire seven years from the closing. Gross offering proceeds to the company are \$7.76 million with net proceeds to the Company of approximately \$7.0 million after deducting the placement agent fee and related offering expenses.

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

Forward-Looking Statements

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

Overview

We are a clinical stage biopharmaceutical company focused on the discovery, development and commercialization of drugs for the treatment of cancer. We leverage our proprietary phospholipid drug conjugateTM (PDCsTM) platform to specifically target treatments to cancer cells. The PDC platform possesses the potential for the discovery and development of the next generation of cancer-targeting agents. Our lead product candidate, CLR 131, is a PDC providing targeted delivery of a cytotoxic (cell-killing) radioisotope iodine 131. Our pipeline also includes a series of pre-clinical chemotherapeutic PDC programs. We believe our proprietary PDC platform can provide the next-generation of targeted cancer treatments that result in greater efficacy and less off-target effects reducing patient adverse events.

Our core strategy is to develop new targeted treatments for cancer patients that leverage our PDC cancer-targeting delivery platform. We employ a drug discovery and development approach that allows us to efficiently design, research and advance drug candidates. Our iterative process allows us to rapidly and systematically produce multiple generations of incrementally improved targeted drug candidates. By combining this approach with our PDC platform, we plan to develop proprietary compounds independently and in collaborations with other companies. Through strategic acquisitions and research collaborations, our strategy is to seek to generate near-term capital, supplement internal resources, gain access to novel molecules or payloads, accelerate product candidate development and broaden our product pipeline.

Our PDC platform provides selective delivery of a diverse range of oncologic payloads to cancerous cells, whether a hematologic cancer or solid tumor, the primary tumor, or a metastatic tumor and cancer stem cells. Our PDC platform takes advantage of a metabolic pathway utilized by all tumor cell types in all stages of the tumor “cycle.” This allows the PDC molecules to gain access to the intracellular compartment of the tumor cells and for the PDCs to continue to accumulate over time, which enhances drug efficacy. The PDC platform’s mechanism of entry does not rely upon specific cell surface epitopes or antigens as are required by other targeted delivery platforms. Specific cell surface epitopes are limited in number on the cell surface, undergo internalization and cycling upon binding and are not present on all tumor cells of a particular cancer type. This means a subpopulation of tumor cells will always remain. In addition to the benefits provided by the mechanism of entry, PDCs offer the potential advantage of having the ability to be conjugated to molecules in numerous ways, thereby increasing the types of molecules selectively delivered via the PDC.

The PDC platform features include the capacity to link to a wide variety of molecules, provide a significant increase in targeted oncologic payload delivery and the ability to target all tumor cells. As a result, we believe that we can generate PDCs to treat a broad range of cancers with the potential to improve the therapeutic index of oncologic drug payloads, enhance or maintain efficacy while reducing adverse events by minimizing drug delivery to healthy cells, and increasing delivery to cancerous cells and cancer stem cells. A description of our PDC product candidates follows:

- CLR 131 is a small-molecule, cancer-targeting radiotherapeutic PDC designed to deliver cytotoxic radiation directly and selectively to cancer cells and cancer stem cells. CLR 131 is our lead therapeutic PDC product candidate and is currently being evaluated in both Phase 1 and Phase 2 clinical studies. The Investigational New Drug (IND) application was accepted by the U.S. Food and Drug Administration (FDA) in March 2014. In December 2014, the FDA granted orphan drug designation for CLR 131 for the treatment of multiple myeloma and the Phase 1 study was initiated in April 2015. This clinical study is a standard three-by-three dose escalation safety study in patients with relapse or refractory multiple myeloma. Multiple myeloma is an incurable cancer of the plasma cells and is the second most common form of hematologic cancers. This cancer type was selected for clinical, regulatory and commercial rationales, including multiple myeloma's highly radiosensitive nature, and continued unmet medical need in the relapse/refractory setting. The primary goal of the Phase 1 study is to assess the compound's safety and tolerability in patients with relapsed or refractory multiple myeloma.

In September 2017, Cohort 4 results were announced. The data monitoring committee determined that these results showed that a single 30 minute infusion of 31.25mCi/m^2 of CLR 131 was deemed safe and tolerated by the three patients in the cohort with one of those patients achieving a partial response (PR). The International Myeloma Working Group (IMWG) defines a (PR) as a greater than or equal to 50 percent decrease in free light chain (FLC) levels (for patients in whom M protein is unmeasurable) or 50 percent decrease in M protein. Additionally the other two evaluable patients achieved stable disease. One patient experiencing stable disease attained a 44 percent reduction in M protein. The patient experiencing a partial response had an 82 percent reduction in FLC. This patient did not produce M protein, had received seven prior lines of treatment including radiation, stem cell transplantation and multiple combination treatments including one with daratumumab that was not tolerated. As of November 2017, patients in Cohort 1 who received a single 12.5mCi/m^2 dose experienced a median overall survival (OS) of 26.2 months. Median OS for Cohorts 2 (18.75mCi/m^2) and 3 (25.0mCi/m^2) also continue to progress with patients experiencing OS of 15.4 months and 10 months, respectively as of November 2017. Based upon these data, we elected to initiate a Phase 2 clinical study using Cohort 3's dose of 25.0mCi/m^2 with the option to increase the dose based on our ongoing Phase 1 safety and efficacy signals.

In August, 2016 the University of Wisconsin Carbone Cancer Center (UWCCC) was awarded a five year Specialized Programs of Research Excellence (SPORE) grant from the National Cancer Institute to improve treatments and outcomes for head and neck cancer (HNC) patients. HNC is the sixth most common cancer across the world with approximately 56,000 new patients diagnosed every year in the United States. As a key component of this grant, the UWCCC researchers have tested CLR 131 in various animal HNC models as well as initiating the first human clinical trial combining CLR 131 and external beam radiation in patients with recurrent HNC. The UWCCC is currently anticipated to initiate this clinical trial in 2019.

In July 2016, we were awarded a \$2,000,000 National Cancer Institute Fast-Track Small Business Innovation Research (SBIR) grant to further advance CLR 131. The funds are supporting the Phase 2 study initiated in March 2017 to further define the clinical benefits of CLR 131 in multiple myeloma and other niche hematologic malignancies with high unmet clinical need. These niche hematologic malignancies include Chronic Lymphocytic Leukemia, Small Lymphocytic Lymphoma, Marginal Zone Lymphoma, Lymphoplasmacytic Lymphoma, and Diffuse Large B-Cell Lymphoma. The study will be conducted in approximately 10-15 top cancer centers in the United States in patients with orphan-designated relapse or refractory hematologic cancers. The study's primary endpoint is clinical benefit response (CBR), with additional endpoints of progression free survival (PFS), median OS and other markers of efficacy following a single 25.0mCi/m^2 dose of CLR 131, with the option for a second 25.0mCi/m^2 dose approximately 75-180 days later.

