SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Lifeloc Technologies, Inc

Form: 10-Q

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

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 000-54319

LIFELOC TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Colorado (State or other jurisdiction of incorporation or organization)	**84-1053680** (I.R.S. Employer Identification No.)

12441 West 49th Ave., Unit 4
Wheat Ridge, Colorado 80033
(Address of principal executive offices)

(303) 431-9500
(Registrant's telephone number)

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

* The registrant is a voluntary filer of reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, and has filed all such reports during the preceding 12 months.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, no par value (Class)	**2,454,116 Shares** (outstanding at November 12, 2015)

LIFELOC TECHNOLOGIES, INC.

FORM 10-Q

For the nine months Ended September 30, 2015

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PART I FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

LIFELOC TECHNOLOGIES, INC.
Condensed Balance Sheets

ASSETS

	September 30, 2015 (Unaudited)	December 31, 2014
CURRENT ASSETS:		
Cash	$ 2,743,345	$ 2,749,254
Accounts receivable, net	764,329	855,452
Inventories, net	1,098,320	945,425
Income taxes receivable	27,614	83,275
Deferred taxes	119,589	120,392
Prepaid expenses and other	49,284	48,101
Total current assets	4,802,481	4,801,899
PROPERTY AND EQUIPMENT, at cost:		
Land	317,932	317,932
Building	1,651,695	1,631,207
Training courses	432,375	432,375
Production equipment	436,198	401,030
Office equipment and software	237,724	237,724
Sales and marketing equipment	247,966	236,722
Research and development equipment and software	69,822	-
Less accumulated depreciation	(850,020)	(650,576)
Total property and equipment, net	2,543,692	2,606,414
OTHER ASSETS:		
Patents, net	99,946	80,356
Deposits and other	239,825	69,687
Deferred taxes, long term	7,798	7,504
Total other assets	347,569	157,547
Total assets	$ 7,693,742	$ 7,565,860

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2015 (Unaudited)	December 31, 2014
CURRENT LIABILITIES:		
Accounts payable	$ 292,147	$ 469,570
Term loan payable, current portion	36,276	35,262
Customer deposits	115,348	16,018
Accrued expenses	216,788	232,130
Deferred revenue, current portion	88,100	86,493
Reserve for warranty expense	36,100	33,100
Total current liabilities	784,759	872,573
TERM LOAN PAYABLE, net of current portion	1,512,890	1,540,154
DEFERRED REVENUE, net of current portion	20,520	19,746
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, no par value; 50,000,000 shares authorized, 2,454,116 shares outstanding	4,533,012	4,517,468
Retained earnings	842,561	615,919
Total stockholders' equity	5,375,573	5,133,387
Total liabilities and stockholders' equity	$ 7,693,742	$ 7,565,860

See accompanying notes.

LIFELOC TECHNOLOGIES, INC.
Condensed Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
REVENUES:				
Product sales	$ 2,002,094	$ 2,452,129	$ 5,954,289	$ 6,545,128
Royalties	130,293	54,403	331,498	261,583
Rental income	26,964	-	80,004	-
Total	2,159,351	2,506,532	6,365,791	6,806,711
COST OF SALES	1,067,254	1,329,626	3,204,947	3,505,472
GROSS PROFIT	1,092,097	1,176,906	3,160,844	3,301,239
OPERATING EXPENSES:				
Research and development	236,570	221,749	794,299	739,995
Sales and marketing	291,267	357,456	1,119,514	1,019,750
General and administrative	283,261	274,778	883,427	858,449
Total	811,098	853,983	2,797,240	2,618,194
OPERATING INCOME	280,999	322,923	363,604	683,045
OTHER INCOME (EXPENSE):				
Interest income	3,223	5,591	10,568	16,610
Bad debt recovery	3,000	3,000	9,000	9,000
Interest expense	(17,683)	-	(52,960)	-
Amortization, financing expense	(135)	-	(497)	-
Total	(11,595)	8,591	(33,889)	25,610
NET INCOME BEFORE PROVISION FOR TAXES	269,404	331,514	329,715	708,655
PROVISION FOR FEDERAL AND STATE INCOME TAXES	(80,252)	(116,959)	(103,073)	(232,203)
NET INCOME	$ 189,152	$ 214,555	$ 226,642	$ 476,452
NET INCOME PER SHARE, BASIC	$ 0.08	$ 0.09	$ 0.09	$ 0.20
NET INCOME PER SHARE, DILUTED	$ 0.07	$ 0.09	$ 0.09	$ 0.19
WEIGHTED AVERAGE SHARES, BASIC	2,454,116	2,432,416	2,453,015	2,432,416
WEIGHTED AVERAGE SHARES, DILUTED	2,523,145	2,486,380	2,524,616	2,495,530

See accompanying notes.

