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 **March 31, 2016**

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)

(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 (Do not check if a smaller reporting company)	☐	Smaller reporting company	☒

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

Number of shares of common stock outstanding as of May 13, 2016 was 6,481,857.

ICAGEN, INC

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, statements contained in this Quarterly Report Form 10-Q, including but not limited to, statements regarding the sufficiency of our cash, our ability to finance our operations and business initiatives and obtain funding for such activities; our future results of operations and financial position, business strategy and plan prospects, or costs and objectives of management for future acquisitions, are forward-looking statements. These forward-looking statements relate to our future plans, objectives, expectations and intentions and may be identified by words such as "may," "will," "should," "expects," "plans," "anticipates," "intends," "targets," "projects," "contemplates," "believes," "seeks," "goals," "estimates," "predicts," "potential" and "continue" or similar words. Readers are cautioned that these forward-looking statements are based on our current beliefs, expectations and assumptions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under Part II, Item 1A. "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, and those identified under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on April 14, 2016. Therefore, actual results may differ materially and adversely from those expressed, projected or implied in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

NOTE REGARDING COMPANY REFERENCES

Throughout this Quarterly Report on Form 10-Q, "Icagen," the "Company," "we," "us" and "our" refer to Icagen, Inc.

ICAGEN, INC.
FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

ICAGEN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016 Unaudited	December 31, 2015
Assets		
Current Assets		
Cash	$ 818,797	$ 2,266,788
Accounts receivable, net	864,864	967,170
Prepaid expenses and other current assets	331,107	357,554
Investment in certificate of deposit	25,023	25,023
Assets held for resale	27,000	27,620
Total Current Assets	**2,066,791**	**3,644,155**
Non-Current Assets		
Intangibles, net	7,667,628	7,723,873
Plant and equipment, net	1,463,075	1,561,582
Total Non-Current Assets	**9,130,703**	**9,285,455**
Total Assets	**$ 11,197,494**	**$ 12,929,610**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 670,908	$ 934,710
Other payables and accrued expenses	385,843	518,608
Legal settlement accrual	839,750	1,164,750
Loans payable	149,014	164,381
Deferred purchase consideration	-	125,000
Dividends payable	77	77
Total Current Liabilities	**2,045,592**	**2,907,526**
Non-Current Liabilities		
Deferred purchase consideration, net	8,457,535	8,313,490
Total Non-Current Liabilities	8,457,535	8,313,490
Total Liabilities	**10,503,127**	**11,221,016**
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 March 31, 2016 and December 31, 2015, liquidation preference $5.70 per share	133,350	133,350
Commitment and contingencies	-	-
Stockholders' Equity		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, 3,000,000 shares designated as Series B Preferred stock, 6,600,000 undesignated and unissued	-	-
Common stock, $0.001 par value; 50,000,000 shares authorized, 6,808,857 shares issued and 6,481,857 outstanding as of March 31, 2016 and December 31, 2015.	6,482	6,482
Additional paid-in-capital	23,807,124	23,711,824
Treasury stock, at cost (327,000 shares of common stock at March 31, 2016 and December 31, 2015).	(237)	(237)
Accumulated deficit	(23,252,352)	(22,142,825)
Total stockholder's equity	**561,017**	**1,575,244**
Total Liabilities and Stockholders' Equity	**$ 11,197,494**	**$ 12,929,610**

See notes to unaudited condensed consolidated financial statements

ICAGEN, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31, 2016	Three months ended March 31, 2015
Sales	$ 900,866	$ 30,653
Cost of sales	694,851	162,201
Gross Profit (loss)	206,015	(131,548)
Operating expenses:		
Selling, general and administrative expenses	1,011,771	1,251,074
Depreciation	101,577	32,226
Amortization	56,245	12,921
Total Operating expenses	1,169,593	1,296,221
Operating loss	(963,578)	(1,427,769)
Other (expense) income		
Other income	-	161
Interest income	289	1,854
Interest expense	(146,238)	(2,164)
Total other expense	(145,949)	(149)
Net loss before income tax	(1,109,527)	(1,427,918)
Income tax	-	-
Net loss	(1,109,527)	(1,427,918)
Preferred stock dividends	-	(60,655)
Net loss applicable to common stock	**$ (1,109,527)**	**$ (1,488,573)**
Net Loss Per Share - Basic and Diluted	**$ (0.17)**	**$ (0.26)**
Weighted Average Number of Shares Outstanding - Basic and Diluted	**6,481,857**	**5,653,144**

See notes to unaudited condensed consolidated financial statements

ICAGEN, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2016	Three months ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,109,527)	$ (1,427,918)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation expense	101,577	32,226
Amortization expense	56,245	12,921
Gain on disposal of plant and equipment	-	(161)
Stock based compensation charge	95,300	209,862
Imputed interest on acquisition of Icagen assets	144,045	-
Changes in operating assets and liabilities		
Accounts receivable	102,306	73,218
Prepaid expenses and other current assets	27,067	20,493
Accounts payable	(263,802)	156,906
Other payables and accrued expenses	(457,777)	19,834
CASH USED IN OPERATING ACTIVITIES	**(1,304,566)**	**(902,619)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment of deferred purchase consideration	(125,000)	-
Purchase of plant and equipment	(3,070)	(51,923)
Proceeds on sale of plant and equipment	-	934
NET CASH USED IN INVESTING ACTIVITIES	**(128,070)**	**(50,989)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Los Alamos County loan	(8,899)	(8,466)
Repayment of software loan	(6,456)	-
Proceeds from common stock units issued	-	3,836,133
Share issue expenses	-	(314,541)
Warrants exercised	-	400
Series A Preferred Stock dividend paid	-	(48,300)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(15,355)**	**3,465,226**
NET (DECREASE) INCREASE IN CASH	(1,447,991)	2,511,618
Cash at the beginning of the period	2,266,788	6,472,393
CAST AT END OF PERIOD	**$ 818,797**	**$ 8,984,011**
CASH PAID FOR INTEREST AND TAXES:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 2,205	$ 2,175
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 dividend	$ -	$ 978,417
Accrued Series A Preferred Stock dividends	$ -	$ 11,910
Accrued Series B Preferred Stock dividends	$ -	$ 48,745

See notes to unaudited condensed consolidated financial statements

ICAGEN, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Icagen, 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.

