UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the quarterly period ended September 30, 2015

OR

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

For the transition period from ___________to ____________

Commission File Number 333-197821

SAFETY QUICK LIGHTING & FANS CORP.
(Exact name of small business issuer as specified in its charter)

FLORIDA	**46-3645414**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 North Point Parkway
Suite 154
Alpharetta, GA 30022
(Address, including zip code, of principal executive offices)

(770) 754-4711
(Issuer's telephone number)

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large accelerate filer [ ] Accelerated Filer [ ]
Non-accelerated filer [ ] Smaller reporting company X[]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 16, 2015, the issuer had 41,501,251 shares of common stock issued and outstanding.

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Unless we have indicated otherwise or the context otherwise requires, references in this Quarterly Report on Form 10-Q to the “Company”, “we”, “us”, and “our” or similar terms are to “Safety Quick Lighting & Fans Corp.” and its subsidiary.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Safety Quick Lighting & Fans Corp. and Subsidiary
Consolidated Balance Sheets

		(Unaudited) September 30, 2015		(Audited) December 31, 2014
Assets				
Current assets:				
Cash	$	667,473	$	1,241,487
Accounts receivable		116,878		—
Inventory		514,186		—
Prepaid expenses		18,060		29,643
Other current assets		—		—
Total current assets		1,316,597		1,271,130
Furniture and Equipment - net		119,191		132,609
Other assets:				
Patent - net		71,016		46,419
Debt issue costs - net		44,848		161,946
GE trademark license - net		7,739,130		9,565,217
Other assets		65,714		65,714
Total other assets		7,920,708		9,839,296
Total assets	$	9,356,496	$	11,243,035
Liabilities and Stockholders (Deficit)				
Current liabilities:				
Accounts payable & accrued expenses	$	1,077,981	$	1,041,741
Convertible debt - net of $948,197 net of debt discount		3,516,036		1,223,982
Convertible debt - related parties - net of $5,785 debt discount		44,215		26,999
Notes payable		106,676		98,086
Derivative liabilities		12,009,481		4,651,762
Other current liabilities		55,623		78,622
Total current liabilities		16,810,012		7,121,192
Long term liabilities:				
Convertible debt		—		688,013
Convertible debt - related parties - net		—		—
Notes payable		221,218		307,009
GE royalty obligation		11,821,957		12,000,000
Total long term liabilities		12,043,175		12,995,022
Total liabilities		28,853,187		20,116,214
Stockholders' deficit:				
Common stock: $0 par value, 500,000,000 shares authorized; 41,067,918 and 35,750,000 shares issued and outstanding at September 30, 2015 and December 31, 2014 respectively		127,400		127,400

Safety Quick Lighting & Fans Corp. and Subsidiary
Consolidated Balance Sheets

	(Unaudited) September 30, 2015	(Audited) December 31, 2014
Additional paid-in capital	8,822,105	6,359,127
Accumulated deficit	(28,410,754)	(15,324,264)
Total Stockholders' deficit	(19,461,249)	(8,837,737)
Noncontrolling interest	(35,442)	(35,442)
Total Deficit	(19,496,691)	(8,873,179)
Total liabilities and stockholders' deficit	$ 9,356,496	$ 11,243,035

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

Safety Quick Lighting & Fans Corp. and Subsidiary
Consolidated Statements of Operations
Nine Months Ended September 30, 2015 and 2014
(Unaudited)

	Three months		Nine Months	
	September 30, 2015	**September 30, 2014**	**September 30, 2015**	**September 30, 2014**
Sales	$ 262,897	$ —	$ 2,482,035	$ —
Cost of sales	(248,675)	—	(2,195,655)	—
Gross profit	14,222	—	286,380	—
General and administrative expenses	1,220,844	481,922	3,741,198	1,419,989
Loss from operations	(1,206,622)	(481,922)	(3,454,818)	(1,419,989)
Other income (expense)				
Interest expense	(880,394)	(701,328)	(2,273,951)	(1,515,577)
Derivative expenses	—	—	—	(568,485)
Change in fair value of embedded derivative liabilities	(7,993,408)	209,235	(7,357,719)	433,901
Other income	—	787	—	1,026
Other expense	—	(102,470)	—	(320,619)
Total other expense - net	(8,873,802)	(593,776)	(9,631,670)	(1,969,754)
Net loss including noncontrolling interest	(10,080,424)	(1,075,698)	(13,086,489)	(3,389,743)
Less: net loss attributable to noncontrolling interest	—	(12,908)	—	(40,677)
Net loss attributable to Safety Quick Lighting & Fans Corp.	$ (10,080,424)	$ (1,062,790)	$ (13,086,489)	$ (3,349,066)
Net loss per share - basic and diluted	$ (0.25)	$ (0.03)	$ (0.34)	$ (0.10)
Weighted average number of common shares outstanding during the year - basic and diluted	40,479,962	35,645,607	38,131,295	35,092,872

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

Safety Quick Lighting & Fans Corp. and Subsidiary
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2015 and 2014
(Unaudited)

	Nine months	
	September 30, 2015	September 30, 2014
Cash flows from operating activities:		
Net loss attributable to Safety Quick Lighting & Fans Corp.	$ (13,086,489)	$ (3,349,066)
Net loss attributable to noncontrolling interest	—	(40,677)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	16,471	13,732
Amortization of debt issue costs	117,098	103,388
Amortization of debt discount	1,621,257	1,099,400
Amortization of patent	3,705	2,174
Amortization of GE trademark license	1,826,087	—
Change in fair value of derivative liabilities	7,357,719	(433,902)
Derivative expense	—	568,486
Recognition of unvested share compensation - related party - ($0.25 / share)	—	46,875
Stock options issued for services - related parties	62,500	—
Change in operating assets and liabilities:		
Accounts receivable	(116,878)	—
Prepaid expenses	11,583	(44,634)
Inventory	(514,186)	—
Royalty payable	(178,043)	—
Other	(22,999)	(27,020)
Accounts payable & accrued expenses	36,239	722,632
Net cash used in operating activities	(2,865,936)	(1,338,612)
Cash flows from investing activities:		
Purchase of property & equipment	(3,053)	(180,895)
Payment of patent costs	(28,302)	(9,200)
Net cash used in investing activities	(31,355)	(190,095)
Cash flows from financing activities:		
Direct issue costs paid	—	(69,944)
Proceeds from issuance of convertible notes	—	2,270,100
Stock issued in exchange for interest	429,646	—
Repayments of notes	(77,201)	(33,342)
Repayments of notes - related party	—	(26,108)
Proceeds from issuance of stock	1,970,832	1,000
Net cash provided by financing activities	2,323,277	2,141,706
(Decrease) Increase cash and cash equivalents	(574,014)	612,999
Cash and cash equivalents at beginning of period	1,241,487	1,132,974
Cash and cash equivalents at end of period	$ 667,473	$ 1,745,973

	Nine Months	
	September 30, 2015	September 30, 2014
Supplementary disclosure of non-cash financing activities:		
Reduction in principal balance of notes from escrow balance	$ —	$ 40,000
Debt discount recorded on convertible debt accounted for as a derivative liability	$ —	$ 2,249,459
Reclassification of derivative liability to additional paid-in-capital	$ —	$ 214,769
Supplementary disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 457,297	$ 16,658

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

Note 1 Organization and Nature of Operations

Safety Quick Lighting & Fans Corp., a Florida corporation (the "Company"), was originally organized in May 2004 as a limited liability company under the name of Safety Quick Light, LLC ("SQL-LLC"). The Company was converted to corporation on November 6, 2012. The Company holds a number of worldwide patents, and has received a variety of final electrical code approvals, including UL-Listing and CSA approval (for the United States and Canadian Markets), and CE (for the European market). The Company maintains an office in Foshan, Peoples Republic of China with three staff of quality control engineers.

The Company is engaged in the business of developing proprietary technology that enables a quick and safe installation by the use of a power plug for electrical fixtures, such as light fixtures and ceiling fans, into ceiling and wall electrical junction boxes. The Company's main technology consists of a fixable socket and a revolving plug for conducting electric power and supporting an electrical appliance attached to a wall or ceiling. The socket is comprised of a non-conductive body that houses conductive rings connectable to an electric power supply through terminals in its side exterior.

The plug is also comprised of a non-conductive body that houses corresponding conductive rings, attaches to the socket via a male post and is capable of feeding electric power to an appliance. The plug also includes a second structural element allowing it to revolve and a releasable latching which, when engaged, provides a retention force between the socket and the plug to prevent disengagement. The socket and plug can be detached by releasing the latch, disengaging the electric power from the plug. The socket is designed to replace the support bar incorporated in electric junction boxes, and the plug can be installed in light fixtures, ceiling fans and wall sconce fixtures.

The Company markets consumer friendly, energy saving "Plug-In" ceiling fans and light fixtures under the GE brand as well as "conventional" ceiling lights and fans carrying the GE brand. The Company also owns 98.8% of SQL Lighting & Fans LLC (the "Subsidiary"). The Subsidiary was formed in Florida on April 27, 2011, and is in the business of manufacturing the patented device that the Company owns. The Subsidiary had no activity during the periods presented.

The Company's fiscal year end is December 31.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, estimates of fair value of warrants issued and recorded as debt discount, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others, (i) the uncertainty associated with the commercialization and ultimate success of the product, (ii) competition inherent at large national retail chains where product is expected to be sold (iii) general economic conditions and (iv) the related volatility of prices pertaining to the cost of sales.

Principles of Consolidation

The consolidated financial statements include the accounts of Safety Quick Lighting & Fans Corp and the Subsidiary, SQL Lighting & Fans LLC. All inter-company accounts and transactions have been eliminated in consolidation.

Non-Controlling Interest

In May 2012, in connection with the sale of the Company's member units in the Subsidiary, the Company's ownership percentage in the Subsidiary decreased from 98.8% to 94.35%. The Company then reacquired these member units in June 2013, increasing the ownership percentage from 94.35% back to 98.8%. During 2014, there was no activity in the Subsidiary. Its pro rata share of the Company's 2014 loss from operations is recognized in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less. The Company had $667,473 and $1,241,487 in money market as of September 30, 2015 and December 31, 2014, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts.

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible.

The Company's net balance of accounts receivable for three-months ended September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Accounts Receivable	$ 116,878	$ —
Allowance for Doubtful Accounts	—	—
Net Accounts Receivable	$ 116,878	$ —

The Company had no sales in 2014. All amounts are deemed collectible at September 30, 2015, and the Company has not incurred any bad debt expense.