LIFELOC TECHNOLOGIES, INC.
Condensed Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES:	2015	2014
Net income	$ 226,642	$ 476,452
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	204,855	137,640
Deferred taxes	509	(29,074)
Reserve for warranty expense	3,000	5,925
Changes in operating assets and liabilities-		
Accounts receivable	91,123	(360,767)
Inventories	(152,895)	(332,622)
Income taxes receivable	55,661	131,577
Prepaid expenses and other	(1,233)	8,840
Deposits and other	(170,585)	(93,790)
Accounts payable	(177,423)	308,774
Income taxes payable	-	25,782
Customer deposits	99,330	(167,373)
Accrued expenses	(15,342)	(105,551)
Deferred income	2,381	16,560
Net cash provided from operating activities	166,023	22,373
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(136,722)	(207,799)
Patent filing expense	(24,504)	(16,454)
Net cash (used in) investing activities	(161,226)	(224,253)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments made on term loan	(26,250)	-
Sale of common stock	15,544	-
Net cash used in financing activities	(10,706)	-
NET (DECREASE) IN CASH	(5,909)	(201,880)
CASH, BEGINNING OF PERIOD	2,749,254	3,357,260
CASH, END OF PERIOD	$ 2,743,345	$ 3,155,380
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ 52,960	$ -
Cash paid for income tax	$ 46,904	$ 108,976

See accompanying notes.

1. ORGANIZATION AND NATURE OF BUSINESS

Lifeloc Technologies, Inc., a Colorado corporation ("Lifeloc" or the "Company"), is a Colorado-based developer, manufacturer and marketer of portable hand-held and fixed station breathalyzers and related accessories, supplies and education. We design, produce and sell fuel-cell based breath alcohol testing equipment. We compete in all major segments of the portable breath alcohol testing instrument market, including law enforcement, workplace, corrections, original equipment manufacturing ("OEM") and consumer markets. In addition, we offer a line of supplies, accessories, services, and training to support customers' alcohol testing programs. We sell globally through distributors as well as directly to users.

We define our business as providing "near and remote sensing" products and solutions. Today, the majority of our revenues are derived from products and services for alcohol detection and measurement. We remain committed to growing our breath alcohol testing business. In the future, we anticipate the commercialization of new sensing and measurement products that may allow Lifeloc to successfully expand our business into new growth areas where we do not presently compete or where no satisfactory product solutions exist today.

In addition, with the October 2014 purchase of our corporate headquarters and certain adjacent property, we added a new reporting segment focused on the ownership and rental of real property through existing commercial leases.

Lifeloc incorporated in Colorado in December 1983. We filed a registration statement on Form 10 with the Securities and Exchange Commission, which became effective on May 31, 2011. Our fiscal year end is December 31. Our principal executive offices are located at 12441 West 49th Avenue, Unit 4, Wheat Ridge, Colorado 80033-3338. Our telephone number is (303) 431-9500. Our websites are www.lifeloc.com, www.lifeguardbreathtester.com, and stsfirst.com. Information contained on our websites does not constitute part of this Form 10-K.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expense during the reporting period. Actual results could differ from those estimates. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included in the accompanying condensed unaudited financial statements.

Fair Value of Financial Instruments. Our financial instruments consist of cash, short-term trade receivables, payables and a term loan secured by a first mortgage. The carrying values of cash and cash equivalents, short-term receivables, and payables approximate their fair value due to their short term maturities. The carrying value of the term loan approximates its fair value based on interest rates currently obtainable.

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, ASC 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC 820 defines the hierarchy as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equity securities listed on the New York Stock Exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs.

Level 3 - Significant inputs to pricing that are unobservable as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as complex and subjective models and forecasts used to determine the fair value of financial transmission rights.

Inventories. Inventories are stated at the lower of cost (first-in, first-out basis) or market. We reduce inventory for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. At September 30, 2015 and December 31, 2014, inventory consisted of the following:

	September 30, 2015	December 31, 2014
Raw materials & deposits	$ 643,255	$ 476,941
Work-in-process	177,769	132,029
Finished goods	369,796	428,955
Total gross inventories	1,190,820	1,037,925
Less reserve for obsolescence	(92,500)	(92,500)
Total net inventories	$ 1,098,320	$ 945,425

Income Taxes. We account for income taxes under the provisions of Accounting Standards Codification Topic 740, "Accounting for Income Taxes" ("ASC 740"). We have determined an estimated annual effective tax rate. The rate will be revised, if necessary, as of the end of each successive interim period during our fiscal year to our best current estimate.

The estimated annual effective tax rate is applied to the year-to-date ordinary income (or loss) at the end of the interim period.

ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This pronouncement also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Revenue Recognition. Revenue from product sales is generally recorded when we ship the product and title has passed to the customer, provided that we have evidence of a customer arrangement and can conclude that collection is probable. The prices at which we sell our products are fixed and determinable at the time we accept a customer's order. We recognize revenue from sales to stocking distributors when there is no right of return, other than for normal warranty claims, and generally have no ongoing obligations related to product sales, except for normal warranty.

Supplies are recognized as sales when they are shipped. The sales of licenses to our training courses, as well as training revenues, are recognized as revenue at the time of sale.

We generally do not arrange for customer financing or leasing through unrelated third parties, instead providing for customer financing and leasing ourselves which we recognize as revenue over the applicable lease term. Occasionally, we rent used equipment to customers, and in those cases, we recognize the revenues as they are earned over the life of the contract.

Royalty income is recognized in accordance with agreed upon terms, when performance obligations are satisfied, the amount is fixed or determinable and collectability is reasonably assured.

Rental income from space leased to our tenants is recognized in the month in which it is due, which approximates recognition on a straight-line basis.

Deferred Revenues. Deferred revenues arise from service contracts, from extended warranty contracts, and from customer leases. Those revenues are recognized on a straight-line basis over the life of the contract, which generally are written for one year. However, there are occasions when they are written for longer terms up to four years. In those cases, the revenues from that portion of the contract that extend beyond one year are shown in our balance sheet as long term. Deferred revenues also result from progress payments received on development contracts; those revenues are recognized when the contract is complete. All development contracts are for less than one year and all deferred revenues from this source are shown in our balance sheet as short term.

On occasion we receive customer deposits for future product orders. Customer deposits are initially recorded as a liability and recognized as revenue when the product is shipped and title has passed to the customer.

Recent Accounting Pronouncements. We have reviewed all recently issued, but not yet effective, accounting pronouncements. The Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09 (Revenue from Contracts with Customers), which is effective for annual reporting periods beginning after December 15, 2017. In addition, Accounting Standards Update No. 2015-03 (Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs), which will be effective for annual reporting periods beginning after December 15, 2015 and interim periods beginning after December 15, 2016, and Accounting Standards Update No. 2015-11 (Inventory), which will be effective for annual reporting periods and interim periods beginning after December 15, 2016, may also have an impact on us. We have not yet assessed the impact, if any, of adopting these standards.

Segment Reporting. We have concluded that we have two operating segments, including our primary business which is as a developer, manufacturer and marketer of portable hand-held breathalyzers and related accessories, supplies and education, and a second segment consisting of renting portions of our building to existing tenants, whose leases expire at various times until December 31, 2017.

3. BUSINESS COMBINATIONS

Building and land. On October 31, 2014 we purchased the building formerly leased by us for a total price of $1,949,139, of which $317,932 was allocated to land. The allocation between building and land was based on Level 3 inputs and was determined by management based on estimates of rent and return on investment analyses. Based on a third party analysis, we allocated a portion of the building cost to its components. The components are depreciated over 5 and 15 years, using double declining depreciation methods, and the building is depreciated over 39 years using the straight line method.

Approximately 48% of the building is leased to third party tenants pursuant to lease agreements expiring on various dates ranging to December 31, 2017. Rental revenue included in our statement of income for the nine months ended September 30, 2015 was $80,004.

Future rental income and related expenses will depend in part on whether existing leases are renewed.

Training Courses. On December 1, 2014 we acquired all of the assets of Superior Training Solutions, Inc. ("STS") for $300,000 cash plus 15,000 shares of our common stock valued at $132,375, reflecting a total purchase price of $432,375. In accordance with the purchase agreement between Lifeloc and STS, the value of the stock was based on the closing quote on our stock price for a specified period prior to closing. Based on Level 3 inputs, which consisted of estimates of future cash flows, the entire purchase price was allocated to training courses, which are depreciated over 15 years using the straight line method.
Revenues are generated by selling licenses to direct customers as well as resellers, and are recognized as earned revenue at the time of sale.

4. BASIC AND DILUTED INCOME PER COMMON SHARE

We report both basic and diluted net income (loss) per share. Basic net income or loss per common share is computed by dividing net income or loss for the period by the weighted average number of common shares outstanding for the period. Diluted net income or loss per common share is computed by dividing the net income or loss for the period by the weighted average number of common and potential common shares outstanding during the period if the effect of the potential common shares is dilutive. The shares used in the calculation of dilutive potential common shares exclude options to purchase shares where the exercise price was greater than the average market price of common shares for the period.