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; (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 and biology platform development.

The Company 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 its 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 the Company's 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.

The Company 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 non-electrogenic systems that challenge other technologies.

2. ACCOUNTING POLICIES AND ESTIMATES

General

The following (a) consolidated balance sheets as of March 31, 2016 which have been derived from the unaudited condensed consolidated financial statements and December 31, 2015, 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 ended March 31, 2016 are not necessarily indicative of results that may be expected for the year ending December 31, 2016. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission ("SEC") on April 14, 2016.

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
Icagen Corp (formerly known as XRpro Corp.) - Wholly owned subsidiary
Caldera Discovery, Inc. - Wholly owned subsidiary (formed on March 27, 2015)
XRpro Sciences, Inc. – Wholly owned subsidiary (formed on December 10, 2015)

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Estimates

The preparation of these 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, the valuation of certain assets and intangibles acquired from Icagen, 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 un-asserted claims that may result in such proceedings, the Company's management evaluates the perceived merits of any legal proceedings or un-asserted 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 segment information is presented as the Company is changing its primary business from Government contract revenue to revenues derived from commercial customers.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Intangible assets

Certain 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) Discovery platform

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

c) Trademarks and trade names

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

d) Patents

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

e) Assembled workforce

Assembled workforce acquired by the Company is reported at acquisition value less amortization and impairments. The estimated useful life of the assembled workforce is ten years.

f) Amortization

Amortization is reported in the consolidated statement of operations 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.

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	5 Years
Laboratory equipment	7 Years
Furniture and fixtures	10 Years
Computer equipment	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. There was no impairment as of March 31, 2016.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

The Company maintains cash with major financial institutions. The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage for deposits of corporations, the current limit of coverage is $250,000. As a result of this coverage the Company has cash balances of $460,851 that are not covered by the FDIC as of March 31, 2016.

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 major pharmaceutical companies.

The 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 March 31, 2016	Three months ended March 31, 2015
Commercial customers	$ 786,000	$ -
National Institutes of Health	114,866	30,653
Total revenues	$ 900,866	$ 30,653

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 March 31, 2016 and December 31, 2015 was $19,084. The amount charged to bad debt provision for the three months ended March 31, 2016 and 2015 was $0.

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 three 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 March 31, 2016 and 2015 was $0 and $75,034, 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 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 consolidated statements of operations for the three months ended March 31, 2016 and 2015 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 shares of common stock outstanding during the period.

Diluted net income/(loss) per share is computed on the basis of the weighted average number of shares 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 discloses all related party transactions. All transactions are 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.

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 is not within the entity's control and could require or requires net cash settlement, then the contract shall be classified as an asset or a liability.

Recent accounting pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-02, which amends the guidance in U.S. GAAP on accounting for operating leases, a lessee will be required to recognize assets and liabilities for operating leases with lease terms of more than 12 months on the balance sheet. The new standard is effective for fiscal years and interim periods beginning after December 15, 2018, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted. The Company is currently evaluating the impact of adopting this guidance.

In March 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) "ASU 2016 – 09 Improvements to Employee Share-Based Payment Accounting" which is intended to improve the accounting for employee share-based payments. The ASU simplifies several aspects of the accounting for share-based payment award transactions, including; the income tax consequences, classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

2. ACCOUNTING POLICIES AND ESTIMATES (continued)

Recent accounting pronouncements (continued)

In April 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) "ASU 2016 – 10 Revenue from Contract with Customers: identifying Performance Obligations and Licensing". The amendments in this Update clarify the two following aspects (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this Update are intended to reduce the degree of judgement necessary to comply with Topic 606. This guidance has no effective date as yet. The Company is currently evaluating the impact of adopting this guidance.

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. GOING CONCERN

As shown in the accompanying unaudited condensed consolidated financial statements, the Company incurred a net loss of $(1,109,527) for the three months ended March 31, 2016 and $(8,676,037) for the year ended December 31, 2015. As of March 31, 2016 and December 31, 2015, the Company had accumulated deficits of $23,252,352 and $22,142,825, respectively. The Company's working capital decreased from $736,629 at December 31, 2015 to $21,199 as at March 31, 2016. The Company's working capital is insufficient to meet its short-term cash requirements and fund any future operating losses. These operating losses create an uncertainty about the Company's ability to continue as a going concern. The Company's plan, through the acquisition of the assets of Icagen and the continued promotion of its services to existing and potential customers is to generate sufficient revenues to cover our anticipated expenses. The Company is currently exploring several options to meet its short-term cash requirements, including bridge note funding, an equity raise or loan funding from third parties. Although no assurances can be given as to the Company's ability to deliver on its revenue plans, or that unforeseen expenses may arise, the management of the Company believes that the revenue to be generated from operations together with potential bridge note funding, additional issuances of equity or other potential financing will provide the necessary funding for the Company to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is economically dependent upon future capital contributions or financing to fund ongoing operations.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	March 31, 2016	December 31, 2015
Prepaid insurance	$ 5,682	$ 19,714
Prepaid rent	2,500	2,500
Prepaid equipment maintenance	8,642	15,123
Prepaid Subscriptions	3,494	5,106
Surety bond	310,000	310,000
Other	789	5,111
	$ 331,107	$ 357,554

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 the Company has appealed these sanctions (refer note 20 below).

5. ASSETS HELD FOR RESALE

The Company closed its Los Alamos and Cambridge sites during the prior year and consolidated its operations at the Icagen site in North Carolina. Excess laboratory equipment that was surplus to its requirements were consigned to a company that specializes in selling used laboratory equipment. The equipment is expected to realize a net, $27,000 after deduction of all sales commissions and associated costs.

6. 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; (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.

In terms of US GAAP, the total purchase consideration, including Earn Out Payments of $11,000,000 were discounted back to present value at the Company's estimated weighted average cost of capital of 6.7%, resulting in an estimated present value of future payments of $8,531,300. The discount of $2,468,700 over the estimated purchase price of $11,000,000 will be expensed as an additional interest expense over the estimated period in which the payments are expected to be made. The discount will be evaluated at each reporting period to determine if our assumptions are still valid.

