SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Magnolia Solar Corp

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

OR

❑ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

COMMISSION FILE NUMBER 333-151633

MAGNOLIA SOLAR CORPORATION

(Exact Name of small business issuer as specified in its charter)

Nevada	**39-2075693**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

54 Cummings Park, Suite 316, Woburn, MA 01801
(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: **(781) 497-2900**

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 o

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 o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	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). Yeso No x

As of November 5, 2013, the issuer had 33,835,268 shares of common stockoutstanding.

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PART I
FINANCIAL INFORMATION

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013 (UNAUDITED) AND DECEMBER 31, 2012

ASSETS

	September 30, 2013 (Unaudited)	September 30, 2012
CURRENT ASSETS		
Cash and cash equivalent	$ 181,932	$ 135,626
Accounts receiveable	246,740	267,116
Prepaid Expense	1,417	1,417
Total current assets	430,089	404,159
Fixed assets, net	1,013	1,737
OTHER ASSETS		
License with Related Party, net of accumulated amortization	163,396	190,133
Total other asset	163,396	190,133
TOTAL ASSETS	$ 594,498	$ 596,029
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 454,646	$ 384,861
Current portion of Original Issue Discount Senior Secured Convertible Promissory Note, net of discount	2,400,000	2,400,000
Total current liabilities	2,854,646	2,784,861
TOTAL LIABILITIES	2,854,646	2,784,861
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value, 75,000,000 shares authorized, 32,304,702 and 28,167,063 shares issued and outstanding	32,305	28,167
Additional paid-in capital	1,894,605	1,747,583
Additional paid-in capital - warrants	962,297	962,297
Deficit accumulated during the development stage	(5,149,355)	(4,926,879)
Total stockholders' deficit	(2,260,148)	(2,188,832)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 594,498	$ 596,029

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
AND FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH SEPTEMBER 30, 2013

	NINE MONTHS ENDED SEPTEMBER 30, 2013	NINE MONTHS ENDED SEPTEMBER 30, 2012	JANUARY 8, 2008(INCEPTION) THROUGH SEPTEMBER 30, 2013
REVENUE	$ 669,784	$ 492,761	$ 2,733,935
COST OF REVENUES	413,978	319,526	1,700,307
GROSS PROFIT	255,806	172,235	1,033,628
OPERATING EXPENSE			
Indirect and administrative labor	107,783	135,880	688,272
Professional fees	133,374	705,206	1,524,303
Depreciation and amortization expense	27,461	28,497	810,155
General and administrative	33,764	37,129	865,744
Total operating expenses	302,382	906,712	3,888,474
NON-OPERATING EXPENSES			
Interest expense including amortization of OID and debt discount, net	179,900	29,803	2,303,807
Forgiveness of debt	(4,000)	-	(9,298)
Total non-operating expenses	175,900	29,803	2,294,509
NET LOSS	$ (222,476)	$ (763,280)	$ (5,149,355)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	29,828,504	26,987,575	
NET LOSS PER SHARE	$ (0.01)	$ (0.03	

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
AND FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH SEPTEMBER 30, 2013

	THREE MONTHS ENDED SEPTEMBER 30, 2013	THREE MONTHS ENDED SEPTEMBER 30, 2012	JANUARY 8, 2008 (INCEPTION) THROUGH SEPTEMBER 30, 2013
REVENUE	$ 126,545	$ 205,030	$ 2,733,935
COST OF REVENUES	$ 67,900	$ 132,505	$ 1,700,307
GROSS PROFIT	58,645	72,525	1,033,628
OPERATING EXPENSES			
Indirect and administrative labor	34,026	46,813	688,272
Professional fees	25,041	280,298	1,524,303
Depreciation and amortization expense	8,990	9,498	810,155
General and administrative	11,272	11,100	865,744
Total operating expense	79,329	347,709	3,888,474
NON-OPERATING EXPENSES			
Interest expense including amortization of OID and debt discount, net	59,949	9,948	2,303,807
Forgiveness of debt	-	-	(9,298)
Total non-operating expenses	59,949	9,948	2,294,509
NET LOSS	$ (80,633)	$ (285,132)	$ (5,149,355)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	31,549,189	27,660,475	
NET LOSS PER SHARE	$ (0.00)	$ (0.01)	

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)
FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH SEPTEMBER 30, 2013
(INCLUDING MOBILIS RELOCATION SERVICES - PRE-MERGER)

	Common Stock		Additional Paid-In Capital	Additional Paid-In Capital-Warrants	Deficit Accumulated During the Development Stage	Total
	Shares	Amount				
Balance- November 19, 2007	-	$ -	$ -	$ -	$ -	$ -
Common shares issued to founders for cash	1,973,685	1,974	13,026	-	-	15,000
Common shares issued for cash - others	2,500,001	2,500	35,000	-	-	38,000
Net loss for the period ended March 31, 2008	-	-	-	-	(4,477)	(4,477)
Balance- March 31, 2008	4,473,686	4,474	48,526	-	(4,477)	(48,523)
Net loss for the year ended March 31, 2009	-	-	-	-	(31,115)	(35,115)
Balance- March 31, 2009	4,473,686	4,474	48,526	-	(35,592)	17,408
Net loss for the period April 1, 2009 through December 30, 2009	-	-	-	-	(5,719)	(5,719)
To reflect the issuance of shares in the merger of Magnolia Solar Corp., net of the cancellation of founders shares	19,356,314	19,356	289,144	-	(126,151)	182,349
To reflect the issuance of warrants in the issuance of the Original Issue Discount Promissory Notes	-	-	-	412,830	-	412,830
To reflect the issuance of warrants to the Placement Agent	-	-	-	454,976	-	454,976
Net loss for the period December 30, 2009 through December 31, 2009	-	-	-	-	(49,440)	(49,440)
Balance- December 31, 2009	23,830,000	23,830	337,670	867,806	(216,902)	1,012,404
Common shares issued for services rendered	100,000	100	82,400	-	-	82,500
Net loss for the year ended December 31, 2010	-	-	-	-	(1,543,775)	(1,543,775)
Balance- December 31, 2010	23,930,000	23,930	420,070	867,806	(1,760,677)	(448,871)