Inventory

Inventory consists of finished goods purchased, which are valued at the lower of cost or market value, with cost being determined on the first-in, first-out method. The Company periodically reviews historical sales activity to determine potentially obsolete items and also evaluates the impact of any anticipated changes in future demand.

At September 30, 2015 and December 31, 2014, the Company had $514,186 and $0 in inventory, respectively. The Company maintains an allowance based on specific inventory items which have shown no activity over a 24-month period. The Company tracks inventory as it is disposed, scrapped or sold at below cost to determine whether additional items on hand should be reduced in value through an allowance method. As of September 30, 2015, the Company has determined that no allowance is required.

Valuation of Long-Lived Assets and Identifiable Intangible Assets

The Company reviews for impairment of long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. The Company determined no impairment adjustment was necessary for the periods presented.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 5-7 years of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Intangible Asset - Patent

The Company developed a patent for an installation device used in light fixtures and ceiling fans. Costs incurred for submitting the applications to the United States Patent and Trademark Office for these patents have been capitalized. Patent costs are being amortized using the straight-line method over the related 15 year lives. The Company begins amortizing patent costs once a filing receipt is received stating the patent serial number and filing date from the Patent Office.

The Company incurs certain legal and related costs in connection with patent applications. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or alternative future use is available to the Company. The Company also capitalizes legal costs incurred in the defense of the Company's patents when it is believed that the future economic benefit of the patent will be maintained or increased and a successful defense is probable. Capitalized patent defense costs are amortized over the remaining expected life of the related patent. The Company's assessment of future economic benefit or a successful defense of its patents involves considerable management judgment, and an unfavorable outcome of litigation could result in a material impairment charge up to the carrying value of these assets.

GE Trademark Licensing Agreement

The Company entered into a Trademark License Agreement with General Electric ("GE") on June, 2011 (the "License Agreement") allowing the Company to utilize the "GE trademark" on products which meet the stringent manufacturing and quality requirements of General Electric. As described further in Note 5 to these financial statements, the Company and General Electric amended the License Agreement in August 2014. As a result of that amendment, the Company is required to pay a minimum Trademark Licensing Fee (Royalty Obligation) to General Electric of $12,000,000. The repayment schedule is based on a percent of sales, with any unpaid balance due in December, 2018. Under SFAS 142 "Accounting for Certain Intangible Assets" the Company has recorded the value of the Licensing Agreement and will amortize it over the life of the License Agreement, which is 60 months.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.
The following are the hierarchical levels of inputs to measure fair value:

- Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities
- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, certain notes payable and notes payable – related party, approximate their fair values because of the short maturity of these instruments.

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 3. See Note 8.

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion features.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of it financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Beneficial Conversion Feature

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument (offset to additional paid in capital) and amortized to interest expense over the life of the debt.

Debt Issue Costs and Debt Discount

The Company may record debt issue costs and/or debt discounts in connection with raising funds through the issuance of debt. These costs may be paid in the form of cash, or equity (such as warrants). These costs are amortized to interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

Original Issue Discount

For certain convertible debt issued, the Company may provide the debt holder with an original issue discount. The original issue discount would be recorded to debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

Extinguishments of Liabilities

The Company accounts for extinguishments of liabilities in accordance with ASC 860-10 (formerly SFAS 140) “Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities”. When the conditions are met for extinguishment accounting, the liabilities are derecognized and the gain or loss on the sale is recognized.

Stock-Based Compensation – Employees

The Company accounts for its stock based compensation in which the Company obtains employee services in share-based payment transactions under the recognition and measurement principles of the fair value recognition provisions of section 718-10-30 of the FASB Accounting Standards Codification. Pursuant to paragraph 718-10-30-6 of the FASB Accounting Standards Codification, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

If the Company is a newly formed corporation or shares of the Company are thinly traded, the use of share prices established in the Company’s most recent private placement memorandum (based on sales to third parties) (“PPM”), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

The fair value of share options and similar instruments is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- Expected term of share options and similar instruments: The expected life of options and similar instruments represents the period of time the option and/or warrant are expected to be outstanding. Pursuant to Paragraph 718-10-50-2(f)(2)(i) of the FASB Accounting Standards Codification the expected term of share options and similar instruments represents the period of time the options and similar instruments are expected to be outstanding taking into consideration of the contractual term of the instruments and employees' expected exercise and post-vesting employment termination behavior into the fair value (or calculated value) of the instruments. Pursuant to paragraph 718-10-S99-1, it may be appropriate to use the simplified method, i.e., expected term = ((vesting term + original contractual term) / 2), if (i) A company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded; (ii) A company significantly changes the terms of its share option grants or the types of employees that receive share option grants such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term; or (iii) A company has or expects to have significant structural changes in its business such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term. The Company uses the simplified method to calculate expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.
- Expected volatility of the entity's shares and the method used to estimate it. Pursuant to ASC Paragraph 718-10-50-2(f)(2)(ii) a thinly-traded or nonpublic entity that uses the calculated value method shall disclose the reasons why it is not practicable for the Company to estimate the expected volatility of its share price, the appropriate industry sector index that it has selected, the reasons for selecting that particular index, and how it has calculated historical volatility using that index. The Company uses the average historical volatility of the comparable companies over the expected contractual life of the share options or similar instruments as its expected volatility. If shares of a company are thinly traded the use of weekly or monthly price observations would generally be more appropriate than the use of daily price observations as the volatility calculation using daily observations for such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.
- Expected annual rate of quarterly dividends. An entity that uses a method that employs different dividend rates during the contractual term shall disclose the range of expected dividends used and the weighted-average expected dividends. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the share options and similar instruments.
- Risk-free rate(s). An entity that uses a method that employs different risk-free rates shall disclose the range of risk-free rates used. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the expected term of the share options and similar instruments.

Generally, all forms of share-based payments, including stock option grants, warrants and restricted stock grants and stock appreciation rights are measured at their fair value on the awards' grant date, based on estimated number of awards that are ultimately expected to vest.

The expense resulting from share-based payments is recorded in general and administrative expense in the statements of operations.

Stock-Based Compensation – Non Employees

Equity Instruments Issued to Parties Other Than Employees for Acquiring Goods or Services

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of Sub-topic 505-50 of the FASB Accounting Standards Codification ("Sub-topic 505-50").

Pursuant to ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur. If the Company is a newly formed corporation or shares of the Company are thinly traded the use of share prices established in the Company's most recent private placement memorandum ("PPM"), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

The fair value of share options and similar instruments is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- Expected term of share options and similar instruments: Pursuant to Paragraph 718-10-50-2(f)(2)(i) of the FASB Accounting Standards Codification the expected term of share options and similar instruments represents the period of time the options and similar instruments are expected to be outstanding taking into consideration of the contractual term of the instruments and holder's expected exercise behavior into the fair value (or calculated value) of the instruments. The Company uses historical data to estimate holder's expected exercise behavior. If the Company is a newly formed corporation or shares of the Company are thinly traded the contractual term of the share options and similar instruments is used as the expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.
- Expected volatility of the entity's shares and the method used to estimate it. Pursuant to ASC Paragraph 718-10-50-2(f)(2)(ii) a thinly-traded or nonpublic entity that uses the calculated value method shall disclose the reasons why it is not practicable for the Company to estimate the expected volatility of its share price, the appropriate industry sector index that it has selected, the reasons for selecting that particular index, and how it has calculated historical volatility using that index. The Company uses the average historical volatility of the comparable companies over the expected contractual life of the share options or similar instruments as its expected volatility. If shares of a company are thinly traded the use of weekly or monthly price observations would generally be more appropriate than the use of daily price observations as the volatility calculation using daily observations for such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.
- Expected annual rate of quarterly dividends. An entity that uses a method that employs different dividend rates during the contractual term shall disclose the range of expected dividends used and the weighted-average expected dividends. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the share options and similar instruments.
- Risk-free rate(s). An entity that uses a method that employs different risk-free rates shall disclose the range of risk-free rates used. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the expected term of the share options and similar instruments.

Pursuant to ASC paragraph 505-50-25-7, if fully vested, non-forfeitable equity instruments are issued at the date the grantor and grantee enter into an agreement for goods or services (no specific performance is required by the grantee to retain those equity instruments), then, because of the elimination of any obligation on the part of the counterparty to earn the equity instruments, a measurement date has been reached. A grantor shall recognize the equity instruments when they are issued (in most cases, when the agreement is entered into). Whether the corresponding cost is an immediate expense or a prepaid asset (or whether the debit should be characterized as contra-equity under the requirements of paragraph 505-50-45-1) depends on the specific facts and circumstances. Pursuant to ASC paragraph 505-50-45-1, a grantor may conclude that an asset (other than a note or a receivable) has been received in return for fully vested, non-forfeitable equity instruments that are issued at the date the grantor and grantee enter into an agreement for goods or services (and no specific performance is required by the grantee in order to retain those equity instruments). Such an asset shall not be displayed as contra-equity by the grantor of the equity instruments. The transferability (or lack thereof) of the equity instruments shall not affect the balance sheet display of the asset. This guidance is limited to transactions in which equity instruments are transferred to other than employees in exchange for goods or services. Section 505-50-30 provides guidance on the determination of the measurement date for transactions that are within the scope of this Subtopic.

Pursuant to Paragraphs 505-50-25-8 and 505-50-25-9, an entity may grant fully vested, non-forfeitable equity instruments that are exercisable by the grantee only after a specified period of time if the terms of the agreement provide for earlier exercisability if the grantee achieves specified performance conditions. Any measured cost of the transaction shall be recognized in the same period(s) and in the same manner as if the entity had paid cash for the goods or services or used cash rebates as a sales discount instead of paying with, or using, the equity instruments. A recognized asset, expense, or sales discount shall not be reversed if a share option and similar instrument that the counterparty has the right to exercise expires unexercised.

Pursuant to ASC paragraph 505-50-30-S99-1, if the Company receives a right to receive future services in exchange for unvested, forfeitable equity instruments, those equity instruments are treated as unissued for accounting purposes until the future services are received (that is, the instruments are not considered issued until they vest). Consequently, there would be no recognition at the measurement date and no entry should be recorded.

Revenue Recognition

The Company derives revenues from the sale of a patented device.

Revenue is recorded when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) asset is transferred to the customer without further obligation, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

Cost of Sales

Cost of sales represents costs directly related to the production and third party manufacturing of the Company’s products.