The fair value allocation for the fixed assets, including laboratory equipment and computer equipment, cell lines, biology platform, trademarks and tradename resulting from the acquisition of the Icagen assets from Pfizer, Inc. was based on management's estimates as of July 1, 2015, the date of the acquisition. The Company retained the services of an independent valuation firm to determine the fair value and the allocation basis of the identifiable intangible assets. The purchase price was adjusted by $2,468,700 to take into account the estimated present value of the estimated future payments to be made in terms of the asset purchase agreement and the net result was reallocated based on the outcome of the asset valuation.

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

	Amount
Cash payments to date	$ 500,000
Cash payment due on July 1, 2017	500,000
Deferred earn out payments	10,000,000
	11,000,000
Present value discount on future payments	(2,468,700)
	$ 8,531,300

During the three months ended March 31, 2016, the Company charged to operations, non-cash implied interest on the acquisition of the Icagen assets of $144,045.

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

	Amount
Laboratory equipment	$ 1,145,005
Computer equipment	15,295
Cell lines	5,000,500
Discovery Platform	1,450,500
Trade name	637,500
Assembled Workforce	282,500
Total	$ 8,531,300

7. INTANGIBLE ASSETS

a. **Cell lines and discovery 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 value placed on these individual components is $5,000,500 for cell lines and $1,450,500 for the discovery platform, no initial value has been ascribed to plasmid repositories due to the commodity nature of these plasmids.

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 discovery 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 discovery 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 the Company. 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 value placed on the trade name and trademarks acquired is $637,500. The useful life of the trade name and trademarks is indefinite and will be tested for impairment on a regular basis.

c. **Assembled workforce**

In terms of the purchase agreement entered into between the Company and Pfizer, the Company agreed to retain the services of the scientific personnel who have extensive knowledge and experience in ion channel research and services. This workforce was originally acquired by Pfizer and prior to that had worked for the original Icagen company. The value placed in the assembled workforce acquired is $282,500, the useful life is expected to be ten years based on the company's estimate of the useful life of current knowledge and the rate of evolution within the industry.

d. **Patents**

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.

7. INTANGIBLE ASSETS (continued)

d. **Patents (continued)**

The patents consist of the following:

- Method for Detecting Binding Events Using Micro X-Ray Fluorescence Spectrometry, which includes an issued U.S. patent that is expected to expire in about 2021;
- Flow Method and Apparatus for Screening Chemicals Using Micro X-Ray Fluorescence, which includes issued patents in the U.S., Japan and Singapore, as well as a pending application in Europe, such patents and patent application, if issued, are expected to expire in 2022;
- Method and Apparatus for Detecting Chemical Binding, which includes about 10 issued patents in the U.S., Europe, Japan and Singapore; such patents are expected to expire in 2023;
- Drug Development and Manufacturing, which includes an issued U.S. patent that is expected to expire in about 2021.
- Advanced Drug Development and Manufacturing, which includes over 15 issued foreign patents, in Europe, Japan, and Hong Kong, expected to expire in about 2026, and pending applications in the U.S. and Japan which, if issued, are expected to expire between 2021-2026.
- Well Plate/Apparatus for Preparing Samples for Measurement by X-Ray Fluorescence Spectrometry, which includes issued patents in the U.S. and Japan, which are expected to expire in about 2028, and pending applications in the U.S., Europe, and Japan, which, if issued, are also expected to expire in 2028.
- Method and Apparatus for Measuring Protein Post Translational Modification, which includes a patent issued in Japan, which is expected to expire in about 2028 and pending applications in U.S., Europe and Japan, which, if issued, are also expected to expire in about 2028.
- Method and Apparatus for Measuring Analyte Transport Across Barriers, which includes 2 issued U.S. patents and issued patents in China and Hong Kong, which are expected to expire in about 2030/2031, and pending applications in U.S., Europe, and China, which, if issued, are also expected to expire in about 2030.
- Method for Analysis Using X-Ray Fluorescence, which includes an issued U.S. patent, which is expected to expire in 2031, and three pending U.S. patent applications which, if issued, are expected to expire in 2031.

7. INTANGIBLE ASSETS (continued)

Intangible assets consist of the following:

	March 31, 2016			December 31, 2015
	Cost	Amortization and impairment	Net book value	Net book value
Cell lines	$ 5,000,500	$ -	$ 5,000,500	$ 5,000,500
Biology platform	1,450,500	(108,788)	1,341,712	1,377,975
Trade name and trademarks	637,500	-	637,500	637,500
Assembled workforce	282,500	(21,187)	261,313	268,375
Patents	972,000	(545,397)	426,603	439,523
	$ 8,343,000	**$ (675,372)**	**$ 7,667,628**	**$ 7,723,873**

The aggregate amortization expense charged to operations was $56,245 and $12,921 for the three months ended March 31, 2016 and 2015, respectively. The amortization policies followed by the Company are described in Note 2.

Amortization expense for future periods is summarized as follows:

	Amount
2016	$ 168,738
2017	224,984
2018	224,984
2019	224,984
2020 and thereafter	1,185,938
Total	$ 2,029,628

8. PLANT AND EQUIPMENT

Included in plant and equipment is laboratory equipment and computer equipment valued at $1,145,005 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 $247,733 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:

	March 31, 2016			December 31, 2015
	Cost	Amortization and impairment	Net book value	Net book value
Leasehold improvements	$ 4,263	$ (634)	$ 3,629	$ 3,960
Laboratory equipment	1,799,727	(518,789)	1,280,938	1,339,119
Computer Software	249,756	(93,294)	156,462	194,076
Computer equipment	28,572	(6,526)	22,046	24,427
	$ 2,082,318	**$ (619,243)**	**$ 1,463,075**	**$ 1,561,582**

The aggregate depreciation charge to operations was $101,577 and $32,226 for the three months ended March 31, 2016 and 2015, respectively.