Common shares issued for services rendered	400,000	400	78,350	-	-	78,750
To reflect the issuance of shares issued in Conversion of OID Notes	1,040,000	1,040	258,960	-	-	260,000
To reflect the issuance of penalty shares related to Amendment of OID Notes	1,300,000	1,300	271,700	-	-	273,000
Value of warrants issued for services	-	-	-	94,491	-	94,491
Net loss for the year ended December 31, 2011	-	-	-	-	(2,239,631)	(2,239,631)
Balance- December 31, 2011	26,670,000	26,670	1,029,080	(962,297)	(4,000,308)	(1,982,261)
Common shares issued for services rendered	1,155,000	1,155	688,845	-	-	690,000
Common shares issued for payment of interest	342,063	342	29,658	-	-	30,000
Net loss for the year ended December 31, 2012	-	-	-	-	(926,571)	(926,571)
Balance- December 31, 2012	28,167,063	28,167	1,747,583	962,297	(4,926,879)	(2,188,832)
Common shares issued for payment of interest	3,710,764	3,711	126,289	-	-	130,000
Common shares issued for services rendered	426,875	427	20,733	-	-	21,160
Net loss for the nine months ended September 30, 2013	-	-	-	-	(222,476)	(222,476)
Balance- September 30, 2013	32,304,702	$ 32,305	$ 1,894,605	$ 962,297	$ (5,149,355)	$ (2,260,148)

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
AND FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH SEPTEMBER 30, 2013

	NINE MONTHS ENDED SEPTEMBER 30, 2013	NINE MONTHS ENDED SEPTEMBER 30, 2012	JANUARY 8, 2008 (INCEPTION) THROUGH SEPTEMBER 30, 2013
CASHFLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (222,476)	$ (763,280)	$ (5,149,355)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	27,461	28,497	810,155
Common stock issued for services rendered	21,160	580,000	872,410
Common stock issued for penalty shares in the amendment of the OID Notes	-	-	273,000
Common stock issued for payment of interest	130,000	20,000	160,000
Warrants issued for services rendered	-	-	94,491
Amortization of original issue discount and debt discount	-	-	2,082,830
Forgiveness of debt	(4,000)	-	(9,298)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	20,376	(60,169)	(246,739)
(Increase) in prepaid expenses	-	-	(1,417)
Increase (decrease) in accounts payable and accrued expenses	73,785	107,626	463,943
Total adjustments	268,782	675,954	4,499,375
Net cash provided by (used in) operating activities	46,306	(87,326)	(649,980)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of fixed assets	-	-	(8,288)
Deferred financing fees paid in connection with funding	-	-	(154,800)
Net cash used in investing activities	-	-	(163,088)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of stock for cash	-	-	5,000
Proceeds received from loan payable - related party	-	-	70,000
Repayment of loan payable - related party	-	-	(70,000)
Net proceeds received from Original Issue Discount Promissory Notes	-	-	990,000
Net cash provided by financing activities	-	-	995,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,306	(87,326)	181,932
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	135,626	255,862	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 181,932	$ 168,536	$ 181,932
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the period for:			
interest	$ -	$ -	$ 1,371
NON CASH SUPPLEMENTAL INFORMATION:			

Stock issued for services rendered	$	21,160	$	580,000	$	872,410
Stock issued for penalty shares for the amendment of the OID Notes	$	-	$	-	$	273,000
Stock issued for payment of interest	$	130,000	$	20,000	$	160,000
Stock issued for conversion of OID Notes	$	-	$	-	$	260,000
Warrants issued for services rendered	$	-	$	-	$	94,491
Amortization of original issue discount and debt discount	$	-	$	-	$	2,082,830

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

Note 1 – Organization and Nature of Business

Nature of Business

The unaudited financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company's annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the December 31, 2012 Form 10-K filed with the SEC, including the audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

Magnolia Solar Corporation (the "Registrant") through its wholly owned subsidiary, Magnolia Solar, Inc. ("Magnolia Solar" and together with the Registrant, "we," "our," "us," or the "Company") is a development stage company focused on developing and commercializing thin film solar cell technologies that employ nanostructured materials and designs.

The Company is pioneering the development of thin film, high efficiency solar cells for applications such as power generation for electrical grids as well as for local applications, including lighting, heating, traffic control, irrigation, water distillation, and other residential, agricultural and commercial uses.

The Company's technology takes multiple approaches to bringing cell efficiencies close to those realized in silicon based solar cells while also lowering manufacturing costs. The technology uses a different composition of materials than those used by competing thin film cell manufacturers; incorporates additional layers of material to absorb a wider spectrum of light; uses inexpensive substrate materials, such as glass and polymers, lowering the cost of the completed cell compared to silicon based solar cells; and is based on non-toxic materials that do not have adverse environmental effects.

During 2012, the Company filed a series of U.S. utility patent and international applications relating to the technologies under development.

Note 1 – Organization and Nature of Business (continued)

Reverse Merger

On November 19, 2007, the Registrant, formerly known as Mobilis Relocation Services, Inc. (“Mobilis”), was organized under the laws of the State of Nevada. Mobilis formed Magnolia Solar Acquisition Corp., a wholly-owned subsidiary incorporated in the State of Delaware. Mobilis filed a Certificate of Change to its Articles of Incorporation in order to affect a forward split of the number of authorized shares of common stock which they were authorized to issue, and of the then issued and outstanding shares in a ratio of 1.3157895:1. The forward split occurred in February 2010. All share and per share amounts have been reflected herein post-split.

On December 31, 2009, Mobilis entered into an Agreement of Merger and Plan of Reorganization (the “Merger Agreement”) with Magnolia Solar, Inc., a privately held Delaware corporation incorporated on January 8, 2008, and Magnolia Solar Acquisition Corp. (“Acquisition Sub”). Upon closing of the transaction, under the Merger Agreement, Acquisition Sub merged with and into Magnolia Solar, and Magnolia Solar, as the surviving corporation, became a wholly-owned subsidiary of Mobilis. Thereafter, Mobilis changed its name to Magnolia Solar Corporation. The transaction was accounted for as a reverse merger, and the historical financial information is that of Magnolia Solar, Inc.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has been generating revenues from various development contracts with governmental agencies, however the Company has generated losses totaling $222,476 and $763,280 for the nine months ended September 30, 2013 and 2012, respectively, and $5,149,355 since January 8, 2008 (Inception). While the Company raised funds in a private placement that it consummated in 2009 (raising $990,000 in $2,660,000 of Original Issue Discount Senior Secured Convertible Promissory Notes (the “2009 Notes”)), at September 30, 2013 and December 31, 2012, it had cash of $181,932 and $135,626, respectively, and will need to raise additional funds to carry out its business plan.