The following table presents the calculation of basic and diluted net income per share:

	Three Months Ended	
	September 30, 2015	September 30, 2014
Net income	$ 189,152	$ 214,555
Weighted average shares-basic	2,454,116	2,432,416
Effect of dilutive potential common shares	69,029	53,964
Weighted average shares-diluted	2,523,145	2,486,380
Net income per share-basic	$ .08	$ .09
Net income per share-diluted	$ .07	$ .09
Antidilutive employee stock options	-	-

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Net income	$ 226,642	$ 476,452
Weighted average shares-basic	2,453,015	2,432,416
Effect of dilutive potential common shares	71,601	63,114
Weighted average shares-diluted	2,524,616	2,495,530
Net income per share-basic	$ .09	$ .20
Net income per share-diluted	$ .09	$ .19
Antidilutive employee stock options	-	-

5. STOCKHOLDERS' EQUITY

The following table summarizes information about employee stock options outstanding and exercisable at September 30, 2015:

	STOCK OPTIONS OUTSTANDING			STOCK OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price per Share	Number Exercisable	Weighted-Average Exercise Price per Share
$2.32 - $3.69	79,000	2.54	$2.67	79,000	$2.67

Holders of 6,700 options entitling them to purchase shares of stock at $2.32 apiece exercised their options during the nine months ended September 30, 2015. None were exercised during the nine months ended September 30, 2014.

Of the 79,000 options exercisable as of September 30, 2015, all are incentive stock options. The exercise price of all options granted through September 30, 2015 has been equal to or greater than the fair market value.

The total number of authorized shares of common stock continues to be 50,000,000, with no change in the par value per share.

6. LINE OF CREDIT AND TERM LOAN PAYABLE

On October 31, 2014, we purchased the commercial property we use as our corporate headquarters and certain adjacent property in Wheat Ridge, Colorado for a total purchase price of $1,949,139, of which we paid $368,033 in cash and financed the remaining $1,581,106 through a 10-year term loan from Bank of America bearing interest at 4.45% per annum, secured by a first mortgage in the property we acquired with the loan. In connection with the loan, we arranged for a one-year $250,000 line of credit from Bank of America secured by all assets of the Company. The line of credit bears interest at a rate calculated at the LIBOR daily floating rate plus 2.5%. At September 30, 2015 this credit facility had not been used.

7. INCOME TAXES

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes consists of the following:

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Federal statutory rate	$ 112,104	$ 240,943
Effect of:		
State taxes, net of federal benefit	14,564	32,837
Research and development credits	(16,486)	-
Domestic Production Activities Deduction	(32,972)	(50,376)
Other	25,863	8,799
Total	$ 103,073	$ 232,203

8. COMMITMENTS

First Mortgage Expense. We purchased our facilities in Wheat Ridge, Colorado on October 31, 2014 for $1,949,139, of which we financed $1,581,106 through a 10-year term loan from Bank of America secured by a first mortgage in the property we acquired with the term loan. The term loan bears interest at 4.45% per annum, and is payable in 120 equal monthly installments of $8,801 including interest. Our minimum future principal payments on this term loan, by year, are as follows:

Year	Amount
2015	$ 9,012
2016	36,689
2017	35,576
2018	40,353
2019	42,211
2020 – 2024	1,385,325
Total	1,549,166
Less current portion	(36,276)
Long term portion	$ 1,512,890

Rent Expense. Rent expense for our facilities for the 9 months ended September 30, 2014 was $79,796. As a result of purchasing our building, we did not incur rent expense after October 31, 2014.

Employee Severance Benefits. Our obligation with respect to employee severance benefits is minimized by the "at will" nature of the employee relationships. As of September 30, 2015 we had no obligation with respect to contingent severance benefit obligations.

Purchase Orders. Outstanding purchase orders issued to vendors in the ordinary course of business totaled $976,416 at September 30, 2015.

Other Material Contractual Commitments. Aside from the credit facility commitments, we do not have any material contractual commitments requiring settlement in the future except that we revised two development agreements which will, in the ordinary course of business, require additional payments by us of $83,584 during 2015 and $55,170 during 2016.

Regulatory Commitments. With respect to our LifeGuard product, we are subject to regulation by the United States Food and Drug Administration ("FDA"). The FDA provides regulations governing the manufacture and sale of our LifeGuard product, and we are subject to inspections by the FDA to determine our compliance with these regulations. FDA inspections are conducted periodically at the discretion of the FDA. As of September 30, 2015, we had not been inspected by the FDA; however, we believe we are in substantial compliance with all known regulations. We are also subject to regulation by the DOT and by various state departments of transportation so far as our other products are concerned. We believe that we are in substantial compliance with all known applicable regulations.

9. BUSINESS SEGMENTS

We currently have two business segments: (i) the sale of physical products ("Products", including portable hand-held breathalyzers and related accessories, supplies, education, training, and royalties from development contracts with OEM manufacturers), and (ii) rental of a portion of our building ("Rentals"). There was only one business segment, Products, in the nine months ended September 30, 2014. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Operating profits for the Products segment includes all unallocated corporate items. Administrative and staff costs were commonly used by all business segments and were indistinguishable. These costs are included in the Product segment in the table below.

