

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Magnolia Solar Corp

Form: 10-K/A

Date Filed: 2013-12-24

Corporate Issuer CIK:	1437491
Symbol:	MGLT
SIC Code:	7389
Fiscal Year End:	12/31

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

Form 10-K /A
(Amendment No. 1)

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 333-151633

Magnolia Solar Corporation
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

39-2075693
(I.R.S. Employer Identification No.)

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

01801
(Zip Code)

Registrant's telephone number, including area code **(781) 497-2900**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$1,285,039.

As of March 12, 2013, there were 28,378,141 shares of common stock, par value \$0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

Explanatory Note

This Amendment No. 1 on Form 10-K/A (this "Amendment") is being filed by Magnolia Solar Corporation (the "Company") to amend its Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on March 28, 2013 (the "Original Filing"). This Amendment is being filed solely to (i) provide an updated audit report in which the Company's auditor has revised its opinion in the audit report filed with the Original Filing to change the word "significant" to "substantial" in the last paragraph of the audit report, and (ii) include Exhibit 23.1 of the Company's auditor which was inadvertently omitted from the Original Filing. The Company has included in this Amendment the complete text of Item 8 with the revised audit report, however no changes have been made to the financial statements appearing herein.

Except for the foregoing, the Original Filing remains unchanged. This Amendment does not reflect any events that may have occurred subsequent to the Original Filing of March 28, 2013, nor does it modify or otherwise update in any way the disclosures made in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing.

Item 8. Financial Statements and Supplementary Data.



Report of Independent Registered Public Accounting Firm

To the Directors of
Magnolia Solar Corporation

We have audited the accompanying consolidated balance sheets of Magnolia Solar Corporation (the "Company") (a development stage company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years ended December 31, 2012 and 2011 and period January 8, 2008 (Inception) through December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Magnolia Solar Corporation (a development stage company) as of December 31, 2012 and 2011, and the results of its consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years ended December 31, 2012 and 2011 and period January 8, 2008 (Inception) through December 31, 2012 in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is in process of continuing its development of its thin film solar cell technology and has substantial losses as a result of this. The lack of profitable operations raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KBL, LLP

/s/KBL, LLP
New York, NY
March 28, 2013

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND DECEMBER 31, 2011

ASSETS

	December 31, 2012	December 31, 2011
CURRENT ASSETS		
Cash	\$ 135,626	\$ 255,862
Accounts receivable	267,116	247,110
Prepaid expense	1,417	1,417
Total current assets	<u>404,159</u>	<u>504,389</u>
Fixed assets, net	1,737	4,084
OTHER ASSETS		
License with Related Party, net of accumulated amortization	190,133	225,783
Total other assets	<u>190,133</u>	<u>225,783</u>
TOTAL ASSETS	<u><u>\$ 596,029</u></u>	<u><u>\$ 734,256</u></u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 384,861	\$ 316,517
Current portion of Original Issue Discount Senior Secured Convertible Promissory Note, net of discount	2,400,000	2,000,000
Total current liabilities	<u>2,784,861</u>	<u>2,316,517</u>
Original Issue Discount Senior Secured Convertible Promissory Note, net of discount, net of current portion	-	400,000
TOTAL LIABILITIES	<u>2,784,861</u>	<u>2,716,517</u>
STOCKHOLDERS' DEFICIT		
Common stock, \$0.001 par value, 75,000,000 shares authorized, 28,167,063 and 26,670,000 shares issued and outstanding	28,167	26,670
Additional paid in capital	1,747,583	1,029,080
Additional paid in capital - warrants	962,297	962,297
Deficit accumulated during the development stage	(4,926,879)	(4,000,308)
Total stockholders' deficit	<u>(2,188,832)</u>	<u>(1,982,261)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u><u>\$ 596,029</u></u>	<u><u>\$ 734,256</u></u>

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
AND FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH DECEMBER 31, 2012

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011	JANUARY 8, 2008 (INCEPTION) THROUGH DECEMBER 31, 2012
REVENUE	\$ 648,477	\$ 675,971	\$ 2,064,151
COST OF REVENUES	<u>415,004</u>	<u>378,061</u>	<u>1,286,329</u>
GROSS PROFIT	<u>233,473</u>	<u>297,910</u>	<u>777,822</u>
OPERATING EXPENSES			
Indirect and administrative labor	192,083	232,323	580,489
Professional fees	731,254	195,770	1,390,929
Depreciation and amortization expense	37,997	389,545	782,694
General and administrative	164,254	519,761	831,980
Total operating expenses	<u>1,125,588</u>	<u>1,337,399</u>	<u>3,586,092</u>
NON-OPERATING (INCOME) EXPENSES			
Interest expense including amortization of OID and debt discount, net	39,754	1,200,142	2,123,907
Forgiveness of debt	<u>(5,298)</u>	<u>-</u>	<u>(5,298)</u>
Total non-operating (income) expenses	<u>34,456</u>	<u>1,200,142</u>	<u>2,118,609</u>
NET LOSS	<u>\$ (926,571)</u>	<u>\$ (2,239,631)</u>	<u>\$ (4,926,879)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>27,179,474</u>	<u>24,190,192</u>	
NET LOSS PER SHARE	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH DECEMBER 31, 2012
(INCLUDING MOBILIS RELOCATION SERVICES - PRE-MERGER)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Additional Paid-In Capital - Warrants</u>	<u>Deficit Accumulated During the Development Stage</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
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	35,500	-	-	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)	(31,115)
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	<u>28,167,063</u>	<u>\$ 28,167</u>	<u>\$ 1,747,583</u>	<u>\$ 962,297</u>	<u>\$ (4,926,879)</u>	<u>\$ (2,188,832)</u>