The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity financing to continue operations. The Company has had limited operating history to date.

Note 1 – Organization and Nature of Business (continued)

Going Concern (continued)

On December 29, 2011, the 2009 Notes in the aggregate principal amount of $2,660,000 were amended. Pursuant to the terms of the amendment agreements, (i) 2009 Notes in the aggregate principal amount of $260,000 converted into an aggregate of 1,040,000 shares of common stock of the Company at an adjusted conversion price of $0.25 per share, (ii) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to extend the maturity dates from December 31, 2011 to December 31, 2012 and 2009 Notes in the aggregate principal amount of the remaining $400,000 were amended to extend the maturity date from December 31, 2011 to December 31, 2013, (iii) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to adjust the conversion price of such notes from $1.00 per share to $0.25 per share, (iv) 2009 Notes in the aggregate principal amount of $400,000 were amended to provide that such notes shall, from January 1, 2012 onwards, bear interest at the rate of 10% per annum payable on a quarterly basis, upon conversion and at maturity and that such interest may, at the option of the Company, be paid in cash or in shares of common stock of the Company at the interest conversion rate of 90% of the volume weighted average price of the common stock of the Company during the 20 trading days prior to the interest payment date, (v) an aggregate of 1,300,000 shares of common stock of the Company were issued to certain holders of the 2009 Notes, and (vi) the exercise price of the 2009 Warrants to purchase an aggregate of 3,385,300 shares of common stock was adjusted from $1.25 per share to $0.50 per share.

Effective December 21, 2012, the 2009 Notes as described in the preceding paragraph were further amended. Pursuant to the terms of the amendment agreements, (i) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to extend the maturity dates from December 31, 2012 to June 30, 2013 for $1,000,000 of the balance and December 31, 2013 for the remaining $1,000,000, (ii) 2009 Notes in the aggregate principal of $400,000 were amended to adjust the conversion price of such notes from $1.00 to $0.25, (iii) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to provide that such notes shall, from January 1, 2013 onwards, bear interest at the rate of 10% per annum payable on a quarterly basis, upon conversion and at maturity and that such interest may, at the option of the Company, be paid in cash or in shares of common stock of the Company at the interest conversion rate of 90% of the volume weighted average price of the common stock of the Company during the 20 trading days prior to the interest payment date, and (iv) the exercise price of the 2009 Warrants to purchase an aggregate of 3,385,300 shares of common stock was adjusted from $0.50 per share to $0.25 per share.

On June 27, 2013, holders of 2009 Notes in the aggregate principal amount of $1,000,000 agreed to extend the maturity date of the notes from June 30, 2013 to December 31, 2013.

There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to the Company. If the Company were to default on its indebtedness, then holders of the notes may foreclose on the debt and seize the Company's assets which may force the Company to suspend or cease operations altogether. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the ability of the Company to continue as a going concern.

Note 1 – Organization and Nature of Business (continued)

Going Concern (continued)
The Company may need to raise additional capital to expand operations to the point at which the Company can achieve profitability. The terms of equity or debt that may be raised may not be on terms acceptable by the Company. If adequate funds cannot be raised outside of the Company, the Company may suspend or cease operations altogether.

The development of renewable energy and energy efficiency marks a new era of energy exploration in the United States. The Company continues to explore low cost alternatives for energy solutions which are in line with United States government initiatives for renewable energy sources. The Company hopes that these factors will mitigate the current unstable factors in the United States economy.

Note 2 - Summary of Significant Accounting Policies

Development Stage Company
The Company is considered to be in the development stage as defined in ASC 915,*Accounting and Reporting by Development Stage Enterprises.* The Company has devoted substantially all of its efforts to the development of their thin film solar cell technology in the development contracts with governmental agencies they have entered into, corporate formation and the raising of capital. The Company has generated revenues from agreements entered into that are for the development of their products and not the sales of their products. These contracts are one-time contracts that support the Company's development. The Company anticipates emerging from the development stage in 2014 upon completion of the development of their products.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable
For financial reporting, current earnings are charged and an allowance is credited with a provision for doubtful accounts based on experience. Accounts deemed uncollectible are charged against this allowance. Receivables are reported on the balance sheet net of such allowance. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses. The Company believes no allowance for doubtful accounts is necessary at September 30, 2013. The Company does not charge interest on past due accounts.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives (from three to seven years). Additions, renewals, and betterments, unless of a minor amount, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Deferred Financing Fees

The costs incurred in connection with obtaining debt financing will be capitalized as deferred financing costs and amortized using the effective interest method over the term of the debt.

Impairment of Long-Lived Assets

The Company reviews their recoverability of long-lived assets on a periodic basis whenever events and changes in circumstances have occurred which may indicate a possible impairment. The assessment for potential impairment will be based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Fixed assets to be disposed of by sale will be carried at the lower of the then current carrying value or fair value less estimated costs to sell. The Company's management has determined that the fair value of long-lived assets exceeds the book value and thus no impairment charge is necessary as of September 30, 2013.

Fair Value of Financial Instruments

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The Company does not utilize derivative instruments.

Income Taxes

The Company accounts for income taxes utilizing the liability method of accounting. Under the liability method, deferred taxes are determined based on differences between financial statement and tax bases of assets and liabilities at enacted tax rates in effect in years in which differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts that are expected to be realized.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with maturity of three months or less, when purchased, to be cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognized from private and public sector contracts that are time and material type contracts. These revenues are recognized in accordance with ASC 605, *Revenue Recognition*. The Company recognizes revenue when; (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller's price to the buyer is fixed or determinable and (4) collectability is reasonably assured.

The Company assesses whether fees are fixed or determinable at the time of sale and recognizes revenue if all other revenue recognition requirements are met. The Company's standard payment terms are net 30. Payments that extend beyond 30 days from the contract date but that are due within twelve months are generally deemed to be fixed or determinable based on the Company's successful collection history on such arrangements, and thereby satisfy the required criteria for revenue recognition.

