

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, 2014

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 000-54697

**3DICON CORPORATION**

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

Oklahoma

73-1479206

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

6804 South Canton Avenue, Suite 150, Tulsa, Oklahoma 74136

(Address of principal executive offices) (Zip Code)

Issuer's Telephone Number: (918) 494-0505

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 past 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 for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of November 14, 2014, the issuer had 528,214,972 outstanding shares of Common Stock.

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**PART I**

**Item 1. Financial Statements.**

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**3DIcon CORPORATION**  
**BALANCE SHEETS**  
**September 30, 2014 and December 31, 2013**

	<b>September 30, 2014 (Unaudited)</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 65,849	\$ 70,769
Prepaid expenses	28,174	13,919
<b>Total current assets</b>	<b>94,023</b>	<b>84,688</b>
Deferred debt costs, net	4,375	25,455
Deposits-other	2,315	2,315
<b>Total Assets</b>	<b>\$ 100,713</b>	<b>\$ 112,458</b>
<b>Liabilities and Stockholders' Deficiency</b>		
Current liabilities:		
Current maturities of convertible notes and debentures payable	\$ 507,070	\$ 612,744
Warrant exercise advances	-	185,671
Accounts payable	273,099	140,410
Accrued salaries	121,998	1,713
Accrued interest on debentures	28,235	22,751
<b>Total current liabilities</b>	<b>930,402</b>	<b>963,289</b>
<b>Total Liabilities</b>	<b>930,402</b>	<b>963,289</b>
Common stock subject to put rights and call right, 1,685,714 shares	485,649	485,649
Stockholders' deficiency:		
Preferred stock, Series A convertible, \$0.0002 par value, 500,000 shares authorized; 385,000 and 195,000 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	77	39
Common stock \$0.0002 par, 1,500,000,000 shares authorized; 459,344,419 and 248,191,444 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	91,869	49,638
Additional paid-in capital	19,582,254	18,618,714
Accumulated deficit	(20,989,538)	(20,004,871)
<b>Total Stockholders' Deficiency</b>	<b>(1,315,338)</b>	<b>(1,336,480)</b>
<b>Total Liabilities and Stockholders' Deficiency</b>	<b>\$ 100,713</b>	<b>\$ 112,458</b>

See notes to financial statements

**3DIcon CORPORATION**  
**STATEMENTS OF OPERATIONS**  
**Three and Nine Months Ended September 30, 2014 and 2013**  
**(unaudited)**

	<b>Three Months Ended September 30, 2014</b>	<b>Three Months Ended September 30, 2013</b>	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013</b>
<b>Income:</b>				
License fee	\$ -	\$ -	\$ -	\$ -
Sales	5,000	-	15,000	1,500
Grant income	-	-	46,748	-
<b>Total income</b>	<b>5,000</b>	<b>-</b>	<b>61,748</b>	<b>1,500</b>
<b>Expenses:</b>				
Research and development	48,428	90,035	141,959	280,796
General and administrative	233,841	227,111	850,779	811,964
Interest	10,488	6,239	53,677	59,622
<b>Total expenses</b>	<b>292,757</b>	<b>323,385</b>	<b>1,046,415</b>	<b>1,152,382</b>
<b>Net loss</b>	<b>\$ (287,757)</b>	<b>\$ (323,385)</b>	<b>\$ (984,667)</b>	<b>\$ (1,150,882)</b>
<b>Loss per share:</b>				
Basic and diluted	\$ (0.001)	\$ (0.003)	\$ (0.003)	\$ (0.016)
Weighted average shares outstanding, Basic and diluted	413,267,018	103,714,220	352,697,553	73,495,248

See notes to financial statements

**3DIcon CORPORATION**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY**  
**Year Ended December 31, 2013 and Nine Months ended September 30, 2014 (unaudited)**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>	<u>Paid-In Capital</u>	<u>Deficit During the Development Stage</u>	
Balance, December 31, 2012	-	-	45,934,839	9,187	17,044,786	(18,522,822)	(1,468,849)
Warrants and options exercised	-	-	1,103	1	420,739	-	420,740
Debentures converted	-	-	175,264,242	35,053	533,775	-	568,828
Stock issued for services	-	-	25,892,479	5,178	290,172	-	295,350
Stock issued for liabilities	-	-	1,098,751	219	31,281	-	31,500
Preferred stock and options issued for cash	195,000	39	-	-	267,961	-	268,000
Warrants issued to purchase common stock	-	-	-	-	30,000	-	30,000
Net loss for the period	-	-	-	-	-	(1,482,049)	(1,482,049)
Balance December 31, 2013	195,000	39	248,191,414	49,638	18,618,714	(20,004,871)	(1,336,480)
Warrants and options exercised	-	-	1,207	1	459,979	-	459,980
Debentures converted	-	-	179,748,174	35,950	220,113	-	256,063
Stock issued for services	-	-	28,205,571	5,641	102,859	-	108,500
Stock issued for liabilities	-	-	3,198,053	639	(9,373)	-	(8,734)
Preferred stock and options issued for cash	190,000	38	-	-	155,036	-	155,074
Warrants issued to purchase common stock	-	-	-	-	34,926	-	34,926
Net loss for the period	-	-	-	-	-	(984,667)	(984,667)
Balance September 30, 2014	385,000	\$ 77	459,344,419	\$ 91,869	\$ 19,582,254	\$ (20,989,538)	\$ (1,315,338)

See notes to financial statements

**3DIcon CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**Nine Months Ended September 30, 2014 and 2013**  
**(unaudited)**

	September 30, 2014	September 30, 2013
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (984,667)	\$ (1,150,882)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	108,500	220,350
Amortization of debt issuance costs	66,648	35,219
Depreciation	-	4,280
Change in:		
Accounts receivable	-	13,028
Prepaid expenses and other assets	(14,255)	(13,312)
Accounts payable and accrued liabilities	249,724	84,017
Net cash used in operating activities	<u>(574,050)</u>	<u>(807,300)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from stock and warrant sales, exercise of warrants and warrant exercise advances	464,310	621,810
Proceeds from issuance of debentures, notes and options	220,500	202,500
Cash paid on debentures	<u>(115,680)</u>	<u>-</u>
Net cash provided by financing activities	<u>569,130</u>	<u>824,310</u>
Net change in cash	(4,920)	17,010
Cash, beginning of period	70,769	1,350
Cash, end of period	<u>\$ 65,849</u>	<u>\$ 18,360</u>
<b>Supplemental Disclosures</b>		
<b>Non-Cash Investing and Financing Activities</b>		
Conversion of debentures to common stock (net)	\$ 256,062	\$ 490,150
Cash paid for interest	\$ 2,625	\$ 17,832
Stock issued to satisfy payables	\$ (8,734)	\$ 31,500
Debenture issued to satisfy payable	\$ -	\$ 197,631

See notes to financial statements

**3DIcon CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**  
**(Unaudited)**

**Note 1 – Uncertainties and Use of Estimates**

*Basis of Presentation*

The accompanying financial statements of 3DIcon Corporation (the “Company”) have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the 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. The Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's year-end audited financial statements and related footnotes included in the previously filed 10-K. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of September 30, 2014, and the statements of its operations for the three and nine months ended September 30, 2014 and September 30, 2013, and cash flows for the nine month periods ended September 30, 2014 and 2013. The results of operations for interim periods may not be indicative of the results which may be realized for the full year.



### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from the estimates and assumptions used.

### *Revenue Recognition*

Revenues from software license fees are accounted for in accordance with Accounting Standards Codification (“ASC”) 985-605, “Software Revenue Recognition”. The Company recognizes sales revenue when (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the sales price is fixed or determinable; and (iv) collectability is reasonably assured.

Grant revenue is recognized when earned.

### *Recent Accounting Pronouncements*

In June 2014, the FASB issued “Development Stage Entities – Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation” (“ASU 2014-10”). ASU 2014-10 eliminates the concept of a development stage entity, thereby eliminating the financial reporting distinction between development stage entities and other reporting entities. As a result of the elimination, certain financial reporting disclosures have been eliminated as well, including the presentation of inception-to-date information and the labeling of financial statements as those of a development stage entity. ASU 2014-10 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption of this standard is permitted, and we adopted the standard as of July 1, 2014. Subsequent to the adoption of ASU 2014-10, the Company no longer presents inception-to-date information in our statements of operations, cash flows, and stockholders’ equity.

### *Uncertainties*

The accompanying financial statements have been prepared on a going concern basis. The Company is in the development stage and has insufficient revenue and capital commitments to fund the development of its planned product and to pay operating expenses.

The Company has realized a cumulative net loss of \$20,989,538 for the period from inception (January 1, 2001) to September 30, 2014, and a net loss of \$984,667 and \$1,150,882 for the nine months ended September, 2014 and 2013, respectively.

The ability of the Company to continue as a going concern depends on the successful completion of the Company's capital raising efforts to fund the development of its planned products. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management plans to fund the future operations of the Company with existing cash of \$65,849 grants and investor funding. Under the terms of the Golden State 4.75% Convertible Debenture due on December 31, 2014, Golden State is obligated to submit conversion notices in an amount such that Golden State receives 1% of the outstanding shares of the Company every calendar quarter for a period of one year. In connection with each conversion, Golden State is expected to simultaneously exercise a percentage of warrants equal to the percentage of the principal being converted. The warrants are exercisable at \$381.50 per share. The number of warrants exercisable is subject to certain beneficial ownership limitations contained in the 4.75% Convertible Debenture (“the Beneficial Ownership Limitations”). The Beneficial Ownership Limitations prevent Golden State from converting on the 4.75% Convertible Debenture or exercising warrants if such conversion or exercise would cause Golden State’s holdings to exceed 9.99% of the Company’s issued and outstanding common stock. Subject to the Beneficial Ownership Limitations and provided that Golden State is able to sell the shares under Rule 144, Golden State is required to convert \$85.71 of the 4.75% Convertible Debenture and exercise 857 warrants per month. Based upon the current stock price, the issued and outstanding shares as of September 30, 2014 and ignoring the impact of the Beneficial Ownership Limitations, the Company may receive up to \$327,000 per month in funding from Golden State as a result of warrant exercises. Due to the Beneficial Ownership Limitations, the Company received \$274,310 in advances from Golden State during the nine-month period ended September 30, 2014. Such advances are recorded within warrant exercise advances on the balance sheets when received.

On July 2, 2013, the Company was awarded a \$300,000 grant in the 2013 Oklahoma Applied Research Support competition sponsored by the Oklahoma Center for the Advancement of Science and Technology ("OCAST"). The grant is being used to support the development of the Company's first Product Platform, which will be the basis for a family of products based on the Company's CSpace® volumetric 3D display technology (see Note 3).

#### *Joint Development Agreement with Schott Defense*

As part of the Company's federal funding strategy, the Company intends to effectively compete by forming interdisciplinary teams with potential strategic partners (large and small), academic and commercial laboratories, and systems integrators providing integrated data visualization solutions. The first of these partnerships was reached in March 2014 when the Company signed a Joint Development Agreement with Schott Defense, a federally focused subsidiary of Schott North America.

Additionally, the Company is continuing to pursue financing through private offering of debt or common stock.

#### **Note 2 – Sponsored Research Agreement ("SRA") Common Stock Subject to Put Rights and Call Right**

Since April 20, 2002, the Company has entered into a number of SRA's with the University of Oklahoma ("OU") as follows:

Phase I: "Pilot Study to Investigate Digital Holography," April 20, 2004. The Company paid OU \$14,116.

Phase II: "Investigation of 3-Dimensional Display Technologies," April 15, 2005, as amended. The Company paid OU \$528,843.

Phase III: "3-Dimensional Display Development." The Company made partial payment to OU by issuing 121,849 post-split equivalent shares (4,264,707 pre-split shares) with a market price of \$290,000 on October 14, 2008 and final payment on December 1, 2010 in the amount of \$525,481 of which \$40,481 was in cash and 1,685,714 post-split equivalent shares (59,000,000 pre-split) of Company stock (the "Shares"). The Shares are subject to an OU 'put' right and a 3DIcon 'call' right.

#### OU "Put" Rights on the Shares

First "put" period: December 1, 2012 to November 30, 2013. If the shares (held plus previously sold) are valued at less than \$100,000 then OU can "put" one-tenth of the shares for \$50,000 plus accrued interest retro-active to December 1, 2012 less the value of sold shares. OU currently holds 1,807,563 post-split shares with a market value of less than \$100,000. Under the terms of put rights, the put rights could be exercised by OU and the Company would be obligated to pay OU \$50,000.

Second "put" period: December 1, 2013 to November 30, 2014. If the shares (held & previously sold) are valued at less than \$970,000 then OU can "put" the remaining shares for \$485,000 plus accrued interest retro-active to December 1, 2012 less the value of shares previously sold or redeemed during the first "put."

#### 3DIcon "Call" rights on the Shares

Commencing December 1, 2012, the Company shall have the right to "call" the shares for an amount equal to \$970,000 less the amount (if any) of prior shares by OU including amounts "put" to 3DIcon.

The Company has presented the shares outside of deficit in the mezzanine section of the balance sheets, as the Agreement includes put rights, which are not solely within the control of the Company.

The SRA also amended the previously existing agreements between the Company and OU such that all intellectual property, including all inventions and or discoveries, patentable or un-patentable, developed before July 28, 2008 by OU under the SRA is owned by OU. All intellectual property, including all inventions and/or discoveries, patentable or un-patentable, developed jointly by the Company and OU at any time is jointly owned by the Company and OU. Finally, all intellectual property developed by the Company after July 28, 2008, including all inventions and or discoveries, patentable or un-patentable, is owned by the Company.