9. OTHER PAYABLES AND ACCRUED EXPENSES

	March 31, 2016	December 31, 2015
Credit card liabilities	$ 3,558	$ -
Vacation and Sick Pay accrual	93,104	93,104
Payroll liabilities	180,332	174,399
Severance cost accrual	997	67,315
Other	107,852	183,790
	$ 385,843	$ 518,608

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 were both closed at the end of their lease terms. In terms of this consolidation, five members of staff accepted severance packages. To date, we have paid approximately $150,300 in severance costs, with a further $997 to be incurred over the next month.

10. LEGAL SETTLEMENT LIABILITIES

The legal settlement liability is disclosed as follows:

	March 31, 2016	December 31, 2015
Legal Settlement accrual – Bellows matter	$ 141,250	$ 466,250
Legal settlement accrual – Eisenschenk matter	516,250	516,250
Legal settlement – other	10,000	10,000
Judgement liability	172,250	172,250
	$ 839,750	$ 1,164,750

Pursuant to the 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 into escrow the 105,000 Series A preferred shares currently held by him and relinquishing his rights to any further dividend payments on those shares. In terms of the settlement agreement a total of $1,433,333 was paid to date. Upon full payment of the $1,650,000, the escrow Series A preferred shares will be released to the Company. See note 20 below.

The Company is attempting to settle the Eisenschenk matter, as disclosed in note 20 below, the Company estimates that the net settlement cost in this matter is approximately $516,250.

The Company has accrued 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, no agreement has been reached as yet.

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 20 below, less the $92,750 sanction which has already been paid by Lyon and Lane.

11. LOANS PAYABLE

Loans payable consist of the following:

	March 31, 2016	December 31, 2015
Short term portion		
Los Alamos County project participation loan	$ 133,592	$ 142,502
Asset funding agreement	15,422	21,879
Total	$ 149,014	$ 164,381

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

	Amount
Within 1 year	$ 149,014

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 $133,592 and $142,502 as of March 31, 2016 and December 31, 2015, 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 $15,422 and $26,062 as of March 31, 2016 and December 31, 2015, respectively.

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:

- $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 the Company will not meet the maximum earn out payment.

Deferred purchase consideration is disclosed as follows:

	March 31, 2016	December 31, 2015
Short term portion		
Deferred purchase consideration	$ -	$ 125,000
Long term portion		
Deferred purchase consideration	10,500,000	10,500,000
	10,500,000	10,625,000
Present value discount on future payments	(2,468,700)	(2,468,700
Imputed interest expense	426,235	282,190
Total	$ 8,457,535	$ 8,438,490

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.

There are no Series B convertible redeemable preferred share issued and outstanding as of March 31, 2016 and December 31, 2015.

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 March 31, 2016 and December 31, 2015.

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

Conversion

The Series A Stock will convert 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 is subject to 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

The Company 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.

No accrual for Series A Stock dividends was made for the three months ended March 31, 2016 and the year ended December 31, 2015 due to the settlement agreement with Bellows, the remaining Series A stockholder, disclosed in note 20 below.

During the three months ended March 31, 2015, the Company paid $48,300 of accrued Series A stock dividends.

14. COMMON STOCK

Common stock consists of 50,000,000 authorized shares of $0.001 each, 6,808,857 shares issued and 6,481,857 shares outstanding as of March 31, 2016 and December 31, 2015.

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 March 31, 2016, all of these shares are vested.

The restricted stock outstanding and exercisable at March 31, 2016 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	19,000	$ 3.50

The Company has recorded an expense of $19,950 and $0 for the three months ended March 31, 2016 and 2015, respectively.

15. WARRANTS

Warrants exercisable for 11,136 shares of common stock at an exercise price of $11.40, expired during the three months ended March 31, 2016

The following table summarizes warrants outstanding and exercisable as of March 31, 2016:

	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	3.89		1,653,865	
$ 3.85	143,401	4.25		143,401	
$ 4.00	7,500	0.59		7,500	
$ 4.20	150,000	1.85		150,000	
$ 11.40	181,068	0.19		181,068	
	2,135,834	3.44	$ 4.24	2,135,834	$ 4.24

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. In terms of the Plan agreement, the plan expired during October 2015, ten years after its adoption, therefore there are no further options available under this plan for future grants.

On December 9, 2015, the Board of directors approved the 2015 Stock Incentive Plan which was approved by the Company's stockholders holding approximately 50.2% of the Company's voting power.

The 2015 Stock Incentive Plan ("the 2015 Plan") provides the directors, officers, employees and consultants of the Company with appropriate incentives and rewards to encourage them to enter into and continue in the employ or service of the Company, to acquire a proprietary interest in the long-term success of the Company and to reward the performance of individuals in fulfilling long-term corporate objectives. The Board set aside 800,000 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 time, determined at the grant date and will expire over a period of time, determined at the grant date.

The Company expenses the value of stock options on a straight line basis over the life of the options. 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 March 31, 2016, 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.

Stock option based compensation expense totaled $75,350 and $83,392 for the three months ended March 31, 2016 and 2015, respectively.

We canceled options exercisable for 0 and 72,282 shares of common stock for the three months ended March 31, 2016 and the year ended December 31, 2015, respectively, held by employees and consultants whose service to our company terminated during those respective periods. The shares underlying such options were returned to and are no longer available for re-issuance under the 2005 Plan.

A summary of all of our option activity during the period January 1, 2015 to March 31, 2016 is as follows:

	Shares	Exercise Price per Share	Weighted Average Exercise Price
Outstanding January 1, 2015	725,952	$ 0.40-11.42	$ 3.82
Granted	255,000	3.50	3.50
Forfeited/Cancelled	(72,282)	3.50-11.42	5.70
Exercised	(400)	5.00	5.00
Outstanding December 31, 2015	908,270	$ 0.40-11.42	$ 3.60
Granted	-	-	-
Forfeited/Cancelled	-	-	-
Exercised	-	-	-
Outstanding March 31, 2016	908,270	$ 0.40-11.42	$ 3.60

Stock options outstanding as of March 31, 2016 and December 31, 2015, 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 March 31, 2016:

	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	6.08		15,000	
$ 2.20	110,000	0.25		110,000	
$ 3.00	312,500	6.96		312,500	
$ 3.50	250,000	8.78		66,666	
$ 4.00	56,770	1.09		56,770	
$ 5.00	128,500	4.74		115,676	
$ 11.42	35,500	2.68		35,500	
	908,270	5.77	$ 3.60	712,112	$ 3.59

The weighted-average grant-date fair values of options granted during the year ended December 31, 2015 was $844,577 ($3.31 per option). As of March 31, 2016 there were unvested options to purchase 196,158 shares of common stock. Total expected unrecognized compensation cost related to such unvested options is $590,763, which is expected to be recognized over a period of 34 months.