Loss Per Share of Common Stock

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) include additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for periods presented. The following is a reconciliation of the computation for basic and diluted EPS:

	September 30, 2013	September 30, 2012
Net loss	$ (222,476)	$ (763,280)
Weighted-average common shares outstanding (Basic)	29,828,504	26,987,575
Weighted-average common stock Equivalents Stock options	-	-
Warrants	3,785,300	3,785,300
Weighted-average common shares outstanding (Diluted)	33,613,804	30,772,875

Note 2 - Summary of Significant Accounting Policies (continued)

Uncertainty in Income Taxes

The Company follows ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This interpretation requires recognition and measurement of uncertain income tax positions using a “more-likely-than-not” approach. ASC 740-10 is effective for fiscal years beginning after December 15, 2006. Management has adopted ASC 740-10 for 2008, and they evaluate their tax positions on an annual basis. The Company’s policy is to recognize both interest and penalties related to unrecognized tax benefits expected to result in payment of cash within one year are classified as accrued liabilities, while those expected beyond one year are classified as other liabilities. The Company has not recorded any interest or penalties since its inception.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state tax jurisdictions. The tax years for 2009 to 2012 remain open for examination by federal and/or state tax jurisdictions. The Company is currently not under examination by any other tax jurisdictions for any tax year.

Recently Issued Accounting Standards

In May 2011, FASB issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. FASB ASU 2011-04 amends and clarifies the measurement and disclosure requirements of FASB ASC 820 resulting in common requirements for measuring fair value and for disclosing information about fair value measurements, clarification of how to apply existing fair value measurement and disclosure requirements, and changes to certain principles and requirements for measuring fair value and disclosing information about fair value measurements. The new requirements are effective for fiscal years beginning after December 15, 2011. The Company has adopted this amended guidance on October 1, 2012. The adopted guidance did not have a material impact on the Company’s results of operations, cash flows or financial position.

In June 2011, FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which amends the disclosure and presentation requirements of Comprehensive Income. Specifically, FASB ASU No. 2011-05 requires that all nonowner changes in stockholders’ equity be presented either in 1) a single continuous statement of comprehensive income or 2) two separate but consecutive statements, in which the first statement presents total net income and its components, and the second statement presents total other comprehensive income and its components. These new presentation requirements, as currently set forth, are effective for the Company beginning October 1, 2012, with early adoption permitted. The Company has adopted this amended guidance on October 1, 2012. The adopted guidance did not have a material impact on the Company’s results of operations, cash flows or financial position.

Note 2 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards (continued)

In September 2011, FASB issued ASU 2011-08, *Testing Goodwill for Impairment*, which amended goodwill impairment guidance to provide an option for entities to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. After assessing the totality of events and circumstances, if an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, performance of the two-step impairment test is no longer required. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adopted guidance did not have any impact on the Company's results of operations, cash flows or financial position.

In July 2012, the FASB issued ASU 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite - Lived Intangible Assets for Impairment*, on testing for indefinite-lived intangible assets for impairment. The new guidance provides an entity to simplify the testing for a drop in value of intangible assets such as trademarks, patents, and distribution rights. The amended standard reduces the cost of accounting for indefinite-lived intangible assets, especially in cases where the likelihood of impairment is low. The changes permit businesses and other organizations to first use subjective criteria to determine if an intangible asset has lost value. The amendments to U.S. GAAP will be effective for fiscal years starting after September 15, 2012. The Company's adoption of this accounting guidance does not have a material impact on the consolidated financial statements and related disclosures.

There were other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 3 - Stockholders' Equity

The Company has 75,000,000 shares of common stock, par value of $0.001 per share authorized.

Shares

Prior to the Reverse Merger as discussed in Note 1, the Company issued 4,473,686 shares of common stock between January and March 2008 at prices ranging from $0.01 to $0.02 per share for a total of $53,000 cash.

In accordance with the Reverse Merger, the Company cancelled 1,973,684 shares of common stock and issued 21,330,000 shares to the former shareholders of Magnolia Solar, Inc. As a result of these transactions, as of December 31, 2009, there were 23,830,000 shares of common stock issued and outstanding.

Note 3 - Stockholders' Equity (continued)

The Company effectuated a 1.3157895:1 forward stock split in February 2010, in accordance with the Merger Agreement which resulted in 23,830,000 shares of common stock issued and outstanding.

On March 10, 2010, the Company issued 75,000 shares of common stock at its fair value price ($0.90 per share) for legal services resulting in a value of $67,500.

On November 22, 2010, the Company issued 25,000 shares of common stock in at its fair value price ($0.60 per share) for consulting services in the value of $15,000.

On February 10, 2011, the Company issued 50,000 shares of common stock at its fair value price ($0.37 per share) for consulting services for a value of $18,500.

In April 2011, the Company issued 250,000 shares of common stock at its fair value price ($0.181 per share) for consulting services for a value of $45,250.

On October 11, 2011, the Company issued 100,000 shares of common stock at its fair value price ($0.15 per share) for consulting services for a value of $15,000.

On December 29, 2011, the Company issued 1,040,000 shares upon conversion of the aggregate principal amount of $260,000 of 2009 Notes. The Company further issued 1,300,000 shares of common stock at its fair value price ($0.21) in connection with the amendment of the 2009 Notes for a value of $273,000.

In April 2012, the Company issued 230,000 shares of common stock at its contract price for consulting services for a value of $230,000.

In May 2012, the Company issued 109,162 shares of common stock at its fair value price ($0.09 per share) in lieu of interest payment for a value of $10,000.

In June 2012, the Company issued 100,000 shares of common stock at its contract price for consulting services for a value of $100,000.

In July 2012, the Company issued 100,000 shares of common stock at its contract price for consulting services for a value of $100,000.

In July 2012, the Company issued 108,663 shares of common stock at its fair value price ($0.09 per share) in lieu of interest payment for a value of $10,000.

In August 2012, the Company issued 150,000 shares of common stock at its contract price for consulting services for a value of $150,000.