- CLR 1700 Series is an internally developed PDC program leveraging a payload designed to treat a broad range of hematologic cancers. The payload provides further specificity by targeting a pathway within hematologic cancers that is significantly upregulated in comparison to normal tissue. We believe that this additional level of targeting will allow us to provide a new drug candidate that has the ability to significantly improve patient outcomes. Leveraging our iterative discovery and screening process, we have been able to accelerate the development of this program.
- CLR 1800 Series is part of a collaborative PDC program with Pierre Fabre that we entered into in December 2015 and extended in October 2017. Pierre Fabre is the third largest French pharmaceutical company with an extensive oncology research and development infrastructure. The objective of the research collaboration is to co-design a library of PDCs employing Pierre Fabre's chemotherapeutics in combination with our proprietary cancer-targeting delivery vehicle. The newly developed PDCs may provide enhanced therapeutic indices to otherwise highly potent, non-targeted payloads through the targeted delivery to cancer cells provided by our cancer-targeting delivery vehicle. Significant progress has been achieved and the program continues to rapidly advance with a number of PDC molecules showing enhanced pharmacologic behavior over the parent compound alone.
- CLR 1900 Series is an internally developed proprietary PDC program leveraging a novel small molecule cytotoxic compound as the payload. We believe that this program could produce a product candidate targeted to select solid tumors. Currently, the program is in early preclinical development.
- CLR 2000 Series is part of a collaborative PDC program with Avicenna Oncology, or Avicenna, that we entered into in July 2017. Avicenna is a leading developer of antibody drug conjugates (ADCs). The objective of the research collaboration is to design and develop a series of PDCs utilizing Avicenna's proprietary cytotoxic payload. Although Avicenna is a leading developer of ADCs, this collaboration was sought as a means to overcome many of the challenges associated with ADCs, including those associated with the targeting of specific cell surface epitopes.
- CLR 2100 and 2200 Series are part of a collaborative PDC programs with Onconova Therapeutics, Inc., or Onconova, that we entered into in September 2017. Onconova is a biotechnology company specializing in the discovery and development of novel small molecule cancer therapies. The collaboration is structured such that we will design and develop a series of PDCs utilizing different small molecules that Onconova was developing as the payloads with the intent to show improved targeting and specificity to the tumor. At least one of the molecules was taken into Phase 1 clinical trials previously by Onconova. We would own all new intellectual property associated with the design of the new PDCs and both companies will have the option to advance compounds.

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

Results of Operations

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

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

Nine Months Ended September 30, 2017 and 2016

Research and Development. Research and development expense for the nine months ended September 30, 2017 was approximately \$6,366,000 (comprised of \$1,338,000 in clinical project costs, \$331,000 of manufacturing and related costs, \$531,000 of preclinical project costs and \$4,166,000 in general research and development costs) compared to approximately \$3,310,000 (comprised of \$707,000 in clinical project costs, \$200,000 of manufacturing and related costs and \$2,403,000 in general research and development costs) for the nine months ended September 30, 2016. The overall increase in research and development expense of approximately \$3,056,000, or 92%, was due primarily to the initiation of the Phase 2 clinical study of CLR 131 in hematologic malignancies and the establishment of secondary manufacturing and supplier capabilities, the combination of which represented approximately \$2,234,000 of the increase. Additionally, increases in: personnel and related travel of approximately \$419,000 and purchased services related to pre-clinical studies of \$593,000 represented the remainder of the increase, which was slightly offset by reduced costs related to the SBIR funding of approximately \$276,000.

General and Administrative. General and administrative expense for the nine months ended September 30, 2017 was approximately \$3,147,000, compared to approximately \$3,491,000 in the nine months ended September 30, 2016. The approximately \$344,000 or 10% decrease was due to an approximately \$370,000 decrease in purchased services primarily related to legal, accounting and consulting fees, a decrease of approximately \$25,000 in public company and printing related expenses, partially offset by an increase in personnel costs of approximately \$66,000.

Gain on Derivative Warrants. We recorded a gain on derivative warrants of approximately \$17,000 and \$3,201,000 in the nine months ended September 30, 2017 and 2016, respectively. These amounts represent the change in fair value, during the respective period, of outstanding warrants which contain a certain type of cash settlement feature, or “down-round” anti-dilution provisions whereby the number of shares for which the warrants are exercisable or the exercise price of the warrants is subject to change in the event of certain issuances of stock at prices below the then-effective exercise prices of the warrants. The fluctuations we experienced in historical periods have been substantially reduced as a result of the renegotiation or extinguishment of a significant portion of the liability-classified warrants.

Interest income, net. Interest income, net, for the nine months ended September 30, 2017 was approximately \$12,000 related to the returns on the Company’s investments. For the nine months ended September 30, 2016, the approximately \$5,000 of interest income, net, included approximately \$6,000 of interest income partially offset by approximately \$1,000 of interest expense related to the accrual of interest on the then outstanding debt with the Wisconsin Economic Development Corporation.

Liquidity and Capital Resources

We have financed our operations since inception primarily through the sale of equity and debt securities. As of September 30, 2017, we had approximately \$5,662,000 in cash and cash equivalents. As of the date of this filing, we have raised capital aggregating approximately \$175 million.

During the nine months ended September 30, 2017, we reported net loss of approximately \$9,484,000, while using approximately \$8,194,000 in cash in operations. The net loss included an approximately \$17,000 gain on the revaluation of derivative warrants, approximately \$573,000 in stock-based compensation expense and approximately \$294,000 in depreciation and amortization expense. After adjustment for these non-cash items, changes in working capital provided approximately \$439,000 of cash, of which \$603,000 was the result of the timing of payments of accounts payable and accrued expenses net against an increase in prepaid and other assets of approximately \$164,000. Also during this period, Series C warrants representing 1,975,506 shares of common stock were exercised by the holders, generating proceeds of approximately \$2,963,000. The Company expects that it will continue to generate operating losses for the foreseeable future.

On October 12, 2017, we completed a registered direct offering of 1,954,388 shares of our common stock and 41,041,294 shares of Series B preferred stock together with a private placement of Series D warrants convertible into 3,108,538 shares of our common stock (the “2017 Financing”). Shares of common stock were issued in fixed combinations with 0.75 shares of common stock issuable upon exercise of the Series D warrants at an offering price of \$1.87375 per share. Shares of Series B preferred stock convertible into approximately 53,369 shares of common stock were issued in fixed combinations with 40,026 shares of common stock issuable upon exercise of Series D warrants at an offering price of \$100,000 per share. The preferred stock is non-voting, and has no dividend rights (except to the extent dividends were also paid on common stock), liquidation preference, or other preferences over common stock. The Series D warrants are immediately exercisable at an exercise price of \$1.78 per share and expire seven years from the closing. Gross offering proceeds to the company are \$7.76 million with net proceeds to the Company of approximately \$7.0 million after deducting the placement agent fee and related offering expenses.