Product sold is typically shipped directly to the customer from the third party manufacturer; costs associated with shipping and handling is shown as a component of cost of sales.

Earnings (Loss) Per Share

Basic net earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The Company uses the “treasury stock” method to determine whether there is a dilutive effect of outstanding convertible debt, option and warrant contracts. For the nine-months ended September 30, 2015 and 2014, the Company reflected net loss and a dilutive net loss, and the effect of considering any common stock equivalents would have been anti-dilutive for the period. Therefore, separate computation of diluted earnings (loss) per share is not presented for the periods presented.

The Company has the following common stock equivalents at September 30, 2015 and 2014:

	September 30, 2015	September 30, 2014
Convertible Debt (Exercise price - $0.25/share)	18,056,932	18,056,932
Stock Warrants (Exercise price - $0.001 - $0.375/share)	9,062,234	9,728,984
Stock Options (Exercise price - $0.375/share)	200,000	200,000
Unvested Restricted Stock - Chief Executive Officer	500,000	—
Total	27,819,166	27,985,916

Related Parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a) Affiliates of the Company; b) Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c) Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) Principal owners of the Company; e) Management of the Company; f) 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; and g) Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a). the nature of the relationship(s) involved; b). a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c). the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d). amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the consolidated 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 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 the Company or un-asserted claims that may result in such proceedings, the Company 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 therein.

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 potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. However, there is no assurance that such matters will not materially and adversely affect the Company's business, consolidated financial position, and consolidated results of operations or consolidated cash flows.

Subsequent Events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements are issued.

Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

Recently Issued Accounting Pronouncements

In September 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This ASU describes how an entity should assess its ability to meet obligations and sets disclosure requirements for how this information should be disclosed in the financial statements. The standard provides accounting guidance that will be used with existing auditing standards. The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance will be examined for the year ended December 31, 2016, and if applicable at that time, will require management to make the appropriate disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest—Imputation of Interest (Topic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. Upon adoption, the Company will reclassify debt issuance costs from prepaid expenses and other current assets and other assets as a reduction to debt in the condensed consolidated balance sheets. The Company is not planning to early adopt ASU 2015-03 and does not anticipate that the adoption of ASU 2015-03will materially impact its condensed consolidated financial statements.

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* (“ASU 2015-11”), which applies guidance on the subsequent measurement of inventory. ASU 2015-11 states that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. The guidance excludes inventory measured using last-in, first-out or the retail inventory method. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is not planning to early adopt ASU 2015-11 and is currently evaluating ASU 2015-11 to determine the potential impact to its condensed consolidated financial statements and related disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company’s financial position, results of operations or cash flows.

Note 3 Furniture and Equipment

Property and equipment consisted of the following at September 30, 2015 and December 31, 2014:

	September 30, 2015		December 31, 2014	
Office Equipment	$	122,322	$	120,759
Furniture and Fixtures		30,561		29,071
Total		152,883		149,830
Less: Accumulated Depreciation		(33,692)		(17,221)
Property and Equipment - net	$	119,191	$	132,609

Note 4 Intangible Assets

Intangible assets -patents consisted of the following at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Patents	$ 89,992	$ 61,690
Less: Impairment Charges	—	—
Less: Accumulated Amortization	(18,976)	(15,271)
Patents - net	$ 71,016	$ 46,419

At September 30, 2015, future amortization of intangible assets was as follows:

Year Ending December 31	
2015	$ 1,512
2016	5,967
2017	5,999
2018	5,999
2019	5,999
2020 and Thereafter	45,540
	$ 71,016

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments and other factors.

Note 5 GE Trademark License Agreement

The Company entered into an amended License Agreement with General Electric regarding the trademarking of its products. The License Agreement is amortized through its expiration in November 2018.

	September 30, 2015	December 31, 2014
GE Trademark License	$ 12,000,000	$ 12,000,000
Less: Impairment Charges	—	—
Less: Accumulated Amortization	(4,260,870)	(2,434,783)
Patents – net	$ 7,739,130	$ 9,565,217

At September 30, 2015 future amortization of intangible assets is as follows for the remaining:

Year Ending December 31	
2015	$ 615,384
2016	2,448,161
2017	2,441,472
2018	2,234,113
	$ 7,739,130

Note 6 Note Payable to Bank

At September 30, 2015 and December 31, 2014 the Company had a note payable to a bank in the amount of $327,894 and $405,095 respectively. The note dated May 2007 is due in monthly payments of $10,000 and carries interest at 10%. The note is secured by the assets of the Company and personal guarantees by a shareholder and an officer of the Company, and is due August 2018.

Principal payments due under the terms of this note are as follows:

Principal Due in Next 12 months		
2015	$	106,676
2016		111,894
2017		97,386
2018		11,938
	$	327,894

Note 7 Convertible Debt - Net

The Company has recorded derivative liabilities associated with convertible debt instruments, as more fully discussed at Notes 8 and 12 (B).

	Third Party	Related Party	Totals
Balance December 31, 2013	$ 361,245	$ 50,000	$ 411,245
Proceeds	2,270,100	—	2,270,100
Repayments	—	—	—
Less: gross debt discount recorded	(2,203,354)	(46,105)	(2,249,459)
Add: Amortization of Debt Discount	1,484,004	23,104	1,507,108
Balance December 31, 2014	1,911,995	26,999	1,938,994
Add: Amortization of Debt Discount	1,604,041	17,216	1,621,257
Balance September 30, 2015	3,516,036	44,215	3,560,251
Less Current portion	(3,516,036)	(44,215)	(3,560,251)
Long-Term Convertible Debt	$ —	$ —	$ —

In connection with the $2,270,100 convertible debt offering in May 2014, the Company issued 5,390,100 detachable warrants. The notes and warrants were treated as derivative liabilities.

On November 26, 2013, May 8, 2014 and June 25, 2014 the Company completed an offering (the "Notes Offering") of its 12% Secured Convertible Promissory Notes (the "12% Notes") in the aggregate principal amount of $4,240,100 and/or its 15% Secured Convertible Promissory Notes in the aggregate principal amount of $30,000 (the "15% Notes", and together with the 12% Notes, each a "Note" and collectively, the "Notes"), as applicable, with certain "accredited investors" (the "Investors"), as defined under Regulation D, Rule 501 of the Securities Act. The entire aggregate principal amount of the Notes of $4,270,100 was outstanding as of September 30 2015, such amount being exclusive of securities converted into the Notes separate from the Notes Offering. Pursuant to the Notes Offering, the Company received $1,752,803, $1,400,000 and $800,500 in net proceeds on November 26, 2013, May 8, 2014 and June 25, 2014, respectively.

In addition to the terms customarily included in such instruments, the Notes began accruing interest on the date that each Investor submitted the principal balance of such Investor's Note, with the interest thereon becoming due and payable on the one year anniversary of said date, and quarterly thereafter. Upon a default of the Notes, the interest rate will increase by 2% for each 30 day period until cured. The principal balance of each Note and all unpaid interest will become due and payable twenty-four (24) months after the date of issuance. The Notes may be prepaid with or without a penalty depending on the date of the prepayment. The principal and interest under the Notes are convertible into shares of the Company's common stock at $0.25 per share and are secured by a first priority lien (subject only to an existing note with Signature Bank of Georgia on the Company's intellectual property and all substitutes, replacements and proceeds of such intellectual property) pursuant to the terms of a Security Purchase Agreement, dated as of November 26, 2013, May 8, 2014 and June 25, 2014, as applicable, by and between the Company and each Investor.

Pursuant to the Notes Offering, each Investor also received five (5) year common stock warrants to purchase the Company's common stock at $0.375 per share (each a "Warrant" and collectively, the "Warrants"). Investors of the 12% Notes received Warrants with 25% coverage based on a pre-determined valuation of the Company. Investors of the 15% Notes received Warrants with 15% coverage based on the pre-determined valuation of the Company. Investors with a principal investment amount equal to or greater than $250,000 received Warrants with a bonus 40% coverage ("Bonus Coverage"); however, if an Investor previously invested $250,000 or more in the Notes Offering, such Investor received Bonus Coverage if such Investor subsequently invested $100,000 or more in the Notes Offering. In addition to the terms customarily included in such instruments, the Warrants may be exercised by the Investors by providing to the Company a notice of exercise, payment and surrender of the Warrant.

In connection with the Notes Offering, the Company entered into Registration Rights Agreements, each dated as of November 26, 2013, May 8, 2014 and June 25, 2014 and each by and between us and each of the Investors (collectively, the "Registration Rights Agreements") whereby the Company agreed to prepare and file a registration statement with the SEC within sixty (60) days after execution of the applicable Registration Rights Agreement and to have the registration statement declared effective by the SEC within ninety (90) days thereafter.

Because the Company was unable to file a registration statement pursuant to the terms of each Registration Rights Agreements dated as of November 26, 2013 or May 8, 2014, the Company was in default under such Registration Rights Agreements (the "Filing Default Damages"). Pursuant to the Registration Rights Agreement, the Filing Default Damages mandate that the Company shall pay to the Investors, for each thirty (30) day period of such failure and until the filing date of the registration statement and/or the common stock may be sold pursuant to Rule 144, an amount in cash, as partial liquidated damages and not as a penalty, equal to 2% percent of the aggregate gross proceeds paid by the Investors for the Notes. If the Company fails to pay any partial liquidated damages in full within five (5) days of the date payable, which is the Note maturity date, the Company shall pay interest thereon at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Investors, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full.

In addition, because the Company was unable to have a registration statement declared effective pursuant to the terms of the Registration Rights Agreements dated as of November 26, 2013, the Company was in default under such Registration Rights Agreements (the "Effectiveness Default Damages"). Pursuant to the Registration Rights Agreement, the Effectiveness Default Damages mandated that the interest rate due under the Note corresponding to such Registration Rights Agreement will increase 2% above the then effective interest rate of such Note, and shall continue to increase by 2% every 30 days until a registration statement is declared effective.

The Company's registration statement covering its common stock, into which the Notes may be converted, was first filed on August 1, 2014, and was declared effective by the SEC on October 22, 2014. The Filing Default Damages stopped accruing on the date such registration statement was filed, and the Effectiveness Default Damages stopped accruing on the date it was declared effective.