### Note 3 – OCAST Grant

In July 2013, the Company was awarded a two year grant from OCAST. This is the second \$300,000 grant received from OCAST. The first grant was completed in August 2012. This matching grant is for a total of \$300,000 and commenced September 1, 2013. The Company received \$46,748 in funding during the nine-month period ended September 30, 2014. The funds are being used to support the development of the Company's first Product Platform, which will be the basis for a family of products based on the Company's CSpace® volumetric 3D display technology.

### Note 4 – Debentures and Notes Payable

Debentures payable consist of the following:

	September 30, 2014	December 31, 2013
<b>Senior Convertible Debentures:</b>		
10% Convertible debentures to Directors due December 2014	\$ 30,000	\$ 30,000
10% Convertible debenture due December 2014	29,007	29,007
4.75% Convertible debenture due December 2014	65,585	69,805
5% Convertible notes due December 2014 (net of \$9,261 and \$19,115 OID)	71,415	123,590
15% Senior Convertible bridge notes due 2014 (net of \$- and \$23,500 OID)	105,000	181,500
10% Convertible debenture due August 14, 2015 (net of \$3,937 OID)	146,063	-
Settlement Agreement 3(a)(10)	-	118,842
10% Convertible bridge note to Director due December 2014	60,000	60,000
Total Debentures	507,070	612,744
Less - Current Maturities	(507,070)	(612,744)
Long-term Debentures	<u>\$ -</u>	<u>\$ -</u>

#### 10% Convertible Director Debentures

On June 24, 2013, the Company issued to Victor Keen and Martin Keating, Directors of the Company ("Directors"), 10% convertible debentures in a principal amount of \$15,000 each, due June 26, 2014 and subsequently extended to December 26, 2014. The Directors may elect to convert all or any portion of the outstanding principal amount of the debentures at an exercise price of \$0.01 per share. Provided that the debentures are paid in full on or before the maturity date, no interest shall accrue on the unpaid balance of the principal amount. In the event that the debentures are not paid in full on or before the maturity date, interest shall accrue on the unpaid outstanding balance of the principal amount of the debentures from June 26, 2013, until paid, at the fixed rate of ten percent (10%) per annum.

#### 10% Convertible Debenture Due Newton, O'Connor, Turner & Ketchum

On December 20, 2012, the Company issued to Newton, O'Connor, Turner & Ketchum ("NOTK") a 10% convertible debenture in a principal amount of \$29,007, initially due September 30, 2013 and extended to December 31, 2014. NOTK may elect to convert all or any portion of the outstanding principal amount of the debenture at an exercise price of \$0.02534 per share. The Company was indebted to NOTK for legal services performed for the Company and reimbursement of expenses in rendition of those services for the period ended December 31, 2012. The debenture was issued in settlement of the indebtedness.

#### *4.75% Convertible Debenture due December 31, 2014*

On November 3, 2006, the Company issued to Golden State a 4.75% convertible debenture in a principal amount of \$100,000, due in 2014, and warrants to buy 28,571 shares of the common stock at an exercise price of \$381.50 per share. In connection with each conversion, Golden State is expected to simultaneously exercise a percentage of warrants equal to the percentage of the principal being converted. During 2013, Golden State converted \$3,860 of the \$100,000 debenture into 37,651,544 shares of common stock, exercised warrants to purchase 1,103 shares of common stock at \$381.50 per share based on the formula in the convertible debenture. Additionally Golden State advanced \$671,810 against future exercises of warrants of which \$420,740 was applied to the exercise of warrants leaving \$185,671 of unapplied advances at December 31, 2013. During 2014, Golden State converted \$4,220 of the \$100,000 debenture into 76,877,103 shares of common stock, exercised warrants to purchase 1,207 shares of common stock at \$381.50 per share based on the formula in the convertible debenture. Additionally Golden State advanced \$274,310 against future exercises of warrants of which \$459,980 was applied to the exercise of warrants leaving \$-0- of unapplied advances at September 30, 2014.

The conversion price for the 4.75% \$100,000 convertible debenture is the lesser of (i) \$140; or (ii) 80% of the average of the five lowest volume weighted average prices during the twenty (20) trading days prior to the conversion. If Golden State elects to convert a portion of the debenture and, on the day that the election is made, the volume weighted average price is below \$0.70, the Company shall have the right to prepay that portion of the debenture that Golden State elected to convert, plus any accrued and unpaid interest, at 135% of such amount.

#### *5% Convertible Bridge Notes*

On June 6, 2012 and August 1, 2012, the Company issued and sold convertible promissory notes (the "5% Notes") in aggregate principal amount of \$415,000 to JMJ Financial ("JMJ"). The 5% Notes includes a \$40,000 original issue discount (the "OID") that will be prorated based on the advances actually paid to the Company. During 2013, JMJ advanced an additional \$120,000 on the 5% Notes and earned \$32,205 OID and accrued interest. During 2013, JMJ converted \$203,700 of the 5% Notes into 31,854,924 shares of common stock at an average of \$0.00639 per share based on the formula in the 5% Notes. During 2014, JMJ advanced an additional \$75,000 on the 5% Notes and earned \$5,975 OID and accrued interest. During 2014, JMJ converted \$148,680 of the 5% Notes into 47,848,529 shares of common stock at an average of \$0.003 per share based on the formula in the 5% Notes. In addition to the OID, the 5% Notes provides for a one-time interest charge of 5% to be applied to the principal sum advanced. Pursuant to the terms of 5% Notes, JMJ may, at its election, convert all or a part of the \$275,000 note and the \$140,000 note into shares of the Company's common stock at a conversion rate equal to the lesser of (i) \$0.15 and \$0.35, respectively or (ii) 70% of the lowest trade price during the twenty-five trading days prior to JMJ's election to convert. If the Company repays the 5% Notes on or before ninety days from the date it was issued, the interest rate will be zero percent. If the Company does not repay the 5% Notes on or before ninety days from the date it was issued, a one-time interest charge of 5% shall be applied to the principal. The Company did not repay the 5% Notes within the ninety day period and \$20,750 of interest has been expensed. The principal of the 5% Notes is due one year from the date of each of the principal amounts advanced.

The 5% Notes were subject to a Mandatory Registration Agreement (the "Registration Agreement") whereby no later than August 31, 2012, the Company agreed to file, at its own expense, an amendment (the "Amendment") to the S-1 Registration Statement (the "Registration Statement") the Company filed with the SEC on July 3, 2012, to include in such Amendment 4,750,000 shares of common stock issuable under the 5% Notes. The Company agreed, thereafter, to use its best efforts to cause such Registration Statement to become effective as soon as possible after such filing but in no event later than one hundred and twenty (120) days from the date of the Registration Agreement. Since the Company failed to get the Registration Statement declared effective within the 120 days of the date of the Registration Agreement, a penalty/liquidated damages of \$25,000 was added to the balance of the 5% Notes.

#### *10% Convertible Bridge Note to Director*

On January 26, 2013, the Company entered into an amendment agreement (the "Keen Amendment") with Victor F. Keen. Pursuant to the Keen Amendment, Mr. Keen agreed to extend the maturity date of the Keen Bridge Note from December 10, 2012 to April 30, 2013 and to waive any and all defaults, default interest and Liquidated Damages then due to Mr. Keen.

On July 30, 2013, the Company entered into a second amendment agreement (the “Second Keen Amendment”) with Victor Keen, a Director on the Board of Directors of the Company, to amend the Keen Bridge note.

Pursuant to the Second Keen Amendment, Mr. Keen agreed to extend the maturity of the Note from April 30, 2013 to August 31, 2013 (the “New Maturity Date”) and to waive, if any, existing or prior defaults under the Keen Bridge Note or the Keen SPA and the Company agreed to (i) amend the conversion provision to allow for conversions based on a conversion price calculated on the Amendment Date or the New Maturity Date; and (ii) to include an interest rate equal to 10% per annum, payable on the New Maturity Date, as amended, which accrual shall commence on December 10, 2012.

On September 30, 2013, the Company entered into a third amendment agreement (the “Third Keen Amendment”) with Mr. Keen. Pursuant to the Third Keen Amendment, Mr. Keen agreed to extend the maturity of the Note from August 31, 2013 to December 31, 2013 and to waive, if any, existing or prior defaults under the Keen Bridge Note or the Keen SPA.

On January 27, 2014, the Company entered into a fourth amendment agreement (the “Fourth Keen Amendment”) with Mr. Keen. Pursuant to the Fourth Keen Amendment, Mr. Keen agreed to extend the maturity of the Note from December 31, 2013 to December 31, 2014 and to waive, if any, existing or prior defaults under the Keen Bridge Note or the Keen SPA.

#### *15% Senior Convertible Bridge Notes Due 2014*

On October 1, 2013, the Company issued and sold to an accredited investor a Senior Convertible Note (the “Senior Note”) in the principal amount of \$205,000 and a warrant to purchase 300,000 shares of the Company’s common stock at an exercise price equal to 110% of the closing bid price on September 30, 2013 (the “October 2013 Warrant”). The Senior Note included a \$30,750 OID. Accordingly, the Company received \$174,250 gross proceeds from which the Company paid legal and documentation fees of \$22,500 and placement agent fees of \$15,682.

The Senior Note matured on July 1, 2014 and does not carry interest. However, in the event the Senior Note is not paid on maturity, all past due amounts will accrue interest at 15% per annum. At any time subsequent to six months following the Date of Issuance, the Senior Note holder may elect to convert all or any portion of the outstanding principal amount of the Senior Note into shares of Common Stock at a conversion price equal to the lesser of 100% of the Volume Weighted Average Price (VWAP), as reported for the 5 trading days prior to the Date of Issuance or 80% of the average VWAP during the 5 days prior to the date the holder delivers a conversion notice to the Company. During 2014, the holder of the \$205,000 note converted \$100,000 of the note into 39,211,840 common shares at an average price of \$0.0026 per share under the terms of the debenture agreement.

The estimated fair value of the warrants for common stock issued of \$2,130 was determined using the Black-Scholes option pricing model. The expected dividend yield of zero is based on the average annual dividend yield as of the issue date. Expected volatility of 173.64% is based on the historical volatility of our stock. The risk-free interest rate of 1.39% is based on the U.S. Treasury Constant Maturity rate for five years as of the issue date. The expected life of five years of the warrant is based on historical exercise behavior and expected future experience.

The October 2013 Warrant is exercisable at any time on or after March 31, 2014 and on or prior to the close of business on March 31, 2019. At the election of the October 2013 Warrant holder, the October 2013 Warrant may be exercised using a cashless exercise method.

Effective as of August 15, 2014, the Company entered into a Securities Settlement Agreement (the “SSA”) with an accredited investor (the “Investor”) to whom the \$205,000 Senior Convertible Note was assigned. Pursuant to the SSA, the Investor agreed to extend the maturity of the \$205,000 principal owed (the “Debt”) under the Senior Note until August 15, 2015 and the Company agreed, among other things, to (i) pay 10% interest on the Debt; (ii) pay 125% of principal in the event the Company elects to prepay any portion of the Debt; (iii) allow the Investor to convert the Debt, in whole or in part, into shares of the Company’s common stock at a conversion price equal to 58% percent of the lowest traded VWAP, determined on the then current trading market for the Company’s common stock, for the 15 trading days prior to conversion.

### *Settlement Agreement*

On July 26, 2013, the Circuit Court in the 12<sup>th</sup> Judicial Circuit in and for Sarasota County, Florida (the “Court”), entered an Order Granting Approval of Settlement Agreement (the “Order”) approving, among other things, the fairness of the terms and conditions of an exchange pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended, in accordance with a settlement agreement (the “Settlement Agreement”) between the Company and IBC Funds, LLC, a Nevada limited liability company (“IBC”), in the matter entitled IBC Funds, LLC v. 3DIcon Corporation, Case No. 2013 CA 5705 NC (the “Action”). IBC commenced the Action against the Company on July 19, 2013 to recover an aggregate of \$197,631 of past-due accounts payable of the Company, which IBC had purchased from certain vendors of the Company pursuant to the terms of separate claim purchase agreements between IBC and each of such vendors (the “Assigned Accounts”), plus fees and costs (the “Claim”). The Assigned Accounts relate to certain research, technical, development, accounting and legal services. The Order provides for the full and final settlement of the Claim and the Action. The Settlement Agreement became effective and binding upon the Company and IBC upon execution of the Order by the Court on July 26, 2013.

Pursuant to the terms of the Settlement Agreement approved by the Order, on July 26, 2013, the Company issued 650,000 shares of Common Stock as a settlement fee and agreed to issue, in one or more tranches as necessary, that number of shares equal to \$197,631 upon conversion to Common Stock at a conversion rate equal to 65% of the lowest closing bid price of the Common Stock during the ten trading days prior to the date the conversion is requested by IBC minus \$0.002. During 2013, IBC converted \$78,789 of the note into 53,720,000 shares of common stock at an average of \$0.0015 per share based on the formula in the note.

On January 22, 2014 the Company entered into a Mutual Release (the “Release”) with IBC pursuant to which each party would release the other party from any and all obligations pursuant to the Settlement Agreement.

In consideration for the Release, IBC accepted and the Company remitted to IBC: (i) a cash payment of \$190,000, (ii) an issuance of 9,000,000 shares of the Company’s common stock, pursuant to the terms of the Settlement Agreement under the December 18, 2013 Conversion Notice, and (iii) an issuance of 6,810,811 shares of the Company’s common stock, pursuant to the terms of the Settlement Agreement under the January 17, 2014 Conversion Notice (together, the “Consideration”). Pursuant to the Release, IBC agreed that the Consideration was accepted as satisfaction in full of the payments due pursuant to the Settlement Agreement.

On January 23, 2014, the Company and IBC filed a Stipulation of Dismissal with Prejudice with the Circuit Court in the 12th Judicial Circuit in and for Sarasota County, Florida.

