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

FORM 10-Q

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

For the quarterly period ended **September 30, 2015**

or

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

For the transition period from _____ to _____

Commission File Number: **000-54748**

ICAGEN, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-0982060**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4222 Emperor Blvd., Suite 350
Research Triangle Park, Durham, NC, 27703
(Address of principal executive offices) (Zip Code)

(919) 433-3205
(Registrant's telephone number, including area code)

XRPRO SCIENCES, INC.
One Kendall Square, Suite B2002
Cambridge, Massachusetts, 02139
(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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
(Do not check if a smaller reporting company)			

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

Number of shares of common stock outstanding as of November 16, 2015 was 6,481,457.

ICAGEN, INC.
(FORMERLY XRPRO SCIENCES, INC.)
FORM 10-Q
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

ICAGEN, INC.
(FORMERLY XRPRO SCIENCES, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash	$ 5,474,913	$ 6,472,393
Accounts receivable, net	420,305	103,869
Prepaid expenses and other current assets	378,600	55,331
Total current assets	**6,273,818**	**6,631,593**
Non-current assets:		
Intangible assets, net	9,604,508	491,207
Goodwill	543,392	-
Plant and equipment, net	1,794,537	481,651
Deposits	-	1,000
Investment in certificate of deposit	25,019	25,014
Total non-current assets	**11,967,456**	**998,872**
TOTAL ASSETS	**$ 18,241,274**	**$ 7,630,465**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 989,360	$ 556,099
Other payables and accrued expenses	761,127	294,628
Legal settlement accrual	1,648,500	490,625
Loans payable	177,350	34,552
Deferred purchase consideration	250,000	-
Dividends payable	77	978,048
Total current liabilities	**3,826,414**	**2,353,952**
Non-current liabilities:		
Deferred purchase consideration	10,500,000	-
Loans payable	-	142,502
Total non-current liabilities	**10,500,000**	**142,502**
TOTAL LIABILITIES	**14,326,414**	**2,496,454**
Convertible Redeemable Preferred Stock		
Series A Cumulative Convertible Redeemable Preferred Stock, $0.001 par value, 400,000 shares designated, 105,000 shares issued and outstanding as of September 30, 2015 and December 31, 2014, liquidation preference is $5.70 per share.	133,350	133,350
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 10,000,000 authorized shares, 6,600,000 shares undesignated and unissued.	-	-
Series B Cumulative Convertible Preferred Stock, $0.001 par value, 3,000,000 designated shares, 0 and 2,133,947 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively, liquidation preference is $2.50 per share.	-	2,134
Common stock, $0.001 par value, 50,000,000 authorized shares, 6,808,457 and 3,780,847 shares issued and 6,481,457 and 3,453,847 outstanding as of September 30, 2015 and December 31, 2014, respectively.*	6,481	3,453
Additional paid in capital	23,613,833	18,413,353
Treasury stock, at cost (327,000 shares of common stock as of September 30, 2015 and December 31, 2014).*	(237)	(237)
Accumulated deficit	)	)

	(19,838,567	(13,418,042
Total stockholders' equity	**3,781,510**	**5,000,661**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 18,241,274**	**$ 7,630,465**

* After giving retrospective effect to a 2 for 1 reverse stock split which became effective on March 25, 2015 after filing a certificate of amendment to the certificate of incorporation.

See notes to the unaudited condensed consolidated financial statements

ICAGEN, INC.
(FORMERLY XRPRO SCIENCES, INC.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Sales	$ 465,214	$ 71,508	$ 591,025	$ 408,390
Cost of sales	734,759	126,035	1,026,626	468,447
Gross loss	(269,545)	(54,527)	(435,601)	(60,057)
Operating expenses:				
Selling, general and administrative expenses	1,625,579	1,577,822	4,036,924	3,606,305
Depreciation	89,392	28,820	154,441	83,599
Amortization	124,358	12,921	150,200	38,764
Total operating expenses	1,839,329	1,619,563	4,341,565	3,728,668
Operating loss	(2,108,874)	(1,674,090)	(4,777,166)	(3,788,725)
Other income (expense)				
Other income (expense)	(1,465,025)	-	(1,550,025)	7,177,522
Interest income	1,599	22	5,015	84
Interest expense	(2,409)	(2,568)	(6,615)	(12,201)
Change in fair value of derivative liabilities	-	(131,922)	-	(816,924)
Total other income (expense)	(1,465,835)	(134,468)	(1,551,625)	6,348,481
Net (loss) income before tax	(3,574,709)	(1,808,558)	(6,328,791)	2,559,756
Income tax	(19,038)	-	(19,038)	-
Net loss (income)	(3,593,747)	(1,808,558)	(6,347,829)	2,559,756
Preferred stock dividends	-	(156,839)	(72,697)	(461,966)
Net (loss) income applicable to common stock	$ (3,593,747)	$ (1,965,397)	$ (6,420,526)	$ 2,097,790
Net (loss) income per common stock: -				
Basic	$ (0.55)	$ (0.97)	$ (1.04)	$ 1.03
Diluted	$ (0.55)	$ (0.97)	$ (1.04)	$ 0.80
Weighted average number of common stock outstanding: -				
Basic*	6,481,457	2,019,885	6,202,772	2,038,635
Diluted*	6,481,457	2,019,885	6,202,772	3,192,904

* After giving retrospective effect to a 2 for 1 reverse stock split which became effective on March 25, 2015 after filing a certificate of amendment to the certificate of incorporation.

See notes to the unaudited condensed consolidated financial statements

ICAGEN, INC.
(FORMERLY XRPRO SCIENCES, INC.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flow from operating activities		
Net (loss) income	$ (6,347,829)	$ 2,559,756
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	154,441	83,599
Amortization	150,200	38,764
Loss (gain) on disposal/scrapping of plant and equipment	6,240	(462)
Stock based compensation charge	390,342	671,349
Non-cash inventory charge	32,811	-
Fair value of derivative financial liability	-	816,924
Gain on cancellation of shares in legal settlement	-	(177,522)
Legal settlement accrual	1,444,548	-
Severance cost accrual	105,477	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(316,436)	34,513
Increase in prepaid expenses and deposits	(323,270)	(44,832)
Increase (decrease) in accounts payable	433,258	(1,144,456)
Increase (decrease) in other payables and accrued expenses	360,975	(171,599)
Net cash (used in) provided by operating activities	**(3,909,243)**	**2,666,034**
Cash flow from investing activities		
Acquisition of Icagen assets	(250,000)	-
Purchase of plant and equipment	(314,203)	(91,878)
Proceeds from sale of equipment	934	2,750
Deposit refunded	1,000	-
Investment in deposits	(5)	(1,000)
Net cash used in investing activities	**(562,274)**	**(90,128)**
Cash flow from financing activities		
Repayment of term loan	-	(247,201)
Repayment of Los Alamos County loan	(25,717)	(24,465)
Proceeds from software acquisition loan	26,062	-
Proceeds from Common stock units issued	3,836,133	-
Share issue expenses	(314,541)	-
Proceeds from warrants exercised	400	-
Series A Preferred Stock dividends paid	(48,300)	-
Net cash provided by (used in) financing activities	**3,474,037**	**(271,666)**
Net (decrease) increase in cash	(997,480)	2,304,240
Cash at the beginning of the period	6,472,393	519,733
Cash at the end of the period	**$ 5,474,913**	**$ 2,823,973**
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 6,664	$ 12,211
Income taxes	$ 19,038	$ -
Non-cash investing and financing activities:		
Common stock issued in exchange for Series B Preferred stock	$ 2,134	$ -
Common stock issued in lieu of series B Preferred stock dividends	$ 978,417	$ -
Common shares issued to partially settle liability	$ 310,625	$ -
Acquisition of assets as part of Asset Purchase and Collaboration Agreement	$ 10,750,000	$ -
Accrued Series A Preferred stock dividends	$ 23,952	$ 36,125
Accrued Series B Preferred stock dividends	$ 48,745	$ 425,841

See notes to the unaudited condensed consolidated financial statements

ICAGEN, INC.
(FORMERLY XRPRO SCIENCES, INC.)
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Icagen, Inc. (formerly known as XRpro Sciences, Inc. and Caldera Pharmaceuticals, Inc.) ("the Company", "we", "us", "our") is a Delaware corporation. The principal office is located in Research Triangle Park, Durham, North Carolina. The Company was incorporated in November 2003.

Effective August 28, 2015, the Company changed its name from XRpro Sciences, Inc. to Icagen, Inc., after Board approval and the majority of our shareholders eligible to vote signed a written consent in favor of the amendment to the Certificate of Incorporation.

On July 1, 2015, the Company consummated its purchase of certain assets of Icagen Inc., a wholly owned subsidiary of Pfizer Inc. ("Pfizer") under the terms of an asset purchase and collaboration agreement that the Company entered into on June 26, 2015, pursuant to which the Company acquired certain assets of Icagen (including certain cell lines, office equipment, servers, biology instruments, benchtops and the Icagen name), assumed certain liabilities of Icagen and agreed to continue the employment of several employees of Icagen for at least two years. The Company agreed to pay: (i) an upfront cash purchase price of $500,000, of which $125,000 was paid at closing date, a further $125,000 was paid on September 1, 2015 and $250,000 is to be paid in two equal installments of $125,000, on December 1, 2015 and March 1, 2016; (ii) a cash payment of $500,000 on the second anniversary of the closing provided that prior to such date the MSSA (as defined below) has generated at least $4,000,000 in revenue; and (iii) beginning in 2017, a quarterly earn out payment (the "Earn Out Payment") of 10% of revenue earned during the quarter up to a maximum aggregate payment of $10,000,000.

The Company also entered into a Master Scientific Services Agreement with Pfizer (the "MSSA"), the execution of which was a condition to closing under the APA. In accordance with the terms of the MSSA, the Company agreed to perform ion channel screening and other contract research for Pfizer, including but not limited to, on demand assay development, modification and optimization, compound screening, ion channel screening, reagent and cell line generation, biology platform development.

Icagen has an extensive platform of assay tools and technologies for the interrogation of ion channel and transporter function and pharmacological modulation including our proprietary label free XRpro® technology. With our extensive experience in ion channels, screening, and drug development, the Company has built an extensive portfolio of over 1000 cell lines, including cell lines stably expressing recombinant human ion channels and transporters, species orthologs and distinct disease-related or drug binding site mutants. These tools form the basis for compound screening, selectivity assays, detailed assessment of activity, and mechanism of action studies.

Icagen also offers a full complement of assay technologies including high throughput fluorescence, manual and automated electrophysiology, and radiotracer flux assays. Combined with our cell line and assay development expertise, these technologies enable the Company to rapidly provide quality screening for a broad set of ion channels and transporters.

Icagen is the only provider that offers XRpro, a label-free technology that leverages the unique capabilities of X-ray fluorescence for high-throughput ion flux assays. XRpro technology directly measures elements across the periodic table, from monovalent and divalent ions including potassium and calcium to halogens and transition metals including zinc. Combined with the penetrating ability of X-rays to deal with complex solutions including 100% serum, the system enables analysis of electrogenic and nonelectrogenic systems that challenge other technologies.

2. ACCOUNTING POLICIES AND ESTIMATES

General

The following (a) consolidated balance sheets as of September 30, 2015 (unaudited) and December 31, 2014, which have been derived from audited consolidated financial statements, and (b) the unaudited interim statements of operations and cash flows of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended September 30, 2015 are not necessarily indicative of results that may be expected for the year ending December 31, 2015. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014 included in the Company's Form 10-K, filed with the Securities and Exchange Commission ("SEC").

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

In the opinion of management, all adjustments necessary to fairly present the results for the interim periods presented have been made. All adjustments made are of a normal and recurring nature and no non-recurring adjustments have been made in the presentation of these interim financial statements.

All amounts referred to in the notes to the unaudited condensed consolidated financial statements are in United States Dollars ($) unless stated otherwise.

Consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries in which it has a majority voting interest. Investments in affiliates are accounted for under the cost method of accounting, where appropriate. All significant inter-company accounts and transactions have been eliminated in the condensed consolidated financial statements. The entities included in these condensed consolidated financial statements are as follows:

Icagen, Inc. - Parent Company
XRpro Corp. - Wholly owned subsidiary
Caldera Discovery, Inc. - Wholly owned subsidiary (formed on March 27, 2015)

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Estimates

The preparation of these unaudited condensed consolidated financial statements in accordance with US GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to bad debts and recovery of long-lived assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the financial statements. Significant estimates include the allowance for doubtful accounts, the useful life of plant and equipment and intangible assets, and assumptions used in assessing impairment of long-term assets and the assumptions used in determining percentage of completion on our long-term contracts.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against and by the Company or unasserted claims that may result in such proceedings, the Company's management evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

Fair value of financial instruments

The Company adopted the guidance of Accounting Standards Codification ("ASC") 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, accounts receivable, loans payable, accounts payable and accrued expenses approximate their fair market value based on the short-term maturity of these instruments. The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with the accounting guidance.

ASC 825-10 "*Financial Instruments*" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

Reporting by segment

No segmental information is presented as the Company is changing its focus from Government contract revenue to revenues derived from commercial customers.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Intangible assets

All of our intangible assets are subject to amortization. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired. Where intangibles are deemed to be impaired we recognize an impairment loss measured as the difference between the estimated fair value of the intangible and its book value.

a) Cell lines

Cell lines acquired by the Company are reported at acquisition value less any impairment. The useful life of cell lines is estimated to be indefinite.

b) Biology platform

The biology platform acquired by the Company is reported at acquisition value less accumulated amortization and any impairment. The estimated useful life of the biology platforms acquired is estimated to be ten years.

c) Trademarks and trade names

The Trademarks and trade names acquired by the Company is reported at acquisition value less any impairments. The estimated useful life of trademarks and trade names is estimated to be indefinite.

d) Patents and License Agreements

Patents and License agreements acquired by the Company are reported at acquisition value less accumulated amortization and impairments. The estimated useful life of patents and license agreement is estimated to be twenty years, the general useful life of patents.

e) Amortization

Amortization is reported in the income statement on a straight-line basis over the estimated useful life of the intangible assets, unless the useful life is indefinite. Amortizable intangible assets are amortized from the date that they are available for use.

Goodwill

The value of goodwill acquired by the Company is reported at acquisition value less any impairment. The useful life of goodwill is estimated to be indefinite.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Leasehold improvements	Lease term
Laboratory equipment	7 Years
Furniture and fixtures	10 Years
Computer equipment	3 Years
Computer software	1 to 3 years

The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition.

We examine the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable. We recognize an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

Concentrations of credit risk

The Company's operations are carried out in the USA. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the USA and by the general state of the economy. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, and rates and methods of taxation, among other things.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Concentration of major customers

The Company derives its revenues from commercial pharmaceutical and biotechnology companies as well as from Government research contracts and Government grants.

The commercial revenues are currently from one major pharmaceutical company.

These Government research contracts are primarily from one government agency; the National Institutes of Health. The granting of research contracts from Government agencies is a competitive process and there is no certainty that we will be awarded future contracts, which may cause our revenue to fluctuate from year to year. Furthermore, Government grants are subject to audits by the granting agency. If such audits were to determine that expenditures of the grant funds did not meet the applicable criteria, these amounts could be subject to retroactive adjustment and refunded to the granting agency.

Total revenues by customer type are as follows:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Commercial customers	$ 406,250	$ -	$ 406,250	$ -
National Institutes of Health	58,964	71,508	184,775	408,390
	$ 465,214	$ 71,508	$ 591,025	$ 408,390

Accounts receivable and other receivables

We have a policy of reserving for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. As a basis for accurately estimating the likelihood of collection of our accounts receivable, we consider a number of factors when determining reserves for uncollectable accounts. We believe that we use a reasonably reliable methodology to estimate the collectability of our accounts receivable. We review our allowances for doubtful accounts on a regular basis. We also consider whether the historical economic conditions are comparable to current economic conditions. If the financial condition of our customers or other parties that we have business relations with were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The balance of the receivables provision as at September 30, 2015 and December 31, 2014 was $19,084. The amount charged to bad debt provision for the nine months ended September 30, 2015 and 2014 was $0 and $0, respectively.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less and money market accounts to be cash equivalents. The Company maintains cash and cash equivalents with two financial institutions in the USA.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Revenue recognition

Revenue sources consist of commercial contracts, government grants and government contracts.

We enter into fixed fee commercial development contracts that are not associated with the delivery of feasible research on drug candidates and the development of drug candidates. Revenue under such contracts is generally recognized upon delivery or as the development is performed.

We account for our long-term Firm Fixed Price Government contracts and grants associated with the delivery of research on drug candidates and the development of drug candidates using the percentage-of-completion accounting method. Under this method, revenue is recognized based on the extent of progress towards completion of the long-term contract.

We generally use the cost-to-cost measure of progress for all of our long-term contracts, unless we believe another measure will produce a more reliable result. We believe that the cost-to-cost measure is the best and most reliable performance indicator of progress on our long-term contracts as all our contract estimates are based on costs that we expect to incur in performing our long-term contracts and we have not experienced any significant variations on estimated to actual costs to date. Under the cost-to-cost measure of progress, the extent of progress towards completion is based on the ratio of costs incurred-to-date to the total estimated costs at the completion of the long-term contract. Revenues, including estimated fees or profits are recorded as costs are incurred.

When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined.

Sales and Marketing

Sales and marketing expenses are minimal at present. These costs, if any, are expensed as incurred and included in Selling, general and administrative expenses. The Company expects to incur sales and marketing expenses in future periods to promote its services to drug discovery enterprises.

Research and Development

The remuneration of the Company’s research and development staff, materials used in internal research and development activities, and payments made to third parties in connection with collaborative research and development arrangements, are all expensed as incurred. Where the Company makes a payment to a third party to acquire the right to use a product formula which has received regulatory approval, the payment is accounted for as the acquisition of a license or patent and is capitalized as an intangible asset and amortized over the shorter of the license period or the patent life.