On December 11, 2014, the Company sent a letter to the Investors holding Notes dated November 26, 2013 (the "2013 Investors") concerning the first interest payment that was scheduled to be paid pursuant to the Notes dated November 26, 2013 on the one year anniversary of the date that each 2013 Investor submitted payment for their Note (the "First Interest Payments"). The Company invited the 2013 Investors to convert the First Interest Payments into shares of the Company's common stock to further this purpose. The Company also asked each 2013 Investor to execute an Agreement and Waiver (the "Agreement and Waiver"), which granted the Company a grace period, deferring the Company's obligation to make payment of the First Interest Payment and interest that was due under the Note through November 26, 2014 (the "Interest Due") until February 24, 2015 (the "Extension"), during which time such deferment would not be considered an Event of Default under the 2013 Investor's Note. In connection with the Extension, subsequent quarterly payments of interest will be determined based on the issuance date of each Note (i.e., November 26, 2013) rather than the date that each 2013 Investor first submitted payment for their Note, the sole purpose and impact of this change being to reduce ongoing costs to administer the Notes. In return for granting the Extension, the Company offered to capitalize the Interest Due at a rate of 12% (the "Additional Interest"), which was convertible into shares of the Company's common stock at the conversion price of $0.25 per share as of February 24, 2014, unless the 2013 Investor requested to receive the Additional Interest in cash 15 days prior to the end of the Extension.

On January 23, 2015, the Company sent a letter agreement to the Investors holding Notes dated November 26, 2013 and May 8, 2014, which constituted all Investors with Filing Default Damages or Effectiveness Default Damages due to them pursuant to the Registration Rights Agreements dated as of November 26, 2013 or May 8, 2014 (the "Agreement to Convert"). The Company invited the Investors, as applicable, to elect to convert the Interest Due and/or the Filing Default Damages and Effectiveness Default Damages into shares of the Company's common stock at a price of $0.25 per share, and asked each Investor, as applicable, to make such election by acknowledging and returning the Agreement to Convert to the Company.

In connection with the Agreement and Waiver and Agreement to Convert, we issued 1,718,585 shares representing $429,646 in Additional Interest, Interest Due, Filing Default Damages and Effectiveness Default Damages during the nine-months ended September 30, 2015.

(B) Terms of Debt

The debt carries interest between 12% and 15%, and is due in November 2015, May 2016 and June 2016.

All convertible debt and related warrants issued in connection with the Notes Offering are convertible at $0.25 and $0.375/share, respectively; however, given the existence of a "ratchet feature", which allows for a lower offering price if the Company offers shares to the public at a lower price.

(C) Future Commitments

At September 30, 2015 the Company has outstanding convertible debt of $3,560,251 which is payable within the next twelve months.

Note 8 Derivative Liabilities

The Company identified conversion features embedded within convertible debt and warrants issued in 2013. The Company has determined that the features associated with the embedded conversion option, in the form a ratchet provision, should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions.

As a result of the application of ASC No. 815, the fair value of the ratchet feature related to convertible debt and warrants is summarized as follow:

	September 30, 2015		December 31, 2014	
Fair value at the commitment date - convertible debt	$	4,892,234	$	4,892,234
Fair value at the commitment date - warrants		677,214		677,214
Reclassification of derivative liabilities to additional paid in capital related to warrants exercised that ceased being a derivative liability		(214,769)		(214,769)
Fair value mark to market adjustment - stock options		(25,614)		(25,614)
Fair value mark to market adjustment - convertible debt		6,780,996		(663,602)
Fair value mark to market adjustment - warrants		(123,447)		(13,701)
Totals	$	12,009,481	$	4,651,762

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as September 30, 2015:

	Commitment Date	Re-measurement Date
Expected dividends	0%	0%
Expected volatility	150%	150%
Expected term	2 - 5 years	0.16 – 3.74 years
Risk free interest rate	0.29% - 1.68%	0.64% - 1.37%

Note 9 Debt Discount

The Company recorded the debt discount to the extent of the gross proceeds raised, and expensed immediately the remaining fair value of the derivative liability, as it exceeded the gross proceeds of the note.

The Company recorded a derivative expense of $0 and $0 for the three-months ended September 30, 2015 and 2014 respectively and $0 and $568,485 for the nine-months ended September 30, 2015 and 2014.

Accumulated amortization of derivative discount amounted to $953,982 as of September 30, 2015 and $2,575,239 for the year ended December 31, 2014.

Note 10 Debt Issue Costs

Balance- December 31, 2013	$	247,197
Additions		69,600
Amortization		(154,851)
Balance- December 31, 2014		161,946
Amortization		(117,098)
Balance- September 30, 2015	$	44,848

The Company recorded amortization expense of $39,441 and $39,479 for the three-months ended September 30, 2015 and 2014 respectively and $117,098 and $103,388 for the nine-months ended September 30, 2015 and 2014, respectively. Accumulated amortization of debt issuance costs amounted to $271,949 and $154,851 at September 30, 2015 and December 31, 2014 respectively.

Remaining in the following years ended December 31,

2015	$	38,649
2016		6,199
	$	44,848

Note 11 GE Royalty Obligation

In 2011, the Company executed a Trademark Licensing Agreement with General Electric, which allows the Company the right to market certain ceiling light and fan fixtures displaying the GE brand. The License Agreement imposes certain manufacturing and quality control conditions that the Company must maintain in order to continue to use the GE brand.

The License Agreement is non-transferable and cannot be sub-licensed. Various termination clauses are applicable, however, none were applicable as of December 31, 2014 and 2013.

In August 2014, the Company entered into a second amendment to the License Agreement pertaining to its royalty obligations. Under the terms of the amendment, the Company agreed to pay a total of $12,000,000 by November 2018 for the rights assigned in the original contract. In case the Company does not pay GE a total of at least $12,000,000 in cumulative royalties over the term of the License Agreement, the difference between $12,000,000 and the amount of royalties paid to GE is owed in December 2018.

Payments are due quarterly based upon the prior quarters' sales. The Company has made payments of $22,705 for the three-months and $178,043 for the nine-months ended September 30, 2015, respectively.

The License Agreement obligation will be paid from sales of GE branded product subject to the following repayment schedule:

Net Sales in Contract Year	Percentage of the Contract Year Net Sales owed to GE
$0 - $50,000,000	7%
$50,000,001 - $100,000,000	6%
$100,000,001+	5%

The Company has limited operating history and does not have the ability to estimate the sales of GE branded product, the liability is classified as long-term. As sales are recognized, the Company will estimate the portion it expects to pay in the current year and classify as current.

Note 12 Stockholders Deficit

(A) Common Stock

For the nine-months ended September 30, 2015 and the year ended December, 31 2014, the Company issued the following common stock:

Transaction Type		Quantity	Valuation	Range of Value per Share
December 31, 2014				
Common stock issued in exercise of warrants	(1)	1,000,000	$ 1,000	$ 0.001
Common stock issued per mutual release and waiver	(2)	250,000	62,500	0.25
		1,250,000	63,500	$ .001-0.25
September 30, 2015				
Common stock issued per Agreement and Waiver and Agreement to Convert	(3)	1,718,585	429,646	0.25
Common stock issued per Employment Agreement of CEO	(4)	250,000	62,500	0.25
Common stock issued per Stock Offering	(5)	3,349,333	2,009,600	0.60
		$ 5,317,918	2,501,746	$ 0.25-0.60

The following is a more detailed description of the Company's stock issuance from the table above:

(1) Warrants Exercised for Cash

In connection with a warrant exercise, a third party paid cash to obtain these shares.

(2) Services Rendered - Related Party

In November 2014, the Company issued 750,000 of restricted, non-vested shares to new Chief Executive Officer. The shares vest as follows: 250,000 in May 2015 and 500,000 shares in December 2015. The shares are valued at $0.25 per share.

The Company's former Chief Executive Officer received 1,250,000 restricted unvested shares in association with an employment contract. These restricted shares were to vest as follows: 500,000 on November 15, 2013 with the remaining 750,000 shares to vest evenly (250,000 shares each vesting period) on December 31, 2014, 2015 and 2016. The shares were valued based on a third party cash offering of convertible debt containing an exercise price of $0.25/share. In November 2014, the agreement was terminated and the Company entered into a new Agreement and Mutual Release with that former CEO. As of that date (November 2014), 500,000 of the aforementioned 1,250,000 shares were fully vested. In accordance with this new Agreement, the Company issued 250,000 shares that vested on December 31, 2014 and the executive retained 500,000 shares of the previous granted (fully vested) shares. The remaining 500,000 unvested shares were forfeited by the former CEO.

(3) Agreement and Waiver and Agreement to Convert

The Company issued 1,718,585 shares at $0.25 per share, representing $429,646 in penalties and interest, in connection with the Agreement and Waiver and the Agreement to Convert. For a complete description of the Agreement and Waiver and the Agreement to Convert, see Note 7 above.

(4) Shares Issued to Chief Executive Officer

In accordance with the Employment Agreement Executed with the Company's Chief Executive Officer, 250,000 shares of Restricted Common Stock vested in May, 2015. These shares were issued at $0.25 per share.

(5) Shares Issued in Connection with Stock Offering

In May 2015, the Company offered to existing shareholders a maximum of 6,666,667 shares of common stock at an issuance cost of $0.60 per share for a total of $4,000,000 (the "Stock Offering"). The Stock Offering concluded on November 6, 2015. The Company issued 3,349,333 shares under this offering through September 30, 2015.

(B) Additional Paid in Capital and Other Equity Transactions

The following transactions occurred during the period:

(1) Derivative Liability

Reclassification of derivative liability associated with warrants of $201,965 for the nine-months ended September 30, 2015 and $214,769 for the year ended December 31, 2014.

(2) Services Rendered – Related Parties

Common stock issued for services – related party of $76,312 for the year ended December 31, 2014.

(C) Stock Options

The following is a summary of the Company's stock option activity:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Balance - December 31, 2013 - outstanding	300,000	0.375	4.67	—
Exercised	—	—	—	—
Granted	—	—	—	—
Forfeited/Cancelled	(100,000)	—	—	—
Balance- December 31, 2014	200,000	0.375	3.67	—
Exercised	—	—	—	—
Granted	—	—	—	—
Forfeited/Cancelled	—	—	—	—
Balance- September 30, 2015	200,000	0.375	2.93	—

Of the total options granted, 100,000 were cancelled in February 2014 as a Board Director resigned.

(D) Stock Warrants

All warrants issued during the nine-months ended September 30, 2015 and the year ended December 31, 2014 were accounted for as derivative liabilities as the warrants contained a ratchet feature. See Note 8.

During 2014, the Company issued 5,390,100 warrants. The warrants granted expire 5 years from issuance on various dates during 2019.