17. NET 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 months ended March 31, 2016 and 2015, respectively, 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 months ended March 31, 2016 (Shares)	Three months ended March 31, 2015 (Shares)
Options to purchase shares of common stock	908,270	980,952
Warrants	2,135,834	2,146,970
Series A convertible, redeemable preferred stock	52,500	52,500
	3,096,604	3,180,422

18. RELATED PARTY TRANSACTIONS

Benjamin Warner
As of March 31, 2016 and December 31, 2015, Dr. Benjamin Warner owned 23.1% of the issued and outstanding shares of common stock on an un-diluted basis.

Richard Cunningham
Pursuant to the terms of an employment agreement entered into with Richard Cunningham, our Chief Executive Officer, stock options to purchase 250,000 shares of Common Stock were awarded to Mr. Cunningham on January 7, 2015, which options vest as follows: (i) Fifty Thousand (50,000) shares vested on November 24, 2015; (ii) One Hundred and Fifty Thousand (150,000) shares 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 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.

Edward Roffman
On June 16, 2015, pursuant to the 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 March 31, 2016, all of these shares are vested.

Douglas Krafte
On February 25, 2016, upon the resignation of Dr. Benjamin Warner, as our Chief Scientific Officer, Douglas Krafte, age 56, the Chief Scientific Officer of our subsidiary Icagen Corp., was appointed to the position of Chief Scientific Officer for Icagen Inc. and its subsidiaries.

The Company has not entered into an employment agreement with Dr. Krafte; however, in accordance with the terms of its acquisition of the assets of the subsidiary of Pfizer, Inc., the Company has agreed to continue to pay Dr. Krafte his current annual salary of $251,600, together with health insurance payments, 401K contributions and an annual incentive plan targets of 25% of his base salary until June 30, 2017 as well as severance payments in the event of his termination of employment.

First South Africa Management
The Company incurred an expense of $45,000 for services provided by First South Africa Management for provision of CFO services by Mr. Korb and $10,500 for bookkeeping services for the three months ended March 31, 2016.

19. OPERATING LEASES

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 three months ended March 31, 2016 amounted to $7,500.

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 lease terminates on April 30, 2019. The rental expense for the three months ended March 31, 2016 amounted to $42,394.

Future annual minimum payments required under operating lease obligations as of March 31, 2016, are as follows:

	Amount
2016	$ 136,358
2017	177,823
2018	184,047
2019	63,496
Total	$ 561,724

20. 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, 2015 other than as follows:

Litigation with estate of Sigmund Eisenschenk

On March 10, 2016, the Court scheduled a pre-trial settlement conference to proceed on April 19, 2016. The Court also suspended the deadline for the Company and Crane to respond to the second amended petition for citation to recover pending the results of the pre-trial settlement conference.

On April 19, 2016, a pre-trial settlement conference was held; however, no settlement was reached.

The Company’s response to the second amended petition for citation to recover is due by May 23, 2016.

New Mexico Litigation Against the Estate of Eisenschenk

On October 2, 2015, the Company filed its Docketing Statement identifying the issues for appeal and a summary of authorities.

On October 16, 2015, the record proper was filed with the Court of Appeals.

On January 28, 2016, the Court of Appeals assigned the case to the General Calendar calling for a full briefing on all issues. The Appellant's Brief in Chief was due and was filed on May 13, 2016.

21. 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 an additional purchase price payment of $500,000 on July 1, 2017, assuming that Pfizer satisfies its requirements under the agreement.

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.

22. SUBSEQUENT EVENTS

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, 2015 filed with the Securities and Exchange Commission on April 14, 2016. 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.

Overview and Financial Condition

We partner with pharmaceutical and biotechnology companies to offer industry-leading scientific expertise and comprehensive access to technologies for ion channel and transporter drug discovery and development. With over 20 years of leadership in the ion channel field, our team has an extensive track record of success in advancing molecules from drug discovery to clinical development across multiple therapeutic areas and ion channel classes. 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 marketed under the XRpro® trademark to deliver ion channel screening, ion channel kinetics and custom screening services to our customers. Our capabilities include molecular biology and the use of complex functional assays, electrophysiology, bioanalytics and pharmacology. We believe that this integrated set of capabilities enhances our ability to help our customers develop drug candidates and is a commercial opportunity that meets a significant unmet medical need.

We utilize a target class approach to drug discovery. Whereas traditional drug discovery starts with a disease and seeks to identify potential intervention points, or drug targets, our target class approach starts with all potential ion channel targets and seeks to identify applications to the treatment of various diseases. We believe that our understanding of the ion channel genome and ability to apply this knowledge in a target class approach to drug discovery facilitates our identification of small molecule drug candidates with novel mechanisms of action and enhanced selectivity and specificity profiles. Moreover, because our drug discovery and development process screens for potential side effects at an earlier stage than some alternative approaches, we believe that this process enables us to identify small molecule drug candidates that may have a reduced risk of clinical failure and may shorten clinical development timelines.

Through our recent acquisition of the assets of Pfizer, Inc.'s subsidiary, Icagen, which was formed in 1992, we have 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, which dates back to 1992 when Icagen was first founded, we have 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.

We also offer 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.

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 commercial customers. 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. Despite generating funds from commercial customers and government grants, we continue to experience losses. We believe that our existing cash and cash equivalents will not be sufficient to meet our anticipated cash needs for the next twelve months. We will need to generate additional revenue from operations and/or obtain additional financing to pursue our business strategy, to respond to new competitive pressures or to take advantage of opportunities that may arise. These factors raise substantial doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements as of and for the year ended December 31, 2015 with respect to this uncertainty. To meet our financing needs, we are considering multiple alternatives, including, but not limited to, additional equity financings, debt financings and/or funding from partnerships or collaborations. There can be no assurance that we will be able to complete any such transactions on acceptable terms or otherwise.