Note 3 - Stockholders' Equity (continued)

In November 2012, the Company issued 124,238 shares of common stock at its fair value price ($0.09 per share) in lieu of interest payment for a value of $10,000.

In November 2012, the Company issued 75,000 shares of common stock at its contract price for consulting services for a value of $75,000.

In December 2012, the Company issued 500,000 shares of common stock for consulting services for a value of $35,000 at a fair market value price of $0.07 per share.

In January 2013, the Company issued 211,078 shares of common stock at its fair value price ($0.05 per share) in lieu of interest payment for a value of $10,000.

In April 2013, the Company issued 286,250 shares of common stock for consulting services for a value of $16,660 at a fair market value price of $0.06 per share.

In May 2013, the Company issued 1,675,978 shares of common stock at its fair value price ($0.04 per share) in lieu of interest payment for a value of $60,000.

In August 2013, the Company issued 1,823,708 shares of common stock at its fair value price ($0.04 per share) in lieu of interest payment for a value of $60,000.

In August 2013, the Company issued 140,625 shares of common stock for consulting services for a value of $4,500 at a fair market value price of $0.06 per share.

As of September 30, 2013, the Company had 32,304,702 shares issued and outstanding.

Warrants

Following the closing of the Reverse Merger in December 2009, the Company issued five-year callable warrants (the "2009 Warrants") to purchase an aggregate of 2,660,000 shares of common stock exercisable at $1.25 per share to investors in a private placement (the "2009 Private Placement") and further issued placement agent warrants to purchase an aggregate of 725,300 shares of common stock exercisable at $1.05 per share. On December 29, 2011, the exercise price of both the 2009 Warrants and placement agent warrants was reduced to $0.50 per share. On December 21, 2012, the exercise price of the 2009 Warrants was reduced to $0.25 per share.

On August 15, 2011, the Company issued 400,000 warrants for public relations services. The warrants vest immediately, and are for a term of 5 years with a strike price of $0.50 per share. The warrants have been valued at $59,534 and are reflected in the consolidated financial statements for the year ended September 30, 2013.

Note 3 - Stockholders' Equity (continued)

As of September 30, 2013, the following warrants are outstanding:

Balance – December 31, 2008	-		
Issued – in the 26.6 units	2,660,000	$	0.25
Issued – to Placement Agent	725,300	$	0.25
Balance – December 31, 2009	3,385,300	$	0.25
Balance – December 31, 2010	3,385,300	$	0.25
Issued – for public relations	400,000	$	0.50
Balance – December 31, 2011	3,785,300	$	0.28
Balance – December 31, 2012	3,785,300	$	0.28
Balance – September 30, 2013	3,785,300	$	0.28

Note 4 - Property and Equipment

Property and equipment consisted of the following at September 30, 2013 (unaudited) and December 31, 2012:

	September 30, 2013	December 31, 2012
Office equipment and computers	$ 6,106	$ 6,106
Furniture and fixtures	2,182	2,182
	8,288	8,288
Accumulated depreciation	(7,275)	(6,551)
	$ 1,013	$ 1,737

The Company incurred $724 and $1,760, respectively, in depreciation expense for each of the nine months ended September 30, 2013 and 2012.

Note 5 - Deferred Financing Costs

The Company incurred financing costs of $609,776 in connection with the 2009 Private Placement. These costs were capitalized and are charged to amortization expense over the life of the promissory notes. As of September 30, 2013, the deferred financing fees are fully amortized.

Note 6 - License Agreement with Related Party

The Company has entered into a 10-year, renewable, exclusive license with Magnolia Optical Technologies, Inc. ("Magnolia Optical") on April 30, 2008 for the exclusive rights of the technology related to the application of Optical's solar cell technology. Magnolia Optical shares common ownership with the Company.

The Company is amortizing the license fee of $356,500 over the 120 month term of the Agreement. Accumulated amortization as of September 30, 2013 and 2012 was $193,104 and $157,454, respectively. Amortization expense for each of the nine months ended September 30, 2013 and 2012 was $26,737. The Company's management has determined that the fair value of the license exceeds the book value and thus no further impairment or amortization is necessary as of September 30, 2013.

Note 7 – Original Issue Discount Senior Secured Convertible Promissory Note

<u>Original Notes</u>
Following the closing of the Reverse Merger in December 2009, the Company issued 26.6 units in the 2009 Private Placement consisting of an aggregate of $2,660,000 of 2009 Notes and 2009 Warrants exercisable into an aggregate of 2,660,000 shares of common stock exercisable at $1.25 per share, for $50,000 per unit for aggregate proceeds to the Company of $990,000. In addition, placement agent warrants to purchase an aggregate of 725,300 shares of common stock exercisable at $1.05 per share were issued. The 2009 Notes are secured by a first-priority security interest in the assets of the Company. Holders of the 2009 Notes and warrants issued in the 2009 Private Placement also have the right to "piggyback" registration of the shares underlying the 2009 Notes and warrants.

Prior to the amendment and restatement of the 2009 Notes, the 2009 Notes were originally due December 31, 2011 and convertible at the option of the holder, into shares of the Company's common stock at an initial conversion rate of $1.00 per share.

Note 7 – Original Issue Discount Senior Secured Convertible Promissory Note (continued)

Amended Notes

On December 29, 2011, the Company entered into amendment agreements with holders of the 2009 Notes and 2009 Warrants. Pursuant to the terms of the amendment agreements, (i) 2009 Notes in the aggregate principal amount of $260,000 were converted into an aggregate of 1,040,000 shares of common stock of the Company at an adjusted conversion price of $0.25 per share, (ii) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to extend the maturity dates from December 31, 2011 to December 31, 2012 and 2009 Notes in the aggregate principal amount of the remaining $400,000 were amended to extend the maturity date from December 31, 2011 to December 31, 2013, (iii) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to adjust the conversion price of such notes from $1.00 per share to $0.25 per share, (iv) 2009 Notes in the aggregate principal amount of $400,000 were amended to provide that such notes shall, from January 1, 2012 onwards, bear interest at the rate of 10% per annum payable on a quarterly basis, upon conversion and at maturity and that such interest may, at the option of the Company, be paid in cash or in shares of common stock of the Company at the interest conversion rate of 90% of the volume weighted average price of the common stock of the Company during the 20 trading days prior to the interest payment date, (v) an aggregate of 1,300,000 shares of common stock of the Company were issued to certain holders of the 2009 Notes.