### *10% Convertible Debenture due August 2015*

On August 15, 2014, the Company issued and sold to an accredited investor a Convertible Debenture (the “10% Debenture”) in the principal amount of \$150,000. The 10% Debenture included a 3% original issue discount. Accordingly, the Company received \$145,500 gross proceeds, from which the Company paid legal and fees of \$5,000. The 10% Debenture has a maturity date of August 15, 2015 and carries a 10% interest rate. Subject to a 4.99% beneficial ownership limitation, the holder of the 10% Debenture may, at any time, elect to convert all or any portion of the outstanding principal amount of the 10% Debenture into shares of Common Stock at a conversion price equal Sixty Five Percent (65%) of the lowest traded VWAP, determined on the then current trading market for the Company’s common stock, for 15 trading days prior to conversion.

### **Note 5 – Common Stock and Paid-In Capital**

#### *Registration Statement on Form S-1*

Pursuant to a Registration Statement on Form S-1 and the prospectus therein, filed on July 3, 2012, and amendment thereto, the Registration Statement was declared effective on February 13, 2013.

### *Downgraded from the OTCQB to the OTC Pink*

On September 2, 2014, the Company received notification from OTC Markets that because the Company's common stock, which trades under the symbol TDCP, has not had a minimum closing bid price of \$.01 during the last thirty days, it has been downgraded from the OTCQB to the OTC Pink, effective September 3, 2014. On March 26, 2014, OTC Markets had announced a series of rule changes to take place between May 1, 2014 and April 1, 2015. These rules set forth new qualifications and fees for quotation of securities on the various tiers of OTC Markets. One of such changes requires that a company's stock have a minimum closing bid price of \$.01 for at least one day in any consecutive thirty day period to continue being quoted on the OTCQB.

The Company has the option of filing an application for reinstatement to have its common stock quoted on the OTCQB. The Company's common stock could be reinstated to the OTCQB commencing at such time as it has had a minimum closing bid price of \$.01 for any consecutive 30 day period. The downgrading of the Company's common stock from the OTCQB to the OTC Pink will have no effect on the common stock's ability to trade or its DWAC (method of electronic transfer of shares) eligibility.

### *Warrants Issued*

As of September 30, 2014, NOTK has warrants outstanding to purchase 125,098 shares of common stock at a price of \$3.15 per share that expire on September 30, 2016 and, warrants to purchase 96,024 shares of common stock at a price of \$3.15 per share that expire on June 1, 2015. Golden State has warrants outstanding to purchase 19,164 shares of common stock at a price of \$381.50 per share which expire December 31, 2014. Global Capital has warrants outstanding to purchase 300,000 shares of common stock at a price of \$0.0032 per shares which expire on March 31, 2019. Additionally, in connection with the preferred stock issuance, there are 9,750,000 warrants outstanding to purchase common shares at \$0.0055 per share, which expire December 31, 2017, and 9,500,000 warrants outstanding that were issued to Victor Keen, the CEO and Director of the Company, which expire on January 17, 2018.

### *Common stock and options issued for services and liabilities*

During the nine-month period ended September 30, 2014, shares of common stock totaling 28,205,571 were issued for consulting services for which the Company recognized \$108,500 of expense. Additionally, during the period ending September 30, 2014, shares totaling 7,317,073 were issued to consultants for previous services provided to the Company for which the accounts payable liability was reduced by \$15,000.

On April 11, 2013, the Company completed the sale of two options, each to purchase 10,000,000 shares of the Company's common stock (the "Option Agreements") to two accredited investors. One of the accredited investors was Victor Keen, a director on the Board of Directors of the Company. Each of the Option Agreements provide for the option to purchase up to 10,000,000 shares of restricted common stock at a purchase price of \$0.01 per share. The holders of the Option Agreements may exercise the option to purchase common stock on a cashless basis for a period of five years. Furthermore, the holders of the Option Agreements were granted "piggyback" registration rights for the inclusion, on a subsequent registration statement, the shares of common stock underlying the Option Agreements. The gross proceeds to the Company for the sale of both Option Agreements were \$100,000.

### *Private Placement*

On December 9, 2013 and December 11, 2013 the Company closed on \$195,000 in a private placement (the "Private Placement") contemplated by a Securities Purchase Agreement (the "Securities Purchase Agreement"), dated December 9, 2013, pursuant to which the Company sold 195,000 Units (as defined below) to accredited investors (each, an "Investor" and collectively, the "Investors"), one of whom was Victor Keen, the Company's Chief Executive Officer and a member of the board of directors of the Company. Accordingly, at the closings, the Company issued (i) 195,000 shares of its newly designated Series A Convertible Preferred Stock (the "Series A Preferred"), and (ii) warrants ("Warrants") to purchase an aggregate of 9,750,000 shares of Common Stock for gross proceed of \$195,000.

On January 23, 2014, the Company sold to Victor Keen, the Company's Chief Executive Officer and a member of the Company's Board of Directors, 190,000 Units for a purchase price of \$190,000, as part of the Private Placement (as defined therein) disclosed in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 13, 2013. Pursuant to such Private Placement, the Company has now received aggregate proceeds equal to \$385,000. Such Private Placement is now closed.

Under the terms of the Securities Purchase Agreement, the Company sold units ("Units") consisting of: (i) one share of Series A Convertible Preferred Stock and (ii) Warrants to purchase fifty (50) shares of Common Stock. The purchase price of each Unit was \$1.00. The total purchase price of the securities sold in the Private Placement was \$385,000.

The terms of the Series A Convertible Preferred Stock and Warrants are as follows:

*Series A Convertible Preferred Stock*

A total of 500,000 shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock") have been authorized for issuance under the Certificate of Designation of Preferences, Rights and Limitation of Series A Convertible Preferred Stock of 3DIcon Corporation (the "Certificate of Designation"), which Certificate of Designation was filed with the Secretary of State of the State of Oklahoma on December 11, 2013. The shares of Series A Preferred Stock have a par value of \$0.0002 per share (the "Stated Value"), and shall receive a dividend of 6% of their Stated Value per annum. Under the Certificate of Designation, the holders of the Series A Preferred Stock have the following rights, preferences and privileges:

The Series A Preferred Stock may, at the option of the Investor, be converted at any time after the first anniversary of the issuance of the Series A Preferred Stock or from time to time thereafter into 50,000,000 shares of Common Stock that Such Investor is entitled to in proportion to the 500,000 shares of Series A Preferred so designated in the Certificate of Designation.

The Series A Preferred Stock will automatically be converted into Common Stock anytime the 5 day average VWAP of the Company's Common Stock prior to such conversion is equal to \$0.05 or more. Such mandatory conversion would be converted by the same method described above for discretionary conversions.

Except as otherwise required by law, the holders of shares of Series A Preferred Stock shall not have voting rights or powers.

In the event of any (i) liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or (ii) sale, merger, consolidation, reorganization or other transaction that results in a change of control of the Company, each holder of a share of Series A Preferred shall be entitled to receive, subject to prior preferences and other rights of any class or series of stock of the Company senior to the Series A Preferred, but prior and in preference to any distribution of any of the assets or surplus funds of the Company to holders of Common Stock, or any other class or series of stock of the Company junior to the Series A Preferred, an amount equal to the Stated Value plus accrued and unpaid dividends (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Preference Amount"). After such payment has been made to the holders of Series A Preferred of the full Preference Amount to which such holders shall be entitled, the remaining net assets of the Company available for distribution, if any, shall be distributed pro rata among the holders of Common Stock. In the event the funds or assets legally available for distribution to the holders of Series A Preferred are insufficient to pay the Preference Amount, then all funds or assets available for distribution to the holders of capital stock shall be paid to the holders of Series A Preferred pro rata based on the full Preference Amount to which they are entitled.

The Company may not declare, pay or set aside any dividends on shares of any class or series of capital stock of the Company (other than dividends on shares of Common Stock payable in shares of Common Stock) unless the holders of the Series A Preferred Stock shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred in an amount equal to the dividend per share that such holders would have received had they converted their shares of Series A Preferred into shares of Common Stock immediately prior to the record date for the declaration of the Common Stock dividend in an amount equal to the average VWAP during the 5 trading days prior to the date such dividend is due.



## Warrants

Each Unit under the Securities Purchase Agreement consists of Warrants entitling the Investor to purchase fifty (50) shares of Common Stock for each share of Series A Preferred purchased by such Investor in the Private Placement, at an initial exercise price per share of \$0.0055. The exercise price and number of shares of Common Stock issuable under the Warrants are subject to adjustments for stock dividends, splits, combinations and similar events. On or after the first anniversary of the issuance of the Warrants and prior to close of business on fourth anniversary of the issuance of the Warrants and may be exercised at any time upon the election of the holder, provided however, that an Investor may at any given time convert only up to that number of shares of Common Stock so that, upon conversion, the aggregate beneficial ownership of the Company's Common Stock (calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of such Investor and all persons affiliated with such Investor, is not more than 4.99% of the Company's Common Stock then outstanding (subject to adjustment up to 9.99% at the Investor's discretion upon 61 days' prior notice).

The \$27,000 estimated fair value of warrants for common stock issued in 2013 was determined using the Black-Scholes option pricing model. The expected dividend yield of \$0 is based on the average annual dividend yield at the date issued. Expected volatility of 178% is based on the historical volatility of the stock. The risk-free interest rate of 1.38% is based on the U.S. Treasury Constant Maturity rates as of the issue date. The expected life of the warrants of four years is based on historical exercise behavior and expected future experience.

The \$34,926 estimated fair value of warrants for common stock issued in 2014 was determined using the Black-Scholes option pricing model. The expected dividend yield of \$0 is based on the average annual dividend yield at the date issued. Expected volatility of 180% is based on the historical volatility of the stock. The risk-free interest rate of 1.64% is based on the U.S. Treasury Constant Maturity rates as of the issue date. The expected life of the warrants of four years is based on historical exercise behavior and expected future experience.

## Transaction Documents Series A Convertible Preferred Stock

The Securities Purchase Agreement, the Warrants and Certificate of Designation contain ordinary and customary provisions for agreements of this nature, such as representations, warranties, covenants, and indemnification obligations, as applicable. The foregoing descriptions of the Securities Purchase Agreement and the Warrants do not purport to describe all of the terms and provisions thereof and are qualified in their entirety by reference. The Securities Purchase Agreement and the form of Warrant are filed as Exhibits 4.1 and 10.1, respectively, to the Current Report on Form 8-K filed on December 13, 2013.

The following summary reflects warrant and option activity for the nine-month period ended September 30, 2014:

	Attached Warrants	Golden State Warrants	Options
<b>Outstanding December 31, 2013</b>	19,771,122	19,942	23,030,274
Granted/purchased	-	-	-
Exercised	-	(1,207)	-
Cancelled	-	-	-
<b>Outstanding September 30, 2014</b>	<u>19,771,122</u>	<u>18,735</u>	<u>23,030,274</u>

Stock options are valued at the date of award, which does not precede the approval date, and compensation cost is recognized in the period the options are granted. Stock options generally become exercisable on the date of grant and expire based on the terms of each grant.

The estimated fair value of options for common stock granted was determined using the Black-Scholes option pricing model. The expected dividend yield is based on the average annual dividend yield as of the grant date. Expected volatility is based on the historical volatility of our stock. The risk-free interest rate is based on the U.S. Treasury Constant Maturity rates as of the grant date. The expected life of the option is based on historical exercise behavior and expected future experience.

## Note 6 – Incentive Stock Plan

In March 2014, the Company established the 3DIcon Corporation 2014 Equity Incentive Plan (the “2014 EIP”). The total number of shares of stock which may be purchased or granted directly by options, stock awards or restricted stock purchase offers, or purchased indirectly through exercise of options granted under the 2014 EIP shall not exceed fifty million (50,000,000) post-split shares. The shares are included in a registration statement filed March, 2014. Post-split shares totaling 32,522,644 were issued from the 2014 EIP during 2014 for services rendered. There are currently 17,477,356 shares available for issuance under the 2014 EIP.

## Note 7 – Office Lease

The Company signed an Office Lease Agreement (the “Lease Agreement”) on April 24, 2008. The Lease Agreement commenced on June 1, 2008 and expired June 1, 2011. On March 8, 2011 the Lease Agreement was amended (amendment 1) to extend the expiration date to May 31, 2012. On July 24, 2012 the Lease Agreement was amended (amendment 2) to extend the expiration date to July 31, 2015. The minimum future lease payments to be paid annually under the three-year non-cancellable amended operating lease for office space are as follows:

2014	8,000
2015	13,000
Total	<u>\$ 21,000</u>

## Note 8 – Related Party Transaction

3DIcon has engaged the law firm of Newton, O’Connor, Turner & Ketchum as its outside corporate counsel since 2005. John O’Connor, a director of 3DIcon, is the Chairman of Newton, O’Connor, Turner & Ketchum. During the nine-month ending September 30, 2014 and September 30, 2013, the Company incurred legal fees to Newton, O’Connor, Turner & Ketchum in the amount of \$3,336 and \$18,595, respectively.

## Note 9 – Subsequent Events

### *Common stock issued for services and liabilities*

Subsequent to September 30, 2014, Golden State converted \$290 of the 4.75% convertible debenture into 12,757,100 shares of common stock at \$0.00002 per share and exercised 83 warrants at \$381.50 per share for \$31,610, advanced \$31,610 and applied \$31,610 of warrant exercise advances leaving \$-0- in warrant exercise advances under the terms of the securities purchase agreements.

Subsequent to September 30, 2014, the holder of the \$205,000 Senior Convertible Note converted \$80,000 of the convertible promissory note into 44,493,881 shares of common stock at \$0.0018 under the terms of the securities purchase agreements.