As a result of the agreement that we entered into with the subsidiary of Pfizer, we agreed; (i) to continue to retain certain employees of the subsidiary until June 30, 2017, which we estimate will require additional compensation of $3,195,000; (ii) to make additional payments in terms of the Asset Purchase and Collaboration Agreement that we entered into on June 26, 2015 with a subsidiary of Pfizer Inc., which additional payments include (a) 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 (b) 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, and (iii) make minimum lease payments in terms of a sub-lease agreement entered into with Pfizer for the period April 1, 2016 to April 30, 2019 with annual escalations of 3.5%, estimated to be $562,000.

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. Bellows $1,650,000 (of which $216,667 remains to be paid commencing on May 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 have also entered into Master Services Agreements (“MSA”) with various pharmaceutical companies where we have agreed to perform certain services for them.

The total value of unbilled Purchase orders received from commercial customers as of March 31, 2016 amounted to approximately $3,033,000.

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 two subsidiary companies, Caldera Discovery Inc. and XRpro Sciences Inc., which have always been dormant.

Results of Operations for the three months ended March 31, 2016 and the three months ended March 31, 2015.

Revenues

We had revenues totaling $900,866 and $30,653 for the three months ended March 31, 2016 and 2015, respectively, an increase of $870,213 or 2839%. The increase in revenue includes commercial revenue of $786,000 (representing 87% of our revenue) and Government revenue of $114,866 (representing 13% of our revenue), there was no commercial revenue in the prior year and the majority of the commercial revenue can be attributed to the acquisition of the assets of Icagen in July 2015. Commercial revenue includes revenue from seven customers, including two large pharma customers. The Government contract revenue is derived from two government contracts which are ongoing. At March 31, 2016, we have an order backlog of approximately $3,033,000 on commercial contracts and $645,000 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 continue to market 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 $694,850 and $162,201 for the three months ended March 31, 2016 and 2015, respectively, an increase of $532,649 or 328.4%. 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 March 31, 2016 and 2015 respectively was $590,857 and $30,808, an increase of $560,049 or 182%. 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 March 31, 2016 and 2015, respectively was laboratory supplies and direct materials of $97,312 and $93,564, an increase of $3,748 or 4.0%, 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 March 31, 2016 and 2015, respectively, outside contractors' costs amounted to $4,971 and $27,850, the decrease of $22,879 or 82.2% 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 profit (loss)

Gross profit was $206,015 and gross loss was $(131,548) for the three months ended March 31, 2016 and 2015, respectively, an increase of $337,563 or 257%. The improvement from a gross loss to a gross profit in the current year is primarily due to the increased revenues generated from commercial customers which was sufficient to offset the increased labor costs included in cost of sales, discussed above.

Selling, general and administrative expenses

Selling, general and administrative expenses totaled $1,011,771 and $1,251,074 for the three months ended March 31, 2016 and 2015, respectively, a decrease of $239,303 or 19.1%.

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

	Three months ended March 31,		Increase/	Percentage
	2016	2015	(decrease)	change
Marketing and selling expenses	$ 29,916	$ 47,103	$ (17,187)	(36.5)%
Salary expenses	331,904	284,848	47,056	16.5%
Research and development salaries	-	75,034	(75,034)	(100.0)%
Directors fees	55,000	55,000	-	-%
Bonus expense	78,174	25,000	53,174	212.7%
Stock option compensation charge	95,300	209,862	(114,562)	(54.6)%
Legal fees	104,795	187,869	(83,074)	(44.2)%
Consulting fees	66,948	160,712	(93,764)	(58.3)%
Repairs and maintenance	69,111	6,914	62,197	899.6%
Rent	49,894	84,461	(34,567)	(40.9)%
Travel expenditure	29,007	23,933	5,074	21.2%
	$ 910,049	$ 1,160,736	$ 250,687	(21.6)%

The decrease in marketing expenditure over the prior period is primarily due to costs incurred on improving and developing the website in the previous year, this was a once off expenditure.

Total salary expenses are allocated to the various expense categories detailed below depending on the level of activity of our employees on commercial and government contracts, 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 March 31, 2016 and 2015, respectively was included in the following expense categories:

	Three months ended March 31,		Increase/	Percentage
	2016	2015	(decrease)	change
Cost of sales	$ 590,857	$ 38,808	$ 552,049	1,422.5%
Selling, general and administrative expenses	331,904	284,848	47,056	16.5%
Research and development salaries	-	75,034	(75,034)	(100.0)%
	$ 922,761	$ 398,690	$ 524,071	131.4%

The increase in total salary expenditure for the three months ended March 31, 2016 of $524,071 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, the employment of a VP of business development on March 1, 2016 offset by the savings generated from 5 employees who were severed in the prior year upon the closure of the Los Alamos and Cambridge laboratories.

The salary expense included in cost of sales for the three months ended March 31, 2016 increased by $552,049, primarily due to the acquisition of the 15 laboratory employees in the Icagen acquisition, the salary expenditure of our scientists are now reported as cost of sales. The current year salary cost in cost of sales includes a bonus accrual of $56,676, based on an estimate of bonuses expected to be paid for the 2016 calendar year.

The salary expense charged to Selling, general and administrative expenses for the three months ended March 31, 2016 increased by $47,056, although our administrative head count has increased from one to five heads, the allocation of cost to administrative expenditure was skewed by scientist not charging their time to projects due to the lack of throughput in the laboratory in the prior period.

Due to the level of activity in the laboratory, specific research projects were not undertaken and the previous Cambridge employees who dedicated their time to research were severed when the sites were consolidated into one location.

Bonus expense increased by $53,174 for the three months ended March 31, 2016. The current year charge represents an accrual for estimated bonuses to the administrative employees based on performance targets, which have been pre-set. The previous year represented a guaranteed bonus due to a certain employee. Included in cost of sales salaries is a bonus provision of $56,676, based on similar performance targets.

The stock option compensation charge decreased by $114,562. The charge for each period is dependent upon the number of options issued and the vesting schedule of these options, currently there are fewer unvested options than in the prior period.