The amount expensed for unrecovered research costs, included in Selling, general and administrative expenses during the three months ended September 30, 2015 and 2014 was $72,912 and $78,910, and for the nine months ended September 30, 2015 was $250,855 and $236,475, respectively.

Patent Costs

Legal costs in connection with approved patents and patent applications are expensed as incurred and classified as selling, general and administrative expense in our condensed consolidated statements of operations.

Share-Based Compensation

Share-based compensation cost is measured at the grant date, based on the estimated fair value of the award and is recognized as expense over the employee's requisite service period or vesting period on a straight-line basis. Share-based compensation expense recognized in the condensed consolidated statements of operations for the three months and the nine months ended September 30, 2015 and 2014 is based on awards ultimately expected to vest and has been reduced for estimated forfeitures. This estimate will be revised in subsequent periods if actual forfeitures differ from those estimates. We have no awards with market or performance conditions.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Income Taxes

The Company utilizes ASC 740, Accounting for Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Net income (loss) per Share

Basic net income (loss) per share is computed on the basis of the weighted average number of common stock outstanding during the period.

Diluted net income (loss) per share is computed on the basis of the weighted average number of common stock and common stock equivalents outstanding. Dilutive securities having an anti-dilutive effect on diluted net income (loss) per share are excluded from the calculation.

Dilution is computed by applying the treasury stock method for options and warrants. Under this method, “in-the money” options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Dilution is computed by applying the if-converted method for convertible preferred stocks. Under this method, convertible preferred stock is assumed to be converted at the beginning of the period (or at the time of issuance, if later), and preferred dividends (if any) will be added back to determine income applicable to common stock. The shares issuable upon conversion will be added to weighted average number of common stock outstanding. Conversion will be assumed only if it reduces earnings per share (or increases loss per share).

Related parties

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company shall disclose all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to the related party.

Derivative Liabilities

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

The Company had no derivative liabilities as of September 30, 2015.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities".

Professional standards generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument".

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event that is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Recent accounting pronouncements

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This ASU eliminates from U.S. GAAP the concept of extraordinary items. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. We do not expect the adoption of ASU 2015-01 to have a material effect on our financial position, results of operations or cash flows.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which is intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures (collateralized debt obligations, collateralized loan obligations, and mortgage-backed security transactions). The ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB Accounting Standards Codification and improves current U.S. GAAP by placing more emphasis on risk of loss when determining a controlling financial interest, reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity ("VIE"), and changing consolidation conclusions for companies in several industries that typically make use of limited partnerships or VIEs. The ASU will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We do not expect the adoption of ASU 2015-02 to have a material effect on our financial position, results of operations or cash flows.

In April 2015, FASB issued Accounting Standards Update ("ASU") No. 2015-03, Interest – *Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, is to simplify presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU does not affect the recognition and measurement guidance for debt issuance costs. For public companies, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early application is permitted. This updated guidance is not expected to have a material impact on our results of operations, cash flows or financial condition.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Recent accounting pronouncements (continued)

In April 2015, FASB issued Accounting Standards Update No. 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees paid in a Cloud Computing Arrangement*, provides guidance to customers about whether a cloud computing arrangement includes a software license. If such an arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for it as a service contract. For public business entities, the ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early application is permitted. This updated guidance is not expected to have a material impact on our results of operations, cash flows or financial condition.

In April 2015, FASB issued Accounting Standards Update No. 2015-06, *Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions*, specifies that, for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a drop down transaction should be allocated entirely to the general partner. In that circumstance, the previously reported earnings per unit of the limited partners (which is typically the earnings per unit measure presented in the financial statements) would not change as a result of the dropdown transaction. Qualitative disclosures about how the rights to the earnings (losses) differ before and after the dropdown transaction occurs for purposes of computing earnings per unit under the two-class method also are required. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. This updated guidance is not expected to have a material impact on our results of operations, cash flows or financial condition.

In July 2015, FASB issued Accounting Standards Update ("ASU") No. 2015-11, " *Inventory (Topic 330): Simplifying the Measurement of Inventory" more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The amendments in this ASU do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost.* An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. *For public business entities, this ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, this ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments in this ASU should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period.* We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In August 2015, FASB issued Accounting Standards Update ("ASU") No.2015-14, " *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date"* defers the effective date ASU No. 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. All other entities may apply the guidance in ASU No. 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities also may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in ASU No. 2014-09. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In September 2015, FASB issued Accounting Standards Update ("ASU") No. 2015-16, " *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments"* requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not yet been made available for issuance. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

3. LIQUIDITY

The Company recently concluded a private placement offering with gross proceeds of $8,855,000 (See note 14 below). The capital raise and revenues expected from commercial customers should provide the Company with sufficient capital resources to meet its projected cash flow requirements in conducting its operations for at least the next twelve month period commencing on September 30, 2015. However there can be no assurance that our revenue expectations will be realized or that additional and unforeseen non-recurring expenses will not arise during the next twelve month period or that the Company will be successful in completing its business development plan.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	September 30, 2015 (unaudited)	December 31, 2014
Prepaid insurance	$ 33,062	$ 18,093
Prepaid rent	2,500	20,936
Prepaid equipment maintenance	21,604	14,754
Prepaid investor relations	6,250	-
Surety bond	310,000	-
Other	5,184	1,548
	$ 378,600	$ 55,331

A surety bond of $310,000 was posted as security for the sanctions levied against the Company in the Litigation with the Estate of Sigmund Eisenschenk, the bond was necessary and we have appealed these sanctions (refer note 21 below).

5. ACQUISITION OF ASSETS OF ICAGEN INC.

On July 1, 2015, the Company consummated its purchase of certain assets of Icagen Inc., a wholly owned subsidiary of Pfizer Inc. ("Pfizer") under the terms of an asset purchase and collaboration agreement that the Company entered into on June 26, 2015, pursuant to which the Company acquired certain assets of Icagen (including certain cell lines, office equipment, servers, biology instruments, benchtops and the Icagen name), assumed certain liabilities of Icagen and agreed to continue the employment of several employees of Icagen for at least two years. The Company agreed to pay: (i) an upfront cash purchase price of $500,000, of which $125,000 was paid at closing date, a further $125,000 was paid in September 1, 2015 and $250,000 is to be paid in two equal installments of $125,000, on December 1, 2015 and March 1, 2016; (ii) a cash payment of $500,000 on the second anniversary of the closing provided that prior to such date the MSSA has generated at least $4,000,000 in revenue; and (iii) beginning in 2017, a quarterly earn out payment (the "Earn Out Payment") of 10% of revenue earned during the quarter up to a maximum aggregate payment of $10,000,000.

The fair value allocation for the fixed assets, including laboratory equipment and computer equipment, cell lines, biology platform, trademarks and tradename and goodwill resulting from the acquisition of the Icagen assets from Pfizer, Inc. was based on management's estimates as of the date of the acquisition. The Company intends to retain the services of an independent valuation firm to determine the fair value of these identifiable intangible assets. Once determined, the Company will reallocate the purchase price of the acquisition based on the results of the independent evaluation if they are materially different from the allocations as recorded on July 1, 2015.

The purchase price allocated to the acquisition of the assets of Icagen Inc. is made up as follows:

	Amount
Cash payments made on July 1, 2015 and September 1, 2015	$ 250,000
Cash payments to be made on December 1, 2015 and March 1, 2016	250,000
Cash payment due on July 1, 2017	500,000
Deferred earn out payments	10,000,000
Total	$ 11,000,000

The initial allocation of the purchase price to the assets acquired is as follows:

	Amount
Laboratory equipment	$ 1,145,002
Computer equipment	15,295
Cell lines	3,806,000
Biology Platform	4,457,500
Trade name	1,000,000
Goodwill	543,392
Laboratory consumables purchased	32,811
Total	$ 11,000,000

6. INTANGIBLE ASSETS

a. Cell lines and biology platform

In terms of the purchase agreement entered into between the Company and Pfizer, Icagen has established a core set of technologies for the discovery of drugs that act upon ion channel targets. All of the assets acquired were developed internally by Icagen and are based upon its ion channel platform and include the following acquired components:

- Extensive cell line and plasmid repositories
- Technologies including High Throughput screening (HTS), electrophysiology, informatics, in vitro and in vivo ADME, animal efficacy and safety models.

The initial value placed on these individual components is $3,806,000 for Cell lines, no initial value has been ascribed to plasmid repositories due to the commodity nature of these plasmids and $4,457,500 for the biology platform.

The useful life ascribed to the cell lines is indefinite due to the proprietary nature of these internally generated cell lines and the useful life of the acquired biology platform is expected to be ten years based on our internal experience on the usefulness of internally generated procedures and protocols used in ion channel drug discovery procedures. The cell lines and biology platform will be considered for impairment on a regular basis.

b. Trade name and trademarks

In terms of the purchase agreement entered into between the Company and Pfizer, the name and all rights to the name of Icagen were assigned to us. The use of this name, which was the original name of the publicly traded company acquired by Pfizer in 2011, has significant value and is a well-known industry name. The initial value placed on the trade name and trademarks acquired is $1,000,000. The useful life of the trade name and trademarks is indefinite and will be tested for impairment on a regular basis.

c. Patents and Licenses

In terms of an Exclusive Patent License agreement (“License”) covering national and international patents entered into with the Los Alamos National Security LLC (“the Licensor”) dated September 8, 2005, the Company has the exclusive right to the use of certain patents. On October 15, 2014, the national and international patents owned by Los Alamos National Security and previously licensed to the Company were assigned to the Company.

6. INTANGIBLE ASSETS (continued)

c. **Patents and Licenses (continued)**

On January 29, 2015, the Company sent a notice to LANS informing them that upon the assignment of all the patents underlying the License Agreement on October 15, 2014, that the license agreement was terminated ab Initio and that the 90 day notice period was waived, alternatively the letter served as our 90 day notice period. No provision for license fee payments have been made for the three months and nine months ended September 30, 2015.

The patents consist of the following:

- Method for Detecting Binding Events Using Micro X-Ray Fluorescence Spectrometry;
- Flow Method and Apparatus for Screening Chemicals Using Micro X-Ray Fluorescence;
- Method and Apparatus for Detecting Chemical Binding;
- Drug Development and Manufacturing.
- Advanced Drug Development and Manufacturing (The Licensor assigned its rights to this application to the Company, which already owned rights to this patent assigned to the Company by inventors currently and previously employed by the Company).
- Well Plate – apparatus for preparing samples for measurement by x-ray fluorescence spectrometry. Patent filed August 15, 2008
- Method and Apparatus for measuring Protein Post Translational Modification. Patent filed September 26, 2008.
- Method and Apparatus for Measuring Analyte Transport across barriers. Patent filed July 1, 2009.
- Advanced Drug Development and Manufacturing.

The Company has various other patents pending or registered in its name. These patents have been internally generated and all costs associated with the research and development of these patents has been expensed.

Intangible assets consist of the following:

	September 30, 2015			December 31, 2014
	Cost	Amortization and impairment	Net book value (unaudited)	Net book value
Cell lines	$ 3,806,000	$ -	$ 3,806,000	$ -
Biology platform	4,457,500	(111,437)	4,346,063	-
Trade name and trademarks	1,000,000	-	1,000,000	-
Patents and Licenses, at cost	972,000	(519,555)	$ 452,445	491,207
	$ 10,235,500	**$ (630,992)**	**$ 9,604,508**	**$ 491,207**

The aggregate amortization expense charged to operations was $124,358 and $12,921 for the three months ended September 30, 2015 and 2014, and $150,200 and $38,764 for the nine months ended September 30, 2015 and 2014, respectively. The amortization policies followed by the Company are described in Note 2.

Amortization expense for future periods is summarized as follows:

	Amount
Remainder of 2015	$ 124,358
2016	497,434
2017	497,434
2018	497,434
2019 and thereafter	3,181,848
Total	$ 4,798,508

7. GOODWILL

The value of goodwill acquired by the Company is reported at acquisition value less any impairment. The useful life of goodwill is estimated to be indefinite.

8. PLANT AND EQUIPMENT

Included in plant and equipment is laboratory equipment and computer equipment initially valued at $1,145,002 and $15,295, respectively, acquired in terms of the acquisition agreement entered into with Pfizer on July 1, 2015. The useful lives of this equipment are estimated at seven years and three years respectively.

The Company has acquired computer software of approximately $242,078 directly related to the acquisition of Icagen and necessary to continue operating our biology platforms. The estimated useful life of this software is between 1 and 3 years.

Plant and equipment consists of the following:

	September 30, 2015			December 31, 2014
	Cost	Amortization and impairment	Net book value	Net book value
			(unaudited)	
Leasehold improvements	$ 9,657	$ (6,393)	$ 3,264	$ -
Furniture and fittings	18,433	(8,160)	10,273	18,442
Laboratory equipment	2,165,961	(647,705)	1,518,256	446,729
Computer Software	242,078	(15,106)	226,972	-
Computer equipment	60,525	(24,753)	$ 35,772	16,480
	$ 2,496,654	**$ (702,117)**	**$ 1,794,537**	**$ 481,651**

The aggregate depreciation charge to operations was $89,392 and $28,820 for the three months ended September 30, 2015 and 2014, respectively and $154,441 and $83,599 for the nine months ended September 30, 2015, respectively. The depreciation policies followed by the Company are described in Note 2.

9. OTHER PAYABLES AND ACCRUED EXPENSES

	September 30, 2015	December 31, 2014
	(unaudited)	
Credit card liabilities	$ 22,346	$ 10,393
Vacation and Sick Pay accrual	61,587	125,394
Deal related expenditure accruals	275,815	-
Payroll liabilities	171,181	66,731
Severance cost accrual	150,931	-
Other	79,267	92,110
	$ 761,127	$ 294,628

Deal related expenditure accruals consist of accruals for expenditure incurred on our behalf by Pfizer, Inc. in terms of a transitional Services agreement entered into with Pfizer and includes payroll expenses for July 2015, rental expenses and facilities maintenance costs and other ancillary charges as well as anticipated deal related consulting costs.

The Company decided to consolidate its operations into one location in Durham, North Carolina. The laboratories maintained in Los Alamos, New Mexico and Cambridge Massachusetts will both close at the end of their lease terms. The Lease agreement in Los Alamos is a month to month lease and notice of termination was given on October 30, 2015. The lease in Cambridge expires on December 31, 2015 with no renewal option.

In terms of this consolidation, five members of staff have been offered severance packages, included in the severance accrual of $150,931 is the expected severance costs to be incurred from termination date, vacation accrual due to the affected employees and any other benefits that have been provided in terms of the individual agreements either entered into or proposed. The severance cost accrual includes a vacation accrual of $45,454 which was previously expensed under payroll costs, resulting in a net expense of $105,477.

10. LEGAL SETTLEMENT LIABILITIES

The legal settlement liability is disclosed as follows:

	September 30, 2015 (unaudited)	December 31, 2014
Legal Settlement accrual – Bellows matter	$ 1,466,250	$ -
Legal settlement – other	10,000	
Judgement liability	172,250	490,625
	$ 1,648,500	$ 490,625

In terms of a settlement agreement reached with Bellows on September 28, 2015, the Company agreed to settle all legal matters with Bellows for a cash settlement of $1,650,000, with Bellows surrendering the 105,000 Series A preferred shares currently held by him and relinquishing his rights to any further dividend payments on those shares. The settlement is to be paid in installments, $600,000 was paid on October 28, 2015, $400,000 is due on December 31, 2015 and the balance is due in six equal installments of $108,333 each month end, commencing on January 31, 2016 see note 21 below)

The Company has agreed in principle to pay a settlement to Lyon and Lane in exchange for them relinquishing their claim of indemnity for the sanctions levied against the Company, Lyon and Lane and Crane.

The judgement liability represents the outstanding court sanction against the Company in the "*Litigation with the estate of Sigmund Eisenschenk",* on March 16, 2015 as disclosed in note 21 below, less the $92,750 sanction which has already been paid by Lyon and Lane. In terms of the settlement proposal with Lyon and Lane, we will no longer be liable for this indemnity.

The net legal settlement expense is disclosed as follows:

	Nine months ended September 30, 2015 (unaudited)	Nine months ended September 30, 2014
Legal Settlement accrual – Bellows matter	$ 1,650,000	$ -
Estimated value of Series A preferred shares to be returned	(183,750)	-
Series A preferred dividends no longer payable	(23,952)	-
Estimated Lyon and Lane settlement amount	10,000	-
Additional judgment settlement liability required	85,000	-
Reduction in judgement liability on Lyon and Lane settlement	(92,750)	-
	$ 1,444,548	$ -

11. LOANS PAYABLE

Loans payable consist of the following:

	September 30, 2015 (unaudited)	December 31, 2014
Short term portion		
Los Alamos County project participation loan	$ 151,288	$ 34,552
Asset funding agreement	26,062	-
	177,350	34,552
Long term portion		
Los Alamos County project participation loan	-	142,502
Total	$ 177,350	$ 177,054

The amortization of the principal outstanding on the loans payable is as follows:

	Amount
Within 1 year	$ 177,350

11. LOANS PAYABLE (continued)

Los Alamos County project participation loan

The Company entered into a Project Participation Agreement (as Amended) and a Loan Agreement with the Incorporated County of Los Alamos as of September 21, 2006. The Agreement provided for funding up to a maximum of $2,200,000 for the construction of a building and purchase of equipment. The maximum amount of equipment to be funded out of the total available loan of $2,200,000 was $625,000. The term of the loan is 13 years. The loan agreement provided for no repayments for 36 months with 120 equal monthly repayments commencing on September 21, 2009. The interest rate on the loan is 5% per annum. The assets funded in terms of the Project Participation Agreement and the Loan Agreement is to be used as security for the balance of the loan outstanding. The Company made use of the loan to purchase assets amounting to $302,009 during the 2007 financial year. Repayments of the loan commenced on September 21, 2009 at an interest rate of 5% per annum with equal monthly repayments of $3,547, inclusive of interest. The Company owed $151,288 and $177,054 as of September 30, 2015 and December 31, 2014, respectively. Due to the closure of the Los Alamos site, the County of Los Alamos has informed the Company that the full balance of the loan is now due and payable.