Subsequent to September 30, 2014, shares of common stock totaling 9,933,775 were issued for December 2013 consulting services for which the Company reduced accounts payable by \$15,000.

## 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.

## **Plan of Operation**

### **Background:**

3DIcon Corporation ("3DIcon," "the Company," "we," "us" or "our") was incorporated on August 11, 1995, under the laws of the State of Oklahoma as First Keating Corporation. Our articles of incorporation were amended August 1, 2003 to change the name to 3DIcon Corporation. The initial focus of First Keating Corporation was to market and distribute books written by its founder, Martin Keating. During 2001, First Keating Corporation began to focus on the development of 360-degree holographic technology. The effective date of this transition is January 1, 2001. We have accounted for this transition as reorganization and accordingly, restated its capital accounts as of January 1, 2001. At the inception on January 1, 2001, our primary activity was the raising of capital in order to pursue its goal of becoming a significant participant in the formation and commercialization of interactive, optical holography for the communications and entertainment industries.

In April 2004, we engaged the University of Oklahoma ("University" or "OU") to conduct a pilot study to determine the opportunity and feasibility for the creation of volumetric three dimensional display systems.

On July 15, 2005, we entered into a SRA with the University, which expired on January 14, 2007. Under this agreement, the University conducted a research project entitled "Investigation of 3-Dimensional Display Technologies".

On February 23, 2007, we entered into an SRA with the University, which SRA expired on March 31, 2010. Under this agreement, the University conducted a research project entitled "3-Dimensional Display Development".

In the fourth quarter of 2007 we announced the release of our first product, "Pixel Precision". On February 12, 2009, version 2.0 of Pixel Precision was released to expand its capabilities and provide new compatibility with Texas Instrument's newly released DLP® Discovery 4000 kits. This is a companion software application to the DMD Discovery line of products manufactured by Texas Instruments®.

The Oklahoma Center for the Advancement of Science and Technology approved the Company's application for funding of a matching grant titled 800 Million Voxels Volumetric Display, on November 19, 2008. The two-year matching grant, totaling \$299,984, had a start date of January 1, 2009. The Company received approval for a no cost extension request for the first year of the contract. Accordingly, the first year ended on August 31, 2010. The award was for a maximum of \$149,940 for 2009 and the remainder for 2011. The Company received approval for a no cost extension request for the second year of the contract, extending the second year to August 31, 2012. The Company earned \$63,668 and \$86,323 from the grant during the years ended December 31, 2012 and 2011, respectively and \$281,492 from inception to December 31, 2013. The Company applied for and received the remaining \$13,029 of grant funds in 2013 that were earned through the end of the grant period, August 31, 2012.

In July 2013, the Company won first place in the Oklahoma Center for the Advancement of Science and Technology's Oklahoma Applied Research Support competition, securing \$300,000 in grant funding over two years. This matching grant had a start date of September 1, 2013. The Company is using the funds provided by the grant to support the development of its First Product Platform, which will be the basis of a family of products leveraging the Company's CSpace® volumetric 3D display technology.

### **Overview of Business**

3DIcon is a small public company that is further developing a patented volumetric 3D display technology that was developed by and with the University under a SRA. The development to date has resulted in multiple new technologies, two working laboratory prototypes (Lab Proto 1 and Lab Proto 2), and eight provisional patents; five of the eight provisional patents have been combined and converted to five utility patents. Under the Sponsored Research Agreement, the Company has obtained the exclusive worldwide marketing rights to these 3D display technologies.

On May 26, 2009, the United States Patent and Trademark Office ("USPTO") approved the pending patent called "Volumetric Liquid Crystal Display" for rendering a three-dimensional image and converted it to US patent No. 7,537,345. On December 28, 2010, USPTO approved the pending patent called "Light Surface Display for Rendering a Three-Dimensional Image," and issued the United States Patent No. 7,858,913. On December 13, 2011, the USPTO approved a continuation patent titled, "3D Light Surface Display," and issued the US patent No. 8,075,139. On August 21, 2012, the USPTO approved a continuation patent called "3D Volumetric Display" and issued the US Patent No. 8,247,755. On July 16, 2013, the USPTO approved the pending patent called "Computer System with Digital Micromirror Device," and converted it to US patent No. 8,487,865.

On August 21, 2012, the USPTO approved a continuation patent called "3D Volumetric Display" and issued the US Patent No. 8,247,755.

At this time, we do not own any intellectual property rights in these technologies, and, apart from the SRA with the University, have no contracts or agreements pending to acquire such rights or any other interest in such rights. We plan to market the technology and the intellectual property developed by the University and our staff by targeting various industries, such as retail, manufacturing, entertainment, medical, healthcare, transportation, homeland security and the military. On March 12, 2014, we filed utility application called "Holoform 3D Projection Display". On July 31, 2013, we filed a provisional patent called "Ultra-High-Resolution Volumetric Three-Dimensional Display". This application provides additional configurations and protections of our CSpace technology.

Since March of 2012, the Company has been exploring the possibility of developing and marketing glasses-free flat screen 3D displays based on next generation glasses-free flat screen 3D display technology acquired or licensed from another company. This acquired technology and any resultant display products would be in addition to and complementary with our internally developed CSpace glasses-free volumetric 3D display technology. Recently, the Company has met with multiple glasses-free flat screen 3D display companies, is in discussion with several of these companies about a potential acquisition or partnership, and is engaged in non-binding discussions to acquire one of these companies. Currently, we do not have any agreements in place that would allow such entry into the flat screen segment of the glasses-free 3D display industry and no assurances can be made, if an acquisition or partnership is consummated, that the Company could successfully bring to market such technology.

#### **Progress on Research and Development Activities**

Through a SRA with the University, we have obtained the exclusive worldwide marketing rights to certain 3D display technologies under development by the University. The development to date has resulted in the University filing eight provisional patents; five of the eight provisional patents have been combined and converted to five utility US patents, one pending European patent and one pending Japanese patent.

#### **Intellectual Property History, Status & Rights**

On May 26, 2009, the USPTO approved the pending patent called "Volumetric Liquid Crystal Display" for rendering a three-dimensional image and converted it to US patent No. 7,537,345. On July 16, 2013, USPTO approved the pending patent called "Computer System with Digital Micromirror Device," and issued US patent No. 8,487,865.

CSpace Patents are as follow: On December 28, 2010, USPTO approved the pending patent called "Light Surface Display for Rendering a Three-Dimensional Image," and issued the United States Patent No. 7,858,913. On December 13, 2011, USPTO approved a continuation patent called "3D Light Surface Display," and issued the US Patent No. 8,075,139. On August 21, 2012, the USPTO approved a continuation patent called "3D Volumetric Display" and issued the US Patent No. 8,247,755. On July 31, 2013, 3DIcon filed provisional patent called "Ultra High-Resolution Volumetric Three-Dimensional Display," (US patent application serial No. 61859145).

Through a SRA with the University, we have obtained the exclusive worldwide marketing rights to certain 3D display technologies under development by the University. The development to date has resulted in the University filing seven provisional patents; six of the seven provisional patents have been combined and converted to four utility patents.

## **Patents**

### United States (Issued)

- "Computer System with Digital Micromirror Device," United State Patent 8,487,865. July 16, 2013.
- "3D Volumetric Display," United State Patent 8,247,755. August 21, 2012.
- "3D Light Surface Display," United State Patent 8,075,139. December 13, 2011.
- "Light Surface Display for Rendering a Three-Dimensional Image," United State Patent 7,858,913. December, 28, 2010.
- "Volumetric liquid crystal display for rendering a three-dimensional image," United States Patent 7,537,345. May 26, 2009.

### United States. (Provisional Application and Pending)

- "Ultra High-Resolution Volumetric Three-Dimensional Display," (US patent application serial No. 61859145). Filed by 3DIcon Corporation on July 31, 2013.
- "Holoform 3D Projection Display," (US patent application serial No. 14/204,889). Filed by 3DIcon Corporation on March 12, 2014.

### European. pending

- "Light Surface Display for Rendering a Three-Dimensional Image," European Application Number EP07755984. Filed April 25, 2007.

### Japanese. pending

- "Light Surface Display for Rendering a Three-Dimensional Image." Filed 2007.

## **RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2013**

### **Revenue**

The Company completed the first OCAST grant in August 2012 and did not have any earnings from the first OCAST grant during the three month periods ended September 30, 2014 or September 30, 2013. The second two year matching grant, for a total of \$300,000 had a start date of September 1, 2013. We did not have earnings from OCAST during the three month period ending September 30, 2014.

In January 2008 we launched our first software product Pixel Precision. We appointed Digital Light Innovations for the sales and distribution of this product in March 2008. We earned \$5,000 income from the sales of Pixel Precision for the three-month period ended September 30, 2014 and -0- for the three months ended September 30, 2013.

We expect sales of Pixel Precision to the installed and active user base of the earlier D1100 and D3000 systems in the near term and as companion product sales to D4000 systems. We expect that the revenue from this product to contribute to the operating expenses (general and administrative, research and development, interest) but do not expect the revenue generated in 2014 to cover the operating expenses.

## **Research and Development Expenses**

The research and development expenses were \$48,428 for the three months ended September 30, 2014, as compared to \$90,035 for the three months ended September 30, 2013. The decrease was a result of the decrease in cost for engaging outside research and development consultants of approximately \$36,000, and a decrease in travel and lodging costs of \$6,500.

## **General and Administrative Expenses**

Our general and administrative expenses were \$233,841 for the three months ended September 30, 2014, as compared to \$227,111 for the three months ended September 30, 2013. The net increase is due primarily to a decrease of \$14,000 of legal fees paid in 2013 regarding the DTC chill matter offset by an increase in fees paid to the public relations firm of \$34,000.

## **Interest Expense**

Interest expense for the three months ended September 30, 2014 was \$10,488 as compared to \$6,239 for the three months ended September 30, 2013. The increase was primarily a result of an increase of interest paid on our convertible notes and bridge notes in 2014 and an increase in OID amortization of \$2,000.

## **RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

### **Revenue**

The Company completed the first OCAST grant in August 2012 and did not have grant income for the nine months ended September 30, 2013. We earned \$46,748 in grant funding from the second OCAST grant during the nine months ended September 30, 2014.

In January 2008 we launched our first software product Pixel Precision. We appointed Digital Light Innovations for the sales and distribution of this product in March 2008. We have earned income of \$15,000 and \$5,000 before commissions and costs from the sales of Pixel Precision for the nine-months ended September 30, 2014 and September 30, 2013, respectively.

We expect sales of Pixel Precision to the installed and active user base of the earlier D1100 and D3000 systems in the near term and as companion product sales to D4000 systems. We expect that the revenue from this product to contribute to the operating expenses (general and administrative, research and development, interest) but do not expect the revenue generated in 2014 to cover the operating expenses.

## **Research and Development Expenses**

The research and development expenses were \$141,959 for the nine months ended September 30, 2014, as compared to \$280,796 for the nine months ended September 30, 2013. The net decrease was a result of the decrease in cost for engaging outside research and development consultants of approximately \$83,000, a decrease in patent cost of \$5,000, a decrease in lab equipment and supplies purchased of \$19,000 and a decrease in travel and lodging cost of \$32,000.

## **General and Administrative Expenses**

Our general and administrative expenses were \$850,779 for the nine months ended September 30, 2014, as compared to \$811,964 for the nine months ended September 30, 2013. The net increase is due primarily to a \$104,000 increase in fees to outside consultants engaged to pursue federal grant funding, an increase of \$74,300 in fees regarding the 3 a 10 settlement paid in 2014, an increase of \$16,000 in consultation fees, a decrease in accounting fees of \$4,000, a decrease in filing fees of \$6,000, and a decrease in legal fees of \$125,000 regarding the DTC matter from 2013.

## Interest Expense

Interest expense for the nine months ended September 30, 2014 was \$53,677 as compared to \$59,622 for the nine months ended September 30, 2013. The net decrease was a result of an increase in the amount of OID amortized of \$10,000 and a decrease of \$4,000 in interest costs on our bridge notes and the decrease of extension fees of \$15,000.

## Financial Condition, Liquidity and Capital Resources

Management remains focused on controlling cash expenses. We recognize our limited cash resources and plan our expenses accordingly. We intend to leverage stock-for-services wherever possible. The operating budget consists of the following expenses:

- Research and development expenses pursuant to our SRA with the University. This includes development of an initial demonstrable prototype and a second prototype for static volume technology.
- Acceleration of research and development through increased research personnel as well as other research agencies.
- General and administrative expenses: salaries, insurance, investor related expenses, rent, travel, website, etc.
- Hiring executive officers for technology, operations and finance.
- Development, support and operational costs related to Pixel Precision software.
- Professional fees for accounting and audit; legal services for securities and financing; patent research and protection.

Our independent registered public accountants, in their audit report accompanying our financial statements for the year ended December 31, 2013, expressed substantial doubt about our ability to continue as a going concern due to our status as a development stage organization with insufficient revenues to fund development and operating expenses.

We had net cash of \$65,849 at September 30, 2014.

We had negative working capital of \$836,379 at September 30, 2014.

During the nine-months ended September 30, 2014, we used \$574,050 of cash for operating activities, a decrease of \$233,250 or 29% compared to the nine-months ended September 30, 2013. The decrease in the use of cash for operating activities was a result of the increase in accounts payable of \$249,724 an increase in accrued salaries of \$118,000 and a decrease of \$111,850 in stock issued for services and an increase in amortization of debt cost of \$31,429, a decrease in accounts receivable of \$13,000 and a decrease in the net loss of \$166,215.

There was no cash used in investing activities during the nine-months ended September 30, 2014 or for the nine-months ended September 30, 2013.

We expect to fund the ongoing operations through the existing financing in place (see below); through raising additional funds as permitted by the terms of Golden State financing as well as reducing our monthly expenses.