On November 29, 2016, the Company closed on an underwritten public offering (the “November 2016 Underwritten Offering”) of 1.6 million shares of common stock, 68 shares of Series A preferred stock convertible into 4,533,336 shares of common stock, and Series C warrants to purchase 6.1 million shares of common stock, reflecting the exercise in full of the Underwriter’s over-allotment option. The gross proceeds of the offering amounted to \$9.2 million with net proceeds to the Company of approximately \$8.3 million.

On April 20, 2016, the Company closed on its underwritten public offering of approximately 1.87 million shares of its common stock and Series B pre-funded warrants to purchase approximately 1.91 million shares of common stock, plus the issuance of Series A warrants to purchase approximately 3.78 million shares of common stock, reflecting the exercise in full of the Underwriter’s over-allotment option (the “April 2016 Underwritten Offering”). The gross proceeds of the offering amounted to approximately \$8.0 million with net proceeds to the Company of approximately \$7.2 million.

We believe our September 30, 2017 cash balance of approximately \$5,662,000 and the proceeds from the 2017 Financing are adequate to fund operations for the next twelve months. Our ability to execute our operating plan beyond that time depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. We have, in the past, successfully completed multiple rounds of financings, but due to market conditions and other factors, including our development stage, the proceeds we have been able to secure have been less than the amounts we sought to obtain. We plan to actively pursue additional financing in 2018; however, we have not entered into negotiations for any such transactions and there can be no assurance that we will obtain the necessary funding. Other than the uncertainties regarding our ability to obtain additional funding, there are currently no known trends, demands, commitments, events or uncertainties that are likely to materially affect our liquidity.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Based on our management’s evaluation (with the participation of our principal executive officer and principal financial officer), as of September 30, 2017, our management has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in internal control over financial reporting. There have not been any significant changes in the Company’s internal control over financial reporting.

The Chief Executive Officer and the Audit Committee perform significant roles in ensuring the accuracy and completeness of our financial reporting and the effectiveness of our disclosure controls and procedures. We have not identified any changes that occurred during the Company’s fiscal quarter ended September 30, 2017 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Important Considerations. Any system of controls, however well designed and operated, can provide only reasonable, and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part on certain assumptions about the likelihood of future events. The effectiveness of our disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Because of these and other inherent limitations of control systems, there can be no assurance that any system of disclosure controls and procedures will be successful in achieving its stated goals, including but not limited to preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management, under all potential future conditions, regardless of how remote.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

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

We expect that we will continue to generate significant operating losses for the foreseeable future. At September 30, 2017, our consolidated cash balance was approximately \$5.7 million. We believe our cash balance at September 30, 2017 and the proceeds from the 2017 Financing are adequate to fund operations for the next twelve months. We will require additional funds to conduct research and development, establish and conduct clinical and preclinical trials, establish commercial-scale manufacturing arrangements and provide for the marketing and distribution of our products. Our ability to execute our operating plan depends on our ability to obtain additional funding via the sale of equity and/or debt securities, a strategic transaction or otherwise. However, there can be no assurance that we will obtain the necessary funding in the amounts we seek or that it will be available on a timely basis or upon terms acceptable to us. If we obtain capital by issuing debt or preferred stock, the holders of such securities would likely obtain rights that are superior to those of holders of our common stock.

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

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

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

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

We have incurred net losses and negative cash flows since inception. We currently have no product revenues, and may not succeed in developing or commercializing any products that will generate product or licensing revenues. We do not expect to have any products on the market for several years. Our primary activity to date has been research and development and conducting clinical trials. Development of our product candidates requires a process of preclinical and clinical testing, during which our product candidates could fail. We may not be able to enter into agreements with one or more companies experienced in the manufacturing and marketing of therapeutic drugs and, to the extent that we are unable to do so, we may not be able to market our product candidates. Whether we achieve profitability or not will depend on our success in developing, manufacturing, and marketing our product candidates. We have experienced net losses and negative cash flows from operating activities since inception and we expect such losses and negative cash flows to continue for the foreseeable future. As of September 30, 2017, we had a stockholders' equity of approximately \$7,593,000. The operating loss for the nine months ended September 30, 2017 was approximately \$9,512,000, and we may never achieve profitability.

Item 6. Exhibits

Exhibit No.	Description	Filed with this Form 10-Q	Incorporation by Reference		
			Form	Filing Date	Exhibit No.
3.1	Certificate of Designation of Series B Preferred Stock		8-K	October 11, 2017	3.1
4.1	Form of Series D Common Stock Purchase Warrant		8-K	October 11, 2017	4.1
4.2	Form of Series B Preferred Stock certificate		8-K	October 11, 2017	4.2
10.1	Securities Purchase Agreement, dated as of October 10, 2017, by and among Collectar Biosciences, Inc. Inc. and the Purchasers		8-K	October 11, 2017	10.1
10.2	Registration Rights Agreement, dated as of October 10, 2017, by and among Collectar Biosciences, Inc. Inc. and the Purchasers		8-K	October 11, 2017	10.2
10.3	Employment Agreement between the Company and Jarrod Longcor dated July 14, 2016	X			
10.4	Employment Agreement between the Company and John E. Friend dated March 27, 2017	X			
31.1	Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of interim chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of chief executive officer and interim chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101	Interactive Data Files	X			

SIGNATURES

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

CELLECTAR BIOSCIENCES, INC.

Date: November 9, 2017

By: /s/ James Caruso

James Caruso

President and Chief Executive Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of July 14, 2016, between **CELLECTAR BIOSCIENCES, INC.**, a Delaware corporation (the "Company"), and **Jarrold Longcor** ("Executive").

RECITALS

The Company and Executive desire to enter into this Agreement to document the terms and conditions of Executive's employment by the Company. The parties hereto agree as follows:

1. **Employment.** The Company shall employ Executive, and Executive hereby agrees to employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date (as defined below) and ending as provided in Section 4 hereof (the "Employment Period").
2. **Position and Duties.**
 - (a) During the Employment Period, Executive will serve as the Senior Vice President of Corporate Development and Operations of the Company. Executive will have the normal duties, responsibilities and authority of his role, subject to the overall direction and authority of the Board of Directors of the Company (the "Board") and the Chief Executive Officer.
 - (b) During the Employment Period, except as otherwise determined by the Board, Executive will report to the Chief Executive Officer, and will devote his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company. During the Employment Period, Executive shall not serve as an officer or director of, or otherwise perform services for compensation for, any other entity without the prior written consent of the Board (which shall not be unreasonably withheld or delayed); provided that Executive may serve as an officer or director of or otherwise participate in purely educational, welfare, social, religious, recreational and civic organizations so long as such activities do not interfere with Executive's employment.
 - (c) For purposes of this Agreement, the term "Company" shall include all of the Company's Subsidiaries. The term "Subsidiaries" shall mean any corporation or other entity of which the securities or other ownership interests having the voting power to elect a majority of the board of directors or other governing body are, at the time of determination, owned by the Company, directly or through one or more Subsidiaries.
3. **Compensation and Benefits.**
 - (a) **Compensation.**
 - (i) **Base Salary.** During the Employment Period, Executive's base salary will be two hundred eighty-five thousand dollars (\$285,000) per annum (as may be adjusted from time to time by the Board, the "Base Salary"), which salary will be payable by the Company in regular installments in accordance with the Company's general payroll practices (in effect from time to time). Executive's Base Salary for any partial year will be prorated based upon the number of days elapsed in such year.