Legal fees decreased by $83,074, over the prior period. The decrease consists primarily of a decrease in general corporate legal activity. In the prior year, general corporate legal activity included legal expenses on the private placement which took place towards the end of 2014 and the beginning of 2015.

The decrease in consulting fees of $93,764 is primarily due to the termination of investor relations and patent consultants whose services have been outsourced to professional businesses at reduced costs.

Repairs and maintenance expenditure in the current period includes facilities maintenance costs for the North Carolina site, the fee is approximately $12,000 per month, in addition to this, approximately $25,000 was spent on repairing an instrument critical to our commercial revenue efforts.

Rent decreased by $34,567 due to the termination of the Cambridge and Los Alamos laboratories and the entering into a sub-lease agreement for the North Carolina site. The rental rates in North Carolina are significantly cheaper than those in Cambridge.

Travel expenditure increased by $5,074 primarily due to the increase in sales and marketing activity by the Company.

Depreciation and Amortization

We recognized depreciation expenses of $101,577 and $32,226 for the three months ended March 31, 2016 and 2015, respectively, the increase is due to the Icagen asset acquisition and the 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 $56,245 and $12,921 for the three months ended March 31, 2016 and 2015. The increase in amortization expense is directly related to the acquisition of the Icagen assets and the value placed on the Discovery platform and the Assembled Workforce acquired which is amortized over a ten-year period.

Interest expense

Interest expense totaled $146,238 and $2,164 for the three months ended March 31, 2016 and 2015, respectively. The increase is primarily due to the imputed interest charge of $144,045 on the Acquisition of the Icagen assets. This imputed interest charge has no cash flow implications.

Net loss

Net loss totaled $1,109,527 and $1,427,918 for the three months ended March 31, 2016 and 2015, respectively. The decrease in net loss is primarily due the increase in revenues from commercial customers and the reduction in administrative expenses.

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 are generating funds from commercial customers and government grants, however, we continue to experience losses and will need to raise additional funds to meet our working capital requirements, despite this we are dependent upon the outcome of settlement discussions we are having in our lawsuits. We believe that our existing cash and cash equivalents will not be sufficient to meet our anticipated cash needs for the next twelve months. We will need to generate additional revenue from operations and/or obtain additional financing to pursue our business strategy, to respond to new competitive pressures or to take advantage of opportunities that may arise. These factors raise substantial doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements as of and for the year ended December 31, 2015 with respect to this uncertainty. To meet our financing needs, we are considering multiple alternatives, including, but not limited to, additional equity financings, debt financings and/or funding from partnerships or collaborations. There can be no assurance that we will be able to complete any such transactions on acceptable terms or otherwise.

As of March 31, 2016 our Company had cash totaling $818,797, other current assets totaling $1,247,994 and total assets of $11,197,494. We had total current liabilities of $2,045,592 and a net working capital of $21,199. Total liabilities were $10,503,127, including deferred purchase consideration of $8,457,535. The deferred purchase consideration includes a net present value discount of $2,042,465 (made up of a gross present value discount of $2,468,700 less imputed interest expense of $426,235), the gross amount still due in terms of the acquisition agreement is $10,500,000 of which $500,000 is dependent on the achievement of a revenue target with Pfizer and $10,000,000 is due based on a potential 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 $561,017.

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 March 31, 2016, we owed $133,592 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 three months ended March 31, 2016 and 2015 is provided below:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net cash used in operating activities	$ (1,304,566)	$ (902,619)
Net cash used in investing activities	(128,070)	(50,989)
Net cash (used in) provided by financing activities	(15,355)	3,465,226
Net (decrease) increase in cash and cash equivalents	$ (1,447,991)	$ 2,511,618

Net cash used in operating activities was $(1,304,566) and $(902,619) for the three months ended March 31, 2016 and 2015, respectively. The decrease in cash provided by operating activities was primarily due to the following:

	Three months ended March 31,		Increase/	Percentage
	2016	2015	(decrease)	change
Net loss	$ (1,109,527)	$ (1,427,918)	$ 318,391	(22.3)%
Adjustments for non-cash items	397,167	254,848	142,319	55.8%
Changes in operating assets and liabilities	(592,206)	270,451	(862,657)	(319.0)%
	$ (1,304,566)	$ (902,619)	$ (401,947)	(44.5)%

The decrease in net loss is discussed under net loss in the results of operations for the three months ended March 31, 2016 and 2015, respectively.

The change in adjustments for non-cash items is primarily due to; i) an increase in depreciation and amortization expense of $112,675, primarily due to the depreciation and amortization of the Icagen assets acquired; ii) the non-cash imputed interest charge on the acquisition of the Icagen assets; iii) offset by the reduction in the non-cash compensation charge of $114,562.

The decrease in operating assets and liabilities is primarily due to the timing of payments to our suppliers in the current year, a large purchase of specialty materials was paid for in the first quarter; $325,000 of the Bellows legal settlement was made and severance costs of $66,318 was paid during the first quarter.

Net cash used in investing activities was $128,070 and $50,989, the current year amount included; deferred purchase price payments to Pfizer of $125,000 and the prior year amount consisted primarily of laboratory equipment purchased.

Net cash (used in) provided by financing activities was $(15,355) and $3,465,226 for the three months ended March 31, 2016 and 2015, respectively. The cash used in financing activities represents the repayment of loans. The cash provided by financing activities in the prior 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.

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 $500,000 on July 1, 2017, provided certain milestones are met by Pfizer.

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.

The Company sub-let premises from Pfizer located at Research Triangle Park, Durham, North Carolina. The lease terminates on April 30, 2019.

Future annual minimum payments required under operating lease obligations as of March 31, 2016, are as follows:

	Amount
2016	$ 136,358
2017	177,823
2018	184,047
2019	63,496
Total	$ 561,724

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 Quarterly Report on 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 March 31, 2016 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, 2015 other than as follows:

Litigation with estate of Sigmund Eisenschenk

On March 10, 2016, the Court scheduled a pre-trial settlement conference to proceed on April 19, 2016. The Court also suspended the deadline for the Company and Crane to respond to the second amended petition for citation to recover pending the results of the pre-trial settlement conference.