The Company entered into a short term asset funding agreement for $26,062 to acquire certain software related to the Icagen acquisition. The term of the loan is for twelve months with 12 equal installments of $2,313. The interest rate on the loan is 11.8% per annum. The Company owed $26,062 as of September 30, 2015.

12. DEFERRED PURCHASE CONSIDERATION

In terms of the Icagen asset purchase agreement entered into on July 1, 2015, the Company has the following deferred purchase price obligations:

- $125,000 is due on December 1, 2015;
- an additional$125,000 is due on March 1, 2016;
- an additional $500,000 is due on July 1, 2017, provided that Pfizer has generated at least $4,000,000 in revenue, there are no indications that the targets will not be met;
- commencing January 1, 2017, the Company is obligated to pay additional purchase price consideration calculated as 10% (ten percent) of gross revenues to Pfizer, Inc. This obligation is capped at a maximum of $10,000,000. These earn out payments are payable quarterly, 60 days after the completion of each calendar quarter. There are no indications that we will not meet the maximum earn out payment.

Deferred purchase consideration is disclosed as follows:

	September 30, 2015 (unaudited)	December 31, 2014
Short term portion		
Deferred purchase consideration	$ 250,000	$ -
Long term portion		
Deferred purchase consideration	10,500,000	-
Total	$ 10,750,000	$ -

13. PREFERRED STOCK

Preferred Stock consists of 10,000,000 authorized preferred shares of $0.001 par value each, of which 400,000 are designated as Series A 8% convertible redeemable preferred shares of $0.001 each and 3,000,000 are designated as Series B convertible preferred shares of $0.001 each, with the remaining 6,600,000 preferred shares remaining undesignated.

Series A 8% Convertible, Redeemable Preferred Stock ("Series A Stock")

Series A Stock consists of 400,000 designated shares of $0.001 par value each, 105,000 shares issued and outstanding as of September 30, 2015 and December 31, 2014.

On September 28, 2015, the Company entered into a settlement agreement whereby Bellows surrendered his Series A shares to the Company. These shares are held in trust with our legal counsel until such time as the final installment, as disclosed under note 10 above has been paid.

Conversion
The Series A Stock converts to common stock of the Company at a price of $11.40 per share of Common Stock subject to adjustment for stock splits, stock dividends and any further recapitalizations. The Series A Stock is subject to voluntary conversion at the option of the stockholder at any time and mandatory conversion at the option of the Company provided the Company's common stock is trading on a recognized stock exchange or Over the Counter Bulletin Board and the volume weighted average price of the Company's common stock is at least $20 per share, subject to stock splits, stock dividends and recapitalizations.

Warrants
The original holders of Series A Stock had received warrants to purchase 170,804 shares of the Company's common stock at an exercise price of $11.40 per share. The warrants expire five years after date of issuance. In terms of the exchange agreement entered into with the Company on April 30, 2013, these warrants remain in place. These warrants are not transferable without the consent of the Company and an opinion of counsel satisfactory to the Company.

Redemption
Should the Company receive net proceeds of at least $3 million from litigation proceedings against the Regents of the University of California and Los Alamos National Security; the remaining Series A stockholders will have the option to have the Company redeem the Series A Stock equal to 130% of the initial investment in the Company by the stockholder. The Company also has the option to redeem the Series A Stock at a price equal to 130% of the initial investment in the Company by the stockholder at any time after giving the investors notice and allowing them to exercise their conversion rights into common stock 30 days after notice has been received.

Liquidation
The liquidation rights of the Series A Stock is the greater of $5.70 per share plus any unpaid dividends or an amount that would have been payable had all shares of Series A Stock converted into common stock immediately prior to liquidation.

Dividends
The Series A Stock carries an 8% cumulative, non-compounded dividend payable on January 31st, each year in cash or in kind at the option of the Series A stockholder. For any other dividends or distributions, the Series A Stock is treated on an as- converted basis.

An accrual for Series A Stock dividends of $Nil and $12,175 was made for the three months ended September 30, 2015 and 2014 and $23,952 and $36,125 for the nine months ended September 30, 2015, respectively. The accrual of $23,952 made during the current year has been forfeited in terms of the settlement agreement reach with Bellows on September 28, 2015, and is included in the net settlement expense disclosed in note 10 above.

During the nine months ended September 30, 2015 and the year ended December 31, 2014, the Company paid $48,300 and $29,774 of accrued Series A stock dividends.

13. PREFERRED STOCK (continued)

Series B Convertible Preferred Stock ("Series B Stock")

Series B Stock consists of 3,000,000 designated shares of $0.001 par value each and 0 and 2,133,947 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively.

On January 31, 2015, in accordance with the terms of the various exchange agreements (the "Series B Preferred Stock Exchange Agreements") entered into between the Company, and the holders of its outstanding Series B Preferred Stock, each holder of Series B Preferred Stock exchanged all of their shares of Series B Preferred Stock for the number of shares of the Company's common stock, par value $0.001 per share (the "Common Stock") determined by dividing the sum of the amount of the holder's initial investment in the Series B Preferred Stock, plus all accrued and unpaid dividends owed to the holder, by $3.50. All 2,133,947 outstanding shares of the Company's Series B Preferred Stock, including accrued and unpaid dividends thereon, were exchanged for 1,803,820 shares of the Common Stock, resulting in no shares of Series B Preferred Stock remaining outstanding.

The following is a summary of material provisions of the Series B Stock as set forth in the Certificate of Designations.

Conversion
Subject to adjustment as more fully described herein, each Series B Stock is currently convertible at the option of the holder into one share of Common Stock. Each Series B Stock (together with any accrued but unpaid dividends thereon) is convertible into shares of Common Stock at the option of the holder at any time at a conversion price per share equal to the sum of the Stated Value and any accrued but unpaid dividends thereon through the date of notice of conversion divided by the Conversion Price, subject to adjustment as described below. The initial Conversion Price is equal to the Stated Value. If the Company merges or sells its assets, holders of Series B Stock will be entitled to receive on conversion the securities or property (including cash) of the successor corporation that they would have received as a result of that merger or sale if they had converted immediately beforehand. At any time after the Common Stock is listed on a national securities exchange as defined in the Securities Exchange Act of 1934, the Company may cause the conversion of the Series B Stock, plus accrued but unpaid dividends into shares of Common Stock, each Series B Stock convertible into such number of shares of Common Stock as is equal to the sum of the Stated Value plus any accrued but unpaid dividends through the date of conversion divided by the lower of the then conversion price and the market price of the Company's Common Stock. Market Price is defined as the average of the reported closing sales price of the Common Stock for each of the five trading days for which a closing sales price is reported immediately preceding the day prior to the conversion.

Liquidation
In the event of a liquidation, dissolution or winding up of the Company and other Liquidation Events as defined in the Certificate of Designations, holders of Series B Stock are entitled to receive from proceeds remaining after distribution to the Company's creditors and prior to the distribution holders of Common Stock or any other class of preferred stock the (x) Stated Value (as adjusted for any stock splits, stock dividends, reorganizations, recapitalizations and the like) held by such holder and (y) all accrued but unpaid dividends on such shares.

Anti-Dilution
If the Company issues Common Stock or securities convertible, exercisable or exchangeable into Common Stock for a purchase price of less than $5.00 per share then the holders of the Series B Stock will be entitled to a weighted-average" adjustment in the number of common shares that their Series B Stock can be converted into; provided, however, that there will be no adjustment to the number of shares of Common Stock that the Series B Stock can be converted into for (i) issuance or sale of Common Stock or options or other awards under the Corporation's equity incentive plans or programs not to exceed 1,000,000 shares of Common Stock; (ii) issuance or sale of preferred stock or Common Stock issuable upon conversion, exchange or exercise of the Series A Stock or Series B Stock, the Bridge Notes, the Warrants issued in connection with the exchange of the Bridge Notes, the Warrants issued in connection with the issuance of the Series B Stock to the holders thereof, any Warrants issued to the Placement Agent or its designees in connection with the issuance of the Series B Stock or as an advisory fee or any other convertible securities or warrants outstanding on the date hereof; (iii) issuance of equity securities or rights to purchase equity securities issued in connection with commercial property or lease transactions that are approved by the Board of Directors; (iv) issuance of equity securities or rights to purchase equity securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition or similar business combination approved by the Board of Directors; (v) issuance of securities to an entity as a component of any business relationship with such entity primarily for the purpose of (A) joint venture, technology or licensing development activities; (B) distribution, supply or manufacture of the Company's products or services; or (C) any other arrangements involving corporate partners primarily for purposes other than raising capital, the terms of which business relationship with such entity are approved by the Board of Directors; and (vi) issuance of stock pursuant to a stock dividend or stock split.

Voting
Except as otherwise required by law and except as set forth below, holders of Series B Stock will, on an as-converted basis, vote together with the Common Stock as a single class. Each holder of Series B Stock is entitled to cast the number of votes equal to two times the number of shares of Common Stock into which such shares of Series B Stock could be converted at the record date for determining stockholders entitled to vote at the meeting. The approval by holders of a majority of the Series B Stock, voting separately as a class, will be required for the creation of any class or series of preferred stock ranking senior to or pari passu with the Series B Stock as to payments of dividends or upon the liquidation of the Company.

13. PREFERRED STOCK (continued)

Series B Convertible Preferred Stock ("Series B Stock") (continued)

Financials
As soon as practicable after the filing of the Company's Quarterly Report on Form 10-Q and its Annual Report on Form 10-K, the Holders of the Series B Stock are entitled to receive, upon request, a consolidated balance sheet of the Company, if any, as of the end of such fiscal year or quarter, and consolidated statements of operations and consolidated statements of cash flows and stockholders' equity of the Company, if any, for such year or quarter, prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail.

Dividends
Series B Stock accrue dividends at the rate per annum equal to (i) 8% of the sum of (x) the Stated Value and (y) the amount of accrued and unpaid dividends payable, out of funds legally available for payment, on January 31st of each year, if paid in cash, or (ii) 10% of the sum of (x) the Stated Value and (y) the amount of accrued and unpaid dividends payable, out of funds legally available for payment, on January 31st of each year, if paid in shares of Common Stock, based upon a price of $5.00 per share of Common Stock. The Company shall have the option, to pay any such dividends in cash or shares of Common Stock. Such dividends shall be in preference and priority to any payment of any dividend on Common Stock, or any other class of preferred stock. Dividends are cumulative.

An accrual for Series B Stock dividends of $0 and $144,665 was made for the three months ended September 30, 2015 and 2014 and $48,745 and $425,841 was made for the nine months ended September 30, 2015 and 2014, respectively.

14. COMMON STOCK

Common stock consists of 50,000,000 authorized shares with a par value of $0.001 each, 6,808,457 and 3,780,847 shares issued and 6,481,457 and 3,453,847 shares outstanding as of September 30, 2015 and December 31, 2014, respectively.

On December 31, 2014, we sold in a private placement offering (the "Private Placement") 716,981 units at a per unit price of $7.00, each unit (the "Units") consisting of four shares of Common Stock, prior to the reverse stock split and a five year warrant (the "Private Placement Warrants") to acquire one share of Common Stock at an exercise price of $1.75 per share, prior to the reverse stock split, to accredited investors for aggregate cash proceeds of $5,018,867 pursuant to a master purchase agreement entered into with the investors (the "Purchase Agreements"). On January 7, 2015, we consummated the second closing in the Private Placement and sold an additional 548,019 Units for additional aggregate cash proceeds of $3,836,133. The aggregate total number of Units sold in both closings was 1,265,000 Units, prior to the reverse stock split, for total gross proceeds of $8,855,000. The number of shares of common stock issued and five year warrants to acquire one share of common stock in terms of the private placement amounted to approximately 2,530,000 and 632,531, respectively, after rounding up each fractional share or warrant after giving effect to the reverse stock split. In connection with the Private Placement, we filed a registration statement with the SEC for the resale by the purchasers of all of the Common Stock and the Common Stock underlying the Private Placement Warrants and all shares of Common Stock issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect thereto. The registration statement was declared effective on May 14, 2015. In addition, we registered the shares of Common Stock underlying the Placement Agent Warrants.

The Company retained Taglich Brothers, Inc., as the exclusive placement agent for the Private Placement. In connection therewith, the Company agreed to pay the placement agent an eight percent (8%) commission from the gross proceeds of the Offering ($708,400) and reimbursed approximately $35,000 in respect of out of pocket expenses, FINRA filing fees and related legal fees incurred by the placement agent in connection with the Private Placement. The Company paid $753,551 as share issue expenses related to the common stock issuances.

On January 31, 2015, in accordance with the terms of the various exchange agreements (the "Series B Preferred Stock Exchange Agreements") entered into between the Company, and the holders of its outstanding Series B Preferred Stock, each holder of Series B Preferred Stock exchanged all of their shares of Series B Preferred Stock for the number of shares of the Company's common stock, par value $0.001 per share (the "Common Stock") determined by dividing the sum of the amount of the holder's initial investment in the Series B Preferred Stock, plus all accrued and unpaid dividends owed to the holder, by $3.50. All 2,133,947 outstanding shares of the Company's Series B Preferred Stock, including accrued and unpaid dividends thereon, were exchanged for 1,803,820 shares of the Common Stock, resulting in no shares of Series B Preferred Stock remaining outstanding.

In terms of a court order dated March 16, 2015 handed down in the Estate of Sigmund Eisenschenk matter, the Company issued 177,500 shares, pre-reverse split to the Estate valued at $310,625.

14. COMMON STOCK (continued)

On June 16, 2015, in terms of a restricted stock award, 19,000 restricted shares were issued to the Chairman of our audit committee who is also a board director, as a once off compensation expense for his services as chairman of the audit committee. As of September 30, 2015, 9,500 of these shares are vested with a further 4,750 vesting on December 31, 2015 and 4,750 on March 31, 2016.

The restricted stock outstanding and exercisable at September 30, 2015 is as follows:

	Restricted Stock Outstanding		Restricted Stock Exercisable	
Grant date Price	Number Outstanding	Weighted Average Grant Date Price	Number Vested	Weighted Average Grant Date Price
$ 3.50	19,000	$ 3.50	9,500	$ 3.50

The Company has recorded an expense of $19,950 and $0 for the three months ended September 30, 2015 and $26,600 and $0 for the nine months ended September 30, 2015 and 2014, relating to the restricted stock award and a further $39,900 will be expensed over the remaining vesting period of the stock which takes place over the next six months.

15. WARRANTS

On January 7, 2015, the Company consummated the second closing in the Private Placement and sold an additional 548,019 Units, each unit including a five year warrant ("Offering Warrant") to acquire one share of the Company's Common Stock at an exercise price of $1.75 per share, prior to the reverse stock split, after the reverse stock split the number of warrants outstanding to acquire one share of the Company's Common stock was reduced to 274,019 warrants exercisable at a price of $3.50 per share. These Offering Warrants contain cashless exercise provisions. In addition, the Company also issued the placement agent a five-year warrant exercisable for an aggregate amount of 253,000 shares of Common Stock at an exercise price of $3.50 per share and an advisory warrant exercisable for an additional 100,000 shares of Common Stock at an exercise price of $3.50 per share (the "Placement Agent Warrants"). The Company also filed a registration statement with the SEC for the resale by the purchasers of all of the Shares and the Common Stock underlying the Offering Warrants and all shares of Common Stock issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect thereto. The registration statement was declared effective on May 14, 2015. In addition, the Company registered the shares of Common Stock underlying the Placement Agent Warrants.

On January 31, 2015 the Company entered into: (i) exchange agreements (the "Series B Preferred Stock and Warrant Exchange Agreements") with the holders of the warrants that were issued as part of the private placement of the Series B Preferred Stock (the "Existing Series B Warrants") to exchange both Series B Preferred Stock for Common Stock and their 635,834 Existing Series B Warrants, (ii) exchange agreements (the "Bridge Warrant Exchange Agreements") with the holders (the "Bridge Warrant Holders") of its 150,000 warrants that were issued in connection with the Company's bridge note financing (the "Existing Bridge Warrants"), and (iii) exchange agreements (the "Placement Agent Exchange Agreements") with Taglich Brothers, Inc. and its designees (the "Placement Agent Warrant Holders") that were issued 143,401 warrants as compensation for the placement agent services provided in connection with the private placement of the Series B Preferred Stock (the "Existing Placement Agent Warrants"). The Existing Series B Warrants, the Existing Bridge Warrants and the Existing Placement Agent Warrants are collectively referred to as the "Existing Warrants". Pursuant to the terms of the Bridge Warrant Exchange Agreements, the Series B Preferred Stock and Warrant Exchange Agreements and the Placement Agent Exchange Agreements, the Existing Bridge Warrants, the Existing Series B Warrants and the Existing Placement Agent Warrants were exchanged for new warrants (the "Series B Exchange Warrants," the "Bridge Exchange Warrants" and the "Placement Agent Exchange Warrants"), which have substantially similar terms to the Existing Warrants except that: (i) the exercise price of the Series B Exchange Warrants, the Bridge Exchange Warrants and the Placement Agent Exchange Warrants are 30% less than the exercise price of the Existing Warrants for which they were exchanged (such that: (x) the 150,000 Bridge Exchange Warrants have an exercise price of $4.20; (y) the 143,401 Placement Agent Exchange Warrants have an exercise price of $3.85; and (z) the 635,834 Series B Exchange Warrants have an exercise price of $3.50); (ii) the Bridge Exchange Warrants, the Series B Exchange Warrants and the Placement Agent Exchange Warrants do not contain anti-dilution price protection for issuances of securities at per share prices that are lower than the exercise price; (iii) the Bridge Exchange Warrants, the Series B Exchange Warrants and the Placement Agent Exchange Warrants are assignable by their holders; and (iv) the Bridge Exchange Warrants, the Series B Exchange Warrants and the Placement Agent Exchange Warrants provide for certain buy-in-rights in the event that the Company fails to deliver shares of Common Stock underlying the warrant in a timely manner.