(ii) Bonus. During the Employment Period, Executive will be eligible to earn an annual bonus each calendar year (commencing with calendar year 2016), under the terms and conditions of the Company's annual incentive compensation plan for which Executive's initial target shall be thirty percent (30%) of Base Salary.

(b) Benefits.

(i) During the Employment Period, Executive will be entitled to participate in all of the Company's employee benefit programs for which senior executive employees of the Company are generally eligible in accordance with the terms and conditions of such programs as the same may be modified from time to time.

(ii) In addition to the benefits described in Section 3(b)(i) above, during the Employment Period, Executive will also be entitled to the following (without duplication):

(A) Vacation. Three weeks of paid vacation each calendar year, which if not taken during any year may not be carried forward to subsequent calendar year(s) or otherwise paid; and

(B) Personal Days. Four paid personal days each calendar year, which if not taken during any year may not be carried forward to subsequent calendar year(s) or otherwise paid; and

(C) Business Expenses. Reimbursement for all reasonable business expenses incurred by Executive in the course of performing his duties and responsibilities under this Agreement, and that are excludable from gross income, with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(c) Withholding. All amounts payable to Executive as compensation hereunder shall be subject to all required and customary withholding by the Company.

4. Termination and Obligations of the Company Upon Termination.

(a) At-Will Employment. Executive's employment is at-will and shall be of no specific period. Executive is free to resign at any time, for any reason or no reason, as Executive deems appropriate. Subject to this Section 4, the Company has a similar right to terminate Executive employment at any time, with or without Cause (as defined below).

(b) Death. If Executive's employment is terminated due to Executive's death, the Company will pay to Executive's estate Executive's (i) Base Salary through the date of termination to the extent not theretofore paid, any accrued vacation pay to the extent not theretofore paid and any reimbursement of business expenses as described in Section 3(b)(ii)(B) above (together, the "Accrued Obligations") and (ii) the bonus described in Section 3(a)(ii) above for the calendar year in which such termination occurs if Executive would have otherwise been entitled to receive such bonus had his employment not been terminated (provided that if the date of such termination occurs prior to the last day of the calendar year in respect of which such bonus is awarded, then such bonus will be prorated upon the number of days elapsed prior to Executive's date of termination). Any such bonus amount payable under this Section 4(b) will be payable at such time as such amount would have been payable had Executive's employment not been terminated.

(c) Disability. If Executive's employment is terminated either by Executive or the Company due to Executive's Disability, Executive will be entitled to receive (i) his Accrued Obligations, (ii) such benefits as are available to Executive under the Company's long-term disability insurance plans (if any) as in effect on the date of termination, (iii) continuation of Company provided health insurance at the Company's cost during the COBRA continuation period, and (iv) the bonus described in Section 3(a)(ii) above for the calendar year in which such termination occurs if Executive would have otherwise been entitled to receive such bonus had his employment not been terminated (provided that if the date of such termination occurs prior to the last day of the calendar year in respect of which such bonus is awarded, then such bonus will be prorated upon the number of days elapsed prior to Executive's date of termination). Any such bonus amount payable under this Section 4(c) will be payable at such time as such amount would have been payable had Executive's employment not been terminated. "Disability" means any physical or mental condition of Executive that (i) results in a qualification for benefits under the Company's long term disability insurance plans (referred to above) or (ii) in the good faith judgment of the Board, based upon the receipt of competent medical advice, results in the inability of Executive to perform his services under this Agreement and such incapacity will likely continue for a period of at least 180 consecutive days or at least 180 days in any 365 consecutive day period.

(d) Resignation or Termination for Cause. If Executive's employment is terminated due to Executive's resignation without Good Reason (as defined below) or a termination by the Company for Cause, Executive will be entitled to receive his Accrued Obligations.

(e) Termination by the Company Without Cause, or by Executive for Good Reason. If Executive's employment is terminated by (i) the Company without Cause, or (ii) by Executive for "Good Reason," Executive will be entitled to receive (A) his Accrued Obligations, (B) a cash severance payment equal to fifty percent (50%) of Executive's Annual Base Salary, payable in regular installments in accordance with the Company's general payroll practices (in effect from time to time) beginning on the first pay date following the date of termination and ending on the sixth monthly anniversary date of the first pay date, (C) addition of the cost of Company-provided health insurance to each severance payment made in accordance with Section 4(e)(B) above, and (D) the bonus described in Section 3(a)(ii) above for the calendar year in which such termination occurs if Executive would have otherwise been entitled to receive such bonus had his employment not been terminated (provided that if the date of such termination occurs prior to the last day of the calendar year in respect of which such bonus is awarded, then such bonus will be prorated upon the number of days elapsed prior to Executive's date of termination). Any such bonus amount payable under this Section 4(e) will be payable at such time as such amount would have been payable had Executive's employment not been terminated. In addition to the foregoing, the Company shall provide to Executive, for a period of up to six (6) months following the date of termination of employment with the Company, outplacement services, including, but not limited to: instruction and counseling to assess and develop job goals and interviewing, networking and negotiating skills; assistance with resume preparation and initiation of a job search; secretarial support, and the use of private offices at the outplacement firm's premises. Executive and the Company shall agree upon the outplacement services provider, and the aggregate cost of such services under this Section 4(e) shall not exceed Seventy Five Hundred Dollars (\$7,500).

As a condition to the Company's obligations to make the payments described in this Section 4(e), the Company and Executive will execute and deliver within 30 days after the date of termination of employment a general mutual release in the form reasonably required by the Company. Notwithstanding anything in this Agreement to the contrary, the Company will have no obligation to pay any amounts payable under this Section 4(e) during such times as Executive is in breach of Sections 5, 6, or 7 hereof.

(f) Other. Except as otherwise expressly provided herein, all of Executive's rights to salary, bonuses, employee benefits and other compensation hereunder which would have accrued or become payable after the termination or expiration of the Employment Period shall cease upon such termination or expiration, other than those expressly required under applicable law.