The following sets forth information about the operations of the business segments (royalty activity has been separated from product activity for informational purposes only):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Revenue:		
Products	$ 2,002,094	$ 5,954,289
Royalties	130,293	331,498
Subtotal	2,132,387	6,285,787
Rentals	26,964	80,004
Total	$ 2,159,351	$ 6,365,791
Gross profit:		
Products	$ 959,070	$ 2,823,604
Royalties	130,293	331,498
Subtotal	1,089,363	3,155,102
Rentals	2,734	5,742
Total	$ 1,092,097	$ 3,160,844
Interest expense:		
Products	$ 9,195	$ 27,539
Rentals	8,488	25,421
Total	17,683	$ 52,960
Net income before provision for taxes:		
Products	275,158	349,394
Rentals	(5,754)	(19,679)
Total	269,404	329,715

There were no intersegment revenues.

As of September 30, 2015, $792,814 of our assets were used in the Rentals segment, with the remainder, $6,900,928, used in the Products and unallocated segments.

10. SUBSEQUENT EVENTS

We evaluated all of our activity and concluded that no subsequent events have occurred that would require recognition in our financial statements or disclosure in the notes to our financial statements.

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

The following is a discussion of our financial condition and results of operations, and should be read in conjunction with our financial statements and the related notes included elsewhere in this Form 10-Q. Certain statements contained in this section are not historical facts, including statements about our strategies and expectations about new and existing products, market demand, acceptance of new and existing products, technologies and opportunities, market and industry segment growth, and return on investments in products and markets. These statements are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), and we intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in these statutes. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans" or "anticipates" or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. Such statements involve substantial risks and uncertainties that may cause actual results to differ materially from those indicated by the forward-looking statements. All forward-looking statements in this section are based on information available to us on the date of this document, and we assume no obligation to update such forward looking statements. Readers of this Form 10-Q are strongly encouraged to review the section titled *"Risk Factors"* in our December 31, 2014 Form 10-K.

Overview

We have been a developer and manufacturer of advanced alcohol testing instruments since 1986. We design and produce high-quality, precise and rapid recovery alcohol testing instruments for use in the workplace, clinics, schools, law enforcement, corrections, and other applications. We offer our customers accessories, service support, training and supplies. Our internet websites are www.lifeloc.com, www.lifeguardbreathtester.com, and www.stsfirst.com.

In addition, with the October 2014 purchase of our corporate headquarters and certain adjacent property, we added a new reporting segment focused on the ownership and rental of real property through existing commercial leases. Accordingly, we have concluded that we now have two operating segments, (i) our primary business focused on developing, manufacturing and marketing "near and remote sensing" products and solutions, including portable hand-held breathalyzers and related accessories, supplies and education, and (ii) a secondary business focused on the rental of portions of our building to existing tenants.

In 1989, we introduced our first breath alcohol tester, the PBA3000. Our Phoenix Classic was completed and released for sale in 1998, superseding the PBA3000. In turn, the Phoenix Classic has been superseded by our FC Series and Workplace Series of portable breath alcohol testers, which are discussed below. Neither the PBA3000 nor the Phoenix Classic is actively sold today.

In 2001, we completed and released for sale an additional product line, our new FC Series, designed specifically for domestic and international law enforcement and corrections markets. The portable breath alcohol testers comprising our FC Series are currently being sold worldwide, having contributed to our growth since their introduction. The FC Series is designed to meet the needs of domestic and international law enforcement for roadside drink/drive testing and alcohol offender monitoring. The FC Series is approved by the U.S. Department of Transportation ("DOT") as an evidential breath tester, making it suitable for sale to state law enforcement agencies for preliminary roadside breath alcohol testing. The FC Series is routinely updated with firmware, software and component improvements as they become available. It is readily adaptable to the specific requirements and regulations of domestic and international markets.

In 2005 and 2006, we introduced two new models, the EV30 and Phoenix 6.0 Evidential Breath Tester ("Phoenix 6.0"), which constitute our Workplace Series of testing devices. Like their predecessor, the Phoenix Classic, these instruments are also DOT approved. The DOT's specifications support the DOT's workplace alcohol testing programs, including those applicable to workplace alcohol testing for the federally regulated transportation industry. We also sell component parts used in alcohol testing devices, such as mouthpieces used by our breathalyzers, as well as forms and labels used for record keeping, and calibration products for user re-calibration of our devices. We offer optional service agreements on our equipment, re-calibration services, and spare parts, and we sell supporting instrument training and user certification training to our workplace customers.

In 2006, we commenced selling breath alcohol equipment components that we manufacture to other original equipment manufacturers ("OEMs") for inclusion as subassemblies or components in their breath alcohol testing devices.