15. WARRANTS (continued)

Effective January 1, 2015, the Company issued 32,500 warrants exercisable at $3.50 per share to BluePrint Media, LLC, in terms of an agreement entered into to provide investor relations consulting services to the Company. Included in stock compensation charge is an amount of $94,095 which represents the value of these warrants determined using a Black-Scholes valuation model.

The following weighted average assumptions were used in the Black-Scholes valuation model:

	Nine months ended September 30, 2015
Calculated stock price	$ 3.50
Risk-free interest rate	2.12%
Expected life of options	5 Years
Expected volatility of the underlying stock	119.3%
Expected dividend rate	0%

On March 4, 2015, the holders of the 20,000 Placement Agent advisory warrants exercisable at $0.02 per share exercised their warrants for cash proceeds of $400.

The following table summarizes warrants outstanding and exercisable as of September 30, 2015:

	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Number of shares	Weighted average remaining contractual years	Weighted Average Exercise Price	Number of Shares	Weighted Average exercise Price
$ 3.50	1,653,865	4.39		1,653,865	
$ 4.00	7,500	1.09		7,500	
$ 4.20	150,000	2.36		150,000	
$ 3.85	143,401	4.75		143,401	
$ 11.40	192,204	0.69		192,204	
	2,146,970	3.93	$ 4.28	2,146,970	$ 4.28

16. STOCK BASED COMPENSATION

In October 2005, the Company's Board of Directors adopted the Caldera Pharmaceuticals, Inc. 2005 Stock Option Plan (the "Plan"), which permits awards of incentive and nonqualified stock options and other forms of incentive compensation to employees and non-employees such as directors and consultants. The Board has set aside 1,500,000 shares of common stock for issuance upon exercise of grants made under the Plan. Options granted under the Plan vest either immediately or over a period of up to two years, and expire 1 year to 10 years from the grant date. At September 30, 2015, 567,772 shares were available for future grant under the Incentive Plan.

On March 12, 2015, the Board of Directors authorized the re-pricing of 56,770 Stock options, post reverse stock split, issued to certain scientific employees to recognize their contribution to the commercialization efforts of the Company. These Stock options were originally exercisable at a price of $11.40 per share which exercise price has been reduced to $4.00 per share. These Stock options are fully vested and resulted in a stock option based compensation charge of $32,375 for the nine months ended September 30, 2015.

On January 7, 2015, in terms of an employment agreement entered into with Richard Cunningham, our new CEO, a further 250,000 ten-year stock options excisable at $3.50 per share were issued to him. These options vest as follows: 50,000 on November 24, 2015, 150,000 vest equally over a period of 36 months commencing on November 24, 2015 and 50,000 on November 24, 2018.

On February 2, 2015, a further 5,000 ten-year stock options were awarded to a new employee, exercisable at $3.50 per share and vesting as to 1,250 stock options annually on the anniversary date of employment over the next four years.

Stock option based compensation expense totaled $76,967 and $424,085 for the three months ended September 30, 2015 and 2014 and $390,342 and $671,349 for the nine months ended September 30, 2015 and 2014, respectively. The Company expenses the value of stock options on a straight line basis over the life of the options. The fair value of the options granted is determined using the Black-Scholes option-pricing model.

16. STOCK BASED COMPENSATION (continued)

The following weighted average assumptions were used for the nine months ended September 30, 2015:

	Nine months ended September 30, 2015
Calculated stock price	$ 3.50 – 4.00
Risk-free interest rate	1.68% to 2.10%
Expected life of options	1-10 Years
Expected volatility of the underlying stock	119.3%
Expected dividend rate	0%

As noted above, the fair value of stock options is determined by using the Black-Scholes option-pricing model. For all options granted since October 1, 2005 the Company has generally used option terms of between 1 to 10 years. The volatility of the common stock is estimated using historical data of companies similar in size and in the same industry as the Company. The risk-free interest rate used in the Black-Scholes option-pricing model is determined by reference to historical U.S. Treasury constant maturity rates with maturities approximate to the life of the options granted. An expected dividend yield of zero is used in the option valuation model, because the Company does not expect to pay any cash dividends in the foreseeable future. As of September 30, 2015, the Company does not anticipate any awards will be forfeited in the calculation of compensation expense due to the limited number of employees that receive stock option grants.

No options were exercised for the nine months ended September 30, 2015 and the year ended December 31, 2014, respectively.

We canceled options exercisable for 48,724 and 255,262 shares of common stock for the nine months ended September 30, 2015 and the year ended December 31, 2014, respectively, held by employees whose service to our company terminated during those respective periods. The shares underlying such options were returned to and are available for re-issuance under the 2005 Plan pursuant to the terms described above.

A summary of all of our option activity during the period January 1, 2014 to September 30, 2015 is as follows:

	Shares	Exercise Price per Share	Weighted Average Exercise Price
Outstanding January 1, 2014	825,214	$ 0.40-11.42	$ 4.62
Granted	156,000	5.00	5.00
Forfeited/Cancelled	(255,262)	5.00-11.42	5.26
Exercised	-	-	-
Outstanding December 31, 2014	725,952	$ 0.40-11.42	$ 3.82
Granted	255,000	3.50	3.50
Forfeited/Cancelled	(48,724)	$ 5.00-11.42	6.34
Exercised	-	-	-
Outstanding September 30, 2015	932,228	$ 0.40-11.42	$ 3.69

Stock options outstanding as of September 30, 2015 and December 31, 2014, as disclosed in the above table, have an intrinsic value of $345,750.

16. STOCK BASED COMPENSATION (continued)

The following tables summarize information about stock options outstanding as of September 30, 2015:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of shares	Weighted average remaining contractual years	Weighted Average Exercise Price	Number of Shares	Weighted Average exercise Price
$ 0.40	15,000	6.59		15,000	
$ 2.20	110,000	5.42		110,000	
$ 3.00	312,500	7.46		312,500	
$ 3.50	255,000	9.28		-	
$ 4.00	64,270	2,76		64,270	
$ 5.00	139,958	4.81		101,468	
$ 11.42	35,500	3.18		35,500	
	932,228	6.82	$ 3.69	638,738	$ 3.69

The weighted-average grant-date fair values of options granted during the nine months ended September 30, 2015 and the year ended December 31, 2014 was $844,577 ($3.31 per option) and $302,080 ($1.94 per option), respectively. As of September 30, 2015 there were unvested options to purchase 293,490 shares of common stock. Total expected unrecognized compensation cost related to such unvested options is $755,599, which is expected to be recognized over a period of 40 months.

17. OTHER INCOME (EXPENSE)

Other income (expense) consist of the following

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015 (unaudited)	Nine months ended September 30, 2014
Legal settlement expense	$ (1,359,948)	$ -	$ (1,444,548)	$ -
Severance costs	(105,477)	-	(105,477)	-
Proceeds on legal settlement	-	-	-	7,000,000
Cancellation of shares on legal settlement	-	-	-	177,522
	$ (1,465,525)	**$ -**	**$ (1,550,025)**	**$ 7,177,522**

The Company settled the Bellows matter effective September 28, 2015. Refer note 10 above and note 21 below.

The Company has decided to consolidate its operations by closing the laboratory operations in Los Alamos and Cambridge and as a consequence thereof, certain employees were offered severance packages. Refer note 9 above.

18. NET INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per share is based on the weighted-average number of common shares outstanding during each period. Diluted income (loss) per share is based on basic shares as determined above plus the incremental shares that would be issued upon the assumed exercise of "in-the-money" stock options and warrants using the treasury stock method and the inclusion of all convertible securities, including preferred stock and convertible notes, assuming these securities were converted at the beginning of the period or at the time of issuance, if later. The computation of diluted net income (loss) per share does not assume the issuance of common shares that have an anti-dilutive effect on net income (loss) per share.

For the three and the nine months ended September 30, 2015 and for the three months ended September 30, 2014, the following options, warrants and convertible preferred stock were excluded from the computation of diluted net loss per shares as the result of the computation was anti-dilutive:

	Three and nine months ended September 30, 2015 (Shares)	Three months ended September 30, 2014 (Shares)
Options to purchase shares of common stock	932,228	970,902
Warrants	2,146,970	1,148,936
Series A convertible, redeemable preferred stock	52,500	52,500
Series B convertible preferred stock	-	1,066,974
	3,131,698	3,239,312

For the nine months ended September 30, 2014 the computation of basic and diluted earnings per share is as follows:

	For the nine months ended September 30, 2014		
	Income	Shares	Per share amount
Net income	$ 2,559,756		
Preferred stock dividends	(461,966)		
Basic Earnings per share			
Income available to common stockholders	2,097,790	2,038,635	$ 1.03
Effect of dilutive securities			
Warrants	-	19,823	
Options	-	14,973	
Series A Preferred stock	36,125	52,500	
Series B Preferred stock	425,841	1,066,973	
Diluted Earnings per share			
Income available to common stockholders and assumed conversions	$ 2,559,756	3,192,904	$ 0.80

For the nine months ended September 30, 2014 options to purchase 515,021 shares of common stock and warrants to purchase 1,128,935 shares of common stock were excluded from the computation of diluted earnings per share as the option and warrant exercise prices was greater than the average market price of the common shares. These options and warrants were still outstanding as of September 30, 2014.

19. RELATED PARTY TRANSACTIONS

Dr. Benjamin Warner, the Founder and Board Member owns directly and indirectly 23.1% and 46.2% of the issued and outstanding shares of common stock of the Company on a fully diluted basis as of September 30, 2015 and December 31, 2014, respectively.

In terms of an employment agreement entered into with Richard Cunningham, our Chief Executive Officer, stock options to purchase 250,000 shares of the Company's common stock was awarded to Mr. Cunningham on January 7, 2015, which options vest as follows: (i) Fifty Thousand (50,000) shares shall vest on November 24, 2015; (ii) One Hundred and Fifty Thousand (150,000) shares shall vest monthly on a pro rata basis commencing on December 31, 2015 for a period of thirty six months; and (iii) Fifty Thousand (50,000) shares shall vest on the November 24, 2018. The exercise price for the options is $3.50 per share. Upon a change of control, as defined in the Company's existing stock option plan, all unvested options issued to Mr. Cunningham shall become fully vested immediately upon the change of control.

20. OPERATING LEASES

The Company entered into a laboratory and office lease agreement for 2,813 square feet in Cambridge, Massachusetts effective June 1, 2013. The term of the lease was for a twelve month period which terminated on May 31, 2014. The lease agreement was renewed for a further eighteen month period, expiring on December 31, 2015 for a monthly rental of approximately $17,500, including estimated operating costs and property taxes. The rental charge for the nine months ended September 30, 2015 amounted to $152,139. Due to the consolidation of the Company's operations the Company will no longer have a presence in Cambridge, Massachusetts.

The Company's office lease in New Mexico terminated in October 2013 and has not been renewed. This lease is ongoing as a month to month lease for $5,075 per month. Rental expense for the nine months ended September 30, 2015 was $45,678. Due to the consolidation of the Company's operations, this lease was terminated with effect from November 30, 2015.

The Company pays for an apartment leased by one of our officers in Cambridge, Massachusetts. The original lease expired on June 30, 2015. This lease was renewed for the period July 1, 2015 to June 30, 2016 for a monthly rental of $2,500. Rental expense for the nine months ended September 30, 2015 amounted to $22,500.

The Company paid for an apartment leased for certain of our officers in Cambridge Massachusetts. The lease was entered into on October 10, 2014 and terminated on July 6, 2015. The monthly rental amounted to approximately $3,351. Rental expense for the nine months ended September 30, 2015 amounted to $20,676. This lease was not renewed upon termination.

The Company entered into an asset purchase agreement with Icagen, Inc., a subsidiary of Pfizer, Inc., whereby certain assets were acquired from Icagen, Inc., the agreement included the sub-letting of premises located at Research Triangle Park, Durham, North Carolina. The annual facility fee is expected to amount to $166,000 for 2015 with annual calendar year escalations of 3.5%. The lease terminates on April 30, 2019. The rental expense for the nine months ended September 30, 2015 amounted to $41,355.

Future annual minimum payments required under operating lease obligations as of September 30, 2015, are as follows:

	Amount
Remainder of 2015	$ 101,500
2016	186,810
2017	177,823
2018	184,047
2019	63,496
Total	$ 713,676

21. LITIGATION

Set forth below is a factual description of the status of Company's legal proceedings. It should not be misconstrued as the Company's acquiescence in any claimant's position with respect to such litigation. The Company continues to believe that the claims made against it do not have any merit whatsoever and intends to vigorously defend itself.

There have been no material litigation developments since the filing of our Annual Report on 10-K for the year ended December 31, 2014 and our Form 10-Q's for periods ended March 31, 2015 and June 30, 2015 other than as follows:

Bellows' Dividend and Redemption Litigation

On September 28, 2015, the parties voluntarily participated in mediation and effective as of September 28, 2015, the Company entered into a Mutual Release and Settlement Agreement (the "Agreement") with Joel J. Bellows ("Bellows") and his law firm Bellows & Bellows PC to settle the dividend and redemption litigation. In connection therewith Bellows agreed to transfer to the Company 105,000 shares of Icagen Series A Preferred Stock owned by him, assign to the company his claims against Sigmund Eisenschenk and the Estate of Sigmund Eisenschenk, currently pending in Circuit Court of Cook County Illinois, and assign the accrued dividends due to him on his Series A Preferred stock. In return the Company agreed to pay Bellows, in the aggregate, $1,650,000 (of which $600,000 is payable within thirty (30) days, $400,000 is payable on or before December 31, 2015 and the remaining $650,000 is payable over a six month period commencing January 31, 2016). The Agreement included mutual releases of claims each party had against the other in addition to the release by Bellows of claims he had pursued against several other individuals, including various officers and directors of Icagen. The parties also agreed to dismiss all other ongoing litigation between them with prejudice, on October 29, 2015, the dividend and redemption litigation was dismissed pursuant to the settlement agreement.

Litigation with estate of Sigmund Eisenschenk

On August 24, 2015, QTM filed an amended petition for citation to recover alleging breach of fiduciary duty (against Aaron Crane), breach of fiduciary duty, conspiracy, fraud and conversion (against the Company) and legal malpractice and aiding and abetting (against Gregg Rzepczynski). On September 30, 2015, American Milling and Supervised Administrator Peter Schmiedel were granted leave to join and adopt QTM's amended petition for citation to recover solely as to Counts III (breach of fiduciary duty), V (fraud) and VI (conversion).

On October 13, 2015, the Company filed a motion to dismiss Counts IV (conspiracy), V (fraud) and VI (conversion) of the amended petition for citation to recover. On October 13, 2015, the Company filed an answer to Count III (breach of fiduciary duty) of the amended petition for citation to recover. On October 13, 2015, the Company also filed a counterclaim against the Estate seeking a setoff for certain claims acquired by the Company against Eisenshenk in the Bellows' settlement. A briefing schedule was set on the Company's motion to dismiss. No hearing date is yet scheduled.

New Mexico Litigation Against the Estate of Eisenschenk

On August 19, 2015, the Company filed a Notice of Appeal from the District Court's Findings of Fact, Conclusions of Law and Final Judgment entered on July 21, 2015.

22. COMMITMENTS AND CONTINGENCIES

In terms of the asset purchase agreement entered into on July 1, 2015, with Icagen, Inc., a wholly owned subsidiary of Pfizer, Inc. the Company is required to make additional purchase price payments of $750,000 as follows:

	Amount
December 1, 2015	$ 125,000
March 1, 2016	125,000
July 1, 2017	500,000
Total	$ 750,000

The Company is also obligated to make earn out payments of 10% of total Gross revenues, up to a maximum of $10,000,000, commencing on revenues generated from January 1, 2017, which payments are to be made 60 days after each quarter end.

23. SUBSEQUENT EVENTS

In terms of our consolidation plan approved at the board meeting held on September 16, 2015, the Company offered severance packages to 5 employees located at our Los Alamos and Cambridge sites. These severance packages were accepted by all employees and an accrual for these severance costs was provided for, as disclosed in note 9 above.

Other than disclosed above, the Company has evaluated subsequent events through the date the unaudited condensed consolidated financial statements were available to be issued, and has concluded that no such events or transactions took place that would require disclosure herein.

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

The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our consolidated financial statements and the notes presented herein and the risk factors and the financial statements and the other information set forth in our Annual Report on Form 10-K for the year ended December 31, 2014. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors discussed herein and any other periodic reports filed and to be filed with the Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

This report and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. Statements that are not historical facts are forward-looking statements. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "plan," "continue," "sustain", "on track", "believe," "seek," "estimate," "anticipate," "may," "assume," and variations of such words and similar expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in our reports that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

Recent Developments

On July 1, 2015, the Company consummated the acquisition contemplated by the Asset Purchase and Collaboration Agreement ("APA") that it entered into with Icagen Inc., a wholly owned subsidiary of Pfizer Inc. ("Pfizer"). In terms of the agreement the Company acquired certain assets of Icagen (including certain cell lines, office equipment, servers, biology instruments, benchtops and the Icagen name), assumed certain liabilities of Icagen and agreed to continue the employment of several employees of Icagen for at least two years. The Company agreed to pay: (i) an upfront cash purchase price of $500,000, of which $125,000 was paid at closing date, July 1, 2015, a further $125,000 was paid on September 1, 2015 and $250,000 is to be paid in two equal installments of $125,000, on December 1, 2015 and March 1, 2016; (ii) a cash payment of $500,000 on the second anniversary of the closing provided that prior to such date the MSSA (as defined below) has generated at least $4,000,000 in revenue; and (iii) beginning in 2017, a quarterly earn out payment (the "Earn Out Payment") of 10% of revenue earned during the quarter up to a maximum aggregate payment of $10,000,000.

The Company also entered into a Master Scientific Services Agreement with Pfizer (the "MSSA"), the execution of which was a condition to closing under the APA. In accordance with the terms of the MSSA, the Company agreed to perform ion channel screening and other contract research for Pfizer, including but not limited to, on demand assay development, modification and optimization, compound screening, ion channel screening, reagent and cell line generation, biology platform development. The MSSA and APA provide that Pfizer will guarantee revenue to the Company totaling at least $1,000,000 for each of the first two 12-month periods following the closing on a "take or pay" basis.