Our ability to fund the operations of the Company is highly dependent on the underlying stock price of the Company.

### *Director Debenture*

On June 24, 2013, the Company issued to Victor Keen and Martin Keating, Directors of the Company, ("Directors") 10% convertible debentures in a principal amount of \$15,000 each, due June 26, 2014 and subsequently extended to December 26, 2014. The Directors may elect to convert all or any portion of the outstanding principal amount of the debentures at an exercise price of \$0.01 per share. Provided that the debentures are paid in full on or before the maturity date, no interest shall accrue on the unpaid balance of the principal amount. In the event that the debentures are not paid in full on or before the maturity date, interest shall accrue on the unpaid outstanding balance of the principal amount of the debentures from June 26, 2013, until paid, at the fixed rate of ten percent (10%) per annum.

#### *Newton, O'Connor, Turner & Ketchum 10% Convertible Debenture*

On December 20, 2012, the Company issued to Newton, O'Connor, Turner & Ketchum ("NOTK") a 10% convertible debenture in a principal amount of \$29,007, initially due September 30, 2013 and extended to December 31, 2014. NOTK may elect to convert all or any portion of the outstanding principal amount of the debenture at an exercise price of \$0.02534 per share. The Company was indebted to NOTK for legal services performed for the Company and reimbursement of expenses in rendition of those services for the period ended December 31, 2012. The debenture was issued in settlement of the indebtedness.

#### *4.75% Convertible Debenture due December 31, 2014*

On November 3, 2006, the Company issued to Golden State a 4.75% convertible debenture in a principal amount of \$100,000, due in 2014, and warrants to buy 28,571 shares of the common stock at an exercise price of \$381.50 per share. In connection with each conversion, Golden State is expected to simultaneously exercise a percentage of warrants equal to the percentage of the principal being converted. During 2013, Golden State converted \$3,860 of the \$100,000 debenture into 37,651,544 shares of common stock, exercised warrants to purchase 1,103 shares of common stock at \$381.50 per share based on the formula in the convertible debenture. Additionally Golden State advanced \$671,810 against future exercises of warrants of which \$420,740 was applied to the exercise of warrants leaving \$185,671 of unapplied advances at December 31, 2013. During 2014, Golden State converted \$4,220 of the \$100,000 debenture into 76,877,103 shares of common stock, exercised warrants to purchase 1,207 shares of common stock at \$381.50 per share based on the formula in the convertible debenture. Additionally Golden State advanced \$274,310 against future exercises of warrants of which \$459,980 was applied to the exercise of warrants leaving \$-0- of unapplied advances at September 30, 2014.

The conversion price for the 4.75% \$100,000 convertible debenture is the lesser of (i) \$140 or (ii) 80% of the average of the five lowest volume weighted average prices during the twenty (20) trading days prior to the conversion. If Golden State elects to convert a portion of the debenture and, on the day that the election is made, the volume weighted average price is below \$0.70, the Company shall have the right to prepay that portion of the debenture that Golden State elected to convert, plus any accrued and unpaid interest, at 135% of such amount.

#### *5% Convertible Bridge Notes*

On June 6, 2012 and August 1, 2012, the Company issued and sold convertible promissory notes (the "5% Notes") in aggregate principal amount of \$415,000 to JMJ Financial ("JMJ"). The 5% Notes includes a \$40,000 original issue discount (the "OID") that will be prorated based on the advances actually paid to the Company. During 2012, JMJ advanced \$150,000 on the 5% Notes and earned \$14,000 OID. During 2013, JMJ advanced an additional \$120,000 on the 5% Notes and earned \$32,205 OID and accrued interest. During 2013, JMJ converted \$203,700 of the 5% Notes into 31,854,924 shares of common stock at an average of \$0.00639 per share based on the formula in the 5% Notes. During 2014, JMJ advanced an additional \$75,000 on the 5% Notes and earned \$5,975 OID and accrued interest. During 2014, JMJ converted \$148,680 of the 5% Notes into 47,848,529 shares of common stock at an average of \$0.003 per share based on the formula in the 5% Notes. In addition to the OID, the 5% Notes provides for a one-time interest charge of 5% to be applied to the principal sum advanced. Pursuant to the terms of 5% Notes, JMJ may, at its election, convert all or a part of the \$275,000 note and the \$140,000 note into shares of the Company's common stock at a conversion rate equal to the lesser of (i) \$0.15 and \$0.35, respectively or (ii) 70% of the lowest trade price during the twenty-five trading days prior to JMJ's election to convert. If the Company repays the 5% Notes on or before ninety days from the date it was issued, the interest rate will be zero percent. If the Company does not repay the 5% Notes on or before ninety days from the date it was issued, a one-time interest charge of 5% shall be applied to the principal. The Company did not repay the 5% Notes within the ninety day period and \$8,750 of interest has been accrued. The principal of the 5% Notes is due one year from the date of each of the principal amounts advanced.

The 5% Notes were subject to a Mandatory Registration Agreement (the "Registration Agreement") whereby no later than August 31, 2012, the Company agreed to file, at its own expense, an amendment (the "Amendment") to the S-1 Registration Statement (the "Registration Statement") the Company filed with the SEC on July 3, 2012, to include in such Amendment 4,750,000 shares of common stock issuable under the 5% Notes. The Company agreed, thereafter, to use its best efforts to cause such Registration Statement to become effective as soon as possible after such filing but in no event later than one hundred and twenty (120) days from the date of the Registration Agreement. Since the Company failed to get the Registration Statement declared effective within the 120 days of the date of the Registration Agreement, a penalty/liquidated damages of \$25,000 was added to the balance of the 5% Notes.



*10% Convertible Bridge Note to Director*

On September 11, 2012, the Company issued and sold to Victor Keen, a Director and an accredited investor a Convertible Bridge Note (the "Keen Bridge Note") in the principal amount of \$60,000. The sale of the Keen Bridge Notes in the principal of \$60,000 included a \$10,000 OID. Accordingly, the Company received \$50,000 gross proceeds. The Keen Bridge Note matured 90 days from the date of issuance and, other than the OID, the Keen Bridge Note do not carry interest. However, in the event the Keen Bridge Note is not paid on maturity, all past due amounts will accrue interest at 15% per annum. Upon maturity of the Keen Bridge Note, the holders of the Keen Bridge Note may elect to convert all or any portion of the outstanding principal amount of the Keen Bridge Note into (i) securities sold pursuant to an effective registration statement at the applicable offering price; or (ii) shares of common stock at a conversion price equal to the lesser of 100% of the Volume Weighted Average Price (VWAP), as reported for the 5 trading days prior to (a) the date of issuance of the Keen Bridge Note, (b) the maturity date of the Bridge Note, or (c) the first closing date of the securities sold pursuant an effective registration statement.

On January 26, 2013, the Company entered into an amendment agreement (the "Keen Amendment") with Victor F. Keen. Pursuant to the Keen Amendment, Mr. Keen agreed to extend the maturity date of the Keen Bridge Note from December 10, 2012 to April 30, 2013 and to waive any and all defaults, default interest and Liquidated Damages then due to Mr. Keen.

On July 30, 2013, the Company entered into a second amendment agreement (the "Second Keen Amendment") with Victor Keen, a Director on the Board of Directors of the Company, to amend the Keen Bridge note.

Pursuant to the Second Keen Amendment, Mr. Keen agreed to extend the maturity of the Note from April 30, 2013 to August 31, 2013 (the "New Maturity Date") and to waive, if any, existing or prior defaults under the Keen Bridge Note or the Keen SPA and the Company agreed to (i) amend the conversion provision to allow for conversions based on a conversion price calculated on the Amendment Date or the New Maturity Date; and (ii) to include an interest rate equal to 10% per annum, payable on the New Maturity Date, as amended, which accrual shall commence on December 10, 2012.

On September 30, 2013, the Company entered into a third amendment agreement (the "Third Keen Amendment") with Mr. Keen. Pursuant to the Third Keen Amendment, Mr. Keen agreed to extend the maturity of the Note from August 31, 2013 to December 31, 2013 and to waive, if any, existing or prior defaults under the Keen Bridge Note or the Keen SPA.

On January 27, 2014, the Company entered into a fourth amendment agreement (the "Fourth Keen Amendment") with Mr. Keen. Pursuant to the Fourth Keen Amendment, Mr. Keen agreed to extend the maturity of the Note from December 31, 2013 to December 31, 2014 and to waive, if any, existing or prior defaults under the Keen Bridge Note or the Keen SPA

*15% Senior Convertible Bridge notes due 2014*

On October 1, 2013 (the "Date of Issuance"), the Company issued and sold to an accredited investor a Senior Convertible Note (the "Senior Note") in the principal amount of \$205,000 and a warrant to purchase 300,000 shares of the Company's common stock at an exercise price equal to 110% of the closing bid price on September 30, 2013 (the "October 2013 Warrant"). The Senior Note included a \$30,750 original issue discount. Accordingly, the Company received \$174,250 gross proceeds from which the Company paid legal and documentation fees of \$22,500 and placement agent fees of \$15,682.

The Senior Note matured on July 1, 2014 and does not carry interest. However, in the event the Senior Note is not paid on maturity, all past due amounts will accrue interest at 15% per annum. At any time subsequent to six months following the Date of Issuance, the Senior Note holder may elect to convert all or any portion of the outstanding principal amount of the Senior Note into shares of Common Stock at a conversion price equal to the lesser of 100% of the VWAP, as reported for the 5 trading days prior to the Date of Issuance or 80% of the average VWAP during the 5 days prior to the date the holder delivers a conversion notice to the Company. . During 2014, the holder of the \$205,000 note converted \$100,000 of the note into 39,211,840 common shares at an average price of \$0.0026 per share under the terms of the debenture agreement.

The estimated fair value of the warrants for common stock issued of \$2,130 was determined using the Black-Scholes option pricing model. The expected dividend yield of zero is based on the average annual dividend yield as of the issue date. Expected volatility of 173.64% is based on the historical volatility of our stock. The risk-free interest rate of 1.39% is based on the U.S. Treasury Constant Maturity rate for five years as of the issue date. The expected life of five years of the warrant is based on historical exercise behavior and expected future experience.

The October 2013 Warrant is exercisable at any time on or after March 31, 2014 and on or prior to the close of business on March 31, 2019. At the election of the October 2013 Warrant holder, the October 2013 Warrant may be exercised using a cashless exercise method.

Effective as of August 15, 2014, the Company entered into a Securities Settlement Agreement (the "SSA") with an accredited investor (the "Investor") to whom the \$205,000 Senior Convertible Note was assigned. Pursuant to the SSA, the Investor agreed to extend the maturity of the \$205,000 principal owed (the "Debt") under the Senior Note until August 15, 2015 and the Company agreed, among other things, to (i) pay 10% interest on the Debt; (ii) pay 125% of principal in the event the Company elects to prepay any portion of the Debt; (iii) allow the Investor to convert the Debt, in whole or in part, into shares of the Company's common stock at a conversion price equal to 58% percent of the lowest traded VWAP, determined on the then current trading market for the Company's common stock, for the 15 trading days prior to conversion.

#### *Settlement Agreement*

On July 26, 2013, the Circuit Court in the 12<sup>th</sup> Judicial Circuit in and for Sarasota County, Florida (the "Court"), entered an Order Granting Approval of Settlement Agreement (the "Order") approving, among other things, the fairness of the terms and conditions of an exchange pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended, in accordance with a Settlement Agreement (the "Settlement Agreement") between the Company and IBC Funds, LLC, a Nevada limited liability company ("IBC"), in the matter entitled IBC Funds, LLC v. 3DIcon Corporation, Case No. 2013 CA 5705 NC (the "Action"). IBC commenced the Action against the Company on July 19, 2013 to recover an aggregate of \$197,631 of past-due accounts payable of the Company, which IBC had purchased from certain vendors of the Company pursuant to the terms of separate claim purchase agreements between IBC and each of such vendors (the "Assigned Accounts"), plus fees and costs (the "Claim"). The Assigned Accounts relate to certain research, technical, development, accounting and legal services. The Order provides for the full and final settlement of the Claim and the Action. The Settlement Agreement became effective and binding upon the Company and IBC upon execution of the Order by the Court on July 26, 2013.

Pursuant to the terms of the Settlement Agreement approved by the Order, on July 26, 2013, the Company issued 650,000 shares of Common Stock as a settlement fee and agreed to issue, in one or more tranches as necessary, that number of shares equal to \$197,631 upon conversion to Common Stock at a conversion rate equal to 65% of the lowest closing bid price of the Common Stock during the ten trading days prior to the date the conversion is requested by IBC minus \$0.002. During 2013, IBC converted \$78,789 of the note into 53,720,000 shares of common stock at an average of \$0.0015 per share based on the formula in the note.

On January 22, 2014 the Company entered into a Mutual Release (the "Release") with IBC pursuant to which each party would release the other party from any and all obligations pursuant to the Settlement Agreement. In consideration for the Release, IBC accepted and the Company remitted to IBC: (i) a cash payment of \$190,000, (ii) an issuance of 9,000,000 shares of the Company's common stock, pursuant to the terms of the Settlement Agreement under the December 18, 2013 Conversion Notice, and (iii) an issuance of 6,810,811 shares of the Company's common stock, pursuant to the terms of the Settlement Agreement under the January 17, 2014 Conversion Notice (together, the "Consideration"). Pursuant to the Release, IBC agreed that the Consideration was accepted as satisfaction in full of the payments due pursuant to the Settlement Agreement.

On January 23, 2014, the Company and IBC filed a Stipulation of Dismissal with Prejudice with the Circuit Court in the 12th Judicial Circuit in and for Sarasota County, Florida.