In late 2009, we released the LifeGuard Personal Breathalyzer ("LifeGuard"), a personal alcohol breath tester that incorporates the same fuel-cell technology used in our professional devices. Intended for the global consumer breathalyzer market, LifeGuard is primarily sold directly to consumers in the U.S. and marketed internationally through global distributors.

In 2011 and 2012 Lifeloc introduced Bluetooth wireless keyboard and printer communication options for our popular Phoenix 6.0 along with a series of web based workplace training courses. We believe these two product innovations have been key to our success and leadership in workplace breath testing.

In 2013 Lifeloc expanded our FC Series of professional breath alcohol testers targeted at domestic and international law enforcement and corrections markets with the addition of the FC5 Hornet (the "FC5"). The FC5 is a passive (no mouthpieces required) portable handheld alcohol screening device that competes directly with passive alcohol screeners from our competitors in the education, law enforcement, workplace and corrections markets. In 2013 we also introduced the Sentinel zero tolerance alcohol screening station, a fully automated wall mounted screening station for use in safety sensitive industries such as oil and gas and mining. Both devices expand Lifeloc's products for passive alcohol screening.

In the third quarter of 2014 we received approval from DOT for our EASYCAL automatic calibration station for use with Lifeloc Evidential Breath Testers, and we began shipments of the EASYCAL to our law enforcement, corrections, workplace and international customers. The EASYCAL is a first of its kind device that automatically performs breath tester instrument calibration, calibration verification and gas management. As compared to manual instrument calibration, the EASYCAL reduces the opportunity for human error, saves time and reduces operating costs.

In October 2014 we were awarded a $250,000 grant from the Colorado Office of Economic Development to accelerate development of a marijuana breathalyzer. Terms of the grant require us to submit invoices as work is performed, with an anticipated completion date of August 31, 2017. Development is currently concentrated on the collection challenge: THC is exhaled in the breath in much smaller amounts than alcohol, which therefore requires that the analysis be performed on a larger sample from the exhaled breath. There is no assurance that this effort to develop a marijuana breathalyzer will be successful or that significant sales will result from such development if successful.

In December 2014, we acquired substantially all of the assets of Superior Training Solutions, Inc. ("STS"), a company that develops and sells online drug and alcohol training and refresher courses. The assets we acquired from STS complement our existing drug and alcohol training courses.

The areas in which we conduct our primary business are highly competitive and include both foreign and domestic competitors. Our major competitors are larger and have substantially greater resources than we do. Furthermore, other domestic or foreign companies, some with greater financial resources than we have, may seek to produce products or services that compete with ours.

We believe that our future success depends to a large degree on our ability to develop new products and services to enhance the performance characteristics and methods of manufacture of existing products and to expand our products outside of our traditional alcohol testing business. Accordingly, we expect to continue to invest in research and development, to the extent funds are available.

Additional Areas of Interest

Consistent with our business goal of providing "near and remote sensing" products and solutions, our acquisition strategy involves purchasing companies, development resources and assets that are aligned with our areas of interest and that can further aid in our entering additional markets. We expect to actively research and engage in the acquisition of resources that can expedite our entrance into new markets or strengthen our position in existing ones.

Results of Operations

For the three months ended September 30, 2015 compared to the three months ended September 30, 2014 .

Net sales. Our product sales for the quarter ended September 30, 2015 were $2,002,094, a decrease of 18% from $2,452,129 for the quarter ended September 30, 2014. This decrease is attributable primarily to lower sales volumes. When royalties of $130,293 and revenues from rentals of $26,964 are included, total revenues of $2,159,351 represented a decrease of $347,181, or 14%, for the quarter ended September 30, 2015 when compared to the same quarter a year ago.

Gross profit. Gross profit for the quarter ended September 30, 2015 of $1,092,097, when compared with gross profit of $1,176,906 for the quarter ended September 30, 2014, decreased by $84,809 or 7%, as a result of lower sales partially offset by a an increase in royalties of $75,890, a lower cost of sales and in the addition of rental income of $26,964 as well as a different product mix. After excluding costs related to the Rental segment of $24,230, margins on product sales were 48% compared to 46% in the same period a year ago, reflecting a different product mix and reduction of expenses related to the cost of manufacturing. Royalties were higher by $75,890 as a result of our royalty-paying customer reporting higher sales.

Research and development expenses. Research and development expenses were $236,570 for the quarter ended September 30, 2015, representing an increase of 7% over the $221,749 in the same quarter a year ago. This increase resulted primarily from higher payments to outside vendors for continuing development of products.

Sales and marketing expenses. Sales and marketing expenses of $291,267 for the quarter ended September 30, 2015 represented a decrease of 19% from sales and marketing expenses of $357,456 for the quarter ended September 30, 2014. This decrease resulted primarily from a reduction in headcount.