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
AND FOR THE PERIOD JANUARY 8, 2008 (INCEPTION) THROUGH DECEMBER 31, 2012

	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011	JANUARY 8, 2008 (INCEPTION) THROUGH DECEMBER 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (926,571)	\$ (2,239,631)	\$ (4,926,879)
Adjustments to reconcile net loss			
to net cash used in operating activities:			
Depreciation and amortization expense	37,997	389,545	782,694
Common stock issued for services rendered	690,000	78,750	851,250
Common stock issued for penalty shares in the amendment of the OID Notes	-	273,000	273,000
Common stock issued for payment of interest	30,000	-	30,000
Warrants issued for services rendered	-	94,491	94,491
Amortization of original issue discount and debt discount	-	1,200,791	2,082,830
Forgiveness of debt	(5,298)	-	(5,298)
Change in assets and liabilities			
(Increase) in accounts receivable	(20,006)	(128,959)	(267,115)
(Increase) in prepaid expenses	-	-	(1,417)
Increase (decrease) in accounts payable and accrued expenses	73,642	157,290	390,158
Total adjustments	806,335	2,064,908	4,230,593
Net cash used in operating activities	(120,236)	(174,723)	(696,286)
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	(120,236)	(174,723)	135,626

CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>255,862</u>	<u>430,585</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 135,626</u>	<u>\$ 255,862</u>	<u>\$ 135,626</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the period for:			
Interest	\$ -	\$ -	\$ 1,371

NON-CASH SUPPLEMENTAL INFORMATION:

Stock issued for services rendered	\$ 690,000	\$ 78,750	\$ 851,250
Stock issued for penalty shares for the amendment of the OID Notes	\$ -	\$ 273,000	\$ 273,000
Stock issued for payment of interest	\$ 30,000	\$ -	\$ 30,000
Stock issued in conversion of OID Notes	\$ -	\$ 260,000	\$ 260,000
Warrants issued for services rendered	\$ -	\$ 94,491	\$ 94,491
Amortization of original issue discount and debt discount	\$ -	\$ 1,200,791	\$ 2,082,830

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

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 – Organization and Nature of Business

Nature of Business

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 applications relating to the technologies under development.

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 \$926,571 and \$2,239,631 for the years ended December 31, 2012 and 2011, respectively, and \$4,926,879 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 December 31, 2012 and December 31, 2011, it had cash of \$135,626 and \$255,862, 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.

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

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.

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2 - Summary of Significant Accounting Policies

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.

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 December 31, 2012. The Company does not charge interest on past due accounts.

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 (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 December 31, 2012.

Fair Value of Financial Instruments

In accordance with ASC 820, 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.

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Net loss	\$ (926,571)	\$ (2,239,631)
Weighted-average common shares outstanding (Basic)	27,179,474	24,190,192
Weighted-average common stock Equivalents		
Stock options	-	-
Warrants	<u>3,785,300</u>	<u>3,785,300</u>
Weighted-average common shares outstanding (Diluted)	<u>30,964,774</u>	<u>27,975,492</u>

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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. It does not anticipate that it will 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. It does not anticipate that it will have a material impact on the Company’s results of operations, cash flows or financial position.

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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. Adoption of this guidance is not expected to 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.

MAGNOLIA SOLAR CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

MAGNOLIA SOLAR CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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.

As of December 31, 2012, the Company had 28,167,063 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. Effective 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 December 31, 2012.

As of December 31, 2012, 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

MAGNOLIA SOLAR CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31, 2012 and December 31, 2011:

	December 31, 2012	December 31, 2011
Office equipment and computers	\$ 6,106	\$ 6,106
Furniture and fixtures	2,182	2,182
	<u>8,288</u>	<u>8,288</u>
Accumulated depreciation	(6,551)	(4,204)
	<u>\$ 1,737</u>	<u>\$ 4,084</u>

The Company incurred \$2,347 and \$2,348, respectively, in depreciation expense for each of the years ended December 31, 2012 and 2011.

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. Amortization expense for the years ended December 31, 2012 and 2011 was \$0 and \$351,548, respectively. As of December 31, 2012, 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 December 31, 2012 was \$166,367. Amortization expense for each of the years ended December 31, 2012 and 2011 was \$35,650. 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 December 31, 2012.