Effective December 21, 2012, the 2009 Notes as described in the preceding paragraph were amended. Pursuant to the terms of the amendment agreements, (i) 2009 Notes in the aggregate principal amount of $2,000,000 were amended to extend the maturity dates from December 31, 2012 to June 30, 2013 for $1,000,000 of the balance and December 31, 2013 for the remaining $1,000,000, (ii) 2009 Notes in the aggregate principal amount of $400,000 were amended to adjust the conversion price of such notes from $1.00 to $0.25, (iii) 2009 Notes in the aggregate principal of $2,000,000 were amended to provide that such notes shall, from January 1, 2013 onwards, bear interest at the rate of 10% per annum payable on a quarterly basis, upon conversion and at maturity and that such interest may, at the option of the Company, be paid in cash or in shares of common stock of the Company at the interest conversion rate of 90% of the volume weighted average price of the common stock of the Company during the 20 trading days prior to the interest payment date, (iv) the exercise price of the 2009 Warrants to purchase an aggregate of 3,385,300 shares of common stock was adjusted from $0.50 per share to $0.25 per share.

On June 27, 2013, holders of 2009 Notes in the aggregate principal amount of $1,000,000 agreed to extend the maturity date of the notes from June 30, 2013 to December 31, 2013.

As of September 30, 2013, the Company issued 4,052,827 shares of its common stock in lieu of interest payments in the aggregate of $160,000 relating to the 2009 Notes in the aggregate principal of $2,400,000.

As of September 30, 2013, the entire $2,400,000 balance of the amended 2009 Notes remains outstanding. In the transaction, the Company recognized a discount of $1,670,000 which was amortized over the original life of the 2009 Notes. The discount represented the original issue discount. In addition, the Company determined that the value of the warrants in the transaction of $412,830 as a discount to the 2009 Notes. This discount was being amortized as well over the original life of the 2009 Notes.

Note 7 – Original Issue Discount Senior Secured Convertible Promissory Note (continued)

The net value of the 2009 Notes of $2,400,000 is included in the consolidated balance sheet at December 31, 2012. As of September 30, 2013, $2,400,000 of the 2009 Notes are classified as a current liability. The modifications made to the debt instruments, did not constitute a material modification under ASC 470-50. The Company recorded the value of the shares as an expense in the consolidated statements of operations for the year ended December 31, 2011.

Note 8 – Provision for Income Taxes

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

As of September, 2013, there is no provision for income taxes, current or deferred.

	September 30, 2013
Net operating losses	$ 953,000
Valuation allowance	(953,000)
	$ -

At September 30, 2013, the Company had a net operating loss carry forward in the amount of approximately $2,801,000 available to offset future taxable income through 2033. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

A reconciliation of the Company's effective tax rate as a percentage of income before taxes and federal statutory rate for the year ended September 30, 2013 is summarized below.

Federal statutory rate	(34.0)%
State income taxes, net of federal	0.0
Valuation allowance	34.0
	0.0%

Note 9 – Commitments and Contingencies

Office Lease

The Company leases office space at two locations that expire between January 31, 2014 and December 31, 2015. Rent expense for the Company's facilities for the nine months ended September 30, 2013 and 2012 totaled $12,864 and $13,016, respectively.

The future minimum lease payments due under the above mentioned non-cancelable lease agreements are as follows:

Year ending December 31,	
2013	$ 4,299
2014	5,063
2015	3,960
	$ 13,322

Contract Related Fees

As part of the contract to develop its products, the Company has agreed to pay the contractor 1.5% of future New York state manufactured sales, and 5% of future non-New York state manufactured sales until the entire funds paid by the contractor have been repaid, or 15 years, whichever comes first. As of September 30, 2013, the Company has $2,733,934 of contract related expenses, all of which will be owed to the contractor, contingent upon the sale of the Company's product.

Note 10 - Concentration of Credit Risk

The Company maintains its cash in one bank deposit account, which at times may exceed the federally insured limits of $250,000 that exist through December 31, 2013. At September 30, 2013, the Company did not have any uninsured deposits.

Note 10 - Concentration of Credit Risk (continued)

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The Company extends credit based on the customers' financial conditions. The Company does not require collateral or other security to support customer receivables. Credit losses, when realized, have been within the range of management's expectations. To further reduce credit risk associated with accounts receivable, the Company performs periodic credit evaluations of its customers.

Concentrations in Accounts Receivable:	September 30, 2013	September 30, 2012
Customer A	57%	63%
Customer B	26%	32%
Customer C	10%	*

Concentrations in Revenue:	September 30, 2013	September 30, 2012
Customer A	46%	*
Customer B	41%	57%
Customer C	10%	40%

* Customer did not exceed 10% for respective year

Note 11 - Fair Value Measurements

The Company adopted certain provisions of ASC Topic 820. ASC 820 defines fair value, provides a consistent framework for measuring fair value under generally accepted accounting principles and expands fair value financial statement disclosure requirements. ASC 820's valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. ASC 820 classifies these inputs into the following hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets consist of cash and cash equivalents.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 11 - Fair Value Measurements (continued)

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

September 30, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 181,932	$ -	$ -	$ 181,932
Total assets	$ 181,932	$ -	$ -	$ 181,932
Original Issue Discount Senior Secured Convertible Promissory Notes	$ -	$ -	$ 2,400,000	$ 2,400,000
Total liabilities	$ -	$ -	$ 2,400,000	$ 2,400,000

December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Level 4**
Cash	$ 135,626	$ -	$ -	$ 135,626
Total assets	$ 135,626	$ -	$ -	$ 135,626
Original Issue Discount Senior Secured Convertible Promissory Notes	$ -	$ -	$ 2,400,000	$ 2,400,000
Total liabilities	$ -	$ -	$ 2,400,000	$ 2,400,000

Note 11 - Fair Value Measurements (continued)

	Original Issue Discount Senior Secured Convertible Promissory Notes
Balance, January 1, 2011	$ 1,459,209
Realized gains/(losses)	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	-
Purchases, sales, issuances and settlements, net	-
Discount on notes	-
Amortization of discount on notes	1,200,791
Conversion of notes to common stock	(260,000)
Balance, December 31, 2011	$ 2,400,000
Realized gains/(losses)	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	-
Purchases, sales, issuances and settlements, net	-
Discount on notes	-
Amortization of discount on notes	-
Balance, December 31, 2012	$ 2,400,000
Balance, September 30, 2013	$ 2,400,000

Note 12 – Subsequent Events

On October 29, 2013, the Company issued 1,398,601 shares of common stock for payment of interest in lieu of cash.