Overview and Financial Condition

Through our recent asset acquisition of Icagen, we are now able to offer a full complement of screening services to the broader pharmaceutical sector, including the use of proprietary x-ray fluorescence technology called XRpro® to deliver ion channel screening, ion channel kinetics and custom screening services to our customers.

Icagen has an extensive platform of assay tools and technologies for the interrogation of ion channel and transporter function and pharmacological modulation including our proprietary label free XRpro® technology. With our extensive experience in ion channels, screening, and drug development, the Company has built an extensive portfolio of over 1000 cell lines, including cell lines stably expressing recombinant human ion channels and transporters, species orthologs and distinct disease-related or drug binding site mutants. These tools form the basis for compound screening, selectivity assays, detailed assessment of activity, and mechanism of action studies.

Icagen also offers a full complement of assay technologies including high throughput fluorescence, manual and automated electrophysiology, and radiotracer flux assays. Combined with our cell line and assay development expertise, these technologies enable the Company to rapidly provide quality screening for a broad set of ion channels and transporters.

Icagen is the only provider that offers XRpro, a label-free technology that leverages the unique capabilities of X-ray fluorescence for high-throughput ion flux assays. XRpro technology directly measures elements across the periodic table, from monovalent and divalent ions including potassium and calcium to halogens and transition metals including zinc. Combined with the penetrating ability of X-rays to deal with complex solutions including 100% serum, the system enables analysis of electrogenic and nonelectrogenic systems that challenge other technologies.

Since inception, we have financed our operations primarily through private sales of our securities, settlement of legal matters and prior to our acquisition of certain assets of Icagen from Pfizer, substantially all of our revenue was derived from government grants. Subsequent to our acquisition of certain assets of Icagen from Pfizer, a substantial portion of our revenue has been derived from one commercial customer. We expect to continue to seek to obtain our required capital through the private sale of securities and revenue derived for the services we provide. To date, we have been granted twenty one (21) contracts from United States governmental agencies; of which nine (9) were granted from the Department of Defense and twelve (12) were granted from the National Institutes of Health. Of such contracts, eighteen (18) have been completed and we received payment in full for all eighteen (18) completed contracts. All the contracts contained standard terms, including termination provisions which allow for the government to terminate the contract, in whole or in part, at any time for convenience. In that event, the government agency concerned would notify us of their intention to terminate, and all costs incurred in our performance of the work terminated will be recoverable and we will have no refund obligations for our research conducted to the date of termination. The contracts also contain Bayh-Dole and related provisions for disposition of intellectual property. The Bayh-Dole Act allows small businesses, such as ours, to retain title to federally funded inventions if we follow certain procedures, including filing for patent protection and actively pursuing commercialization of the invention, and the U.S. government retains a non-exclusive, non-transferable, paid up irrevocable license, throughout the world, with respect to the invention. In addition, the U.S. government also retains a "march in" right that allows it to license the invention to third parties, without our consent, if it determines that the invention is not being made available to the public on a reasonable basis. Set forth below are the details of the firm - fixed price contract under which we are continuing to provide services to the National Institutes of Health under which we expect to receive an additional $917,435 for our services.

Contract 2R44AI079935-03 with the National Institutes of Health; to develop strontium-selective therapies, contract amount: $3,000,000.00 operative from August 24, 2011 to July 31, 2014, approximately $2,887,500 paid to date, $112,500,000 remaining in contract. $2,000,000 of the grant was awarded for the period August 24, 2011 to July 31, 2013. An additional $1,000,000 was made available for us to invoice our project time and expenses against on July 9, 2013, initially expiring on July 31, 2014, extended until August 31, 2015, with negotiations currently underway with the NIH on the status of this project. To date we have received $2,934,291 under this contract and we have $65,709 remaining under the contract

Contract number 1R43AI091186-01A1 with the National Institutes of Health; to develop Radioactive Cesium decorporation Agents, contract amount of $600,000 operative from July 1, 2014 to June 30, 2016. To date we have received $48,274 under this contact and have $551,726 remaining under the contract.

We were awarded a new contract on September 22, 2015 with the National Institutes of Health – National Cancer Institute; Contract number N43CO-2015-0050 – Systemic Target Radionuclide Therapy for Cancer Treatment, contract amount of $300,000 operative from September 22, 2015 to June 30, 2016. We have not commenced work under this project to date.

In terms of our recent acquisition of certain of the assets of Icagen, Inc. we also entered into a Master Scientific Services Agreement with Pfizer (the "MSSA"). In accordance with the terms of the MSSA, we agreed to perform ion channel screening and other contract research for Pfizer, including but not limited to, on demand assay development, modification and optimization, compound screening, ion channel screening, reagent and cell line generation, biology platform development.

Discussions with respect to our operations included herein include the operations of our operating subsidiary, XRpro Corp. Our company formed XRpro Corp. on July 9, 2010. We have another subsidiary Caldera Discovery Inc. which has always been dormant.

Results of Operations for the three months ended September 30, 2015 and the three months ended September 30, 2014.

Revenues

We had revenues totaling $465,214 and $71,508 for the three months ended September 30, 2015 and 2014, respectively, an increase of $393,706 or 550.6%. The increase in revenue includes revenue of $406,250 derived from an agreement entered into with a large pharmaceutical company. The balance of our revenues have been derived from federal government contracts. Our government revenue is dependent on the number of contracts we have in operation and the progress we have made on these contracts to date. We have an order backlog of approximately $528,750 on commercial contracts and $$917,435 in the form of firm fixed price government contracts. We believe that these are firm orders as there are no indications that funding will not be available and we believe that we have made satisfactory progress on the government projects to date. The funds available under these grants are earned by us on a percentage-of-completion basis, based on the costs we incur as a measure of the progress made on the project.

We are currently marketing our services to several pharmaceutical and biotechnology companies, based on our recent acquisition. We believe that we now have a comprehensive product offering and substantial credibility to offer a full range of products including the advantages and value propositions of the XRpro® technology. While we are optimistic about our prospects, there can be no assurance about whether or when our products will generate sufficient revenues with adequate margins in order for us to be profitable.

Cost of goods sold

Cost of goods sold totaled $734,759 and $126,035 for the three months ended September 30, 2015 and 2014, respectively, an increase of $608,724 or 483.0%. Our cost of goods sold includes an additional 15 scientists located at our North Carolina site who are primarily engaged in our commercial projects. Cost of sales on government contracts is dependent on the progress made on each project to date. Cost of goods sold is primarily comprised of direct expenses related to providing our services to our customers. These expenses include salary expenses directly related to research contracts, recoverable expenses incurred on contracts, the cost of outside consultants, and direct materials used on our contracts. The salary expense included in cost of sales for the three months ended September 30, 2015 and 2014 respectively was $562,379 and $50,126, an increase of $512,253. This is primarily due to the number of scientists performing work for our commercial customers and government contracts increasing from a headcount of 2 to 17. For additional information regarding salary expense reference is made to the discussion of total salary expense in selling, general and administrative expenses below. Included in cost of sales for the three months ended September 30, 2015 and 2014, respectively was laboratory supplies and direct materials of $159,775 and $43,003, an increase of $116,772, the increase is primarily due to the level of activity generated by our recent acquisition of certain of the assets of Icagen and the commercial revenue contracts that we have in place. During the three months ended September 30, 2015 and 2014, respectively, outside contractors' costs amounted to $3,620 and $31,248, the decrease of $27,628 or 88.4% is due to the scaling down of outside consultants working on Government contracts and our recently acquired depth of suitable scientific personnel reducing our requirement for outside technical skills.

Gross loss

Gross loss was $(269,545) and $(54,527) for the three months ended September 30, 2015 and 2014, respectively, an increase of $215,018 or 394%. The increase in gross loss is directly related to the higher level of salaries and laboratory supplies utilized after our recent acquisition of certain of the assets of Icagen.

Selling, general and administrative expenses

Selling, general and administrative expenses totaled $1,625,579 and $1,577,822 for the three months ended September 30, 2015 and 2014, respectively, an increase of $47,757 or 3.0%.

The major expenses making up selling, general and administrative expenses included the following:

	Three months ended September 30,		Increase/	Percentage
	2015	2014	(decrease)	change
Marketing and selling expenses	$ 94,685	$ 20,876	$ 73,809	353.6%
Salary expenses	348,902	209,674	139,228	66.4%
Severance costs	-	325,000	(325,000)	(100.0)%
Research and development salaries	72,912	78,910	(5,998)	7.6%
Directors fees	55,000	48,750	6,250	12.8%
Bonus expense	73,625	-	73,625	100.0%
Stock option compensation charge	96,917	424,085	(327,168)	(77.1)%
Legal fees	229,373	171,963	57,410	33.4%
Consulting fees	189,142	96,913	92,229	95.2%
Professional fees	148,070	8,529	139,541	1636.1%
Repairs and maintenance	57,295	6,827	50,468	739.2%
Rent	120,835	89,408	31,427	35.2%
Travel expenditure	44,241	24,855	19,386	78.0%
	$ 1,530,997	$ 1,505,790	$ 25,207	1.7%

Marketing and selling expenses for the three months ended September 30, 2015, primarily consists of marketing support provided by third party contractors in the prior year, marketing costs consisted of website development and attendance at trade shows.

Total salary expenses are allocated to the various expense categories detailed below depending on the level of activity of our employees on government and commercial projects, internal research and development expenses and administrative activities. An increase in activity on projects will result in an increase in salary expense charged to cost of sales with a corresponding decrease in salary expense charged to selling, general and administrative expenses. A comparison of salary expenses is presented below.

Total salary expenditure for the three months ended September 30, 2015 and 2014, respectively was included in the following expense categories:

	Three months ended September 30,		Increase/	Percentage
	2015	2014	(decrease)	change
Cost of sales	$ 562,379	$ 50,126	$ 512,253	1,021.9%
Selling, general and administrative expenses	348,902	209,674	139,228	66.4%
Severance costs	-	325,000	(325,000)	(100.0)%
Research and development salaries	72,912	78,910	(5,998)	(7.6)%
	$ 984,193	$ 663,710	$ 320,483	48.3%

The increase in total salary expenditure for the three months ended September 30, 2015 of $320,483 is primarily due to the acquisition of the assets and employees of Icagen Inc. from Pfizer, an additional 18 employees were acquired in terms of the acquisition agreement, offset by the severance costs paid to our previous CEO Gary Altman. The current year's severance costs are disclosed separately due to the fact

that these are specifically related to site closures.

The salary expense included in cost of sales for the three months ended September 30, 2015 increased by $512,253 or 102%. The increase in salary expense charged to cost of sales during the current period was due to the acquisition of the 15 laboratory employees in the Icagen acquisition.

The salary expense charged to Selling, general and administrative expenses for the three months ended September 30, 2015 increased by $139,228 or 66.4% due to the acquisition of Icagen, which included an additional three administrative employees.

Research and development salaries for the three months ended September 30, 2015 decreased by $5,998 or 7.6%, which is due to the amount of time spent by our scientists on developing cell lines for future commercialization.

Directors' fees increased by $6,250 due to fees payable to an additional director during the current year.

Bonus expense increased by $73,625 for the three months ended September 30, 2015. The current year charge represents an accrual for guaranteed bonuses to certain employees and an additional accrual for the employees of Icagen.

The stock option compensation charge decreased by $327,168, due to the accelerated vesting of the options that were due to Gary Altman, this is considered a non-recurring charge. The charge for each period is dependent upon the number of options issued and the vesting schedule of these options, currently there is more value of unvested options than in the prior year.

Legal fees increased by $57,410, over the prior period, the increase consists primarily due to an increase in expenditure on patent attorneys during the current year as we perfect the patents assigned from LANS. Litigation expenditure remains high due to the activity on both the Bellows and Eisenschenk matters. The Bellows matter has recently been settled, refer to Note 21 of the financial statements.

The increase in consulting fees of $92,229 is primarily due to the increase in Investor Relations consulting expense of $40,750 and the retention of the services of a patent consultant at an increased cost of $22,441 over the prior year and consulting costs of $22,400 relating to a feasibility study performed on advancing certain government contracts to drug development stage.

The increase in professional fees of $139,541 is primarily due to professional services rendered by human resources, legal and professional business advisors related to the acquisition of certain of the assets of Icagen.

Repairs and maintenance expenditure includes maintenance costs of running the laboratory and office complex in North Carolina. Due to the size and the sophistication of this laboratory, the fee is approximately $12,000 per month. Repairs and maintenance also includes the acquisition of an X-Ray tube for our equipment located in Los Alamos of approximately $14,400.

Rent increased by $31,427 due to the acquisition of certain of the assets of Icagen. The monthly rental expense of the North Carolina site is approximately $13,800 per month. This was offset by the rent savings of one corporate apartment, no longer required, in Cambridge of approximately $10,000 for the quarter.

Travel expenditure increased by $19,396 primarily due to the increase in the number of staff travelling to meet commercial customers and a significant increase in sales and marketing activity by our CEO and CSO.

Depreciation and Amortization

We recognized depreciation expenses of $89,392 and $28,820 for the three months ended September 30, 2015 and 2014, respectively, the increase is due to the Icagen asset acquisition and the initial valuation placed on the laboratory equipment acquired. The depreciation expense is primarily made up of depreciation of our laboratory equipment, which makes up the vast majority of our capital equipment.

Amortization expense was $124,358 and $12,921 for the three months ended September 30, 2015 and 2014. The increase in amortization expense is directly related to the acquisition of the Icagen assets and the value placed on the Biology platform acquired which is amortized over a ten year period.

Other income (expense)

Other expense in the current year consists of an accrual for legal settlement costs of $1,359,548 and a severance costs provision of $105,477 due to the closure of the Los Alamos and Cambridge sites.

Interest expense

Interest expense totaled $2,409 and $2,568 for the three months ended September 30, 2015 and 2014, respectively. Interest expense is immaterial.

Change in derivative liabilities

The variable priced warrants issued to investors and the placement agent in the prior year were exchanged for fixed price warrants effective January 31, 2015, which eliminated the requirement for a derivative liability. In the prior year, the fair value of derivative liabilities was re-assessed as of September 30, 2014 using a Black Scholes valuation model resulting in the increase of the liability by $131,922, the movement in liability was dependent upon external market factors.

Income tax

The income tax charge in the current year represents the Alternative Minimum tax charge levied against the company for the 2014 tax year. The Company still has significant tax loss carry forwards, however the profit generated in the prior year resulted in a small tax liability on the Alternative Minimum Tax basis.

Net (loss) income

Net loss totaled $(3,593,747) and $(1,808,558) for the three months ended September 30, 2015 and 2014, respectively. The increase in net loss is discussed above.

Results of Operations for the nine months ended September 30, 2015 and the nine months ended September 30, 2014.

Revenues

We had revenues totaling $591,025 and $408,390 for the nine months ended September 30, 2015 and 2014, respectively, an increase of $182,635 or 44.7%. The increase in revenue is made up of an increase in commercial revenues of $406,250 derived from an agreement entered into with a large pharmaceutical company, offset by a decrease in Government contract revenues of $223,615 as the business changes its focus to be weighted towards commercial customers. Our government revenue is dependent on the number of contracts we have in operation and the progress we have made on these contracts to date. We have an order backlog of approximately $528,750 on commercial contracts and $$917,435 in the form of firm fixed price government contracts. We believe that these are firm orders as there are no indications that funding will not be available and we believe that we have made satisfactory progress on the government projects to date. The funds available under these grants are earned by us on a percentage-of-completion basis, based on the costs we incur as a measure of the progress made on the project.

We are currently marketing our services to several pharmaceutical and biotechnology companies, based on our recent acquisition. We believe that we now have a comprehensive product offering and substantial credibility to offer a full range of products including the advantages and value propositions of the XRpro® technology. While we are optimistic about our prospects, there can be no assurance about whether or when our products will generate sufficient revenues with adequate margins in order for us to be profitable.

Cost of goods sold

Cost of goods sold totaled $1,026,626 and $468,447 for the nine months ended September 30, 2015 and 2014, respectively, an increase of $558,579 or 119.2%. Our cost of goods sold includes an additional 15 scientists located at our North Carolina site who are primarily engaged in our commercial projects. Cost of sales on Government contracts is primarily dependent on the progress made on each project to date. Cost of goods sold is primarily comprised of direct expenses related to providing our services under our contracts. These expenses include salary expenses directly related to research contracts, recoverable expenses incurred on contracts, the cost of outside consultants, and direct materials used on our contracts. The salary expense included in cost of sales for the nine months ended September 30, 2015 and 2014 respectively was $653,797 and $188,664, an increase of $465,133. This is primarily due to the number of scientists performing work for our commercial customers and government contracts increasing from a headcount of 2 to 17. For additional information regarding salary expense reference is made to the discussion of total salary expense in selling, general and administrative expenses below. Included in cost of sales for the nine months ended September 30, 2015 and 2014, respectively was laboratory supplies and direct materials of $304,547 and $200,968, an increase of $103,579 or 51.5%, the increase is primarily due to the level of activity generated by our recent acquisition of certain of the assets of Icagen and the commercial revenue contracts that we have in place. During the nine months ended September 30, 2015 and 2014, respectively, outside contractors' costs amounted to $56,960 and $73,883, the decrease of $16,923 or 22.9% is due to the scaling down of outside consultants working on Government contracts and our recently acquired depth of suitable scientific personnel reducing our requirement for outside technical skills.

Gross loss

Gross loss was $(435,601) and $(60,057) for the nine months ended September 30, 2015 and 2014, respectively, an increase of $375,544 or 625.3%. The increase in gross loss is directly related to the higher level of salaries and laboratory supplies utilized after our recent Icagen asset acquisition.

Selling, general and administrative expenses

Selling, general and administrative expenses totaled $4,036,924 and $3,606,305 for the nine months ended September 30, 2015 and 2014, respectively, an increase of $430,619 or 11.9%.