(g) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean:

- (1) the commission by Executive of a (i) felony or (ii) to the extent it compromises the best interests of the Company or renders Executive unfit or unable to perform his services and duties hereunder, any other criminal act (excluding any such acts involving the operation of a motor vehicle);
- (2) the commission by Executive of any act or any omission to act by Executive involving fraud, dishonesty or disloyalty with respect to the Company or any of its customers or suppliers;
- (3) the continued failure by Executive to perform substantially his duties to the Company (other than any such failure resulting from Executive's Disability) after written notice thereof (specifying the particulars thereof in reasonable detail and requirements for remediation) and a reasonable opportunity to be heard and cure such failure, if cure is possible under the circumstances, are given to Executive by the Board (it being agreed that such opportunity to be heard and cure period shall not cumulatively exceed thirty (30) consecutive days from the date written notice of such failure to perform is delivered by Executive); or
- (4) a breach by Executive of Sections 5, 6, or 7 hereof.

Notwithstanding the foregoing, immediately following a "Change in Control" of the Company, the definition of Cause shall exclude Subsection 4(g)(3) above.

(h) Definition of Good Reason. A termination by Executive for "Good Reason" means Executive's resignation from employment by the Company, after any of the following and not later than thirty (30) days following the expiration of the Cure Period (defined below):

- (1) a decrease of ten percent (10%) or more in Executive's Base Salary;
- (2) a material diminution in Executive's authority, duties, or responsibilities;
- (3) a requirement that Executive relocate his primary office to a location more than fifty (50) miles away from the current geographic location at which Executive performs services; or
- (4) any other action or inaction that constitutes a material breach by the Company of this Agreement.

No occurrence shall constitute a basis for a termination for "Good Reason" unless Executive notifies the Company, in writing, within thirty (30) days after such occurrence that Executive considers such occurrence to be a basis for a termination with "Good Reason" and, the Company fails to cure such occurrence within (30) days following receipt of such notice. The Company and Executive intend that a resignation by Executive for Good Reason, as defined above, constitutes an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code (the "Code").

(i) Definition of Change in Control. For purposes of this Agreement, "Change in Control" shall mean (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any person or group (within the meaning of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder as then in effect) of shares representing more than 50% of the aggregate voting power represented by the issued and outstanding capital stock of the Company entitled to vote in the election of directors, (b) the occupation of a majority of the seats (other than vacant seats) on the Board by persons who were neither (i) nominated by the Board; nor (ii) appointed by directors so nominated, (c) the dissolution or liquidation of the Company, (d) a reorganization, merger, or consolidation of the Company with one or more entities as a result of which the holders of the Company's outstanding equity securities prior to such transaction do not hold equity securities representing a majority of the voting power of the surviving entity, or (e) the sale of all or substantially all of the Company's assets.

5. Confidential Information and Trade Secrets.

(a) "Confidential Information" means information (to the extent it is not a Trade Secret), whether oral, written, recorded, magnetically or electronically or otherwise stored and whether originated by Executive or otherwise coming into the possession or knowledge of Executive, which is possessed by or developed for the Company and which relates to the Company's existing or potential business, which information is not reasonably ascertainable by the Company's competitors or by the general public through lawful means, and which information the Company treats as confidential, including but not limited to information regarding the Company's products or services, specifications, designs, processes, business affairs, business plans, strategies, finances, computer programs, research, customer development, planning, purchasing, finance, marketing, customer relations and customer information, and other information received by the Company from others which the Company has an obligation to treat as confidential. "Trade Secret" means a trade secret as that term is defined under Wis. Stat. §134.90.

(b) Confidentiality Obligations. During the Employment Period and for a period of two (2) years after the termination of Executive's employment with the Company, regardless of the reason for such termination, Executive shall not use or disclose any of the Company's Confidential Information. Additionally, during and after termination of employment with the Company, Executive shall not use or disclose the Company's Trade Secrets so long as they remain Trade Secrets.

6. Intellectual Property; Inventions and Patents. Executive acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by the Company ("Work Product") belong to the Company or such Subsidiary. Executive will promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Noncompetition; Non-Solicitation.

(a) Noncompetition. Executive acknowledges that in the course of his employment with the Company he shall become familiar with the Company's trade secrets and with other Confidential Information concerning the Company and its Subsidiaries and that his services shall be of special and unique value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the period of Executive's employment with the Company and for period of twelve (12) consecutive months immediately following the date of Executive's termination of employment by the Company (the "Noncompete Period"), he shall not, without prior written approval by the Board, directly or indirectly participate in any country in which the Company is doing business at the time of Executive's termination of employment with the Company in any business competing with the businesses of the Company or its Subsidiaries conducted during the Employment Period (collectively, the "Business"), either as a partner, proprietor, shareholder, officer, director, agent, employee, consultant or otherwise. Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise. Executive further acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding securities of any publicly traded company engaged in the Business, so long as Executive has no active participation in the Business of such company, unless otherwise approved by the Board.

(b) Non-Solicitation. During the Noncompete Period, Executive shall not directly or indirectly (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary (other than through general advertisements for employment not directed at employees of the Company or any of its Subsidiaries), (ii) solicit to hire any person who was an employee of the Company or any Subsidiary at any time during the six (6) months preceding the termination of the Employment Period (other than through general advertisements for employment not directed at employees of the Company or any of its Subsidiaries) or (iii) solicit or attempt to solicit for the purpose of engaging in any business in which the Company was engaged at the time of Executive's termination of employment and in which the Company was still engaged at the time of Executive's solicitation, any customer who was a customer of the Company during the last twelve (12) months of Executive's employment with the Company.

(c) Enforcement. If at the time of enforcement of Sections 5, 6, or 7 of this Agreement a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope, or area. Because Executive's services are unique and because Executive has access to Confidential Information and Work Product, the parties hereto agree that money damages would not be an adequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation by Executive of Section 7(a) or 7(b), the Noncompete Period will be tolled during the pendency of any proceeding (including any arbitration) over such breach or violation, provided that such proceeding was initiated during the Noncompete Period. Executive agrees that the restrictions contained in Sections 5, 6, and 7 are reasonable.

8. Section 280G.

(a) If any of the payments or benefits received or to be received by Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "280G Payments") constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 8, be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then prior to making the 280G Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to Executive of the 280G Payments after payment of the Excise Tax to (ii) the Net Benefit to Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments is subject to the Excise Tax. "Net Benefit" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment, and excise taxes. Any reduction made pursuant to this Section 8 shall be made in a manner determined by the Company that is consistent with the requirements of Section 409A.

(b) All calculations and determinations under this Section 8 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "Tax Counsel") whose determinations shall be conclusive and binding on the Company and Executive for all purposes. For purposes of making the calculations and determinations required by this Section 8, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 8. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

9. Section 409A.

(a) General Compliance. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

(b) Specified Employee. Notwithstanding any other provision of this Agreement, if any payment or benefit provided to Executive in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

(c) Reimbursements. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(ii) any reimbursement of an eligible expense shall be paid to Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

(d) Tax Gross-ups. Any tax gross-up payments provided under this Agreement shall be paid to Executive on or before December 31 of the calendar year immediately following the calendar year in which Executive remits the related taxes.