During 2014, of the total warrants granted 4,740,100 granted to third parties, while 650,000 were granted to related parties, consisting of the Company's former Chief Executive Officer.

During 2014, the Company issued secured convertible notes in connection with the Notes Offering. As part of the Notes Offering, the Company issued Warrants to purchase 5,390,100 shares of common stock in 2014. The warrants vest immediately and expire on various dates in 2019, with an exercise price of $0.375 per share.

The following is a summary of the Company's warrant activity:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Balance, December 31, 2013	4,338,884	$ 0.242	4.9
Granted	5,390,100	0.375	5
Exercised	—	—	—
Cancelled/Forfeited	—	—	—
Balance, December 31, 2014	9,728,984	0.375	4.4
Exercised	—	—	—
Cancelled/Forfeited	—	—	—
Balance, December 31, 2014	9,728,984	$ 0.375	3.9
Exercised	—	—	—
Cancelled/Forfeited	—	—	—
Balance, September 30, 2015	9,728,984	$ 0.375	2.93

During 2014, the Company received $1,000 in connection with the exercise of a warrant to purchase 1,000,000 shares of the Company's common stock. The warrants had been assigned from the exercising investor from another investor, who originally held warrants exercisable into 2,400,000 shares of the Company's common stock and exercised warrants into 1,400,000 shares of the Company's common stock during 2013. There is was no additional compensation expense recorded on this transaction.

Note 13 Commitments

(A) Operating Lease

In January 2014, the Company executed a 39 month lease for a corporate headquarters. The Company paid a security deposit of $27,020.

In October, 2014, the Company executed a 53 month lease for a new corporate headquarters with a base rent of $97,266 escalating annually through 2019. The Company paid a security deposit of $1,914.

In October, 2014, the Company entered into a sublease agreement to sublease its previous office space through March 2017. In connection with the sublease, the Company collected $34,981as a security deposit.

The minimum rent obligations are approximately as follows:

Year	Minimum Obligation	Sublease Rentals	Net Obligation
2015	$ 26,813	$ 21,199	$ 5,614
2016	109,592	86,688	22,903
2017	50,961	22,263	28,698
2018	25,154	—	25,154
2019	8,615	—	8,615
Total	$ 221,135	$ 130,150	$ 90,984

(B) Employment Agreement – Chief Executive Officer

In November 2014, the Company entered into an employment agreement with its new Chief Executive Officer. In addition to salary, the agreement provided for the issuance of 750,000 restricted shares to him, vesting as follows: 250,000 after the first 6 months of employment and 500,000 additional shares at December 31, 2015. Under terms of the agreement the executive would receive additional compensation in the form of stock options to purchase shares of Company stock equal to one half of one percent (0.5%) of quarterly net income. The strike price of the options will be established at the time of the grant. The options will vest in twelve months and expire after sixty months. In addition to the stock options compensation, the executive will receive cash compensation equal to one half of one percent (0.5%) of annual sales up to $20 million and one quarter of one percent (0.25%) for annual sales $20 million and 3% of annual net income. For the nine-months ended September, 2015, approximately $12,500 has been accrued under this agreement in cash compensation.

In November 2014, the agreement with the former CEO was terminated by mutual agreement upon the Company's execution of an Agreement and Mutual Release and Waiver with the former CEO. The agreement allowed for immediate vesting of 750,000 shares of the original 1,250,000 unvested shares previously granted to the former CEO. In addition, the Company agreed to pay the executive one half of one percent (0.5%) of sales associated with one selected customer, occurring for up to 36 months.

(C) Consulting Agreement

The Company has a 3 year consulting agreement with a director which expires in November 2016, and carries an annual payment of $150,000 cash, stock or 5 year options equal to one half of one percent (0.5%) of the Company's annual net sales. For the nine-months ended approximately $12,500 has been accrued as cash compensation, and no stock has been issued.

Note 14 Going Concern

As reflected in the accompanying financial statements, the Company had a net loss of $(13,086,489) and net cash used in operations of $(2,865,936) for the nine-months ended September 30, 2015; and a working capital deficit and stockholders' deficit of $(15,493,415) at September 30, 2015. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company's existence.

The Company may require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company's currently available cash along with anticipated revenues may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 15 Subsequent Events

On November 6, 2015, the Company completed its remaining tranche and final closing of its Stock Offering, resulting in gross proceeds to the Company of $260,000 and the issuance of 433,333 shares of the Company's common stock.

On November 15, 2015, the Company's Board of Directors authorized the Company to grant certain securities under the Company's 2015 Stock Incentive Plan, in the aggregate amount of 3,990,000 options to purchase shares of our common stock, vesting in part immediately and entirely over the next two years, and 75,000 shares of our common stock, vesting immediately.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our unaudited financial statements and related notes thereto contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

The information set forth in this Quarterly Report contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, including, among others (i) expected changes in Safety Quick Lighting & Fans' revenues and profitability, (ii) prospective business opportunities and (iii) our strategy for financing its business. Forward-looking statements are statements other than historical information or statements of current condition. Some forward-looking statements may be identified by use of terms such as "believes", "anticipates", "intends" or "expects". These forward-looking statements relate to our plans, objectives and expectations for future operations. Although we believe that our expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of our business and operations, in light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this Quarterly Report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Our revenues and results of operations could differ materially from those projected in the forward-looking statements as a result of numerous factors, including, but not limited to, the following: the risk of significant natural disaster, the inability of the Company to insure against certain risks, inflationary and deflationary conditions and cycles, currency exchange rates, and changing government regulations domestically and internationally affecting our products and businesses.

We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements. You should read the following discussion and analysis in conjunction with the Financial Statements and Notes attached hereto, and the other financial data appearing elsewhere in this Quarterly Report.

US Dollars are denoted herein by "USD", "$" and "dollars".

Overview

We are a company engaged in the business of developing proprietary technology that enables a quick and safe installation by the use of a power plug for electrical fixtures, such as light fixtures and ceiling fans, into ceiling and wall electrical junction boxes. Our main technology consists of a fixable socket and a revolving plug for conducting electric power and supporting an electrical appliance attached to a wall or ceiling. The socket is comprised of a non-conductive body that houses conductive rings connectable to an electric power supply through terminals in its side exterior. The plug, also comprised of a non-conductive body that houses corresponding conductive rings, attaches to the socket via a male post and is capable of feeding electric power to an appliance. The plug also includes a second structural element allowing it to revolve with a releasable latching which, when engaged, provides a retention force between the socket and the plug to prevent disengagement. The socket and plug can be detached by releasing the latch, disengaging the electric power from the plug. The socket is designed to replace the support bar incorporated in electric junction boxes, and the plug can be installed in light fixtures, ceiling fans and wall sconce fixtures. The combined socket and plug technology is referred to as the "SQL Technology" throughout this Quarterly Report.

Safety Quick Light LLC began marketing the SQL Technology in 2007 for installation of light fixtures and ceiling fans during manufacturing and as a kit for installing the SQL Technology in existing light fixtures and ceiling fans. Our management team determined that it could improve its gross margins if it were to market light fixtures and ceiling fans with and without the SQL Technology already installed on fixtures (the "New Business Model"), instead of marketing the SQL Technology as an add-on device.

Company management then took the next step in furtherance of its New Business Model and sought the endorsement of the SQL Technology from General Electric Corporation ("GE"). In June 2011, GE and SQL Lighting & Fans, LLC, a subsidiary of the Company, entered into a trademark licensing agreement (the "License Agreement") under which SQL Lighting & Fans, LLC was licensed to use the GE monogram logo on its devices and certain other trademarks on its ceiling fans and light fixtures through December 31, 2018. The License Agreement requires the Company to pay a percent of revenue generated on our products using the GE monogram logo as a license fee, including a minimum license fee payment during the term. The License Agreement enables the Company to market ceiling fans and light fixtures with and without the SQL Technology using the GE logo. The License Agreement imposes certain manufacturing and quality control conditions that we must maintain. In addition to marketing ceiling fans and light fixtures under the GE logo and trademarks, the Company has the right to offer private label ceiling fans and light fixtures with the SQL Technology installed to retailers that market private label products. We amended the License Agreement in April 2013, and again in August 2014, to allow us more flexibility and to recognize the delay in approval of our manufacturing facilities. In return for these amendments, the Company agreed to pay a minimum total of $12,000,000 in licensing fees, which will be due in December 2018.

In July 2012, the Company entered into a sales and marketing agreement with Design Solutions International, Inc. ("DSI"), a privately held, lighting industry design and marketing firm whose existing customer base includes major retailers throughout North America. DSI's management boasts an average of 25-years' experience in the lighting industry, and provides to the Company sales and marketing support in North America and sourcing and production management support in China. In addition to DSI's sales and marketing support, the Company's products will also be sold through GE's lighting sales group as a condition of the License Agreement.

Results of Operations – For the Three-Months Ended September 30, 2015 Compared to the Three-Months Ended September 30, 2014

	For the three months ended			
	September 30, 2015	September 30, 2014	$ Change	% Change
Revenue	$ 262,897	$ —	$ 262,897	100.0%
Cost of Sales	(248,675)	—	(248,675)	100.0%
Gross Profit / (Loss)	14,222	—	14,222	100.0%
General and Administrative Expenses	(1,220,844)	(481,922)	(738,922)	153.3%
Loss from Operations	(1,206,622)	(481,922)	(724,700)	150.4%
Other Income / (Expense)	(8,873,802)	(593,776)	(8,280,026)	1,394.5%
Net Loss	$ (10,080,424)	$ (1,075,698)	$ (9,004,726)	837.1%
Net Loss Per Share - basic and diluted	(0.25)	(0.03)	(0.22)	(733.3)%

Revenue
We had recorded revenue of $262,897 for the three-month period ended September 30, 2015, as compared to revenue of $0 for the three-month period ended September 30, 2014. One of the Company's third party manufacturers received GE's approval in the fourth quarter of 2014, other third party manufactures received GE's approval in the first and second quarters of 2015, and the Company began recording revenues under its New Business Model in the first quarter of 2015. During the third quarter, on-line sales were initiated, creating a new channel for the Company.

Cost of Sales
We had a cost of sales of $248,675 for the three-month period ended September 30, 2015, as compared to a cost of sales of $0 for the three-month period ended September 30, 2014. The increase in cost of sales was associated with sales of GE branded ceiling fans under the New Business Model.