The major expenses making up selling, general and administrative expenses included the following:

	Nine months ended September 30,		Increase/	Percentage
	2015	2014	(decrease)	Change
Marketing and selling expenses	$ 180,685	$ 34,479	$ 146,206	424.0%
Salary expenses	875,283	548,504	326,779	59.6%
Severance costs	-	325,000	(325,000)	(100.0)%
Research and development salaries	250,855	236,475	14,380	6.1%
Directors fees	165,000	103,750	61,250	59.0%
Bonus expense	98,625	350,000	(251,375)	(71.8)%
Stock option compensation charge	390,342	671,349	(281,007)	(41.9)%
Legal fees	635,999	438,857	197,142	44.9%
Consulting fees	546,866	259,148	287,718	111.0%
Professional fees	180,122	21,248	158,874	747.8%
Repairs and maintenance	72,203	41,553	30,650	73.8%
Recruiting fees	-	48,500	(48,500)	(100.0)%
Rent	291,099	243,836	47,263	19.4%
Travel expenditure	88,342	66,280	22,062	33.3%
	$ 3,775,421	$ 3,388,979	$ 386,442	11.4%

Marketing and selling expenses for the nine months ended September 30, 2015, primarily consists of marketing support provided by third party contractors and costs incurred to update our website. The costs of third party contractors were not incurred in the prior year.

Total salary expenses are allocated to the various expense categories detailed below depending on the level of activity of our employees on government and commercial projects, internal research and development expenses and administrative activities. An increase in activity on projects will result in an increase in salary expense charged to cost of sales with a corresponding decrease in salary expense charged to selling, general and administrative expenses. A comparison of salary expenses is presented below.

Total salary expenditure for the nine months ended September 30, 2015 and 2014, respectively was included in the following expense categories:

	Nine months ended September 30,		Increase/	Percentage
	2015	2014	(decrease)	change
Cost of sales	$ 653,797	$ 188,664	$ 465,133	246.5%
Selling, general and administrative expenses	875,283	548,504	326,779	59.6%
Severance costs	-	325,000	(325,000)	(100.0)%
Research and development salaries	250,855	236,475	14,380	6.1%
	$ 1,779,935	$ 1,298,643	$ 481,292	37.1%

The increase in total salary expenditure for the nine months ended September 30, 2015 of $481,292 or 246.5% is primarily due to the acquisition of the assets and employees of Icagen, Inc. from Pfizer, an additional 18 employees were acquired in terms of the acquisition agreement, offset by the severance costs paid to our former CEO, Gary Altman. The current year's severance costs are disclosed separately due to the fact that these are specifically related to site closures.

The salary expense included in cost of sales for the nine months ended September 30, 2015 increased by $465,133. The increase in salary expense charged to cost of sales during the current period was due to the acquisition of the 15 laboratory employees in the Icagen acquisition.

The salary expense charged to Selling, general and administrative expenses for the nine months ended September 30, 2015 increased by $326,779 or 59.6% due to the acquisition of Icagen, which included an additional three administrative employees and the employment of a VP of business development in the prior year whose position was terminated in April 2015.

Research and development salaries for the nine months ended September 30, 2015 increased by $14,380 or 6.1%, which is due to the amount of time spent by our scientists on developing cell lines for future commercialization.

Directors' fees increased by $61,250 due to fees payable to directors only commencing in April 2014 and the payment of an additional director's fee during the current year.

Bonus expense decreased by $251,375 for the nine months ended September 30, 2015. The current year charge represents an accrual for guaranteed bonuses to certain employees, including the Icagen employees. In the prior year, once off bonuses were paid to our Founder and Board Member and certain consultants.

The stock option compensation charge decreased by $281,007, the prior year included a charge for the accelerated vesting of stock options to our former CEO. The charge for each period is dependent upon the number of options issued and the vesting schedule of these options, currently there are is more value of unvested options than in the prior year.

Legal fees increased by $197,142, over the prior period, the increase consists primarily of an increase in litigation costs of $43,006, an increase in general corporate legal fees of $77,558 due to an increase in corporate activity with respect to the fund raising completed in the first quarter, the reverse stock split and acquisition transactions, and an increase in patent legal fees as we continue to perfect our patents and we incurred once-off legal costs on securing a second opinion on our patent position.

The increase in consulting fees of $287,718 is primarily due to the increase in Investor Relations consulting expense of $106,250, an increase in bookkeeping fees of $19,150 due to the bookkeeper being retained for one month in the prior year, the retention of the services of a patent consultant at a cost of $100,224 in the current year and consulting costs of $47,350 relating to a feasibility study performed on advancing certain government contracts to drug development stage and initial fees of $17,800 on an overall pricing strategy study undertaken by Tufts University.

The increase in professional fees of $139,541 is primarily due to professional services rendered by human resources, legal and professional business advisors related to the acquisition of certain of the assets of Icagen.

Repairs and maintenance expenditure includes maintenance costs of running the laboratory and office complex in North Carolina. Due to the size and the sophistication of this laboratory, the fee is approximately $12,000 per month.

Recruiting fees of $48,500 was incurred in the prior year to source the Vice President of Business Development.

Rent increased by $47,263 due to the acquisition of certain of the assets of Icagen. The monthly rental expense of the North Carolina site is approximately $13,800 per month.

Travel expenditure increased by $22,062 primarily due to the increase in the number of staff travelling to meet commercial customers and a significant increase in sales and marketing activity by our CEO and CSO.

Depreciation and Amortization

We recognized depreciation expenses of $154,441 and $83,599 for the nine months ended September 30, 2015 and 2014, respectively, the increase is due to the Icagen asset acquisition and the initial valuation placed on the laboratory equipment acquired. The depreciation expense is primarily made up of depreciation of our laboratory equipment, which makes up the vast majority of our capital equipment.

Amortization expense was $150,200 and $38,764 for the nine months ended September 30, 2015 and 2014. The increase in amortization expense is directly related to the acquisition of Icagen and the value placed on the Biology platform acquired which is amortized over a ten year period.

Other income (expense)

Other expense in the current year consists of an accrual for legal settlement costs of $1,444,548 and a severance costs provision of $105,477 due to the closure of the Los Alamos and Cambridge sites. The other income in the prior year of $7,177,522 relates to the $7,000,000 cash settlement received from the Los Alamos National Security ("LANS") and the recognition of fair value income of $177,522 upon the return of 78,750 common shares originally issued to LANS as consideration for the license agreement we had entered into.

Interest expense

Interest expense totaled $6,615 and $12,201 for the nine months ended September 30, 2015 and 2014, respectively. Interest expense is immaterial.

Change in derivative liabilities

The variable priced warrants issued to investors and the placement agent in the prior year were exchanged for fixed price warrants effective January 31, 2015, which eliminated the requirement for a derivative liability. In the prior year, the fair value of derivative liabilities was re-assessed as of September 30, 2014 using a Black Scholes valuation model resulting in the increase of the liability by $816,924, the movement in liability was dependent upon external market factors.

Income tax

The income tax charge in the current year represents the Alternative Minimum tax charge levied against our company for the 2014 tax year. We still have significant tax loss carry forwards, however the profit generated in the prior year resulted in a small tax liability on the Alternative Minimum Tax basis.

Net (loss) income

Net loss totaled $(6,347,829) and net profit totaled $2,559,756 for the nine months ended September 30, 2015 and 2014, respectively. The increase in net loss is discussed above.

Liquidity and Capital Resources

We have a history of annual losses from operations since inception and we have primarily funded our operations through sales of our unregistered equity securities and cash flows generated from government contracts and grants and more recently from commercial customers and the settlement of a lawsuit. We recently completed a private placement on December 31, 2014 and January 7, 2015 that resulted in a gross cash injection of $8,855,000 which should be sufficient to fund operations for at least the next 12 months, dependent upon the outcome of settlement discussions we are having in the Denton's matter. Should we be unsuccessful in our discussions or not generate anticipated revenue, we may need to raise additional funding through equity issues to fulfill our commercialization objectives.

As of September 30, 2015 our Company had cash totaling $5,474,913, other current assets totaling $798,905 and total assets of $18,241,274. We had total current liabilities of $3,826,414 and a net working capital surplus of $2,447,404. Total liabilities were $14,326,414, including deferred purchase consideration of $10,750,000 of which $500,000 is dependent on the achievement of revenue target with Pfizer and $10,000,000 is due based on an earn out charge of 10% of gross revenues commencing in January 2017. Our Series A convertible redeemable preferred stock totaled $133,350 resulting in a stockholders' equity of $3,781,510.

Should we not achieve our forecasted operating results or should strategic opportunities present themselves such that additional financial resources would present attractive investing opportunities for our company, we may decide in the future to issue debt or sell our company's equity securities in order to raise additional cash. We cannot provide any assurances as to whether we will be able to secure any additional financing, or the terms of any such financing transaction if one were to occur.

As of September 30, 2015, we owed $151,288 in accordance with the terms of a Project Participation Agreement with the Incorporated County of Los Alamos that we entered into in September 2006. The loan bears interest at a rate of 5% per annum, is for a thirteen year term, with monthly repayments of $3,547 that commenced on September 21, 2009. Due to the closure of the Los Alamos site, the County of Los Alamos has informed us that the full balance of the loan is now due and payable

An analysis of our cash flows from operating, investing and financing activities for the nine months ended September 30, 2015 and 2014 is provided below:

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net cash (used in) provided by operating activities	$ (3,909,243)	$ 2,666,034
Net cash used in investing activities	(562,274)	(90,128)
Net cash provided by (used in) financing activities	3,474,037	(271,666)
Net increase in cash and cash equivalents	$ (997,480)	$ 2,304,240

Net cash (used in) provided by operating activities was $(3,909,243) and $2,666,034 for the nine months ended September 30, 2015 and 2014, respectively. The decrease in cash provided by operating activities was primarily due to the following:

	Nine months ended September 30,		Increase/	Percentage
	2015	2014	(decrease)	change
Net (loss) income	$ (6,347,829)	$ 2,559,756	$ (8,907,585)	(348.0)%
Adjustments for non-cash items	2,284,059	1,432,652	851,407	59.4%
Changes in operating assets and liabilities	154,527	(1,326,374)	1,480,901	111.7%
	$ (3,909,243)	$ 2,666,034	$ 6,575,277	246.6%

The increase in net loss is discussed under net (loss) income in the results of operations for the nine months ended September 30, 2015 and 2014, respectively. The prior year result includes legal settlement proceeds of $5,502,000, after deduction of preliminary legal expenses and other associated expenses.

The change in adjustments for non-cash items is primarily due to; i) the legal settlement accrual of $1,444,548 and; ii) the severance cost accrual of $105,477; iii) offset by the increase in the fair value of derivative liabilities of $816,924 in the prior period and; iv) further offset by the gain on cancellation of shares in the LANS legal settlement of $(177,522) in the prior period.

The increase in operating assets and liabilities is primarily due to the payment of legal bills accrued on the LANS matter in the prior year, resulting in a net movement of $1,577,714 in accounts payable balances; the payment of a deposit for bond security costs of $310,000 and the accrued liabilities increase by $532,574, which includes deal related accruals relating to the Icagen acquisition of $275,815, payroll related accruals of $104,450 and severance costs accruals of 150,931.

Net cash used in investing activities was $562,274, including; i) purchase price payments of $250,000 and; assets acquired totaled $314,203, primarily computer software relating to the Icagen biology platform.

Net cash provided by (used in) financing activities was $3,474,037 and $(271,766) for the nine months ended September 30, 2015 and 2014, respectively. The cash provided by financing activities in the current year is primarily due to the net proceeds raised on the second closing of the recently concluded private placement of $3,521,592, after deducting share issue expenses of $314,541; and the payment of a dividend of $48,300 to the Series A stockholder. In the prior year, the movement represented the payment of principal on loan balances and the repayment of a term loan in full.

Capital Expenditures

Our current plan is to purchase equipment to ensure that our recent acquisition of Icagen functions efficiently and that we are able to support the commercialization efforts of the Company.

Commitments

In terms of the asset purchase agreement entered into on July 1, 2015, with Icagen, Inc., a wholly owned subsidiary of Pfizer Inc. we are required to make additional purchase price payments of $750,000 as follows:

	Amount
December 1, 2015	$ 125,000
March 1, 2016	125,000
July 1, 2017	500,000
Total	$ 750,000

We are also obligated to make earn out payment of 10% of total Group revenues, up to a maximum of $10,000,000, commencing on revenues generated from January 1, 2017, which payments are to be made 6o days after each quarter end.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Please refer Note 2 Significant Accounting Policies in the notes to unaudited condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

The recent Accounting Pronouncements are fully disclosed in note 2 to our unaudited condensed consolidated financial statements.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying unaudited condensed consolidated financial statements.

Off-Balance Sheet Arrangements

We do not maintain off-balance sheet arrangements nor do we participate in non-exchange traded contracts requiring fair value accounting treatment.

Inflation

The effect of inflation on our revenue and operating results was not significant.

Climate Change

We believe that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company has adopted and maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports filed under the Exchange Act, such as this Form 10-Q, is collected, recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. The Company's disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure. As required under Exchange Act Rule 13a-15, the Company's management, including the Principal Executive Officer and the Principal Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CFO concluded that due to a lack of segregation of duties the Company's disclosure controls and procedures are not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Subject to receipt of additional financing or revenue generated from operations, the Company intends to retain additional individuals to remedy the ineffective controls.

Changes in Internal Control

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Set forth below is a factual description of the status of Company's legal proceedings. It should not be misconstrued as the Company's acquiescence in any claimant's position with respect to such litigation. The Company continues to believe that the claims made against it do not have any merit whatsoever and intends to vigorously defend itself.

There have been no material litigation developments since the filing of our Annual Report on 10-K for the year ended December 31, 2014 and our Form 10-Q's for periods ended March 31, 2015 and June 30, 2015 other than as follows:

Bellows' Dividend and Redemption Litigation

On September 28, 2015, the parties voluntarily participated in mediation and effective as of September 28, 2015, the Company entered into a Mutual Release and Settlement Agreement (the "Agreement") with Joel J. Bellows ("Bellows") and his law firm Bellows & Bellows PC to settle the dividend and redemption litigation. In connection therewith Bellows agreed to transfer to the Company 105,000 shares of Icagen Series A Preferred Stock owned by him, assign to the company his claims against Sigmund Eisenschenk and the Estate of Sigmund Eisenschenk, currently pending in Circuit Court of Cook County Illinois, and assign the accrued dividends due to him on his Series A Preferred stock. In return the Company agreed to pay Bellows, in the aggregate, $1,650,000 (of which $600,000 is payable within thirty (30) days, $400,000 is payable on or before December 31, 2015 and the remaining $650,000 is payable over a six month period commencing January 31, 2016). The Agreement included mutual releases of claims each party had against the other in addition to the release by Bellows of claims he had pursued against several other individuals, including various officers and directors of Icagen. The parties also agreed to dismiss all other ongoing litigation between them with prejudice, on October 29, 2015, the dividend and redemption litigation was dismissed pursuant to the settlement agreement.

Litigation with estate of Sigmund Eisenschenk

On August 24, 2015, QTM filed an amended petition for citation to recover alleging breach of fiduciary duty (against Aaron Crane), breach of fiduciary duty, conspiracy, fraud and conversion (against the Company) and legal malpractice and aiding and abetting (against Gregg Rzepczynski). On September 30, 2015, American Milling and Supervised Administrator Peter Schmiedel were granted leave to join and adopt QTM's amended petition for citation to recover solely as to Counts III (breach of fiduciary duty), V (fraud) and VI (conversion).

On October 13, 2015, the Company filed a motion to dismiss Counts IV (conspiracy), V (fraud) and VI (conversion) of the amended petition for citation to recover. On October 13, 2015, the Company filed an answer to Count III (breach of fiduciary duty) of the amended petition for citation to recover. On October 13, 2015, the Company also filed a counterclaim against the Estate seeking a setoff for certain claims acquired by the Company against Eisenshenk in the Bellows' settlement. A briefing schedule was set on the Company's motion to dismiss. No hearing date is yet scheduled.

New Mexico Litigation Against the Estate of Eisenschenk

On August 19, 2015, the Company filed a Notice of Appeal from the District Court's Findings of Fact, Conclusions of Law and Final Judgment entered on July 21, 2015.

Item 1A. Risk Factors.

Risks Related to the Company

We have a history of losses and there can be no assurance that we will generate or sustain positive earnings.

For the nine months ended September 30, 2015, we had a net loss of $(6,347,829), for the year ended December 31, 2014 we had a net income of $49,517, primarily due to the settlement of the LANS matter, discussed above, and for the year ended December 31, 2013, we had a net loss of $(3,694,786). We cannot be certain that our business strategy will ever be successful. Future revenues and profits, if any, will depend upon various factors, including the success, if any, of our expansion plans for the lease of our instruments and services to biotechnical and pharmaceutical customers, marketability of our instruments and services, our ability to maintain favorable relations with manufacturers and customers, and general economic conditions. There is no assurance that we can operate profitably or that we will successfully implement our plans. There can be no assurance that we will ever generate positive earnings.

A significant portion of our net revenue has been generated from services provided to governmental agencies. Subsequent to the acquisition of certain of the assets of Icagen we began to derive a substantial portion of our revenue from commercial contracts. If our customers were to terminate these contracts and governmental agencies were to terminate their existing agreement with us or no longer continue to use our services, our net revenue and results of operations would be adversely affected.

Prior to the acquisition of certain of the assets of Icagen we derived substantially all of our revenue from services we performed for two governmental agencies. For the nine months ended September 30, 2015, 68.7% of our revenue has been generated from commercial contracts with the remaining 31.3% generated from government contract, for the year ended December 31, 2014, the majority of our revenue was generated from government contacts (84%), and the remaining 16% was generated from commercial contracts; and for the year ended December 31, 2013, substantially all of our revenue was derived from two different research projects for the same two governmental agencies. For the year ended December 31, 2012 substantially all of our revenue was derived from three different research projects for the same two governmental agencies. For the year ended December 31, 2011, ninety six percent (96%) of our revenue was derived from six different research projects for the same two governmental agencies. Our business model which concentrates on commercial customers is relatively new and there can be no assurance that we will be able to increase the revenue derived from commercial customers to a significant amount. As of the date hereof we have three existing contracts with the National Institutes of Health ("NIH") pursuant to which we are continuing to perform services.