#### *10% Convertible Debenture due August 2015*

On August 15, 2014, the Company issued and sold to an accredited investor a Convertible Debenture (the "10% Debenture") in the principal amount of \$150,000. The 10% Debenture included a 3% original issue discount. Accordingly, the Company received \$145,500 gross proceeds, from which the Company paid legal and fees of \$5,000. The 10% Debenture has a maturity date of August 15, 2015 and carries a 10% interest rate. Subject to a 4.99% beneficial ownership limitation, the holder of the 10% Debenture may, at any time, elect to convert all or any portion of the outstanding principal amount of the 10% Debenture into shares of Common Stock at a conversion price equal Sixty Five Percent (65%) of the lowest traded VWAP, determined on the then current trading market for the Company's common stock, for 15 trading days prior to conversion.

#### **Off Balance Sheet Arrangements**

The Company does not engage in any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

#### **Significant Accounting Policies**

##### Development Stage company

In June 2014, the FASB issued "Development Stage Entities – Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation" ("ASU 2014-10"). ASU 2014-10 eliminates the concept of a development stage entity, thereby eliminating the financial reporting distinction between development stage entities and other reporting entities. As a result of the elimination, certain financial reporting disclosures have been eliminated as well, including the presentation of inception-to-date information and the labeling of financial statements as those of a development stage entity. ASU 2014-10 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption of this standard is permitted, and we adopted the standard as of July 1, 2014. Subsequent to the adoption of ASU 2014-10, the Company no longer presents inception-to-date information in our statements of operations, cash flows, and stockholders' equity.

##### Research and Development Costs

The Company expenses all research and development costs as incurred. Until we have developed a commercial product, all costs incurred in connection with the SRA with the University, as well as all other research and development costs incurred, will be expensed as incurred. After a commercial product has been developed, we will report costs incurred in producing products for sale as assets, but we will continue to expense costs incurred for further product research and development activities.

##### Stock-Based Compensation

Since its inception 3DIcon has used its common stock or warrants to purchase its common stock as a means of compensating our employees and consultants. Financial Accounting Standards Board ("FASB") guidance on accounting for share based payments requires us to estimate the value of securities used for compensation and to charge such amounts to expense over the periods benefited.

The estimated fair value at date of grant of options for our common stock is estimated using the Black-Scholes option pricing model, as follows:

The expected dividend yield is based on the average annual dividend yield as of the grant date. Expected volatility is based on the historical volatility of our stock. The risk-free interest rate is based on the U.S. Treasury Constant Maturity rates as of the grant date. The expected life of the option is based on historical exercise behavior and expected future experience.

### **Subsequent Events**

#### *Common stock issued for services and liabilities*

Subsequent to September 30, 2014, Golden State converted \$290 of the 4.75% convertible debenture into 12,757,100 shares of common stock at \$0.00002 per share and exercised 83 warrants at \$381.50 per share for \$31,610, advanced \$31,610 and applied \$31,610 of warrant exercise advances leaving \$-0- in warrant exercise advances under the terms of the securities purchase agreements.

Subsequent to September 30, 2014, the holder of the \$205,000 Senior Convertible Note converted \$80,000 of the convertible promissory note into 44,493,881 shares of common stock at \$0.0018 under the terms of the securities purchase agreements.

Subsequent to September 30, 2014, shares of common stock totaling 9,933,775 were issued for December 2013 consulting services for which the Company reduced accounts payable by \$15,000.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

### **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, 2014, 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.**

Not Applicable.

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

During the nine-month period ended September 30, 2014, shares of common stock totaling 28,205,571 were issued for consulting services for which the Company recognized \$108,500 of expense.

During the nine-month period ended September 30, 2014, an aggregate of \$256,062 of outstanding convertible debentures were converted into 179,748,174 shares of common stock.

During the nine-month period ended September 30, 2014, an aggregate of 1,207 warrants to purchase shares of common stock were exercised at a purchase price of \$381.50 per share.

*10% Convertible Debenture due August 2015*

On August 15, 2014, the Company issued and sold to an accredited investor a Convertible Debenture (the "10% Debenture") in the principal amount of \$150,000. The 10% Debenture included a 3% original issue discount. Accordingly, the Company received \$145,500 gross proceeds, from which the Company paid legal and fees of \$5,000. The 10% Debenture has a maturity date of August 15, 2015 and carries a 10% interest rate. Subject to a 4.99% beneficial ownership limitation, the holder of the 10% Debenture may, at any time, elect to convert all or any portion of the outstanding principal amount of the 10% Debenture into shares of Common Stock at a conversion price equal Sixty Five Percent (65%) of the lowest traded VWAP, determined on the then current trading market for the Company's common stock, for 15 trading days prior to conversion. The foregoing descriptions of the 10% Debenture do not purport to be complete and are qualified in their entirety by reference to the complete text of the 10% Debenture filed as an exhibit hereto, which is incorporated herein by reference.

The transactions described above were exempt from securities registration provided by Section 4(a)(2) of the Securities Act and Rule 506 as promulgated under the Securities Act for transactions not involving a public offering.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosure.**

None.

**Item 5. Other Information.***Securities Settlement Agreement*

Effective as of August 15, 2014, the Company entered into a Securities Settlement Agreement (the "SSA") with an accredited investor (the "Investor"), the assignee of the \$205,000 Senior Convertible Note that was originally issued by the Company on October 1, 2013. Pursuant to the SSA, the Investor agreed to extend the maturity of the \$205,000 principal owed (the "Debt") under the Senior Note until August 15, 2015 and the Company agreed, among other things, to (i) pay 10% interest on the Debt; (ii) pay 125% of principal in the event the Company elects to prepay any portion of the Debt; (iii) allow the Investor to convert the Debt, in whole or in part, into shares of the Company's common stock at a conversion price equal to 58% percent of the lowest traded VWAP, determined on the then current trading market for the Company's common stock, for the 15 trading days prior to conversion. The foregoing descriptions of the SSA do not purport to be complete and are qualified in their entirety by reference to the complete text of the SSA filed as an exhibit hereto, which is incorporated herein by reference. The foregoing transaction was exempt from securities registration provided by Section 4(a)(2) of the Securities Act and Rule 506 as promulgated under the Securities Act for transactions not involving a public offering.

**Item 6. Exhibits.**

**Exhibit**

<b>Number</b>	<b>Description of Exhibit</b>
10.1	Securities Settlement Agreement effective as of August 15, 2014
10.2	10% Convertible Debenture Due August 15, 2014
31.1	Certifications required by Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications required by Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Accounting Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

**SIGNATURES**

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

**3DICON CORPORATION**

Date: November 14, 2014

/s/ Victor F. Keen

Name: Victor F. Keen  
Title: Chief Executive Officer  
(Principal Executive Officer)

/s/ Ronald W. Robinson

Name: Ronald W. Robinson  
Title: Chief Financial Officer  
(Principal Financial Officer)

## SECURITIES SETTLEMENT AGREEMENT

THIS AGREEMENT ("Agreement") is by and between Redwood Management, LLC ("CLAIMANT" or "Redwood") and the undersigned 3Dicon Corporation ("COMPANY" or "DEBTOR") and is entered into as of the effective date below, all with reference to the following facts, which the parties agree are true and correct:

## RECITALS

CLAIMANT acquired, on or about this date, certain debt rights, noted below, along with the rights to common stock and conversion of a prior "assignor" as to the COMPANY;

CLAIMANT is, therefore, both an investor and a creditor of the COMPANY entitled to payment and conversion of outstanding debt securities, including common stock conversion of such debt securities, as referenced in agreement(s) and document(s), including between the parties hereto, such as listed below;

DEBTOR seeks to avoid dispute, retire debt from its books and records, make effort to improve its financial picture for potential acquisition and future fundings by eliminating or limiting the extent of debt the DEBTOR faces, and honor such conversion and related rights acquired by the CLAIMANT;

THEREFORE, THE PARTIES AGREE TO SETTLE, AND THE PURPOSE OF THIS AGREEMENT IS TO REFLECT SUCH SETTLEMENT;

NOW THEREFORE, the parties hereto hereby represent, warrant, and covenant with and to each other and confirm all of the above and following to professionals, and the transfer agent of COMPANY and others to whom it may concern, as follows:

- Obligations Owed.** The above Recitals are incorporated herein by reference. Reference is made to the debt securities identified on the signature page hereof (the "Debt"). As to the Debt, any past or current dispute, potential defenses and disputed considerations, etc., are waived by the COMPANY, and the debt obligation is hereby confirmed as owed. The COMPANY ratifies and confirms the validity of the Assignment and Assumption Agreement by and between the CLAIMANT acting as an investor and the prior assignor and this includes the common stock and conversion rights of the assignor surrendered to the CLAIMANT, which rights are aged in excess of 12 months.
- Exchange.** CLAIMANT and the COMPANY hereby agree to confirm the exchange of the Debt for securities of the COMPANY as follows: this securities settlement agreement of the COMPANY to repay an amount equal to the principal amount of the Debt ("Principal") with interest at a rate set below per annum ("Interest") by the "Maturity Date" (below) with conversion rights to the CLAIMANT so that, at the election of the CLAIMANT, it may convert the Principal in whole or part from time to time into shares of common stock in the COMPANY (the "Shares"). This obligation of the COMPANY is in the nature of a debenture but in lieu of issuing a debenture of the COMPANY, the COMPANY shall honor the exchange, payment obligation and conversion rights per this Agreement. Thus, concurrently with the execution of this Agreement, CLAIMANT surrenders hereby the Debt and its interest in the Debt strictly for the payment, conversion, Shares and related rights under this Agreement. CLAIMANT will endeavor to use best efforts, for non material file recording, to deliver to the COMPANY any promissory notes, commercial paper, or other evidences of the Debt but such ministerial obligation shall not be a condition to the conversion, Shares, and enforcement rights of this Agreement by CLAIMANT. With reference to Rule 144 promulgated under the Securities Act of 1933, as amended, the exchange hereby is made without any additional consideration applicable.

3. **Payment and Conversion Rights.** The COMPANY promises to pay to CLAIMANT the Principal and Interest on the Maturity Date, or sooner if required hereby, unless to the extent of any completed conversion of Principal and or Interest as stated herein.

THE COMPANY MAY PREPAY ANY PORTION OF THE PRINCIPAL AMOUNT AT 125% OF SUCH AMOUNT OR MAXIMUM ALLOWED PER LAW, WHICHEVER IS LOWER, ALONG WITH ANY ACCRUED INTEREST AT ANY TIME UPON SEVEN DAYS WRITTEN NOTICE TO THE CLAIMANT, PROVIDED THE COMPANY IS NOT IN DEFAULT OF THIS AGREEMENT, SUBJECT TO THE TERMS HEREIN.

"Event of Default," wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) any default in the payment of the principal of, interest (including any Late Fees) on, or liquidated damages in respect to this Agreement, free of any claim of subordination, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise);

(ii) the COMPANY or any of its subsidiaries or affiliates shall commence, or there shall be commenced against any of them, a case under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the COMPANY commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the COMPANY or any subsidiary thereof or there is commenced against the COMPANY or any subsidiary thereof any such bankruptcy, insolvency or other proceeding; or the COMPANY or any subsidiary thereof is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the COMPANY or any subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of 60 Business Days; or the COMPANY or any subsidiary thereof makes a general assignment for the benefit of creditors; or the COMPANY shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the COMPANY or any subsidiary thereof shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of any debt or the COMPANY or any subsidiary thereof shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing or any corporate or other action is taken by the COMPANY or any subsidiary thereof for the purpose of effecting any of the foregoing or adverse to this Agreement;



(iii) the COMPANY shall fail to timely file all reports required to be filed by it with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise required by the Exchange Act, or cease to be subject to the reporting requirements of the Exchange Act, or as required to be deemed a current public company as to disclosure including on any exchange or over the counter trading medium and or the COMPANY is in, or accused of, being in violation of any law or regulation by written demand, court proceeding or otherwise;

(iv) the material breach of any promise or representation in this Agreement and or any related representation or agreement made by the COMPANY and or any of its officers with the Claimant, which shall include, without limitation, the failure to deliver shares of common stock due CLAIMANT on a conversion within three Business Days from the date of conversion or sooner, which delivery must be otherwise made per reasonable specifications of the CLAIMANT (e.g. to brokerage firm account);

(v) The COMPANY or any subsidiary of the COMPANY shall default in any of its obligations under any other Debenture or any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement of the COMPANY or any subsidiary of the COMPANY in an amount exceeding \$25,000, whether such indebtedness now exists or shall hereafter be created and such default shall result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

(vi) Any cessation of operations by COMPANY or COMPANY admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the COMPANY'S ability to continue as a "going concern" shall not be an admission that the COMPANY cannot pay its debts as they become due;

(vii) The failure by COMPANY to maintain any assets which are necessary to conduct its business (whether now or in the future);

(viii) The restatement of any financial statements filed by the COMPANY with the SEC for any date or period from two years prior to the date of this Agreement and until all amount due to Claimant hereunder are no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Claimant with respect to this Agreement; or

(ix) The Depository Trust Company ("DTC") places a "chill" on the deposit of additional securities of the COMPANY with DTC.

If the COMPANY fails to perform hereunder by delivering Shares or paying Principal and or Interest within 5 Business Days of said being due, then for the first 30 calendar days from the due date of said performance, the COMPANY shall also owe payable immediately an amount equal to \$1,000 per day as a reasonable "Late Fee" in addition to any other damages and reasonable attorney fees and costs payable, to cover, on a non accountable basis, the time, expense, efforts and or distress of the CLAIMANT having to focus its management, advisors, and counselors on the matter of the COMPANY failing to honor its written obligations, and said figure is deemed a reasonable liquidated damages provision and is not an election of remedy and is non exclusive so the CLAIMANT can add and pursue all rights otherwise.