Gross Profit
We had gross profit of $14,222 for the three-month period ended September 30, 2015, as compared to gross profit of $0 for the three-month period ended September 30, 2014. The gross profit as a percent of sales was 5.4% and represents the initial orders to customers. When the previous quarters' contractual allowances for returns were excluded, gross margins for the quarter were 23.7%. These initial sales represented test orders, and accordingly had lower gross margins. We believe there are opportunities to improve gross profit as a percent of sales on future orders and with a sales record customers will reduce the allowances associated with potential defects or returns.

General and Administrative Expenses
General and administrative expense increased $738,922 during the three-month period ended September 30, 2015 to $1,220,844 from $481,922 for the three-month period ended September 30, 2014. The increases in the general and administrative expenses were primarily due to an increase in the amount recorded for the amortization of the GE License Agreement of $615,000, sales commissions $23,000, consulting $51,000, marketing and travel $30,000; offset by legal fees ($25,000) and payroll ($15,000).

Loss from Operations
Loss from operations represents the change in general and administrative expenses offset by the gross profit on sales for the periods presented.

Other Income (Expense)
Total other expenses increased $8,280,026 during the three-month period ended September 30, 2015 to $8,873,802 from $593,776 for the three-month period ended September 30, 2014. The increase in other expenses was due to $8,202,000 increase in non-cash derivative expense as a result of the value of shares increasing from $0.25 to $0.60, based on the Company's recent private placement of common stock and the impact on the Black Scholes calculation of the intrinsic value of the equity component.

Net Loss and Net Loss per Share
The Company's net loss and net loss per share for the three-month period ended September 30, 2015 was $(10,080,424), or ($0.25) per share, as compared to ($1,075,698) or $(0.03) per share for the three-month period ended September 30, 2014. Given the reasons explained above, our loss increased by ($9,004,726) for the three-months ended September 30, 2015.

Results of Operations – For the Nine-Months Ended September 30, 2015 Compared to the Nine-Months Ended September 30, 2014

	For the nine-months ended			
	September 30, 2015	September 30, 2014	$ Change	% Change
Revenue	$ 2,482,035	$ —	$ 2,482,035	100.0%
Cost of Sales	(2,195,655)	—	(2,195,655)	100.0%
Gross Profit / (Loss)	286,380	—	286,380	100.0%
General and Administrative Expenses	(3,741,198)	(1,419,989)	(2,321,209)	163.5%
Loss from Operations	(3,454,818)	(1,419,989)	(2,034,829)	143.3%
Other Income / (Expense)	(9,631,670)	(1,969,754)	(7,661,916)	389.0%
Net Loss	$ (13,086,489)	$ (3,389,743)	$ (9,696,746)	286.1%
Net Loss Per Share - basic and diluted	$ (0.34)	$ (0.10)	$ (0.24)	240.0%

Revenue
We had recorded revenue of $2,482,035 for the nine-month period ended September 30, 2015, as compared to revenue of $0 for the nine-month period ended September 30, 2014. One of the Company’s third party manufacturers received GE's approval in the fourth quarter of 2014, other third party manufactures received GE’s approval in the first and second quarters of 2015, and the Company began recording revenues under its New Business Model in the first quarter of 2015. During the third quarter, on-line sales were initiated, creating a new channel for the Company.

Cost of Sales
We had a cost of sales of $2,195,655 for the nine-month period ended September 30, 2015, as compared to a cost of sales of $0 for the nine-month period ended September 30, 2014. The increase in cost of sales was associated with the sales of GE branded ceiling fans under the New Business Model.

Gross Profit
We had gross profit of $286,380 for the nine-month period ended September 30, 2015, as compared to gross profit of $0 for the nine-month period ended September 30, 2014. The gross profit as a percent of sales was 11.7% and represents the initial test orders to these customers, which normally have lower margins. We believe there are opportunities to improve gross profit as a percent of sales on future orders.

General and Administrative Expenses
General and administrative expense increased $2,321,209 during the nine-month period ended September 30, 2015 to $3,741,198 from $1,419,989 for the nine-month period ended September 30, 2014.

The increases in the general and administrative expenses were primarily due to the following:

- $1,826,100 increase in the amount recorded for the amortization of the License Agreement.
- $238,800 increase on commissions associated with sales.
- $168,000 increase in consulting expenses associated with activities as a public company.

- $88,500 increase in sample products and production audits for manufacturing operations in China.
- $59,100 increase in travel associated with increased marketing and sales activity.
- $47,000 increase in marketing expense associated with increased sales activity.
- $45,000 increase in freight and inspection fees with increased sales activity

Further, decreases in certain items of general and administrative expenses were attributable to the following:

- $217,700 decrease in legal fees due to activity associated with the prior years' offering of the Company's secured convertible promissory notes.
- $56,000 decrease in rent associated with new office space and sublet of previous space.
- $38,000 decrease in salaries due to change in CEO compensation.

Loss from Operations

Loss from operations represents the change in general and administrative expenses partially offset by the gross profit on sales for the periods presented.

Other Income (Expense)

Total other expenses increased $7,661,916 during the nine-month period ended September 30, 2015 to $9,631,670 from $1,969,754 for the nine-month period ended September 30, 2014. The increase was due to a $7,791,620 increase in non-cash derivative expense due to an increase in the values of the equity component of the convertible notes from $0.25 to $0.60 per share based on the recent private placement of the Company's common stock.

Net Loss and Net Loss per Share

The Company's net loss and net loss per share for the nine-month period ended September 30, 2015 was $13,086,489 or $0.34 per share as compared to $3,389,743 or $0.10 per share for the nine-month period ended September 30, 2014.

Interest Expense

The following table details the Company's interest expense components:

	For the nine-months ended September 30,	
	2015	**2014**
Interest accrued on Notes outstanding	$ 517,748	$ 296,130
Interest on SBA loan with Signature Bank	17,848	16,659
TOTAL INTEREST EXPENSE – Notes Payable	535,596	312,789
Amortization of Debt Issue Cost	117,098	103,388
Amortization of Debt Discount	1,621,257	1,099,400
	$ 2,273,951	$ 1,515,577

Liquidity and Capital Resources

To date, the Company has not generated sufficient revenue to cover its operating costs and continues to operate with negative cash flow, which may require it to seek additional capital to maintain current operations. In addition, if sufficient sales growth is achieved, the Company may be required to enter into financing arrangements to fund its working capital needs. The Company currently has no such financing commitments in place.

For the nine-months ended September 30, 2015, cash flows used $2,865,936 for operations as compared with $1,338,612 used for the same period in 2014. The Company's $1,527,324 decrease in cash from operations was due to the $9,737,423 increased operating loss, $116,878 increase in accounts receivable, $514,186 increase in inventory, and a $708,429 decrease in accounts payable and accrued expenses. These amounts were partially offset in an increase in $7,791,621 amortization in debt discount and $1,826,807 increase in amortization of GE licenses.

For the nine-months ended September 30, 2015, cash flows used $31,355 for investing activities as compared with $190,095 used for the same period in 2014. The improvement was primarily driven by a $180,895 acquisition of equipment in China during 2014, offset by additional $19,102 in patent costs incurred in 2015.

For the nine-months ended September 30, 2015, cash flows provided $2,323,277 from financing activities after note payments as compared to $2,141,706 for the same period in 2014. The Company received proceeds of $1,970,832 from the issuance of shares of common stock during the nine-months ended September 30, 2015, and sold $2,270,100 in secured convertible notes during the same period in 2014.

As a result of the above operating, investing and financing activities, the Company used $667,473 in cash equivalents for the nine-months ended September 30, 2015 as compared with providing $1,745,973 for the same period in the previous year.

The Company had a working capital deficit of $15,493,415 as of September 30, 2015 as compared to $5,850,062 as of December 31, 2014. The change is attributable to an accounts receivable and inventory offset by accounts payable, derivative liability and increase in convertible debt classified as current.

During 2014, the Company executed a second amendment to the License Agreement. Under the terms of this amendment, the Company agreed to pay GE a total of $12,000,000 by November 2018 for the rights associated with the GE brand. The amount will be paid from a percentage of sales in accordance with a schedule with the residual balance, if any, due in 2018. Given the Company's lack of sales history associated with the License Agreement, the entire balance has been classified as long-term.

The Company acquired and is holding $514,186 in inventory on its balance sheet at September 30, 2015. This inventory is to support e-commerce activity on internet sales platforms of their customers. The inventory is located with a third party logistics firm.

A majority of the Company's sales do not require the Company to take delivery of inventory. Production of the SQL Technology and fixtures will be originated upon receipt of FOB (free on board) purchase contracts from customers. Upon the completion of each purchase contract, the finished products will be transported from the manufacturer directly to the ports and loaded on vessels secured by the customer, upon which the products become the property of the customer.

The Company's cash balance as of September 30, 2015 was $667,473. In light of the Company's projected working capital needs, it may need to seek additional capital, which may dilute existing shareholders. There is no guarantee that the Company will be successful in raising additional capital or be successful in the execution of its plans.

Subsequent Events

On November 6, 2015, the Company completed its remaining tranche and final closing of its Stock Offering, resulting in gross proceeds to the Company of $260,000 and the issuance of 433,333 shares of the Company's common stock. For more information, see the discussion in Part II, Item 2.

On November 15, 2015, the Company's Board of Directors authorized the Company to grant certain securities under the Company's 2015 Stock Incentive Plan, in the aggregate amount of 3,990,000 options to purchase shares of our common stock, vesting in part immediately and entirely over the next two years, and 75,000 shares of our common stock, vesting immediately.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

For a discussion of our accounting policies and related items, please see the Notes to the Financial Statements, included in Part I, Item 1.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, estimates of fair value of warrants issued and recorded as debt discount, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Recently Issued Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this Update change the requirements for reporting discontinued operations in Subtopic 205-20.

Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and “represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results.” The ASU states that a strategic shift could include a disposal of (i) a major geographical area of operations, (ii) a major line of business, (iii) a major equity method investment, or (iv) other major parts of an entity. Although “major” is not defined, the standard provides examples of when a disposal qualifies as a discontinued operation.

The ASU also requires additional disclosures about discontinued operations that will provide more information about the assets, liabilities, income and expenses of discontinued operations. In addition, the ASU requires disclosure of the pre-tax profit or loss attributable to a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements.

The ASU is effective for public business entities for annual periods beginning on or after December 15, 2014, and interim periods within those years.

In May 2014, the FASB and International Accounting Standards Board issued a converged final standard on the recognition of revenue from contracts with customers. This updated guidance provides a framework for addressing revenue recognition issues and replaces almost all existing revenue recognition guidance in current U.S. generally accepted accounting principles. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. This guidance is effective for interim and annual periods beginning after December 15, 2017. Management has not yet evaluated the future impact of this guidance on the Company’s financial position, results of operations or cash flows.