We were awarded a $1,000,000 grant from the NIH on August 24, 2011 which was fully utilized and expired on July 31, 2012. An additional $1,000,000 was made available for us to invoice our project time and expenses against on August 2, 2012 which was fully utilized and expired on July 31, 2013, a further $1,000,000 (of which we have received $875,500 to date) was made available to us on July 9, 2013 for the period August 1, 2013 to July 2014, recently extended to August 31, 2015, depending on availability of government funding and satisfactory progress made on the project. However, under NIH policies the contracts can be terminated in whole or in part by the government for convenience at any time and in such case we would be entitled to payment of our costs incurred in the performance of the work terminated. If there were to be a decline in the demand for our services from governmental agencies, or the two governmental agencies from which we have received funding were required to reduce spending, our net revenue would be significantly impacted, which would negatively affect our business, financial condition and results of operations and may affect our ability to continue operations.

We were awarded Contract number 1R43AI091186-01A1 with the National Institutes of Health; to develop Radioactive Cesium decorporation Agents on June 23, 2014 for an amount of $600,000 operative from July 1, 2014 to June 30, 2016. We have received $30,000 under this contract to date with $570,000 still available under the project.

We were awarded a new contract on September 22, 2015 with the National Institutes of Health – National Cancer Institute; Contract number N43CO-2015-0050 – Systemic Target Radionuclide Therapy for Cancer Treatment, contract amount of $300,000 operative from September 22, 2015 to June 30, 2016. We have not commenced work under this project to date.

If we cannot establish profitable operations, we will need to raise additional capital to fully implement our business plan, which may not be available on commercially reasonable terms, or at all, and which may dilute your investment.

We incurred a net loss of $(6,347,829) for the nine months ended September 30, 2015 and generated a net income of $49,517 for the year ended December 31, 2014 primarily due to the settlement of the LANS matter as discussed above. We incurred a net loss of $(3,694,786) for the year ended December 31, 2013. Achieving and sustaining profitability will require us to increase our revenues and manage our product, operating and administrative expenses. We cannot guarantee that we will be successful in achieving profitability. Pursuant to the terms of the APA, we are required to pay Icagen, Inc. an additional $250,000 over the next two quarters commencing December 1, 2015 and $500,000 on July 1, 2017. In addition, we assumed certain liabilities of Icagen, Inc. of approximately $35,000 and agreed to retain eighteen employees of Icagen, Inc. at an estimated cost of $3,100,000 per annum, for at least two years. If we are unable to generate sufficient revenues to pay our expenses and our existing sources of cash and cash flows are otherwise insufficient to fund our activities, we will need to raise additional funds to continue our operations at their current level and in order to fully implement our business plan. We do not have any commitments in place for additional funds. If needed, additional funds may not be available on favorable terms, or at all. As of the date hereof, we expect that our current cash and revenues generated from services, our private placement financings and the settlement of the LANS litigation will provide us with enough funds to continue our operations at our current level for at least an additional 12 months. Unless we raise additional funds or increase revenues we will be forced to curtail our operations and limit our marketing expenditures. Furthermore, if we issue equity or debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we are unsuccessful in achieving profitability and we cannot obtain additional funds on commercially reasonable terms or at all, we may be required to curtail significantly or cease our operations, which could result in the loss of all of your investment in our stock.

We may be unable to generate sufficient revenues to meet the minimum payments required under our agreements,

Our Asset Purchase and Collaboration Agreement that we entered into on June 26, 2015 with a subsidiary of Pfizer Inc. requires that we pay the subsidiary (i) an upfront cash purchase price of $500,000, of which $125,000 was paid at closing date, a further $125,000 was paid on September 1, 2015 and $250,000 is to be paid in two equal installments of $125,000, on December 1, 2015 and March 1, 2016; (ii) a cash payment of $500,000 on the second anniversary of the closing provided that prior to such date the service agreement we entered into has generated at least $4,000,000 in revenue; and (iii) beginning in 2017, a quarterly earn out payment (the "Earn Out Payment") of 10% of revenue earned during the quarter up to a maximum aggregate payment of $10,000,000. We also agreed to continue the employment of several prior individuals of the subsidiary for at least two years. In addition, pursuant to the Mutual Release and Settlement Agreement that we entered into with Joel J. Bellows on September 28, 2015, we agreed to pay Mr. Bellow $1,650,000 (of which $600,000 was paid, $400,000 is payable on or before December 31, 2015 and the remaining $650,000 is payable over a six month period commencing January 31, 2016). To date, we have not generated sufficient revenue to pay all of these commitments. If we do not increase our revenue we may be required to raise additional capital to meet our obligations which could result in dilution to stockholders.

We depend significantly on our relationship with our third party collaborators.

We are currently a party to an MSSA with Pfizer to perform ion channel screening and other contract research for Pfizer Inc. Pfizer Inc. has guaranteed revenue of $1,000,000 for each of the first two years of the agreement, which based on current revenue will represent a substantial portion of our revenue. Our collaboration with Pfizer or future collaborations we may enter into may not be scientifically or commercially successful.

Collaborations with pharmaceutical companies and other third parties often are terminated or allowed to expire by the other party. A termination or expiration of our current collaboration with Pfizer or any potential future collaborations would adversely affect us financially and could harm our business reputation.

We may not be able to utilize our tax net operating loss carry-forwards to offset future taxable income.

At December 31, 2014 we had approximately $5,523,000 in tax net operating loss carry-forwards available to offset future taxable income, thereby potentially reducing our future tax expense/liabilities. However, these tax net operating loss carry-forwards may be limited in accordance with IRC Section 382 following a more than 50 percentage point change in ownership, in aggregate during any three year look-back period. This potential limitation on our ability to use our tax net operating loss carry-forwards to offset future taxable income could result in increased tax expense/liabilities and decreased net earnings. These loss carry-forwards expire through 2034 if unused.

Our commercial contract revenue has been derived from one pharmaceutical company and we cannot guarantee additional contract revenue

To date, we have derived all of our commercial contract revenue from one pharmaceutical company in accordance with the terms of a contractual commitment. There can be no assurance that we will attract other pharmaceutical companies to provide our services to or that our current contract customer will increase the scope of the services required. We do not have enough information regarding this new business model to assess its success.

There is uncertainty as to market acceptance of our technology and products.

Our business has been solely dependent upon revenue derived from government agencies for services performed by us. We have derived only minimal revenue from the provision of our analyses services to biotech and pharmaceutical companies and there can be no assurance that the future revenue received from these customers will increase. Although our XRpro® instruments is commercially available, we have not yet leased our XRpro® instruments to third parties nor have any drug candidates that we discover while conducting our chemical analyses been approved by the FDA or commercialized from our technology. There can be no assurance that our XRpro® instruments will be accepted in the market or that our commercialization efforts will be successful. In addition, although our recent acquisition offers a full complement of services to a broader pharmaceutical sector, there can be no assurance that there will be market acceptance of these services.

The life sciences research instrumentation market is characterized by rapid technological change and frequent new product introductions. Our future success may depend on our ability to enhance our current products and to develop and introduce, on a timely basis, new products that address the evolving needs of our customers. We may experience difficulties or delays in our development efforts with respect to new products and the provision of our services, and we may not ultimately be successful in developing or commercializing them, which would harm our business. Any significant delay in releasing products or providing services could cause our revenues to suffer, adversely affect our reputation, give a competitor a first-to-market advantage or cause a competitor to achieve greater market share. In addition, our future success depends on our continued ability to develop new applications for our existing products and continuing to provide our current services. If we are not able to complete the development of these applications, or if we experience difficulties or delays, we may lose our current customers and may not be able to attract new customers, which could seriously harm our business and our future growth prospects.

We rely heavily on a single source for a major part of our product, and the partial or complete loss of this supplier could cause customer supply or production delays and a substantial loss of revenues.

We rely on one outside vendor to manufacture substantial portions of critical hardware that will be used with or included in our XRpro® instruments. We have an agreement with our equipment supplier for an indefinite period of time to develop a product that incorporates our technology with a product already produced by them. Our agreement provides that we will not develop, manufacture, or distribute products that compete directly or indirectly with the product that is supplied by them and incorporated into the XRpro® instruments during the term of the agreement and for a period of three years subsequent to the termination of the agreement if we should terminate the agreement for any reason. Our agreement may be terminated by either party without cause upon six months prior written notice. Our supplier is located in Berlin, Germany and its ability to perform the agreement will be affected by the quality controls in Germany, which may be different than those in the United States, as well as the regional or worldwide economic, political or governmental conditions. Disruptions in international trade and finance or in transportation may have a material adverse effect on our business, financial condition and results of operation. Any significant disruption in our operations for any reason, such as regulatory requirements, scheduling delays, quality control problems, loss of certifications, power interruptions, fires, hurricanes, war or threats of terrorism, labor strikes, contract disputes, could adversely affect our sales and customer relationships. There can be no assurances that a third party contract manufacturer will be able to meet the design specifications of our technology.

Our reliance on one manufacturer is expected to continue and involve several other risks including limited control over the availability of components, delivery schedules, pricing and product quality. We may experience delays, additional expenses and lost sales because of our dependency upon a single manufacturer. Although we have no reason to believe that our supplier will be unable to supply us with needed products, if they were to be unable to supply us with adequate equipment in a timely manner, or if we are unable to locate a suitable alternative supplier or at favorable terms, our business could be materially adversely impacted. While we believe alternative manufacturers exist, we have not specifically identified any alternative manufacturer and may not be able to replace our equipment supplier if we need to in a timely fashion.

Our reliance on a sole supplier involves several risks, including the following:

- our supplier of required parts may cease or interrupt production or otherwise fail to supply us with an adequate supply of required parts for a number of reasons, including contractual disputes with our supplier or adverse financial developments at or affecting the supplier;

- we have reduced control over the pricing of third party-supplied materials, and our supplier may be unable or unwilling to supply us with required materials on commercially acceptable terms, or at all;

- we have reduced control over the timely delivery of third party-supplied materials; and

- our supplier may be unable to develop technologically advanced products to support our growth and development of new systems.

In addition, in the event of a breach of law by our equipment supplier or a breach of a contractual obligation that has an adverse effect upon our operations, we will have little or no recourse because all of our manufacturer's assets are located in Germany. In addition, it may not be possible to effect service of process in Germany and uncertainty exists as to whether the courts in Germany would recognize or enforce judgments of U.S. courts obtained against a German company.

We must expend a significant amount of time and resources to develop new products, and if these products do not achieve commercial acceptance, our operating results may suffer.

We expect to spend a significant amount of time and resources to develop new products and refine existing products, and have spent significant time and money developing our XRpro® instruments. We commenced development of our XRpro® instruments in the year 2006 and since then have developed four enhanced versions of our original instrument; each enhancement was developed over an approximate two year period of time. We enhance our XRpro® instruments on a regular basis, including recent improvements to the throughput capabilities of the instrument, increasing production efficiency. We may also be required to make modifications or enhancements at the request of our customers. Our research and development expense for the nine months ended September 30, 2015 was $250,855 and for the year ended December 31, 2014 was approximately $309,747, most of which was used to develop assays for commercial applications. In light of the long product development cycles inherent in our industry, any developmental expenditure will typically be made well in advance of the prospect of deriving revenues from the sale of new products. Our ability to commercially introduce and successfully market new products will be subject to a wide variety of challenges during this development cycle that could delay introduction of these products. In addition, since our potential customers are not expected to be obligated by long-term contracts to purchase our products, our anticipated product orders may not materialize, or orders that do materialize may be canceled. As a result, if we do not achieve market acceptance of new products, our operating results will suffer. Our products may also be priced higher than competitive products, which may impair commercial acceptance. We cannot predict whether new products that we expect to introduce will achieve commercial acceptance.

Our limited marketing capability may limit our ability to gain commercial acceptance of our XRpro® instrument and cause our future operating results to suffer.

Our future operating results will suffer if our products do not achieve commercial acceptance. Our ability to gain commercial acceptance of our XRpro® product will be limited by our marketing capability. We have recently increased our financial resources, and intend improving our sales efforts by hiring appropriate resources on our XRpro® products and our marketing efforts. We have not sold or leased any XRpro® instruments and to date no one other than us has used the XRpro® instrument to perform analytical services.

Our Founder and Board Member beneficially owns a substantial portion of our outstanding Common Stock, which may limit your ability and the ability of our other stockholders, whether acting alone or together, to propose or direct the management or overall direction of our company.

The concentration of ownership of our stock could discourage or prevent a potential takeover of our company that might otherwise result in an investor receiving a premium over the market price for his shares. Our Founder and Board Member beneficially owns 1,602,403 shares of our Common Stock, representing 23.1% of our outstanding shares of Common Stock. In addition, excluding the shareholding of our founder, the directors as a group beneficially own 2,630,500 shares of our Common Stock, representing 21.2% of our outstanding shares of Common Stock. Accordingly, our Founder and Board Member alone and together with our directors would have significant influence over the election of our directors and the approval of actions for which the approval of our stockholders is required. If you acquire shares of our securities, you may have no effective voice in the management of our Company. Such significant influence over control of our Company may adversely affect the price of our Common Stock. Our principal stockholder as well as our board of directors may be able to significantly influence matters requiring approval by our stockholders, including the election of directors, as well as mergers or other business combinations which require the vote of a majority of our outstanding shares. Such significant influence may also make it difficult for our stockholders to receive a premium for their shares of our Common Stock in the event we merge with a third party or enter into different transactions which require stockholder approval. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Common Stock.

If we deliver products or services with defects, our credibility will be harmed and the sales and market acceptance of our products will decrease.

Our products and services are complex and may at times contain errors, defects and bugs when introduced. If in the future we deliver products or services with errors, defects or bugs, our credibility and the market acceptance and sales of our products would be harmed. Further, if our products or services contain errors, defects or bugs, we may be required to expend significant capital and resources to alleviate such problems. Defects could also lead to product liability as a result of product liability lawsuits against us or against our customers. We may agree to indemnify our customers in some circumstances against liability arising from defects in our products or services. In the event of a successful product liability claim, we could be obligated to pay significant damages.

Most of our potential customers are from the pharmaceutical and biotechnology sector and are subject to risks faced by those industries.

We expect to derive a significant portion of our future revenues from sales to customers in the pharmaceutical and biotechnology sector, which includes governments and private companies. We expect a substantial part of our future revenue to be derived from pharmaceutical companies, including Pfizer. As a result, we will be subject to risks and uncertainties that affect the pharmaceutical and biotechnology industries, such as availability of capital and reduction and delays in research and development expenditures by companies in these industries, pricing pressures as third-party payers continue challenging the pricing of medical products and services, government regulation, and the uncertainty resulting from technological change.

In addition, our future revenues may be adversely affected by the ongoing consolidation in the pharmaceutical and biotechnology industries, which would reduce the number of our potential customers. Furthermore, we cannot assure you that the pharmaceutical and biotechnology companies that may be our customers will not develop their own competing products or capabilities, or choose our competitors' technology instead of our technology.

Many of our current and potential competitors have significantly greater resources than we do, and increased competition could impair sales of our products and services.

We operate in a highly competitive industry and face competition from companies that design, manufacture and market instruments for use in the life sciences research industry, from genomic, pharmaceutical, biotechnology and diagnostic companies and from academic and research institutions and government or other publicly-funded agencies, both in the United States and elsewhere. We may not be able to compete effectively with all of these competitors. Many of these companies and institutions have greater financial, engineering, manufacturing, marketing and customer support resources than we do. As a result, our competitors may be able to respond more quickly to new or emerging technologies or market developments by devoting greater resources to the development, promotion and sale of products, which could impair sales of our products. Moreover, there has been significant merger and acquisition activity among our competitors and potential competitors. These transactions by our competitors and potential competitors may provide them with a competitive advantage over us by enabling them to rapidly expand their product offerings and service capabilities to meet a broader range of customer needs. Many of our potential customers are large companies that require global support and service, which may be easier for our larger competitors to provide.

We believe that competition within the markets we serve is primarily driven by the need for innovative products that address the needs of customers. We attempt to counter competition by seeking to develop new products and provide quality, cost-effective products and services that meet customers' needs. We cannot assure you, however, that we will be able to successfully develop new products or that our existing or new products and services will adequately meet our potential customers' needs.

Rapidly changing technology, evolving industry standards, changes in customer needs, emerging competition and frequent new product and service introductions characterize the markets for our products. To remain competitive, we may be required to develop new products and periodically enhance our existing products in a timely manner. We may face increased competition as new companies enter the market with new technologies that compete with our products and future products, and our services and future services. We cannot assure you that one or more of our competitors will not succeed in developing or marketing technologies products or services that are more effective or commercially attractive than our products or future products, or our services or future services, or that would render our technologies and products obsolete or uneconomical. Our future success will depend in large part on our ability to maintain a competitive position with respect to our current and future technologies, which we may not be able to do. In addition, delays in the launch of our new products or the provision of our services may result in loss of market share due to our customers' purchases of competitors' products or services during any delay.

We depend on our key personnel, the loss of whom would impair our ability to compete.

We are highly dependent on the employment services of key management, engineering and scientific staff. The loss of the service of any of these persons could seriously harm our product development and commercialization efforts. In addition, research, product development and commercialization will require additional skilled personnel in areas such as chemistry and biology, and software and electronic engineering and recruitment and retention of personnel, particularly for employees with technical expertise, is uncertain. If we are unable to hire, train and retain a sufficient number of qualified employees, our ability to conduct and expand our business could be seriously reduced. The inability to retain and hire qualified personnel could also hinder the planned expansion of our business and may result in us relocating some or all of our operations.