If any Event of Default occurs and is continuing, the full Principal amount of this Agreement, together with Interest and Late Fees and other amounts owing in respect thereof, shall become immediately due and payable in cash except the CLAIMANT may elect any part thereof to be paid in Shares as part of any conversion hereunder in which case such Shares shall be due.

The CLAIMANT need not provide and the COMPANY hereby waives any presentment, demand, protest or other notice of any kind, and the CLAIMANT may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such declaration may be rescinded and annulled by CLAIMANT only in writing at any time prior to payment hereunder and the CLAIMANT shall have all rights and elections it is entitled to hereunder and or under law. Unless otherwise noted expressly herein in writing, no grace period applies.

At any time until both the Principal and Interest is paid in full and all conversions have been honored by the COMPANY and this Agreement is no longer outstanding, this Agreement, including interest and principal, shall be convertible into shares of Common Stock in the COMPANY at 58% percent of the lowest traded VWAP, determined on the then current trading market for the COMPANY'S common stock, for 15 trading days prior to conversion (the "Set Price"). The CLAIMANT shall effect conversions by delivering to the COMPANY the form of Notice of Conversion attached hereto as Exhibit C (a "Notice of Conversion"), specifying the date on which such conversion is to be effected (a "Conversion Date") and Shares shall then be delivered by the COMPANY within three Business Days (72 hours). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is provided hereunder. To effect conversions hereunder, the CLAIMANT shall not be required to otherwise physically surrender anything to the COMPANY. If the COMPANY does not request, from its transfer agent, the issuance of the shares underlying this Agreement after receipt of a Notice of Conversion within three Business Days (72 hours) following the date of Notice of Conversion, or fails to timely (within 72 hours) deliver the Shares per the instructions of the CLAIMANT, free and clear of all legends in legal free trading form, the COMPANY shall be responsible to also promptly pay CLAIMANT for any differential in the value of the converted Shares underlying this Agreement between the value of the closing price on the date the Shares should have been delivered and the date the Shares are delivered. The CLAIMANT and any assignee, by acceptance of this Agreement, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Agreement, the unpaid and unconverted Principal amount of this Agreement may be less than the amount stated on the face hereof. The parties hereby agree that the COMPANY will cover all legal costs associated with the issuance of Opinion Letter(s) to the Transfer Agent and other costs, expenses and liabilities as to conversion and issuance. In addition, if the COMPANY fails to timely (within 72 hours, 3 business days), deliver the shares per the instructions of the CLAIMANT, free and clear of all legends in legal free trading form, the COMPANY shall allow CLAIMANT to add two (2) days to the look back (the mechanism used to obtain the conversion price along with discount) for each day the COMPANY fails to timely (within 72 hours, 3 business days) deliver shares, on the next two conversions.

If the COMPANY, at any time while this Agreement is outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the COMPANY pursuant to this Agreement, including as interest thereon), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the COMPANY, then the Set Price shall be either (i) as agreed in writing by the CLAIMANT in its discretion or if not agreed to by CLAIMANT or reasonably objected to by the COMPANY in writing to the CLAIMANT promptly before any such corporate change, (ii) be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stock as to such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification. Whenever the Set Price is adjusted as noted above in this paragraph the COMPANY shall promptly, within one Business Day, deliver to each CLAIMANT a notice setting forth the Set Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

If, at any time while this Agreement is outstanding: (A) the COMPANY effects any merger or consolidation of the COMPANY with or into another Person, (B) the COMPANY effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the COMPANY or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the COMPANY effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then the CLAIMANT may declare this Agreement in default or, if it elects in writing to the COMPANY, upon any subsequent conversion, the CLAIMANT shall have the right to receive, for each underlying share that would have been issuable upon such conversion absent such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock of the COMPANY (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Set Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the COMPANY shall apportion the Set Price among the Alternate Consideration in a reasonable manner, but only if consented to in writing by the CLAIMANT, reflecting the relative value of any different components of the Alternate Consideration. If shareholders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the CLAIMANT shall be given the same choice as to the Alternate consideration it receives upon any conversion of this Agreement following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the COMPANY or surviving entity in such Fundamental Transaction shall issue to the CLAIMANT a new Agreement consistent with the foregoing provisions and evidencing the CLAIMANT'S right to convert such Agreement into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph and insuring that this Agreement (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. If any Fundamental Transaction constitutes or results in a change of control of the Company, then at the request of the CLAIMANT delivered before the 90<sup>th</sup> calendar day after such Fundamental Transaction, the COMPANY (or any such successor or surviving entity) will purchase the Agreement from the CLAIMANT for a purchase price, payable in cash within 10 Business Days of such request, equal to the 125% or maximum permitted by law whichever is lower, of the remaining unconverted Principal amount of this Agreement on the date of such request, plus all accrued and unpaid Interest thereon, plus all other accrued and unpaid amounts due hereunder.

The COMPANY covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock solely a sufficient number of its shares for the purpose of issuance upon conversion of this Agreement.

Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, (ii) the date after the date of transmission, if such notice or communication is delivered via facsimile, (iii) the first Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

Notwithstanding anything to the contrary herein contained, the CLAIMANT may not convert this Agreement to the extent such conversion would result in the CLAIMANT, together with any affiliate thereof, beneficially owning (as determined in accordance with Section 13(d) of the "Exchange Act and the rules promulgated thereunder) in excess of 4.99% of the then issued and outstanding shares of Common Stock, including shares issuable upon such conversion and held by the CLAIMANT after application of this section. The provisions of this section may be waived by the CLAIMANT, in whole or part, upon 61 days prior written notice.

Herein meanings are, unless otherwise defined herein:

"Business Day" means any day except Saturday, Sunday and any day which shall be a federal legal holiday in the United States or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Common Stock" means the common stock of the COMPANY and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Except as expressly provided herein, no provision of this Agreement shall alter or impair the obligation of the COMPANY, which is absolute and unconditional, to pay the principal of, interest and liquidated damages (if any) on, this Agreement at the time, place, and rate, and in the coin or currency, herein prescribed. This Agreement is a direct debt obligation of the COMPANY. This Agreement ranks pari passu on most favored terms to benefit the CLAIMANT with all other agreements now or hereafter issued under the terms set forth herein but shall be treated superior to all other obligations of the COMPANY. As long as this Agreement is outstanding, the COMPANY shall not and shall cause it subsidiaries not to, without the consent of the COMPANY, (a) amend its certificate of incorporation, bylaws or other charter documents so as to adversely affect any rights of the CLAIMANT; (b) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or other equity securities; or (c) enter into any agreement with respect to any of the foregoing.

If this Agreement shall be mutilated, lost, stolen or destroyed, the COMPANY shall execute and deliver another original of this Agreement.

So long as any portion of this Agreement is outstanding, the COMPANY will not and will not permit any of its subsidiaries to, directly or indirectly, enter into, create, incur, assume or suffer to exist any new indebtedness of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom that is senior in any respect to the COMPANY'S obligations under the Agreement without the prior consent of the CLAIMANT. All consents of CLAIMANT in this Agreement shall be in the discretion of the CLAIMANT.

If it shall be found by court that any Interest or other amount deemed interest due or aggregated hereunder violates applicable laws governing usury, the amount shall automatically be lowered to equal the maximum permitted under law.

The COMPANY covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the COMPANY from paying all or any portion of the principal of or interest on the Agreement as contemplated herein, or otherwise not honor this Agreement, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Agreement, and the COMPANY (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the CLAIMANT, but will suffer and permit the execution of every such as though no such law has been enacted.

Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

In the event CLAIMANT shall refer this Agreement to an attorney for collection in the event of a default, the COMPANY agrees to pay all the reasonable costs and expenses incurred in attempting or effecting collection hereunder or enforcement of the terms of this Agreement, including reasonable attorney's fees, whether or not suit is instituted.

4. **Claimant Status.** CLAIMANT represents and the COMPANY confirms such representation, as follows:

- a. CLAIMANT believes it is not an affiliate, now or by way of this Agreement, and relies upon the COMPANY knowledge of the members of the Board, officers and shareholdings, etc. in such regard (COMPANY represents to CLAIMANT that it has concluded and CLAIMANT may rely upon same, that CLAIMANT is not and will not be, by way of this Agreement, an affiliate of the COMPANY); and

CLAIMANT is (i) an "accredited investor" as that term is defined in Rule 501 under the Securities Act of 1933 and (ii) capable, by reason of the business and financial experience of its officers (if an entity) and professional advisors, as a sophisticated investor, of evaluating, the merits and risks of the prospective investment;.

5. **Other Concerns.** CLAIMANT has no responsibility for action or inaction by the DEBTOR nor faced or faces or will face responsibility for determinations of management of the COMPANY. The parties also recognize and acknowledge that as a result of this Agreement, the parties have entered into a confidential relationship as to this document, except to the requirements of law to the contrary, and they have negotiated and entered into this Agreement in good faith and without any duress. COMPANY has, notwithstanding anything, obtained counsel of its own choosing on the legality of the subject including the issuance of the Shares hereby without legend or restriction. The COMPANY indemnifies and holds harmless CLAIMANT and its affiliates, including the counselors and advisors of CLAIMANT, for any breach of any provision or representation by COMPANY herein.

6. **Miscellaneous.**

- A. **Gender.** Wherever the context shall require, all words herein in the masculine gender shall be deemed to include the feminine or neuter gender, all singular words shall include the plural, and all plural shall include the singular.

- B. Severability. If any provision hereof is deemed unenforceable by a court of competent jurisdiction, the remainder of this Agreement, and the application of such provision in other circumstances shall not be affected thereby.
- C. Further Cooperation. From and after the date of this Agreement, each of the parties hereto agrees to execute whatever additional documentation or instruments as are necessary to carry out the intent and purposes of this Agreement or to comply with any law. However, this shall not require any additional documents or acts by CLAIMANT for CLAIMANT to obtain and dispose of the subject shares.
- D. Waiver. No waiver of any provision of this Agreement shall be valid unless in writing and signed by the waiving party. The failure of any party at any time to insist upon strict performance of any condition, promise, agreement or understanding set forth herein, shall not be construed as a waiver or relinquishment of any other condition, promise, agreement or understanding set forth herein or of the right to insist upon strict performance of such waived condition, promise, agreement or understanding at any other time.
- E. Expenses. Except as otherwise provided herein, or agreed in writing, each party hereto shall bear all expenses incurred by each such party in connection with this Agreement and in the consummation of the transactions contemplated hereby and in preparation thereof.
- F. Amendment. This Agreement may only be amended or modified at any time, and from time to time, in writing, executed by the parties hereto.
- G. Notices. Any notice, communication, request, reply or advice (hereinafter severally and collectively called "Notice") in this Agreement provided or permitted to be given, may be made or be served by delivering same by overnight mail or by delivering the same by a hand-delivery service, such Notice shall be deemed given when so delivered or sooner as stated within this Agreement.
- H. Captions. Captions herein are for the convenience of the parties and shall not affect the interpretation of this Agreement.
- I. Counterpart Execution. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and this Agreement may be executed by fax.
- J. Assignment. This Agreement is not assignable without the written consent of the parties except CLAIMANT has the right to assign the obligations and Shares owed to it hereunder as it may determine.

- K. Parties in Interest and Affiliates. Provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties, their heirs, executors, administrators, other permitted successors and assigns, if any. Nothing contained in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and assigns. For this Agreement, affiliated or affiliate, either word being capitalized or not herein, shall mean controlling, controlled by or under direct or indirect common control with such person and includes shareholders, officers, directors, advisors, employees, attorneys, accountants, auditors, subsidiaries, parent companies, related companies and founders, broadly defined, to be interpreted to protect the CLAIMANT, beyond just persons and firms customarily considered affiliated under Federal securities laws and regulations.
- L. Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties on the subject matter hereof and supersedes all prior recent settlement discussions and verbal agreements and understandings except in no way does this Agreement change or eliminate the terms of financial and related obligations to the CLAIMANT per past agreements and instruments except as strictly modified in writing above.
- M. Construction and Misc. This Agreement shall be governed exclusively by the laws of the State of Florida without reference to conflict of laws and the exclusive venue for any action, claim or dispute in respect of this Agreement shall be such court of competent jurisdiction as is located in Broward County Florida as the sole venue. The parties agree and acknowledge that each has reviewed this Agreement and the normal rule of construction that agreements are to be construed against the drafting party shall not apply in respect of this Agreement given the parties have mutually negotiated and drafted this Agreement. The COMPANY irrevocably submits to the exclusive jurisdiction stated herein and the parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The parties hereto further waive any objection to venue in the said place.

THE DEBTOR IRREVOCABLY WAIVES THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT OR PROCEEDING AND FURTHER AGREES THAT SERVICE OF PROCESS UPON THE PARTY MAILED BY FIRST CLASS MAIL SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE PARTY IN ANY SUCH SUIT OR PROCEEDING. NOTHING HEREIN SHALL AFFECT EITHER PARTY'S RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

The COMPANY waives personal service of any summons, complaint or other process in connection with any such action or proceeding and agrees that service thereof may be made, as the CLAIMANT may elect, by mail directed to the CLAIMANT at the last known principal business location or mailing address or, in the alternative, in any other form or manner permitted by law, on a non-exclusive basis, as determined by the CLAIMANT. No failure or delay on the part of the CLAIMANT in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges.



The obligations to CLAIMANT and this Agreement cannot be set off against any real or alleged claim against the CLAIMANT.