In September 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This ASU describes how an entity should assess its ability to meet obligations and sets disclosure requirements for how this information should be disclosed in the financial statements. The standard provides accounting guidance that will be used with existing auditing standards. The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance will be examined for the year ended December 31, 2016, and if applicable at that time, will require management to make the appropriate disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

Critical Accounting Policies and Estimates

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts.

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible.

Inventory
Inventory will consist of finished goods purchased, which are valued at the lower of cost or market value, with cost being determined on the first-in, first-out method. The Company will periodically review historical sales activity to determine potentially obsolete items and also evaluates the impact of any anticipated changes in future demand.

Valuation of Long-Lived Assets and Identifiable Intangible Assets
The Company reviews for impairment of long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value.

Property and Equipment
Property and equipment is stated at cost, less accumulated depreciation and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 5-7 years of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Intangible Asset - Patent
The Company developed a patent for an installation device used in light fixtures and ceiling fans. Costs incurred for submitting the applications to the United States Patent and Trademark Office for these patents have been capitalized. Patent costs are being amortized using the straight-line method over the related 15 year lives. The Company begins amortizing patent costs once a filing receipt is received stating the patent serial number and filing date from the United States Patent and Trademark Office.

The Company incurs certain legal and related costs in connection with patent applications. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or alternative future use is available to the Company. The Company also capitalizes legal costs incurred in the defense of the Company's patents when it is believed that the future economic benefit of the patent will be maintained or increased and a successful defense is probable. Capitalized patent defense costs are amortized over the remaining expected life of the related patent. The Company's assessment of future economic benefit or a successful defense of its patents involves considerable management judgment, and an unfavorable outcome of litigation could result in a material impairment charge up to the carrying value of these assets.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, certain notes payable and notes payable – related party, approximate their fair values because of the short maturity of these instruments.

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under Level 3.

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion features.

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of it financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Stock-Based Compensation - Employees
The Company accounts for its stock based compensation in which the Company obtains employee services in share-based payment transactions under the recognition and measurement principles of the fair value recognition provisions of section 718-10-30 of the FASB Accounting Standards Codification. Pursuant to paragraph 718-10-30-6 of the FASB Accounting Standards Codification, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

If the Company is a newly formed corporation or shares of the Company are thinly traded, the use of share prices established in the Company's most recent private placement memorandum (based on sales to third parties) ("PPM"), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

The fair value of share options and similar instruments is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- Expected term of share options and similar instruments: The expected life of options and similar instruments represents the period of time the option and/or warrant are expected to be outstanding. Pursuant to Paragraph 718-10-50-2(f)(2)(i) of the FASB Accounting Standards Codification the expected term of share options and similar instruments represents the period of time the options and similar instruments are expected to be outstanding taking into consideration of the contractual term of the instruments and employees' expected exercise and post-vesting employment termination behavior into the fair value (or calculated value) of the instruments. Pursuant to paragraph 718-10-S99-1, it may be appropriate to use the simplified method, i.e., expected term = ((vesting term + original contractual term) / 2), if (i) A company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded; (ii) A company significantly changes the terms of its share option grants or the types of employees that receive share option grants such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term; or (iii) A company has or expects to have significant structural changes in its business such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term. The Company uses the simplified method to calculate expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.
- Expected volatility of the entity's shares and the method used to estimate it. Pursuant to ASC Paragraph 718-10-50-2(f)(2)(ii) a thinly-traded or nonpublic entity that uses the calculated value method shall disclose the reasons why it is not practicable for the Company to estimate the expected volatility of its share price, the appropriate industry sector index that it has selected, the reasons for selecting that particular index, and how it has calculated historical volatility using that index. The Company uses the average historical volatility of the comparable companies over the expected contractual life of the share options or similar instruments as its expected volatility. If shares of a company are thinly traded the use of weekly or monthly price observations would generally be more appropriate than the use of daily price observations as the volatility calculation using daily observations for such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.
- Expected annual rate of quarterly dividends. An entity that uses a method that employs different dividend rates during the contractual term shall disclose the range of expected dividends used and the weighted-average expected dividends. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the share options and similar instruments.
- Risk-free rate(s). An entity that uses a method that employs different risk-free rates shall disclose the range of risk-free rates used. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the expected term of the share options and similar instruments.

Generally, all forms of share-based payments, including stock option grants, warrants and restricted stock grants and stock appreciation rights are measured at their fair value on the awards' grant date, based on estimated number of awards that are ultimately expected to vest.

The expense resulting from share-based payments is recorded in general and administrative expense in the statements of operations.

Equity Instruments Issued to Parties Other Than Employees for Acquiring Goods or Services
The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of Sub-topic 505-50 of the FASB Accounting Standards Codification ("Sub-topic 505-50").

Pursuant to ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur. If the Company is a newly formed corporation or shares of the Company are thinly traded the use of share prices established in the Company's most recent private placement memorandum ("PPM"), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

The fair value of share options and similar instruments is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- Expected term of share options and similar instruments: Pursuant to Paragraph 718-10-50-2(f)(2)(i) of the FASB Accounting Standards Codification the expected term of share options and similar instruments represents the period of time the options and similar instruments are expected to be outstanding taking into consideration of the contractual term of the instruments and holder's expected exercise behavior into the fair value (or calculated value) of the instruments. The Company uses historical data to estimate holder's expected exercise behavior. If the Company is a newly formed corporation or shares of the Company are thinly traded the contractual term of the share options and similar instruments is used as the expected term of share options and similar instruments as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.
- Expected volatility of the entity's shares and the method used to estimate it. Pursuant to ASC Paragraph 718-10-50-2(f)(2)(ii) a thinly-traded or nonpublic entity that uses the calculated value method shall disclose the reasons why it is not practicable for the Company to estimate the expected volatility of its share price, the appropriate industry sector index that it has selected, the reasons for selecting that particular index, and how it has calculated historical volatility using that index. The Company uses the average historical volatility of the comparable companies over the expected contractual life of the share options or similar instruments as its expected volatility. If shares of a company are thinly traded the use of weekly or monthly price observations would generally be more appropriate than the use of daily price observations as the volatility calculation using daily observations for such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.
- Expected annual rate of quarterly dividends. An entity that uses a method that employs different dividend rates during the contractual term shall disclose the range of expected dividends used and the weighted-average expected dividends. The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the expected term of the share options and similar instruments.
- Risk-free rate(s). An entity that uses a method that employs different risk-free rates shall disclose the range of risk-free rates used. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the expected term of the share options and similar instruments.

Pursuant to ASC paragraph 505-50-25-7, if fully vested, non-forfeitable equity instruments are issued at the date the grantor and grantee enter into an agreement for goods or services (no specific performance is required by the grantee to retain those equity instruments), then, because of the elimination of any obligation on the part of the counterparty to earn the equity instruments, a measurement date has been reached. A grantor shall recognize the equity instruments when they are issued (in most cases, when the agreement is entered into). Whether the corresponding cost is an immediate expense or a prepaid asset (or whether the debit should be characterized as contra-equity under the requirements of paragraph 505-50-45-1) depends on the specific facts and circumstances. Pursuant to ASC paragraph 505-50-45-1, a grantor may conclude that an asset (other than a note or a receivable) has been received in return for fully vested, non-forfeitable equity instruments that are issued at the date the grantor and grantee enter into an agreement for goods or services (and no specific performance is required by the grantee in order to retain those equity instruments). Such an asset shall not be displayed as contra-equity by the grantor of the equity instruments. The transferability (or lack thereof) of the equity instruments shall not affect the balance sheet display of the asset.

This guidance is limited to transactions in which equity instruments are transferred to other than employees in exchange for goods or services. Section 505-50-30 provides guidance on the determination of the measurement date for transactions that are within the scope of this Subtopic.

Pursuant to Paragraphs 505-50-25-8 and 505-50-25-9, an entity may grant fully vested, non-forfeitable equity instruments that are exercisable by the grantee only after a specified period of time if the terms of the agreement provide for earlier exercisability if the grantee achieves specified performance conditions. Any measured cost of the transaction shall be recognized in the same period(s) and in the same manner as if the entity had paid cash for the goods or services or used cash rebates as a sales discount instead of paying with, or using, the equity instruments. A recognized asset, expense, or sales discount shall not be reversed if a share option and similar instrument that the counterparty has the right to exercise expires unexercised.

Pursuant to ASC paragraph 505-50-30-S99-1, if the Company receives a right to receive future services in exchange for unvested, forfeitable equity instruments, those equity instruments are treated as unissued for accounting purposes until the future services are received (that is, the instruments are not considered issued until they vest). Consequently, there would be no recognition at the measurement date and no entry should be recorded.

Income Tax Provision
From the inception of the Company and through November 6, 2012, the Company was taxed as a pass-through entity (a limited liability company) under the Internal Revenue Code and was not subject to federal and state income taxes; accordingly, no provision had been made.

The financial statements reflect the Company’s transactions without adjustment, if any, required for income tax purposes for the period from November 7, 2012 to December 31, 2012. The net loss generated by the Company for the period January 1, 2012 to November 6, 2012 has been excluded from the computation of income taxes.

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires 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 tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying consolidated balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its consolidated balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

The Company's tax returns are subject to examination by the federal and state tax authorities for the years ended 2012 through 2014.

Uncertain Tax Positions
The Company did not take any uncertain tax positions and had no adjustments to its income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 for the reporting periods ended December 31, 2014, 2013 and 2012.

Related Parties
The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include (a) affiliates of the Company; (b) Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; (c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d) principal owners of the Company; (e) management of the Company; (f) 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; and (g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: (a) the nature of the relationship(s) involved; (b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; (c) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and (d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

ITEM 3. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of September 30, 2015 (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, who is also serving as our Principal Financial Officer and Principal Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon this evaluation, our Chief Executive Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's (the "SEC's") rules and forms and that our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management including our Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the Company's disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

Changes In Internal Controls over Financial Reporting

No changes were made in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recent fiscal quarter 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

We are not currently a party to any pending legal proceedings.