10. Miscellaneous.

(a) Survival. Except as otherwise provided in this Agreement, Sections 4 through 10, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

(b) Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

Jarrold Longcor
[REDACTED]
[REDACTED]

Notices to the Company:

Cellectar Biosciences, Inc.
3301 Agriculture Drive
Madison, WI 53716

Attention: Board of Directors
Chief Executive Officer and Secretary

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent or mailed.

(c) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(d) Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(e) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(f) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(g) Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(h) Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Wisconsin, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Wisconsin or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Wisconsin. Subject to Section 10(i) below, each party hereby expressly and irrevocably agrees that any case or controversy related to this Agreement must be conducted in state Circuit Court in Dane County, Wisconsin, or the United States District Court for the Western District of Wisconsin. Each party hereby irrevocably consents to personal jurisdiction in such court and to accept service of process in accordance with the provisions of the laws of the State of Wisconsin. Executive hereby waives any and all right to trial by jury in any action or proceeding related to this Agreement.

(i) Dispute Resolution. Because disputes arising in connection with complex agreements are most quickly and economically resolved by an experienced and expert person, the parties agree that claims relating to an alleged breach of this Agreement (excluding claims arising under Sections 5, 6, and/or 7) shall be resolved by binding arbitration with a single arbitrator before the American Arbitration Association in Madison, Wisconsin, pursuant to the then-applicable rules of the American Arbitration Association. If Executive is determined in such arbitration to be successful in asserting his rights, Executive shall be entitled to reimbursement of all legal fees reasonably incurred in asserting Executive's rights under the Agreement.

(j) Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

(k) Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

(l) Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation, any administrative, regulatory or judicial investigation or proceeding or any dispute with a third party as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

CELLECTAR BIOSCIENCES, INC.

By: /s/ James V. Caruso

Its: President & CEO

EXECUTIVE

/s/ Jarrod Longcor
Jarrod Longcor

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of March 27, 2017, between **CELLECTAR BIOSCIENCES, INC.**, a Delaware corporation (the "Company"), and **John E. Friend II** ("Executive").

RECITALS

The Company and Executive desire to enter into this Agreement to document the terms and conditions of Executive's employment by the Company. The parties hereto agree as follows:

1. **Employment.** The Company shall employ Executive, and Executive hereby agrees to employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the Effective Date (as defined below) and ending as provided in Section 4 hereof (the "Employment Period").
2. **Position and Duties.**
 - (a) During the Employment Period, Executive will serve as the Vice President and Chief Medical Officer of the Company. Executive will have the normal duties, responsibilities and authority of his role, subject to the overall direction and authority of the Board of Directors of the Company (the "Board") and the Chief Executive Officer.
 - (b) During the Employment Period, except as otherwise determined by the Board, Executive will report to the Chief Executive Officer, and will devote his full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company. During the Employment Period, Executive shall not serve as an officer or director of, or otherwise perform services for compensation for, any other entity without the prior written consent of the Board (which shall not be unreasonably withheld or delayed); provided that Executive may serve as an officer or director of or otherwise participate in purely educational, welfare, social, religious, recreational and civic organizations so long as such activities do not interfere with Executive's employment.
 - (c) For purposes of this Agreement, the term "Company" shall include all of the Company's Subsidiaries. The term "Subsidiaries" shall mean any corporation or other entity of which the securities or other ownership interests having the voting power to elect a majority of the board of directors or other governing body are, at the time of determination, owned by the Company, directly or through one or more Subsidiaries.
3. **Compensation and Benefits.**
 - (a) **Compensation.**
 - (i) **Base Salary.** During the Employment Period, Executive's base salary will be three hundred fifty-five thousand dollars (\$355,000) per annum (as may be adjusted from time to time by the Board, the "Base Salary"), which salary will be payable by the Company in regular installments in accordance with the Company's general payroll practices (in effect from time to time). Executive's Base Salary for any partial year will be prorated based upon the number of days elapsed in such year.

(ii) Bonus. During the Employment Period, Executive will be eligible to earn an annual bonus each calendar year (commencing with calendar year 2017), under the terms and conditions of the Company's annual incentive compensation plan for which Executive's initial target shall be thirty percent (30%) of Base Salary, prorated for partial years of employment.

(b) Benefits.

(i) During the Employment Period, Executive will be entitled to participate in all of the Company's employee benefit programs for which senior executive employees of the Company are generally eligible in accordance with the terms and conditions of such programs as the same may be modified from time to time.

(ii) In addition to the benefits described in Section 3(b)(i) above, during the Employment Period, Executive will also be entitled to the following (without duplication):

(A) Vacation. Three weeks of paid vacation each calendar year, which if not taken during any year may not be carried forward to subsequent calendar year(s) or otherwise paid; and

(B) Personal Days. Four paid personal days each calendar year, which if not taken during any year may not be carried forward to subsequent calendar year(s) or otherwise paid; and

(C) Business Expenses. Reimbursement for all reasonable business expenses incurred by Executive in the course of performing his duties and responsibilities under this Agreement, and that are excludable from gross income, with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(D) Signing Bonus. A one-time signing bonus of \$50,000, to be paid as part of the first regular payroll.

(c) Withholding. All amounts payable to Executive as compensation hereunder shall be subject to all required and customary withholding by the Company.

4. Termination and Obligations of the Company Upon Termination.

(a) At-Will Employment. Executive's employment is at-will and shall be of no specific period. Executive is free to resign at any time, for any reason or no reason, as Executive deems appropriate. Subject to this Section 4, the Company has a similar right to terminate Executive employment at any time, with or without Cause (as defined below).

(b) Death. If Executive's employment is terminated due to Executive's death, the Company will pay to Executive's estate Executive's (i) Base Salary through the date of termination to the extent not theretofore paid, any accrued vacation pay to the extent not theretofore paid and any reimbursement of business expenses as described in Section 3(b)(ii)(B) above (together, the "Accrued Obligations") and (ii) the bonus described in Section 3(a)(ii) above for the calendar year in which such termination occurs if Executive would have otherwise been entitled to receive such bonus had his employment not been terminated (provided that if the date of such termination occurs prior to the last day of the calendar year in respect of which such bonus is awarded, then such bonus will be prorated upon the number of days elapsed prior to Executive's date of termination). Any such bonus amount payable under this Section 4(b) will be payable at such time as such amount would have been payable had Executive's employment not been terminated.

(c) Disability. If Executive's employment is terminated either by Executive or the Company due to Executive's Disability, Executive will be entitled to receive (i) his Accrued Obligations, (ii) such benefits as are available to Executive under the Company's long-term disability insurance plans (if any) as in effect on the date of termination, (iii) continuation of Company provided health insurance at the Company's cost during the COBRA continuation period, and (iv) the bonus described in Section 3(a)(ii) above for the calendar year in which such termination occurs if Executive would have otherwise been entitled to receive such bonus had his employment not been terminated (provided that if the date of such termination occurs prior to the last day of the calendar year in respect of which such bonus is awarded, then such bonus will be prorated upon the number of days elapsed prior to Executive's date of termination). Any such bonus amount payable under this Section 4(c) will be payable at such time as such amount would have been payable had Executive's employment not been terminated. "Disability" means any physical or mental condition of Executive that (i) results in a qualification for benefits under the Company's long term disability insurance plans (referred to above) or (ii) in the good faith judgment of the Board, based upon the receipt of competent medical advice, results in the inability of Executive to perform his services under this Agreement and such incapacity will likely continue for a period of at least 180 consecutive days or at least 180 days in any 365 consecutive day period.