We have initiated and may in the future need to initiate lawsuits to protect or enforce our patents, which would be expensive and, if we lose, may cause us to lose some of our intellectual property rights, which would reduce our ability to compete in the market.

Our success will depend in part upon protecting our technology from infringement, misappropriation, duplication and discovery, and avoiding infringement and misappropriation of third party rights. We intend to rely, in part, on a combination of patent and contract law to protect our technology in the United States and abroad.

The risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- the pending patent applications we have filed or to which we have exclusive rights may not result in issued patents or may take longer than we expect to result in issued patents;
- the claims of any patents which are issued may not provide meaningful protection;
- we may not be able to develop additional proprietary technologies that are patentable;
- the patents licensed or issued to us or our customers may not provide a competitive advantage;
- other companies may challenge patents licensed or issued to us or our customers;
- patents issued to other companies may harm our ability to do business;
- other companies may independently develop similar or alternative technologies or duplicate our technologies; and
- other companies may design around the technologies we have licensed or developed.

There can be no assurance that any of our patent applications or licensed patent applications will issue or that any patents that may issue will be valid and enforceable. We may not be successful in securing or maintaining proprietary patent protection for our products and technologies that we develop or license. In addition, our competitors may develop products similar to ours using methods and technologies that are beyond the scope of our intellectual property protection, which could reduce our anticipated sales. While some of our products have proprietary patent protection, a challenge to these patents can subject us to expensive litigation. Litigation concerning patents, other forms of intellectual property, and proprietary technology is becoming more widespread and can be protracted and expensive and distract management and other personnel from performing their duties.

We also rely upon trade secrets, unpatented proprietary know-how, and continuing technological innovation to develop a competitive position. If these measures do not protect our rights, third parties could use our technology, and our ability to compete in the market would be reduced. In addition, employees, consultants and others who participate in the development of our products may breach their agreements with us regarding our intellectual property, and we may not have adequate remedies for the breach. We also may not be able to effectively protect our intellectual property rights in some foreign countries and our trade secrets may become known through other means not currently foreseen by us. We cannot assure you that others will not independently develop substantially equivalent proprietary technology and techniques or otherwise gain access to our trade secrets and technology, or that we can adequately protect our trade secrets and technology.

There can be no assurance that third parties will not assert infringement or other claims against us with respect to rights to any of our products. Litigation to protect and defend the rights to our licensed technology or to determine the validity of any third party claims could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not such litigation is determined in our favor. If we determine that additional rights are necessary for the development of our product(s) and further determine that a license to additional third party rights is needed, there can be no assurance that we can obtain a license from the relevant party or parties on commercially reasonable terms, if at all. We could be sued for infringing patents or other intellectual property that purportedly cover products and/or methods of using such products held by persons other than us. Litigation arising from an alleged infringement could result in removal from the market, or a substantial delay in, or prevention of, the introduction of our products, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Additionally, in order to protect or enforce our patent rights, we may initiate patent litigation against third parties, such as infringement suits or interference proceedings. Litigation may be necessary to:

- assert claims of infringement;
- enforce our patents;
- protect our trade secrets or know-how; or
- determine the enforceability, scope and validity of the proprietary rights of others.

Lawsuits could be expensive, take significant time and divert management's attention from other business concerns. They would put our licensed patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. We may also provoke third parties to assert claims against us. Patent law relating to the scope of claims in the technology fields in which we operate is still evolving and, consequently, patent positions in our industry are generally uncertain. If initiated, we cannot assure you that we would prevail in any of these suits or that the damages or other remedies awarded, if any, would be commercially valuable. During the course of these suits, there could be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. If securities analysts or investors were to perceive any of these results to be negative, our stock price could decline.

We have claims and lawsuits against us that may result in material adverse outcomes.

On March 16, 2015, the Circuit Court in Cook County, Illinois ruled against us and held that the Estate of Sigmund Eisenschenk owns no less than 177,500 shares of our stock, effectively nullifying the original recall by the Company on December 23, 2011 (the 177,500 shares effected by the reverse split will amount to 88,750 shares post reverse split which took place on March 25, 2015). The Court further awarded sanctions against us in an amount not yet determined. The Court has yet to rule on certain other claims made by the Estate, which relate to a further 472,500 shares of our stock, which were originally recalled by the Company on September 19, 2010 (the 472,500 shares effected by the reverse split will amount to 236,250 shares post reverse split which took place on March 25, 2015). We are also subject to other claims and other lawsuits in which adverse outcomes could result in significant monetary damages. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

We may incur substantial liabilities and may be required to limit commercialization of our products in response to product liability lawsuits.

We could be the subject of complaints or litigation from customers alleging product quality or operational concerns. Litigation or adverse publicity resulting from these allegations could materially and adversely affect our business, regardless of whether the allegations are valid or whether we are liable. We currently do not have product liability insurance coverage, and even if there was such coverage, there would be no assurance that such coverage would be sufficient to properly protect us. Further, claims of this type, whether substantiated or not, may divert our financial and management resources from revenue generating activities and the business operation.

We may be subject to the risks of doing business internationally.

Although we have not successfully sold any of our products yet, we currently offer our products both in the United States and outside of the United States, and we intend to manufacture products at our equipment suppliers' facility in Germany once we receive purchase orders. Because we intend to do so, our business is subject to risks associated with doing business internationally, including:

- trade restrictions and changes in tariffs;
- the impact of business cycles and downturns in economies outside of the United States;
- unexpected changes in regulatory requirements that may limit our ability to export our products or sell into particular jurisdictions;
- import and export license requirements and restrictions;
- difficulties in maintaining effective communications with employees and customers due to distance, language and cultural barriers;
- disruptions in international transport or delivery;
- difficulties in protecting our intellectual property rights, particularly in countries where the laws and practices do not protect proprietary rights to as great an extent as do the laws and practices of the United States;
- difficulties in enforcing agreements through non-U.S. legal systems;
- longer payment cycles and difficulties in collecting receivables; and
- potentially adverse tax consequences.

If any of these risks materialize, our international sales could decrease and our foreign operations could suffer.

We are an "emerging growth company," and any decision on our part to comply with certain reduced disclosure requirements applicable to emerging growth companies could make our Common Stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act enacted in April 2012, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could remain an emerging growth company until the earliest of: (i) the last day of the fiscal year in which we have total annual gross revenues of $1 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of our first sale of common equity securities pursuant to an effective registration statement which has not yet occurred; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer. We cannot predict if investors will find our Common Stock less attractive if we choose to rely on these exemptions. If some investors find our Common Stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our Common Stock and our stock price may be more volatile.

Under Section 107(b) of the Jumpstart Our Business Startups Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

As a result of our being a public company, we are subject to additional reporting and corporate governance requirements that require additional management time, resources and expense.

We are obligated to file with the SEC annual and quarterly information and other reports that are specified in the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We are also subject to other reporting and corporate governance requirements under the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder, all of which impose significant compliance and reporting obligations upon us.

Our internal controls over financial reporting are not effective which could have a significant and adverse effect on our business and reputation.

We have identified a material weakness in our internal controls and can't provide assurances that the weakness will be effectively remediated. As a public reporting company, we are in a continuing process of developing, establishing, and maintaining internal controls and procedures that allow our management to report on, and our independent registered public accounting firm to attest to, our internal controls over financial reporting if and when required to do so under Section 404 of the Sarbanes-Oxley Act of 2002. Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an emerging growth company. Our management is required to report on our internal controls over financial reporting under Section 404. If we fail to achieve and maintain the adequacy of our internal controls, we would not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. Our Management has determined that the adequacy of our internal controls is not effective and is therefore unable to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, that must be performed may reveal other material weaknesses or that the material weaknesses described above have not been fully remediated. If we do not remediate any material weaknesses identified, or if other material weaknesses are identified or we are not able to comply with the requirements of Section 404 in a timely manner, our reported financial results could be materially misstated or could subsequently require restatement, we could receive an adverse opinion regarding our internal controls over financial reporting from our independent registered public accounting firm and we could be subject to investigations or sanctions by regulatory authorities, which would require additional financial and management resources, and the market price of our stock could decline.

Future sales of our Common Stock by our existing shareholders could cause our stock price to decline.

We currently have 6,481,457 shares of our Common Stock outstanding. All of such shares are eligible for resale under Rule 144; however, 2,938,288 are held by affiliates and are subject to certain volume limitations. If our shareholders sell substantial amounts of our Common Stock in the public market at the same time, the market price of the Common Stock could decrease significantly due to an imbalance in the supply and demand of our Common Stock. Even if they do not actually sell the stock, the perception in the public market that our shareholders might sell significant shares of the Common Stock could also depress the market price of the Common Stock.

A decline in the price of shares of our Common Stock might impede our ability to raise capital through the issuance of additional shares of our Common Stock or other equity securities, and may cause you to lose part or all of your investment in our shares of Common Stock.

We do not expect to pay dividends on our Common Stock in the foreseeable future.

We do not expect to pay dividends on our Common Stock for the foreseeable future, and we may never pay dividends. Consequently, the only opportunity for Common Stockholders to achieve a return on their investment may be if a trading market develops and Common Stockholders are able to sell their shares for a profit or if our business is sold at a price that enables Common stockholders to recognize a profit. Our Series A Preferred stockholders are entitled to an annual dividend of $0.46 for each share of Series A Preferred, payable in cash or Common Stock, at the election of the holder, on January 31 of each year. We currently intend to retain any future earnings other than those paid as dividends to the Series A Preferred Stock or any other class of preferred stock to support the development and expansion of our business and do not anticipate paying cash dividends for the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. In addition, our ability to pay dividends on our Common Stock may be limited by state law. Accordingly, we cannot assure investors any return on their investment, other than in connection with a sale of their shares or a sale of our business or dividends on their Series A Preferred Stock. At the present time there is no trading market for our shares. Therefore, holders of our securities may be unable to sell them. We cannot assure investors that an active trading market will develop or that any third party will offer to purchase our business on acceptable terms and at a price that would enable our investors to recognize a profit.

Limitations on director and officer liability and indemnification of our Company's officers and directors by us may discourage stockholders from bringing suit against an officer or director.

Our certificate of incorporation and bylaws provide, with certain exceptions as permitted by governing state law, that a director or officer shall not be personally liable to us or our stockholders for breach of fiduciary duty as a director or officer, except for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or unlawful payments of dividends. These provisions may discourage stockholders from bringing suit against a director or officer for breach of fiduciary duty and may reduce the likelihood of

derivative litigation brought by stockholders on our behalf against a director or officer.

We are responsible for the indemnification of our officers and directors.

Should our officers and/or directors require us to contribute to their defense, we may be required to spend significant amounts of our capital. Our certificate of incorporation and bylaws also provide for the indemnification of our directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of our Company. This indemnification policy could result in substantial expenditures, which we may be unable to recoup. If these expenditures are significant, or involve issues which result in significant liability for our key personnel, we may be unable to continue operating as a going concern.

The rights of our preferred stock could negatively affect holders of Common Stock and make it more difficult to effect a change of control.

Our board of directors is authorized by our charter to create and issue preferred stock. Certain of the rights of holders of preferred stock take precedence over the rights of holders of Common Stock. We are authorized to issue 10,000,000 shares of Preferred Stock, of which 3,000,000 are designated as Series B Preferred Stock and 400,000 are designated as Series A Preferred Stock. We currently have no shares of Series B Preferred Stock and 105,000 shares of Series A Preferred Stock outstanding. Holders of Series A Preferred Stock are entitled to a dividend of $0.46 per share each year payable in cash or stock at the option of the holder and Series A Preferred stock are entitled to a preference upon our liquidation, dissolution or winding up.

The Series A Preferred Stock are convertible voluntarily at the election of the holder or automatically ten trading days after delivery to the holder by us of a notice that the volume-weighted average closing price of our Common Stock over the ten trading days immediately preceding the date of notice is at least $20.00 per share. The holders of the Series A Preferred Stock and the shares of Common Stock and warrants issued in our private placement offering that was consummated in January 2015 are also entitled to registration rights with respect to such shares. We may issue additional shares of Series B or Series A Preferred Stock in addition to other preferred stock. As future tranches of capital are received by us, additional preferred stock may be issued which such terms and preferences as are determined in the sole discretion of our board of directors. The rights of future preferred stockholders could delay, defer or prevent a change of control, even if the holders of Common Stock are in favor of that change of control, as well as enjoy preferential treatment on matters like distributions, liquidation preferences and voting.

Our Common Stock is not currently traded on any market, so you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.

The Common Stock is not currently traded on any market and therefore no public market for our Common Stock exists. Accordingly, investors will have great difficulty selling any of our securities. Even if our Common Stock becomes traded on a securities exchange, we cannot predict the extent to which investors' interests will lead to an active trading market for our Common Stock or whether the market price of our Common Stock will be volatile or exceed the price paid by investors for the Common Stock or the exercise price of our Warrants outstanding. If an active trading market does not develop, investors will continue to have difficulty selling any of our Common Stock. There may be limited market activity in our stock and we are likely to be too small to attract the interest of many brokerage firms and analysts. If we trade on OTC markets, the trading volume we will develop may be limited by the fact that many major institutional investment funds, including mutual funds as well as individual investors, follow a policy of not investing in OTC stocks and certain major brokerage firms restrict their brokers from recommending OTC stocks because they are considered speculative, volatile, thinly traded and the market price of the Common Stock may not accurately reflect the underlying value of our Company. The market price of our Common Stock could be subject to wide fluctuations in response to quarterly variations in our revenues and operating expenses, announcements of new products or services by us, significant sales of our Common Stock, including "short" sales, the operating and stock price performance of other companies that investors may deem comparable to us, and news reports relating to trends in our markets or general economic conditions.

The application of the "penny stock" rules to our Common Stock could limit the trading and liquidity of the Common Stock, adversely affect the market price of our Common Stock and increase your transaction costs to sell those shares.

If our Common Stock becomes traded on a securities market or exchange, as long as the trading price of our Common Stock is below $5 per share, the open-market trading of our Common Stock will be subject to the "penny stock" rules, unless we otherwise qualify for an exemption from the "penny stock" definition. The "penny stock" rules impose additional sales practice requirements on certain broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse). These regulations, if they apply, require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the associated risks. Under these regulations, certain brokers who recommend such securities to persons other than established customers or certain accredited investors must make a special written suitability determination regarding such a purchaser and receive such purchaser's written agreement to a transaction prior to sale. These regulations may have the effect of limiting the trading activity of our Common Stock, reducing the liquidity of an investment in our Common Stock and increasing the transaction costs for sales and purchases of our Common Stock as compared to other securities. The stock market in general and the market prices for penny stock companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include: (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the volatility of our share price.

We may not be able to attract the attention of major brokerage firms, which could have a material adverse impact on the market value of our Common Stock.

If a trading market develops for our Common Stock it will rely in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. However, security analysts of major brokerage firms may not provide coverage of our Common Stock since there is no incentive to brokerage firms to recommend the purchase of our Common Stock, which may adversely affect the market price of our Common Stock. If equity research analysts do provide research coverage of our Common Stock, the price of our Common Stock could decline if one or more of these analysts downgrade our Common Stock or if they issue other unfavorable commentary about us or our business. If one or more of these analysts ceases coverage of our Company, we could lose visibility in the market, which in turn could cause our stock price to decline.

We effected a 1-for-2 reverse stock split of our outstanding Common Stock on March 25, 2015. However, the reverse stock split may not increase our stock price sufficiently once the stock is trading and we may not be able to list our Common Stock on a national securities exchange.

We expect that the reverse stock split of our outstanding Common Stock will increase the market price of our Common Stock once our stock is trading and enable us to meet the minimum market price requirement of the listing rules of a national securities exchange. However, the effect of a reverse stock split upon the market price of our Common Stock cannot be predicted with certainty, and the results of reverse stock splits by companies in similar circumstances have been varied. It is possible that the market price of our Common Stock following the reverse stock split will not increase sufficiently for us to be in compliance with the minimum market price requirement of a national securities exchange, or if it does, that such price will be sustained. If we are unable to meet the minimum market price requirement, we may be unable to list our shares on a national securities exchange, in which case such an offering may not be completed.

Even if the reverse stock split achieves the requisite increase the market price of our Common Stock, there can be no assurance that we will be approved for listing on a national securities exchange or able to comply with other continued listing standards of a national securities exchange.

Even if the market price of our Common Stock increases sufficiently so that we comply with the minimum market price requirement, we cannot assure you that we will be able to comply with the other standards that we are required to meet in order to be approved for listing on a national securities exchange or maintain a listing of our Common Stock on such exchange. Our failure to meet these requirements may result in our Common Stock being delisted from a national securities exchange.

The reverse stock split may decrease the liquidity of the shares of our Common Stock.

The liquidity of the shares of our Common Stock may be affected adversely by the reverse stock split given the reduced number of shares that will be outstanding following the reverse stock split. In addition, the reverse stock split may increase the number of shareholders who own odd lots (less than 100 shares) of our Common Stock, creating the potential for such shareholders to experience an increase in the cost of selling their shares and greater difficulty affecting such sales.

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

No sales of equity securities, not previously reported have taken place.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification of the Principal Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification of the Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS	XBRL Instance
101.XSD	XBRL Schema
101.PRE	XBRL Presentation
101.CAL	XBRL Calculation
101.DEF	XBRL Definition
101.LAB	XBRL Label

SIGNATURES

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

ICAGEN, INC.

Date: November 16, 2015

By: /s/ Richard Cunningham
Richard Cunningham
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 16, 2015

By: /s/ Mark Korb
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Richard Cunningham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Icagen, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-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 financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2015

By: /s/ Richard Cunningham
Richard Cunningham
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Mark Korb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Icagen, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-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 financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2015

By: /s/ Mark Korb
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Icagen, Inc. (the "Registrant") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Cunningham, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 16, 2015

By: /s/ Richard Cunningham
Richard Cunningham
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Icagen, Inc. (the "Registrant") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Korb, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 16, 2015

By: /s/ Mark Korb
Chief Financial Officer
(Principal Financial Officer)