On October 29, 2013, the Company issued 131,965 shares of common stock for services rendered in lieu of cash.

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

Forward-Looking Statements

The information in this report contains forward-looking statements. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as "believes," "estimates," "could," "possibly," "probably," anticipates," "projects," "expects," "may," "will," or "should" or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management's current expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations.

The following discussion and analysis should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

Overview

We are a development stage company focused on developing and commercializing thin film solar cell technologies that employ nanostructured materials and designs. We are pioneering the development of thin film, high efficiency solar cells for applications such as power generation for electrical grids as well as for local applications, including lighting, heating, traffic control, irrigation, water distillation, and other residential, agricultural and commercial uses.

We intend to become a highly competitive, low cost provider of terrestrial photovoltaic cells for both civilian and military applications. These cells will be based on low cost substrates such as glass and flexible substrates such as stainless steel. Our primary goal is to introduce a product which offers significant cost savings per watt over traditional silicon based solar cells. To date, we have not generated material revenues or earnings as a result of our activities.

Results of Operations

Our revenues are derived from research and development grants and contracts awarded to the Company by government and private sector.

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

Revenues

Currently we are in our development stage and have recorded $126,545 of revenue for the three months ended September 30, 2013 compared to $205,030 of revenue for the three months ended September 30, 2012, a decrease of $78,485 or 38.28%. We anticipate emerging from the development stage in fiscal 2014. The revenue recorded is from research and development grants or contracts to develop solar cells using Magnolia's technology.

Cost of Revenues

Cost of revenues for the three months ended September 30, 2013 were $67,900 as compared to $132,505 for the three months ended September 30, 2012, representing a decrease of $64,605, or 48.76%. Cost of revenues were comprised of direct labor, direct travel, materials, and subcontractor costs for the solar cell development. The decrease in cost of revenues for this period was attributable to a reduction in the amount of subcontractor costs.

Operating Expenses

<u>Indirect and Administrative Labor</u>

Indirect and administrative labor expense for the three months ended September 30, 2013 was $34,026 as compared to $46,813 for the three months ended September 30, 2012, a decrease of $12,787 or 27.32%. Indirect labor and benefits were comprised of wages for the administrative staff, payroll taxes, health insurance, disability insurance, indirect travel, other administrative expenses and provision for vacation time. The decrease in indirect and administrative expenses for this period was primarily attributable to a decrease in indirect labor, health insurance and travel costs.

Professional Fees

Professional fees for the three months ended September 30, 2013 were $25,041 as compared to $280,298 for the three months ended September 30, 2012, representing a decrease of $255,257, or 91.07%. Professional fees were comprised of accounting, business services, public relations, audit, and legal fees. The decrease in professional fees for this period was primarily the result of a reduction in expense attributed to the issuance of stock for services.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended September 30, 2013 were $8,990 as compared to $9,498 for the three months ended September 30, 2012, representing a decrease of $508 or 5.35%. Depreciation and amortization expense was comprised of amortization of the license fee paid for the technology license, amortization of the debt issue, and depreciation on the property and equipment. The decrease in depreciation and amortization expense for this period was attributable to decrease of depreciation expense.

General and Administrative

General and administrative expense for the three months ended September 30, 2013 was $11,272 as compared to $11,100 for the three months ended September 30, 2012, an increase of $172 or 1.55%. General and administrative expense was comprised of expenses for office lease, computer, office supplies, dues and subscriptions, worker's compensation, disability insurance, printing, telephone, business meals, repairs and maintenance, public relations, advertising, state income taxes, business gifts and other miscellaneous items. The increase in general and administrative expense for this period was attributable to an increase in dues and subscriptions.

Interest Expense

Interest expense for the three months ended September 30, 2013was $59,949 as compared to $9,948 for the three months ended September 30, 2012, representing an increase of $50,001, or 502.62%. Interest expense was comprised of interest incurred on outstanding long-term debt. The increase in interest expense during this period was attributable to the extension of the debt and changes in terms to those agreements.

Net Loss

Our net loss for the three months ended September 30, 2013 was $80,633, as compared to $285,132 for the three months ended September 30, 2012, representing a decrease of $204,499, or 71.72%.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

Revenues

Currently we are in our development stage and have recorded $669,784 of revenue for the nine months ended September 30, 2013 compared to $492,761 of revenue for the nine months ended September 30, 2012, an increase of $177,023 or 35.92%. We anticipate emerging from the development stage in fiscal 2014. The revenue recorded is from research and development grants or contracts to develop solar cells using Magnolia's technology.

Cost of Revenues

Cost of revenues for the nine months ended September 30, 2013 were $413,978 as compared to $319,526 for the nine months ended September 30, 2012, representing an increase of $94,452, or 29.56%. Cost of revenues were comprised of direct labor, direct travel, materials, and subcontracts for the solar cell development. The increase in cost of revenues for this period was attributable to additional direct labor and subcontractor costs.

Operating Expenses

Indirect and Administrative Labor

Indirect and administrative labor expense for the nine months ended September 30, 2013 was $107,783 as compared to $135,880 for the nine months ended September 30, 2012, a decrease of $28,097 or 20.68%. Indirect labor and benefits were comprised of wages for the administrative staff, payroll taxes, health insurance, disability insurance, indirect travel, other administrative expenses and provision for vacation time. The decrease in indirect and administrative expenses for this period was primarily attributable to a decrease in indirect labor and health insurance costs.

Professional Fees

Professional fees for the nine months ended September 30, 2013 were $133,374 as compared to $705,206 for the nine months ended September 30, 2012, representing a decrease of $571,832, or 81.09%. Professional fees were comprised of accounting, business services, public relations, audit, and legal fees. The decrease in professional fees for this period was primarily the result of a reduction in expense attributed to the issuance of stock for services.