MAGNOLIA SOLAR CORPORATION
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Note 7 – Original Issue Discount Senior Secured Convertible Promissory Note

Original Notes

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.

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. As of December 31, 2012, the Company issued 342,063 shares of its common stock in lieu of interest payments in the aggregate of \$30,000 relating to the 2009 Notes in the aggregate principal of \$400,000 and accrued interest expense of \$10,000, relating to the 2009 Notes in the aggregate principal amount of \$400,000, will be paid by the issuance of approximately 211,078 shares of common stock.

MAGNOLIA SOLAR CORPORATION
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DECEMBER 31, 2012

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

As of December 31, 2012, 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. The net value of the 2009 Notes of \$2,400,000 is included in the consolidated balance sheet at December 31, 2012. As of December 31, 2012, \$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.

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 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.

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 December 31, 2012, there is no provision for income taxes, current or deferred.

December 31, 2012	
Net operating losses	\$ 875,500
Valuation allowance	(875,500)
	<u>\$ -</u>

MAGNOLIA SOLAR CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 8 – Provision for Income Taxes (continued)

At December 31, 2012, the Company had a net operating loss carry forward in the amount of approximately \$2,575,000 available to offset future taxable income through 2032. 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 December 31, 2012 is summarized below.

Federal statutory rate	(34.0)%
State income taxes, net of federal	0.0
Valuation allowance	34.0
	<u>0%</u>

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 years ended December 31, 2012 and 2011 totaled \$17,316 and \$17,363, respectively.

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

Year ending December 31,

2013	17,229
2014	5,156
2015	4,053
	<u>\$ 26,438</u>

Contract Related Fees

As part of the contract to develop its products, the Company has agreed to pay the contractor from New York 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 December 31, 2012 the Company has \$1,149,535 of contract related expenses paid by the New York contractor, all of which will be owed to the contractor, contingent upon the sale of the Company's product.

MAGNOLIA SOLAR CORPORATION
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DECEMBER 31, 2012

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 December 31, 2012, the Company did not have any uninsured deposits.

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.

	December 31, 2012	December 31, 2011
Concentrations in Accounts Receivable		
Customer A	55%	60%
Customer B	29%	40%
Customer C	16%	-
	December 31, 2012	December 31, 2011
Concentrations in Revenue		
Customer A	55%	15%
Customer B	36%	62%
Customer C	-	15%

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.

MAGNOLIA SOLAR CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 11 - Fair Value Measurements (continued)

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

December 31, 2012	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
December 31, 2011	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 255,862	\$ -	\$ -	\$ 255,862
Total assets	\$ 255,862	\$ -	\$ -	\$ 255,862
Original Issue Discount				
Senior Secured Convertible				
Promissory Notes	\$ -	\$ -	\$ 2,400,000	\$ 2,400,000
Total liabilities	\$ -	\$ -	\$ 2,400,000	\$ 2,400,000

MAGNOLIA SOLAR CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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	<u>(260,000)</u>
Balance, December 31, 2011	<u>\$ 2,400,000</u>
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	<u>-</u>
Balance, December 31, 2012	<u>\$ 2,400,000</u>

Note 12 – Subsequent Events

On January 29, 2013, the Company issued 211,078 shares of common stock for payment of interest in lieu of cash.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Exhibit No.	Description
23.1	Consent of KBL, LLP
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

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: December 23, 2013

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

Date: December 23, 2013

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

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Ashok K. Sood</u> Dr. Ashok K. Sood	President, Chief Executive Officer and Director (Principal Executive Officer)	December 23, 2013
<u>/s/ Yash R. Puri</u> Dr. Yash R. Puri	Executive Vice-President, Chief Financial Officer and Director (Principal Financial Officer)	December 23, 2013

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 of Magnolia Solar Corporation of our report dated March 28, 2013, relating to the consolidated financial statements which appear in the Form 10-K for the year ended December 31, 2012.

/s/ KBL, LLP
New York, NY
March 28, 2013

**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 annual report on Form 10-K / A of Magnolia Solar Corporation for the fiscal year ended December 31, 2012;
- (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: December 23, 2013

/s/ Dr. Ashok K. Sood

Dr. Ashok K. Sood

President and Chief Executive Officer (Principal Executive Officer)

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 annual report on Form 10-K /A of Magnolia Solar Corporation for the fiscal year ended December 31, 2012;
- (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: December 23, 2013

/s/ Dr. Yash R. Puri

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

**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 Annual Report of Magnolia Solar Corporation, (the "Company") on Form 10-K /A for year ended December 31, 2012 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: December 23, 2013

/s/ Dr. Ashok K. Sood

Dr. Ashok K. Sood

President and Chief Executive Officer (Principal Executive Officer)

**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 Annual Report of Magnolia Solar Corporation, (the "Company") on Form 10-K /A for year ended December 31, 2012 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: December 23, 2013

/s/ Dr. Yash R. Puri

Dr. Yash R. Puri

Executive Vice-President and Chief Financial Officer (Principal Financial Officer)