General and administrative expenses. General and administrative expenses were $283,261 for the quarter ended September 30, 2015, which represented an increase of 3% over the $274,778 spent in the same quarter a year ago. This increase results mostly from increased consulting fees incurred in the normal course of operations.

Other income (expense). Change in other income (expense) from income of $8,591 in 2014 to expense of $11,595 in the same quarter of 2015 was due primarily to an increase in interest expense and a decrease in interest income. The decrease in interest income of $2,368 resulted from our investible cash being lower. Interest expense of $17,683 in the current quarter vs. none a year ago is the result of the term loan on our building purchase in October 2014.

Net income. We realized net income of $189,152 for the quarter ended September 30, 2015 compared to net income of $214,555 for the quarter ended September 30, 2014. This decrease of $25,403, or 12%, was the result of lower sales and gross profit and changes in operating and other expenses discussed above, offset in part by a decrease in income taxes of $36,707.

For the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 .

Net sales. Our product sales for the nine months ended September 30, 2015 were $5,954,289, a decrease of 9% from $6,545,128 for the same period a year ago. This decrease is attributable primarily to an across-the-board weakening of demand. When royalties of $331,498 and revenues from rentals of $80,004 are included, total revenues of $6,365,791 represented a decrease of $440,920, or 7%, for the nine months ended September 30, 2015 when compared to the same nine months a year ago.

Gross profit. Gross profit for the nine months ended September 30, 2015 of $3,160,844 represented a decrease of 4% from gross profit of $3,301,239 for the nine months ended September 30, 2014 as a result of lower sales as well as a different product mix, partially offset by lower cost of sales, increased royalties and the addition of rental income of $80,004. After excluding costs related to the Rental segment of $74,262, margins on product sales were 47% compared to 46% in the same period a year ago. Royalties were higher by $69,615 as a result of our royalty-paying customer reporting higher sales.

Research and development expenses. Research and development expenses were $794,299 for the nine months ended September 30, 2015, representing an increase of $54,304, or 7%, over the $739,995 in the same period a year ago. This increase resulted from higher payments to outside vendors for continuing development of products, offset in part by lower compensation and grant reimbursements.

Sales and marketing expenses. Sales and marketing expenses of $1,119,514 for the nine months ended September 30, 2015 represented an increase of 10% from sales and marketing expenses of $1,019,750 for the nine months ended September 30, 2014. This increase resulted primarily from increased advertising and travel outlays and from compensation increases resulting from headcount additions prior to the three months ending September 30, 2015.

General and administrative expenses. General and administrative expenses were $883,427 for the nine months ended September 30, 2015, which represented an increase of 3% over the $858,449 spent in the same nine month period a year ago. This increase results mostly from increased maintenance payments to outside vendors in the nine months ended September 30, 2015 versus the same nine months ended September 30, 2014.

Other income (expense). Change in other income (expense) from income of $25,610 in 2014 to expense of $33,889 in the same nine month period of 2015 was due primarily to an increase in interest expense and a decrease in interest income. The decrease in interest income of $6,042 resulted from our investible cash being lower. Interest expense of $52,960 in the nine month period ended September 30, 2015 vs. none a year ago is the result of the term loan on our building purchase in October 2014.

Net income. We realized net income of $226,642 for the nine months ended September 30, 2015 compared to net income of $476,452 for the same nine month period ended September 30, 2014. This decrease of $249,810 was the result of lower sales and gross profit, as well as increased operating and other expenses discussed above, offset in part by a decrease in income taxes of $129,130.

Trends and Uncertainties That May Affect Future Results

Although revenues in 2015 are lower compared to revenues in 2014, we believe increased sales and research and development efforts may result in improved revenues for the remainder of 2015. We expect our quarter-to-quarter revenue fluctuations to continue, due to the unpredictable timing of large orders from customers and the size of those orders in relation to total revenues. Going forward, we intend to focus our development efforts on products we believe offer the best prospects to increase our intermediate and near-term revenues.

Our 2015 operating plan is focused on growing sales, increasing gross profits, and increasing research and development efforts on new products for long term growth. We cannot predict with certainty the expected sales, gross profit, net income or loss and usage of cash and cash equivalents for 2015. However, we believe that cash resources and borrowing capacity will be sufficient to fund our operations for the next twelve months under our current operating plan. If we are unable to manage the business operations in line with our budget expectations, it could have a material adverse effect on business viability, financial position, results of operations and cash flows. Further, if we are not successful in sustaining profitability and remaining at least cash flow break-even, additional capital may be required to maintain ongoing operations.

Liquidity and Capital Resources

We compete in a highly technical, very competitive and, in most cases, price driven alcohol testing marketplace, where products can take years to develop and introduce to distributors and end users. Furthermore, manufacturing, marketing and distribution activities are regulated by the FDA, the DOT, and other regulatory bodies that, while intended to enhance the ultimate quality and functionality of products produced, can contribute to the cost and time needed to maintain existing products and develop and introduce new products.