(d) Resignation or Termination for Cause. If Executive's employment is terminated due to Executive's resignation without Good Reason (as defined below) or a termination by the Company for Cause, Executive will be entitled to receive his Accrued Obligations. If such an event occurs within three years of the Executive's first day of employment, Executive will also reimburse the Company for the entire amount of the Singing Bonus from Section 3(b)(ii)(D) above.

(e) Termination by the Company Without Cause, or by Executive for Good Reason. If Executive's employment is terminated by (i) the Company without Cause, or (ii) by Executive for "Good Reason," Executive will be entitled to receive (A) his Accrued Obligations, (B) a cash severance payment equal to fifty percent (50%) of Executive's Annual Base Salary, payable in regular installments in accordance with the Company's general payroll practices (in effect from time to time) beginning on the first pay date following the date of termination and ending on the sixth monthly anniversary date of the first pay date, (C) addition of the cost of Company-provided health insurance to each severance payment made in accordance with Section 4(e)(B) above, and (D) the bonus described in Section 3(a)(ii) above for the calendar year in which such termination occurs if Executive would have otherwise been entitled to receive such bonus had his employment not been terminated (provided that if the date of such termination occurs prior to the last day of the calendar year in respect of which such bonus is awarded, then such bonus will be prorated upon the number of days elapsed prior to Executive's date of termination). Any such bonus amount payable under this Section 4(e) will be payable at such time as such amount would have been payable had Executive's employment not been terminated. In addition to the foregoing, the Company shall provide to Executive, for a period of up to six (6) months following the date of termination of employment with the Company, outplacement services, including, but not limited to: instruction and counseling to assess and develop job goals and interviewing, networking and negotiating skills; assistance with resume preparation and initiation of a job search; secretarial support, and the use of private offices at the outplacement firm's premises. Executive and the Company shall agree upon the outplacement services provider, and the aggregate cost of such services under this Section 4(e) shall not exceed Seventy Five Hundred Dollars (\$7,500).

As a condition to the Company's obligations to make the payments described in this Section 4(e), the Company and Executive will execute and deliver within 30 days after the date of termination of employment a general mutual release in the form reasonably required by the Company. Notwithstanding anything in this Agreement to the contrary, the Company will have no obligation to pay any amounts payable under this Section 4(e) during such times as Executive is in breach of Sections 5, 6, or 7 hereof.

(f) Other. Except as otherwise expressly provided herein, all of Executive's rights to salary, bonuses, employee benefits and other compensation hereunder which would have accrued or become payable after the termination or expiration of the Employment Period shall cease upon such termination or expiration, other than those expressly required under applicable law.

(g) Definition of "Cause." For purposes of this Agreement, "Cause" shall mean:

(1) the commission by Executive of a (i) felony or (ii) to the extent it compromises the best interests of the Company or renders Executive unfit or unable to perform his services and duties hereunder, any other criminal act (excluding any such acts involving the operation of a motor vehicle);

(2) the commission by Executive of any act or any omission to act by Executive involving fraud, dishonesty or disloyalty with respect to the Company or any of its customers or suppliers;

(3) the continued failure by Executive to perform substantially his duties to the Company (other than any such failure resulting from Executive's Disability) after written notice thereof (specifying the particulars thereof in reasonable detail and requirements for remediation) and a reasonable opportunity to be heard and cure such failure, if cure is possible under the circumstances, are given to Executive by the Board (it being agreed that such opportunity to be heard and cure period shall not cumulatively exceed thirty (30) consecutive days from the date written notice of such failure to perform is delivered by Executive); or

(4) a breach by Executive of Sections 5, 6, or 7 hereof.

Notwithstanding the foregoing, immediately following a "Change in Control" of the Company, the definition of Cause shall exclude Subsection 4(g)(3) above.

(h) Definition of Good Reason. A termination by Executive for "Good Reason" means Executive's resignation from employment by the Company, after any of the following and not later than thirty (30) days following the expiration of the Cure Period (defined below):

(1) a decrease of ten percent (10%) or more in Executive's Base Salary;

(2) a material diminution in Executive's authority, duties, or responsibilities;

(3) a requirement that Executive relocate his primary office to a location more than fifty (50) miles away from the current geographic location at which Executive performs services; or

- (4) any other action or inaction that constitutes a material breach by the Company of this Agreement.

No occurrence shall constitute a basis for a termination for "Good Reason" unless Executive notifies the Company, in writing, within thirty (30) days after such occurrence that Executive considers such occurrence to be a basis for a termination with "Good Reason" and, the Company fails to cure such occurrence within (30) days following receipt of such notice. The Company and Executive intend that a resignation by Executive for Good Reason, as defined above, constitutes an involuntary separation from service within the meaning of Section 409A of the Internal Revenue Code (the "Code").

(i) Definition of Change in Control. For purposes of this Agreement, "Change in Control" shall mean (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any person or group (within the meaning of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder as then in effect) of shares representing more than 50% of the aggregate voting power represented by the issued and outstanding capital stock of the Company entitled to vote in the election of directors, (b) the occupation of a majority of the seats (other than vacant seats) on the Board by persons who were neither (i) nominated by the Board; nor (ii) appointed by directors so nominated, (c) the dissolution or liquidation of the Company, (d) a reorganization, merger, or consolidation of the Company with one or more entities as a result of which the holders of the Company's outstanding equity securities prior to such transaction do not hold equity securities representing a majority of the voting power of the surviving entity, or (e) the sale of all or substantially all of the Company's assets.

5. Confidential Information and Trade Secrets.

(a) "Confidential Information" means information (to the extent it is not a Trade Secret), whether oral, written, recorded, magnetically or electronically or otherwise stored and whether originated by Executive or otherwise coming into the possession or knowledge of Executive, which is possessed by or developed for the Company and which relates to the Company's existing or potential business, which information is not reasonably ascertainable by the Company's competitors or by the general public through lawful means, and which information the Company treats as confidential, including but not limited to information regarding the Company's products or services, specifications, designs, processes, business affairs, business plans, strategies, finances, computer programs, research, customer development, planning, purchasing, finance, marketing, customer relations and customer information, and other information received by the Company from others which the Company has an obligation to treat as confidential. "Trade Secret" means a trade secret as that term is defined under Wis. Stat. §134.90.

(b) Confidentiality Obligations. During the Employment Period and for a period of two (2) years after the termination of Executive's employment with the Company, regardless of the reason for such termination, Executive shall not use or disclose any of the Company's Confidential Information. Additionally, during and after termination of employment with the Company, Executive shall not use or disclose the Company's Trade Secrets so long as they remain Trade Secrets.