ITEM 1A. RISK FACTORS

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Beginning in May 2015, we conducted an offering of up to $4,000,000 of restricted shares of the Company's common stock, no par value per share (the "Shares"), at $0.60 per share to certain accredited and non-accredited investors (the "Stock Offering"). The Shares were offered pursuant to subscription agreements with each investor (each, a "Subscription Agreement"). In connection with each Subscription Agreement, the Company entered into a registration rights agreement with each investor (each, a "2015 Registration Rights Agreement"). The Company engaged a broker-dealer to assist in the Stock Offering. The Stock Offering consisted of one or more closings and ended on November 6, 2015, pursuant to two extensions authorized by the Company's Board of Directors.

The Company sold the Shares in a private placement in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder since, among other things, the Stock Offering did not involve a public offering. Additionally, the Company relied on similar exemptions under applicable state laws. The investors in the Stock Offering had access to information about the Company and their investments, took the Shares for investment and not resale, and the Company took appropriate measures to restrict the transfer of the Shares. Upon issuance, the resale of the Shares was not registered under the Securities Act and the Shares may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

On August 14, 2015, the Company completed a second closing the Stock Offering and entered into Subscription Agreements and 2015 Registration Rights Agreements with investors representing gross proceeds to the Company of $729,600, and issued 1,216,000 shares of its common stock in connection therewith. On November 6, 2015, the Company completed its remaining tranche and final closing of the offering and entered into Subscription Agreements and 2015 Registration Rights Agreements with investors representing aggregate gross proceeds to the Company of $260,000, and issued 433,333 shares of its common stock in connection therewith. The Stock Offering ended on November 6, 2015, resulting in aggregate gross proceeds to the Company of $2,269,600.40.

The foregoing is only a brief description of the material terms of the Subscription Agreement and 2015 Registration Rights Agreement, both of which are filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on June 19, 2015, and does not purport to be a complete description of the rights and obligations of the parties thereunder; such descriptions are qualified in their entirety by reference to such exhibits. The representations, warranties and covenants contained in the Subscription Agreement were made solely for the benefit of the parties to the agreement and may be subject to limitations agreed upon by the contracting parties. Accordingly, the Subscription Agreement is referenced herein only to provide investors with information regarding its terms and not to provide investors with any other factual information regarding the Company or its business, and should be read in conjunction with the disclosures in the Company's periodic reports and other SEC filings.

Due to the extension of the Stock Offering and the recent final closing on November 6, 2015, in order to minimize expenses and further the Company's operational and financial stability, the Company sought additional time from the investors in the first closing dated June 12, 2015 (the "First Closing Investors") to file a registration statement in connection with its obligations under the 2015 Registration Rights Agreements. The Company and the First Closing Investors have reached an agreement in principle to amend each investor's respective 2015 Registration Rights Agreement (the "Registration Rights Amendment"), whereby the First Closing Investors will extend their Mandatory Filing Date (as defined in the 2015 Registration Rights Agreements) to January 11, 2016, in order to align with the Company's obligations under the 2015 Registration Rights Agreements to investors in the August 14, 2015 closing. The foregoing is only a brief description of the material terms of the Registration Rights Amendment, the form of which is filed as an exhibit hereto, and does not purport to be a complete description of the rights and obligations of the parties thereunder; such description is qualified in its entirety by reference to the exhibit.

The Company is providing the foregoing information in accordance with Rule 135c under the Securities Act of 1933, and the notice contained herein does not constitute an offer to sell the Company's securities, and is not a solicitation for an offer to purchase the Company's securities. The securities offered have not been registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

Net proceeds from the Stock Offering were used for the Company's general working capital. Additional information concerning the use of proceeds from the Stock Offering can be found in the subsection titled "Liquidity and Capital Resources" found in Part I, Item 2 above, which is incorporated by reference into this Part II, Item 2.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

On September 15, 2016, the Financial Industry Regulatory Authority cleared a request by market maker Glendale Securities, Inc. to establish a market in shares of our common stock. On October 8, 2015, OTC Markets Group announced that the Company was verified for trading on the OTCQB® Venture Market. Presently, shares of our common stock not subject to restriction are eligible for trading in the OTCQB® Venture Market. However, to the Company's knowledge, only a small percentage of our total issued and outstanding shares of common stock have been deposited with broker/dealers as of the date of this Quarterly Report, and no shares of our common stock have yet been offered for sale. Therefore, while our shares of common stock are eligible for trading, a liquid public market has not yet developed. We cannot predict the future prices at which our shares will trade, or the liquidity of a public market for our shares of common stock, should one develop.

ITEM 6. EXHIBITS

(b) Exhibit Index

No.	Description of Exhibit
10.1	Form of Subscription Agreement utilized in the Stock Offering for U.S. Persons. (1)
10.2	Form of Subscription Agreement utilized in the Stock Offering for Non-US Persons. (1)
10.3	Form of Registration Rights Agreement utilized in the Stock Offering. (1)
10.4	Form of Amendment to the Registration Rights Agreement utilized in the Stock Offering.
31.1	Certification of Principal Executive Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Accounting Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Accounting Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on June 19, 2015.

SIGNATURES

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

SAFETY QUICK LIGHTING & FANS CORP.

By: /s/ John P. Campi

John P. Campi
Chief Executive Officer
(Principal Executive Officer)
(Principal Accounting Officer)

Dated: November 16, 2015

AMENDMENT NO. 1 TO
REGISTRATION RIGHTS AGREEMENT

THIS AMENDMENT NO. 1 TO REGISTRATION RIGHTS AGREEMENT (this "Amendment") is made as of November 13, 2015 (the "Effective Date") by and between Safety Quick Lighting & Fans Corp., a Florida corporation (the "Company"), and the undersigned (the "Holder" and together with the Company, the "Parties", and each, a "Party").

WHEREAS, in connection with the Company's offering to purchase up to $4,000,000 of its Company's common stock (the "Offering"), the Parties entered into that certain Registration Rights Agreement, dated June 12, 2015 (the "Registration Rights Agreement") and that certain Securities Subscription Agreement, dated June 12, 2015 (the "Subscription Agreement"), whereby the Holder subscribed for and received shares of the Company's common stock pursuant to the first closing of the Offering, which occurred on June 12, 2015 (the "Closing Date");

WHEREAS, the Registration Rights Agreement provides that the Company will use its Reasonable Best Efforts to file a registration statement with the Commission within 150 days of the date of the Closing Date (the "Registration Obligation"), and provides for specified damages if the Registration Obligation is not timely met;

WHEREAS, pursuant to the terms of the Subscription Agreement, the Company's Board of Directors twice extended the term of the Offering, with an ultimate end date of November 6, 2015, and conducted a second closing on August 14, 2015 and a third and final closing on November 6, 2015;

WHEREAS, all investors in the Offering entered into a registration rights agreement substantially in the same form as the Registration Rights Agreement with the Holder, each tied to the particular date of closing for each such investor's subscription;

WHEREAS, due to the extension of the Offering and the recent third and final closing, the Parties have determined that additional time to file a registration statement in connection with the Registration Obligation is necessary in order to minimize expenses and further the Company's operational and financial stability;

WHEREAS, the Parties desire to amend the Registration Rights Agreement to extend the Mandatory Filing Date to align with the second closing date of the Offering, on the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to Section 6(f) of the Registration Rights Agreement, the amendment contemplated by the Parties must be contained in an instrument in writing signed by the Parties.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Amendment, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1 . Definitions. Capitalized terms used and not defined in this Amendment have the respective meanings assigned to them in the Registration Rights Agreement.

2. Amendments to the Registration Rights Agreement.

(i) Subsection (a) of Section 2 of the Registration Rights Agreement is hereby amended by deleting subsection (a) of Section 2 in its entirety and by substituting therefore the following: "(a) Mandatory Registration. The Company shall, on or before January 11, 2016 (the "Mandatory Filing Date"), use its Reasonable Best Efforts to file with the Commission a Registration Statement (the "Mandatory Registration Statement"), covering the resale of all of the Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415. The Mandatory Registration Statement required hereunder shall be on Form S-1 or Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-1 or Form S-3, in which case the Mandatory Registration Statement shall be on another appropriate form in accordance herewith)."

3. Date of Effectiveness; Limited Effect. This Amendment will be deemed effective as on the Effective Date. Except as expressly provided in this Amendment, all of the terms and provisions of the Registration Rights Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. On and after the Effective Date, each reference in the Registration Rights Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference to the Registration Rights Agreement in any other agreements, documents or instruments executed and delivered pursuant to, or in connection with, the Registration Rights Agreement, will mean and be a reference to the Registration Rights Agreement as amended by this Amendment.

4. Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

(i) It has the full right, power and authority to enter into this Amendment and to perform its obligations hereunder and under the Registration Rights Agreement as amended by this Amendment.

(ii) The execution of this Amendment by the individual whose signature is set forth at the end of this Amendment on behalf of such Party, and the delivery of this Amendment by such Party, have been duly authorized by all necessary action on the part of such Party.

(iii) This Amendment has been executed and delivered by such Party and (assuming due authorization, execution and delivery by the other Party hereto) constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

5. Miscellaneous.

(i) This Amendment constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

(ii) The headings in this Amendment are for reference only and do not affect the interpretation of this Amendment.

(iii) This Amendment shall inure to the benefit of and be binding upon each of the Parties and each of their respective successors and assigns.

(iv) This Amendment is governed by, and construed in accordance with, the laws of the State of Florida, without regard to the conflict of laws provisions of such State.

(v) This Amendment may be executed in any number of counterparts and by electronic transmission or facsimile, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first written above.

THE COMPANY:

SAFETY QUICK LIGHTING & FANS CORP.

By: ________________________
Name: ______________________
Title: _______________________

THE HOLDER:

By: ________________________
Name: ______________________
Title: _______________________

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, John P. Campi, certify that:

1. I have reviewed this report on Form 10-Q of Safety Quick Lighting & Fans Corp., for the period ended September 30, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable 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 controls over financial reporting.

Date: November 16, 2015

/s/ John P. Campi
John P. Campi
Chief Executive Officer
Principle Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, John P. Campi certify that:

1. I have reviewed this report on Form 10-Q of Safety Quick Lighting & Fans Corp., for the period ended September 30, 2015;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable 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 controls over financial reporting.

Date: November 16, 2015

/s/ John P. Campi
John P. Campi
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 Safety Quick Lighting & Fans Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John P. Campi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(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 result of operations of the Company.

/s/ John P. Campi
John P. Campi
Chief Executive Officer
and Principal Executive Officer

November 16, 2015

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

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 Safety Quick Lighting & Fans Corp. (the "Company") on Form 10-Q for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Campi, principal financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(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 result of operations of the Company.

/s/ John P. Campi
John P. Campi
Principal Financial Officer

November 16, 2015

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