On April 19, 2016, a pre-trial settlement conference was held; however, no settlement was reached.

The Company's response to the second amended petition for citation to recover is due by May 23, 2016.

New Mexico Litigation Against the Estate of Eisenschenk

On October 2, 2015, the Company filed its Docketing Statement identifying the issues for appeal and a summary of authorities.

On October 16, 2015, the record proper was filed with the Court of Appeals.

On January 28, 2016, the Court of Appeals assigned the case to the General Calendar calling for a full briefing on all issues. The Appellant's Brief in Chief was due and was filed on May 13, 2016.

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 three months ended March 31, 2016, we had a net loss of $(1,109,527), for the year ended December 31, 2015 we had a net loss of $(8,676,037), and for the year ended December 31, 2014, we had an income of $49,517, primarily due to the favorable settlement of the LANS matter in the prior year. 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 one customer. Prior to 2015, substantially all of our revenue was derived from services provided to governmental agencies.

For the three months ended March 31, 2016 we derived 87% of our revenue from commercial contracts of which 45.1% of our revenue was for services provided to Pfizer, the remaining 13% was derived from Government contracts; and for the year ended December 31, 2015, we derived 84% of our revenues from commercial contracts of which 75.8% of our revenue were for services provided to Pfizer, the remaining 16.3% was derived from Government contracts. 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 year ended December 31, 2014, 84% of our revenue has been generated from government contracts and the remaining 16% generated from commercial contracts. Our business model which now 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. Our MSSA with Pfizer which terminates in July 2017 guarantees $1,000,000 of revenue to us per each twelve-month period until June 30, 2017. The termination of our relationship with Pfizer would adversely affect our business. There can be no assurance that we will attract a sufficient number of 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.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern.

Although we have generated revenue, our operating losses, negative cash flows from operations and limited alternative sources of revenue raise substantial doubt about our ability to continue as a going concern. We will be required to obtain additional financing in order to pay existing contractual obligations and to continue to cover operating losses and working capital needs. We cannot assure you that our revenue generated from operations or any future funds we raise will be sufficient to support our continued operations.

The audit report of RBSM LLP for the fiscal year ended December 31, 2015 contained a paragraph that emphasizes the substantial doubt as to our continuance as a going concern. If we cannot raise adequate capital on acceptable terms we will need to revise our business plans.

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 $(1,109,527) for the three months ended March 31, 2016 and a net loss of $(8,676,037) for the year ended December 31, 2015 and generated a net income of $49,517 for the year ended December 31, 2014 primarily due to the favorable settlement of the LANS matter in the prior year. 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 Pfizer an additional $500,000 on July 1, 2017. In addition, we 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 month. 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 and will need to raise additional capital to meet our working capital needs,

In accordance with the terms of the Asset Purchase and Collaboration Agreement that we entered into on June 26, 2015 with a subsidiary of Pfizer Inc. our remaining payment obligations; (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, which we estimate will require an additional $3,195,000 in compensation. 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. Bellows $1,650,000 (of which $216,667 remains to be paid commencing on May 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.

Our business is difficult to evaluate because we have recently changed our business model to offering a full complement of screening services to the broader pharmaceutical sector.

Since our acquisition of the Icagen assets, we have shifted our business model from offering only our XRpro screening services to governmental agencies as we did in the past to now offer a full complement of screening services to the broader pharmaceutical sector. There is a risk that we will be unable to successfully conduct our business or be able to successfully integrate the assets acquired with our management and structure. Our estimates of capital, personnel and equipment required for our expanded business model are based on the experience of management and businesses they are familiar with. We are subject to the risks such as our ability to implement our business plan, market acceptance of our services, under-capitalization, cash shortages, limitations with respect to personnel, financing and other resources, competition from better funded and experienced companies, and uncertainty of our ability to generate revenues. There is no assurance that our activities will be successful or will result in any revenues or profit, and the likelihood of our success must be considered in light of the stage of our development. Even if we generate revenue, there can be no assurance that we will be profitable. In addition, no assurance can be given that we will be able to consummate our business strategy and plans, as described herein, or that financial, technological, market, or other limitations may force us to modify, alter, significantly delay, or significantly impede the implementation of such plans. We have insufficient results for investors to use to identify historical trends or even to make quarter to quarter comparisons of our operating results. You should consider our prospects in light of the risk, expenses and difficulties we will encounter as an early stage company. Our revenue and income potential is unproven and our business model is continually evolving. We are subject to the risks inherent to the operation of a new business enterprise, and cannot assure you that we will be able to successfully address these risks.

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

At December 31, 2015 we had approximately $13,430,000 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.

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 year ended December 31, 2015 was $251,309 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 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 24.3% of our outstanding shares of Common Stock. In addition, including the shareholding of our founder, the directors as a group beneficially own 3,043,566 shares of our Common Stock, representing 41.6% 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 and other proprietary rights, 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 (88,750 shares post reverse split which took place on March 25, 2015). The Court further awarded sanctions against us for $172,250. The Court has yet to rule on certain other claims made by the Estate, which relate to a further 472,500 shares (236,250 shares, post reverse split which took place on March 25, 2015) 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.

We currently offer our services to companies located outside of the United States, because we intend to continue 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 6,481,857 shares of our Common Stock outstanding. All of such shares are eligible for resale under Rule 144; however, 2,873,216 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 is 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.

We will seek to raise additional funds in the future, which may be dilutive to stockholders or impose operational restrictions.

We expect to seek to raise additional capital in the future to help fund development of our business. If we raise additional capital through the issuance of equity or of debt securities, the percentage ownership of our current stockholders will be reduced. We may also enter into strategic transactions, issue equity as part of license issue fees to our licensors, compensate consultants or settle outstanding payables using equity that may be dilutive. Our stockholders may experience additional dilution in net book value per share and any additional equity securities may have rights, preferences and privileges senior to those of the holders of our common stock.

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.

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 not being listed on such exchange or 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 are 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.

None.

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: May 19, 2016

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

Date: May 19, 2016

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: May 19, 2016

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: May 19, 2016

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 March 31, 2016 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: May 19, 2016

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 March 31, 2016 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: May 19, 2016

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