6. Intellectual Property; Inventions and Patents. Executive acknowledges and agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by the Company ("Work Product") belong to the Company or such Subsidiary. Executive will promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Noncompetition; Non-Solicitation.

(a) Noncompetition. Executive acknowledges that in the course of his employment with the Company he shall become familiar with the Company's trade secrets and with other Confidential Information concerning the Company and its Subsidiaries and that his services shall be of special and unique value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the period of Executive's employment with the Company and for period of twelve (12) consecutive months immediately following the date of Executive's termination of employment by the Company (the "Noncompete Period"), he shall not, without prior written approval by the Board, directly or indirectly participate in any country in which the Company is doing business at the time of Executive's termination of employment with the Company in any business competing with the businesses of the Company or its Subsidiaries conducted during the Employment Period (collectively, the "Business"), either as a partner, proprietor, shareholder, officer, director, agent, employee, consultant or otherwise. Executive agrees and acknowledges that the potential harm to the Company of its non-enforcement outweighs any harm to Executive of its enforcement by injunction or otherwise. Executive further acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area. Nothing herein shall prohibit Executive from being a passive owner of not more than five percent (5%) of the outstanding securities of any publicly traded company engaged in the Business, so long as Executive has no active participation in the Business of such company, unless otherwise approved by the Board.

(b) Non-Solicitation. During the Noncompete Period, Executive shall not directly or indirectly (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary (other than through general advertisements for employment not directed at employees of the Company or any of its Subsidiaries), (ii) solicit to hire any person who was an employee of the Company or any Subsidiary at any time during the six (6) months preceding the termination of the Employment Period (other than through general advertisements for employment not directed at employees of the Company or any of its Subsidiaries) or (iii) solicit or attempt to solicit for the purpose of engaging in any business in which the Company was engaged at the time of Executive's termination of employment and in which the Company was still engaged at the time of Executive's solicitation, any customer who was a customer of the Company during the last twelve (12) months of Executive's employment with the Company.

(c) Enforcement. If at the time of enforcement of Sections 5, 6, or 7 of this Agreement a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope, or area. Because Executive's services are unique and because Executive has access to Confidential Information and Work Product, the parties hereto agree that money damages would not be an adequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation by Executive of Section 7(a) or 7(b), the Noncompete Period will be tolled during the pendency of any proceeding (including any arbitration) over such breach or violation, provided that such proceeding was initiated during the Noncompete Period. Executive agrees that the restrictions contained in Sections 5, 6, and 7 are reasonable.

8. Section 280G.

(a) If any of the payments or benefits received or to be received by Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "280G Payments") constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 8, be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then prior to making the 280G Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to Executive of the 280G Payments after payment of the Excise Tax to (ii) the Net Benefit to Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments is subject to the Excise Tax. "Net Benefit" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment, and excise taxes. Any reduction made pursuant to this Section 8 shall be made in a manner determined by the Company that is consistent with the requirements of Section 409A.

(b) All calculations and determinations under this Section 8 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "Tax Counsel") whose determinations shall be conclusive and binding on the Company and Executive for all purposes. For purposes of making the calculations and determinations required by this Section 8, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 8. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

9. Section 409A.

(a) General Compliance. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

(b) Specified Employee. Notwithstanding any other provision of this Agreement, if any payment or benefit provided to Executive in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

(c) Reimbursements. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(ii) any reimbursement of an eligible expense shall be paid to Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

(d) Tax Gross-ups. Any tax gross-up payments provided under this Agreement shall be paid to Executive on or before December 31 of the calendar year immediately following the calendar year in which Executive remits the related taxes.

10. Miscellaneous.

(a) Survival. Except as otherwise provided in this Agreement, Sections 4 through 10, inclusive, shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

(b) Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, sent by reputable overnight courier service or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

John E. Friend
[REDACTED]
[REDACTED]

Notices to the Company:

Collectar Biosciences, Inc.
3301 Agriculture Drive
Madison, WI 53716

Attention: Board of Directors
Chief Executive Officer and Secretary

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered, sent or mailed.

(c) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(d) Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(e) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(f) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(g) Successors and Assigns. This Agreement shall bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his duties or obligations hereunder without the prior written consent of the Company.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(h) Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Wisconsin, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Wisconsin or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Wisconsin. Subject to Section 10(i) below, each party hereby expressly and irrevocably agrees that any case or controversy related to this Agreement must be conducted in state Circuit Court in Dane County, Wisconsin, or the United States District Court for the Western District of Wisconsin. Each party hereby irrevocably consents to personal jurisdiction in such court and to accept service of process in accordance with the provisions of the laws of the State of Wisconsin. Executive hereby waives any and all right to trial by jury in any action or proceeding related to this Agreement.

(i) Dispute Resolution. Because disputes arising in connection with complex agreements are most quickly and economically resolved by an experienced and expert person, the parties agree that claims relating to an alleged breach of this Agreement (excluding claims arising under Sections 5, 6, and/or 7) shall be resolved by binding arbitration with a single arbitrator before the American Arbitration Association in Madison, Wisconsin, pursuant to the then-applicable rules of the American Arbitration Association. If Executive is determined in such arbitration to be successful in asserting his rights, Executive shall be entitled to reimbursement of all legal fees reasonably incurred in asserting Executive's rights under the Agreement.

(j) Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

(k) Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance. Executive hereby represents that he has no reason to believe that his life is not insurable at rates now prevailing for healthy men of his age.

(l) Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with the Company and its Subsidiaries in any internal investigation, any administrative, regulatory or judicial investigation or proceeding or any dispute with a third party as reasonably requested by the Company (including, without limitation, Executive being available to the Company upon reasonable notice for interviews and factual investigations, appearing at the Company's request to give testimony without requiring service of a subpoena or other legal process, volunteering to the Company all pertinent information and turning over to the Company all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

CELLECTAR BIOSCIENCES, INC.

By: /s/ Chad Kolean

Its: Vice President and Chief Financial Officer

EXECUTIVE

/s/ John E. Friend II
John E. Friend II

I, JAMES CARUSO, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Collectar Biosciences, Inc., a Delaware Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely 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: November 9, 2017

/s/ James Caruso

James Caruso

President and Chief Executive Officer (Principal Executive Officer)

I, JOHN HAMILL, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Collectar Biosciences, Inc., a Delaware Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely 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: November 9, 2017

/s/ John Hamill

John Hamill

Interim Chief Financial Officer (Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Collectar Biosciences, Inc. (the "Company") for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, James Caruso, President and Chief Executive Officer of the Company, and John Hamill, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

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

/s/ James Caruso

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

Date: November 9, 2017

/s/ John Hamill

John Hamill
Interim Chief Financial Officer (Principal Financial and Accounting Officer)

Date: November 9, 2017