- N. Cooperation and Representations. The parties hereto agree to cooperate with one another in respect of this Agreement, including reviewing and executing any document necessary for the performance of this Agreement, to comply with law or as reasonably requested by any party hereto, or legal counsel to any party hereto. Representations of the COMPANY shall survive the signing and closing of this Agreement.
- O. Independent Legal Counsel. The parties hereto agree that (i) each has retained independent legal counsel in connection with the preparation and of this Agreement, (ii) each has been advised of the importance of retaining legal counsel, and (iii) by the execution of this Agreement, each has retained or waived retaining counsel except as otherwise stated above.
- P. Rights and Remedies. The COMPANY agrees that all of the rights and remedies of the CLAIMANT hereto whether established hereby or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently. CLAIMANT further waives the right to any notice and hearing prior to the execution, levy, attachment or other type of enforcement of any judgment obtained hereunder. COMPANY shall reflect the obligation of this Agreement in all financial statements and related disclosures.

Exhibits, and, if any, Additional Promises and Representations:

- a. EXHIBIT A. The DEBTOR hereby represents that attached is a letter of confirmation and representation by the individual who is the principal executive officer of the COMPANY executed or to be executed and delivered this date.
- b. EXHIBIT B. The DEBTOR hereby represents that attached is a duly authorized and effective irrevocable resolution of the Board of Directors of the COMPANY confirming this Agreement as valid and binding on the COMPANY, executed or to be executed this date. (Whether or not attached, or executed, the DEBTOR represents all corporate authorization has been obtained.)
- c. EXHIBIT C. Form of Conversion
- d. EXHIBIT D. Irrevocable Letter from Transfer Agent
- e. EXHIBIT E. Transfer Agent Share Statement

Description of Debt: \$205,000 Senior Convertible Note Dated October 1<sup>st</sup>, 2013 (GCA Strategic Investment Fund Limited)

Name of COMPANY:	3DIcon Corporation
State of Incorporation:	Oklahoma
Address of COMPANY:	6804 South Canton Avenue Suite 150 Tulsa, OK 74136

Effective Date: 8/15/14  
Principal Amount due hereunder: \$205,000 plus interest  
Set Price: above  
Interest due hereunder: (10%) Ten percent interest per annum  
Maturity Date: date that is 12 months from the date of this Agreement

Name of CLAIMANT: Redwood Management, LLC

Claimant Address: 16850 Collins Ave #112-341

Sunny Isles Beach Florida 33160

The undersigned hereby execute this document the Effective Date noted:

"COMPANY/DEBTOR"  
3DIcon Corporation

---

Name: Victor F. Keen  
Title: CEO

"CLAIMANT"

Redwood Management, LLC

By: \_\_\_\_\_  
Gary Rogers, Manager

NEITHER THESE SECURITIES NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON CONVERSION OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Date of Issuance: 8/15/14

\$150,000

10% CONVERTIBLE DEBENTURE  
DUE 8/15/15

THIS DEBENTURE is a duly authorized and issued 10% Convertible Debenture of 3DIcon Corporation having a principal place of business at 6804 South Canton Avenue Suite 150 Tulsa, OK 74136 ("Company"), due 8/15/15 (the "Debenture").

FOR VALUE RECEIVED, the Company promises to pay to REDWOOD MANAGEMENT, LLC or its registered assigns (the "Holder"), the principal sum of \$150,000 plus interest on 8/15/15 or such earlier date as the Debenture is required or permitted to be repaid as provided hereunder (the "Maturity Date"), and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of (10%) Ten percent guaranteed interest payable regardless of how long the Debenture remains outstanding, unless the Debenture is converted to shares of common stock in accordance with the terms and conditions herein. The Debenture shall also have an original issue discount of three percent (3%) from the stated Principal Amount.

The Holder will pay \$150,000 upon execution.

THE COMPANY MAY PREPAY ANY PORTION OF THE PRINCIPAL AMOUNT AT 130% OF SUCH AMOUNT ALONG WITH ANY ACCRUED INTEREST OF THIS DEBENTURE AT ANY TIME UPON SEVEN DAYS WRITTEN NOTICE TO THE HOLDER

This Debenture is subject to the following additional provisions:

Section 1. DENOMINATIONS. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration of transfer or exchange.

Section 2. TRANSFER. This Debenture may be transferred or exchanged only in compliance with applicable federal and state securities laws and regulations. Prior to due presentment to the Company for transfer of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 3. EVENTS OF DEFAULT.

(a) "Event of Default", wherever used herein, means any one of the following events (whatever the reason and whether it shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) any default in the payment of the principal of, interest (including Late Fees) on, or liquidated damages in respect to this Debenture, free of any claim of subordination, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default is not cured, if possible to cure, within 5 days of notice of such default sent by the Holder;

(ii) the Company or any of its subsidiaries shall commence, or there shall be commenced against the Company or any such subsidiary a case under any applicable bankruptcy or insolvency laws as now or hereafter in effect or any successor thereto, or the Company commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company or any subsidiary thereof or there is commenced against the Company or any subsidiary thereof any such bankruptcy, insolvency or other proceeding which remains undismissed for a period of 60 days; or the Company or any subsidiary thereof is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company or any subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of 60 days; or the Company or any subsidiary thereof makes a general assignment for the benefit of creditors; or the Company shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or the Company or any subsidiary thereof shall call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or the Company or any subsidiary thereof shall by any act or failure to act expressly indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate or other action is taken by the Company or any subsidiary thereof for the purpose of effecting any of the foregoing; or

(iii) the Company shall fail to timely file all reports required to be filed by it with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise required by the Exchange Act.

(iv) the material breach of any promise or representation in this Debenture and or related representation or agreement made by the Company and or any of its officers, which shall include, without limitation, the failure to deliver shares of common stock due Holder on a conversion within three Business Days from the date of conversion or sooner, which delivery must be otherwise made per reasonable specifications of the Holder (e.g. to brokerage firm account).

(b) If any Event of Default occurs and is continuing, the full principal amount of this Debenture, together with interest and other amounts owing in respect thereof, to the date of acceleration shall become at the Holder's election, immediately due and payable in cash. The Holder need not provide and the Company hereby waives any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such declaration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a Debenture holder until such time, if any, as the full payment under this Section shall have been received by it. No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

(c) If the Company fails to perform hereunder by delivering shares or paying principal and or interest within 3 Business Days of said being due, then for the first up to 30 calendar days from the due date of said performance, the Company shall also owe payable immediately an amount equal to \$1,000 per day as a reasonable "Late Fee" in addition to any other damages and reasonable attorney fees and costs payable, to cover, on a non accountable basis, the time, expense, efforts and or distress of the Holder having to focus its management, advisors, and counselors on the matter of the Company failing to honor its written obligations, and said figure is deemed a reasonable liquidated damages provision and is not an election of remedy and is non exclusive so the Holder can add and pursue all rights otherwise.

#### Section 4. Conversion.

(a) (i) Holder's Conversion Right. At any time after the Date of Issuance until this Debenture is no longer outstanding, this Debenture, including interest and principal, shall be convertible into shares of Common Stock at a price of Sixty Five Percent (65%) of the lowest traded VWAP, determined on the then current trading market for the Company's common stock, for 15 trading days prior to conversion (the "Set Price") at the option of the Holder, in whole at any time and from time to time. The Holder shall effect conversions by delivering to the Company the form of Notice of Conversion attached hereto as Exhibit B ("Notice of Conversion"), specifying the date on which such conversion is to be effected (a "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is provided hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender Debentures to the Company. The Company shall deliver any objection to any Notice of Conversion within TWO (2) Business Days of receipt of such notice. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. If the Company does not request the issuance of the shares underlying this Debenture after receipt of a Notice of Conversion within TWO (2) Business Days following the period allowed for any objection, the Company shall be responsible for any differential in the value of the converted shares underlying this Debenture between the value of the closing price on the date the shares should have been delivered and the date the shares are delivered. In addition, if the Company fails to timely (within 72 hours, 3 business days), deliver the shares per the instructions of the Holder, free and clear of all legends in legal free trading form, the Company shall allow Holder to add two (2) days to the lookback (the mechanism used to obtain the conversion price along with discount) for each day the Company fails to timely (within 72 hours, 3 business days) deliver shares, on the next conversion.

The Holder and any assignee, by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof. Any legal opinion letter required to effectuate the issuance of the shares pursuant to this Paragraph 4(a) and the Notice of Conversion shall be provided and issued by Company. The Holder may use another attorney in its sole discretion for the opinion. The parties hereby agree that the Company will cover all legal costs associated with the issuance of the legal opinion letter to the Company's transfer agent.

(ii) If the Company, at any time while this Debenture is outstanding: (A) shall pay a stock dividend or otherwise make a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company pursuant to this Debenture, including as interest thereon), (B) subdivide outstanding shares of Common Stock into a larger number of shares, (C) combine (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of shares of the Common Stock any shares of capital stock of the Company, then the Set Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(iii) Whenever the Set Price is adjusted pursuant to any of Section 4, the Company shall promptly mail to each Holder a notice setting forth the Set Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(iv) If (A) the Company shall declare a dividend (or any other distribution) on the Common Stock; (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock; (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights; (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company; then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of the Debentures, and shall cause to be mailed to the Holders at their last addresses as they shall appear upon the stock books of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. Holders are entitled to convert Debentures during the 20-day period commencing the date of such notice to the effective date of the event triggering such notice.

(v) If, at any time while this Debenture is outstanding, (A) the Company effects any merger or consolidation of the Company with or into another Person, (B) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (C) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (D) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "Fundamental Transaction"), then upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each share of common stock that would have been issuable upon such conversion absent such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "Alternate Consideration"). For purposes of any such conversion, the determination of the Set Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Set Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new debenture consistent with the foregoing provisions and evidencing the Holder's right to convert such debenture into Alternate Consideration. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this paragraph and insuring that this Debenture (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. If any Fundamental Transaction constitutes or results in a change of control of the Company, then at the request of the Holder delivered before the 90<sup>th</sup> day after such Fundamental Transaction, the Company (or any such successor or surviving entity) will purchase the Debenture from the Holder for a purchase price, payable in cash within 10 Trading Days after such request (or, if later, on the effective date of the Fundamental Transaction), equal to the 130% of the remaining unconverted principal amount of this Debenture on the date of such request, plus all accrued and unpaid interest thereon, plus all other accrued and unpaid amounts due hereunder.

(b) The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock, sufficient shares of Common Stock solely for the purpose of issuance upon conversion of this Debenture, in accordance with the Irrevocable Transfer Agent Letter attached as Exhibit A hereto. A

(c) Any and all notices or other communications or deliveries to be provided by the Holders hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above or such other address or facsimile number as the Company may specify for such purposes by notice to the Holders delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile telephone number or address of such Holder appearing on the books of the Company, or if no such facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 5:30 p.m. (New York City time), (ii) the date after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section later than 5:30 p.m. (New York City time) on any date and earlier than 11:59 p.m. (New York City time) on such date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

(d) Notwithstanding anything to the contrary herein contained, the Holder may not convert this Debenture to the extent such conversion would result in the Holder, together with any affiliate thereof, beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules promulgated thereunder) in excess of 4.99% of the then issued and outstanding shares of Common Stock, including shares issuable upon such conversion and held by the Holder after application of this section. The provisions of this section may be waived by the Holder (but only as to itself and not to any other Holder) upon not less than 61 days prior notice to the Company. Other Holders shall be unaffected by any such waiver.



Section 5. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, the following terms shall have the following meanings:

"Business Day" means any day except Saturday, Sunday and any day which shall be a federal legal holiday in the United States or a day on which banking institutions in the State of New York are authorized or required by law or other government action to close.

"Common Stock" means the common stock of the Company and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Set Price" shall have the meaning set forth in Section 4.

Section 6. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, interest and liquidated damages (if any) on, this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein. As long as this Debenture is outstanding, the Company shall not and shall cause its subsidiaries not to, without the consent of the Holder, (a) amend its certificate of incorporation, bylaws or other charter documents so as to adversely affect any rights of the Holder; (b) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or other equity securities other than as to the shares of Common Stock underlying this Debenture or as otherwise permitted by this Debenture; or (c) enter into any agreement with respect to any of the foregoing.

Section 7. If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, and indemnity, if requested, all reasonably satisfactory to the Company.

Section 8. So long as any portion of this Debenture is outstanding, the Company will not and will not permit any of its subsidiaries to, directly or indirectly, enter into, create, incur, assume or suffer to exist any indebtedness of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom that is senior in any respect to the Company's obligations under the Debentures without the prior consent of the Holder, which consent shall not be unreasonably withheld.

Section 9. All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of Florida, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Debenture (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in Broward County (the "Florida Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the Florida Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of this Debenture), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, or such Florida Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such Service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Debenture or the transactions contemplated hereby. If either party shall commence an action or proceeding to enforce any provisions of this Debenture, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

Section 10. Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture. Any waiver must be in writing.

Section 11. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates applicable laws governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum permitted rate of interest. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Debentures as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this indenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impeded the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

Section 12. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

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IN WITNESS WHEREOF, the Company has caused this Convertible Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

3DIcon Corporation

By: \_\_\_\_\_

Victor F. Keen

CEO

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

I, Victor F. Keen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 3DIcon Corporation.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 quarterly 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;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my 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 function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 14, 2014

By: /s/ Victor F. Keen  
Victor F. Keen  
Chief Executive Officer

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

I, Ronald W. Robinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of 3DIcon Corporation.

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

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

5. I have disclosed, based on my 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 function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 14, 2014

By: /s/ Ronald W. Robinson

Ronald W. Robinson  
Chief Financial Officer

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

In connection with the Quarterly Report of 3DIcon Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Victor F. Keen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (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.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: November 14, 2014

By: /s/ Victor F. Keen

Victor F. Keen  
Chief Executive Officer

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

In connection with the Quarterly Report of 3DIcon Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald W. Robinson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (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.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: November 14, 2014

By: /s/ Ronald W. Robinson

Ronald W. Robinson  
Chief Financial Officer

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