Depreciation and Amortization Expense

Depreciation and amortization expense for the nine months ended September 30, 2013 were $27,461 as compared to $28,497 for the nine months ended September 30, 2012, representing a decrease of $1,036 or 3.64%. Depreciation and amortization expense was comprised of amortization of the license fee paid for the technology license, amortization of the debt issue, and depreciation on the property and equipment. The decrease in depreciation and amortization expense for this period was attributable to decrease of depreciation expense.

General and Administrative

General and administrative expense for the nine months ended September 30, 2013 was $33,764 as compared to $37,129 for the nine months ended September 30, 2012, a decrease of $3,365 or 9.06%. General and administrative expense was comprised of expenses for office lease, computer, office supplies, dues and subscriptions, worker's compensation, disability insurance, printing, telephone, business meals, repairs and maintenance, public relations, advertising, state income taxes, business gifts and other miscellaneous items. The decrease in general and administrative expense for this period was attributable to a reduction in public relations expense.

Interest Expense

Interest expense for the nine months ended September 30, 2013was $179,900 as compared to $29,803 for the nine months ended September 30, 2012, representing an increase of $150,097, or 503.63%. Interest expense was comprised of interest incurred on outstanding long-term debt. The increase in interest expense during this period was attributable to the extension of the debt and changes in terms to those agreements.

Net Loss

Our net loss for the nine months ended September 30, 2013 was $222,476, as compared to $763,280 for the nine months ended September 30, 2012, representing a decrease of $540,804, or 70.85%.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

To date we have financed our operations through internally government grants, the sale of our common stock and the issuance of debt.

At September 30, 2013 and December 31, 2012 we had cash of $181,932 and $135,626, respectively and working capital deficit of $2,424,557 and $2,380,702, respectively. The decrease in working capital was due to increase in the accruals. The opinion of our independent registered public accounting firm on our audited financial statements as of and for the year ended December 31, 2012 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising capital from financing transactions.

Net cash and cash equivalents provided by from operating activities was $46,306 for the nine months ended September 30, 2013, as compared to net cash used in operating activities of $87,326 for the nine months ended September 30, 2012. The increase in net cash provided by operating activities was attributable to increase in accounts payable coupled with a decrease in accounts receivable.

There were no investing activities for the nine months ended September 30, 2013 or September 30, 2012. There was no cash used in investing activities because we did not add to plant and equipment.

There were no financing activities for the nine months ended September 30, 2013 or September 30, 2012. There were no capital raising transactions during the reporting period.

Since our inception, we have experienced negative cash flow from operations and expect to experience significant negative cash flow from operations in the future. In addition, we have original issue discount notes in the aggregate principal of $2,400,000 that matures on December 31, 2013. Such indebtedness is secured by substantially all of our assets. If we were to default on our indebtedness, then holders of the notes may foreclose on the debt and seize our assets which may force us to suspend or cease operations altogether.

We will need to raise additional funds in the future so that we can expand our operations and repay our indebtedness due under the original issue senior secured notes. Therefore our continuation as a going concern is dependent on our ability to obtain necessary equity funding to continue operations. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, government grants or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we may have to curtail our development plans and possibly cease our operations altogether.

Off-Balance Sheet Arrangements

Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

N/A.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Control Over Financial Reporting. During the most recent quarter ended September 30, 2013, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act)) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

ITEM 1A. RISK FACTORS.

We have incurred substantial indebtedness that matures on December 31, 2013 and if we were to default, we could be forced to suspend or cease operations altogether.

We have very limited funds and we have $2,400,000 of original issue discount senior secured convertible notes that mature on December 31, 2013. Such indebtedness is secured by substantially all of our assets. We intend to negotiate with the holders of the notes an extension of the maturity date or an agreement to convert the debt into equity. There can be no assurances that we will be successful in reaching satisfactory agreements with holders of the notes or that we will reach agreement at all. Furthermore, our ultimate success depends upon our ability to raise additional capital. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. If we were to default on our indebtedness, then holders of the notes may foreclose on the debt and seize our assets which may force us to suspend or cease operations altogether.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

N/A.

ITEM 5. OTHER INFORMATION.

The following disclosure would have otherwise been filed on Form 8-K under the heading “Item 3.02 Unregistered Sales of Equity Securities”:

On October 29, 2013, we issued 1,398,601 shares of common stock for payment of interest in lieu of cash.

The securities were offered and sold pursuant to an exemption from the registration requirements under Section 4(2) of the Securities Act of 1933, as amended and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

ITEM 6. EXHIBITS.

Exhibit Number	Description of Exhibit
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification of Principal Executive Officer
32.2	Section 906 Certification of Principal Financial Officer
101	The following materials from Magnolia Solar Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Changes in Stockholders’ Equity (Deficit), (iv) the Consolidated Statements of Cash Flow, and (iv) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAGNOLIA SOLAR CORPORATION

Date: November 12, 2013

By: /s/ Dr. Ashok K. Sood
Dr. Ashok K. Sood
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 12, 2013

By: /s/ Dr. Yash R. Puri
Dr. Yash R. Puri
Executive Vice-President, Chief Financial Officer and Director (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dr. Ashok K. Sood, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Magnolia Solar Corporation;

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

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

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

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

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

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

Date: November 12, 2013

/s/ Dr. Ashok K. Sood
Dr. Ashok K. Sood
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dr. Yash R. Puri, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Magnolia Solar Corporation;

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

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

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

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

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

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

Date: November 12, 2013

/s/ Dr. Yash R. Puri

Dr. Yash R. Puri
Executive Vice-President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S. C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Magnolia Solar Corporation, (the ''Company'') on Form 10-Q for quarter ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, Dr. Ashok K. Sood, President and 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 my knowledge:

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

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

Date: November 12, 2013

/s/ Dr. Ashok K. Sood
Dr. Ashok K. Sood
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO 18 U.S. C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Magnolia Solar Corporation, (the ''Company'') on Form 10-Q for quarter ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, Dr. Yash R. Puri, Executive Vice-President and Chief 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 my knowledge:

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

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

Date: November 12, 2013

/s/ Dr. Yash R. Puri

Dr. Yash R. Puri
Executive Vice-President and Chief Financial
Officer (Principal Financial Officer)