We have traditionally funded working capital needs through product sales and close management of working capital components of our business. Historically, we have also received cash from private offerings of our common stock, warrants to purchase shares of our common stock, and notes. In our earlier years, we incurred quarter to quarter operating losses to develop current product applications, utilizing a number of proprietary and patent-pending technologies. Although we have been profitable during the last several years, we expect that operating losses could well occur in the future. Should that situation arise, we may not be able to obtain working capital funds necessary in the time frame needed and at satisfactory terms or at all.

On October 31, 2014, we purchased the commercial property we use as our corporate headquarters and certain adjacent property in Wheat Ridge, Colorado for a total purchase price of $1,949,139, of which we paid $368,033 in cash and financed the remaining $1,581,106 through a 10-year term loan from Bank of America bearing interest at 4.45% per annum, secured by a first mortgage in the property we acquired with the term loan. In connection with the term loan, we arranged for a one-year $250,000 line of credit from Bank of America secured by all assets of the Company. The line of credit bears interest at a rate calculated at the LIBOR daily floating rate plus 2.5%. At September 30, 2015 this credit facility had not been used.

Equipment and building improvement expenditures during the nine months ended September 30, 2015 were $136,722, compared to $207,799 in the same period a year ago. We filed patent applications at a cost to us of $24,504 in 2015 versus $16,454 in 2014.

Stock options were exercised during the nine months ended September 30, 2015 resulting in cash attributable to sales of common stock of $15,544 versus zero in the same period a year ago.

As of September 30, 2015, cash was $2,743,345, accounts receivable were $764,329 and current liabilities were $784,759 resulting in a net liquid asset amount of $2,722,915. We believe that the introduction of several new products during the last several years, along with new and on-going customer relationships, will continue to generate sufficient revenues to maintain profitability. If these revenues are not achieved on a timely basis, we may be required to implement cost reduction measures.

We generally provide a standard one-year warranty on materials and workmanship to our customers. We provide for estimated warranty costs at the time product revenue is recognized. Warranty costs are included as a component of cost of goods sold in the accompanying statements of income. For the quarter ended September 30, 2015 and for the quarter ended September 30, 2014, warranty costs were not deemed significant.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements.

We have concluded that we have two operating segments, including our primary business which is as a developer, manufacturer and marketer of portable hand-held breathalyzers and related accessories, supplies and education, and a second segment consisting of renting portions of our building to existing tenants.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required, which would increase our expenses during the periods in which any such allowances were made. The amount recorded as a provision for bad debts in each period is based upon our assessment of the likelihood that we will be paid on our outstanding receivables, based on customer-specific as well as general considerations. To the extent that our estimates prove to be too high, and we ultimately collect a receivable previously determined to be impaired, we may record a reversal of the provision in the period of such determination.

We reduce inventory for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Any write-downs of inventory would reduce our reported net income during the period in which such write-downs were applied.

Property and equipment are stated at cost, with depreciation computed over the estimated useful lives of the assets, generally five years (three years for software and technology licenses). We use the double declining method of depreciation for property and equipment, and the straight line method for software and technology licenses. We purchased all of the assets of STS, an online education company, in 2014, which consisted of training courses that are amortized over 15 years using the straight line method. In October 2014, we purchased our building. A majority of the cost of the building is depreciated over 39 years using the straight line method. In addition, based on the results of a third party analysis, a portion of the cost was allocated to components integral to the building. Such components will be depreciated over 5 and 15 years, using the double declining method and the straight line method respectively. Maintenance and repairs are expensed as incurred and major additions, replacements and improvements are capitalized.

Revenue from product sales is generally recorded when we ship the product and title has passed to the customer, provided that we have evidence of a customer arrangement and can conclude that collection is probable. The prices at which we sell our products are fixed and determinable at the time we accept a customer's order. We recognize revenue from sales to stocking distributors when there is no right of return, other than for normal warranty claims, and generally have no ongoing obligations related to product sales, except for normal warranty.

Supplies are recognized as sales when they are shipped. The sales of licenses to our training courses, as well as training revenues, are recognized as revenue at the time of sale.

We have, with occasional exceptions, discontinued arranging for customer financing and leasing through unrelated third parties and instead are providing for customer financing and leasing ourselves which we recognize as revenue over the applicable lease term. Occasionally, we rent used equipment to customers, and in those cases, we recognize the revenues as they are earned over the life of the contract.

Royalty income is recognized in accordance with agreed upon terms, when performance obligations are satisfied, the amount is fixed or determinable and collectability is reasonably assured.

Rental income from space leased to our tenants is recognized in the month in which it is due, which approximates recognition on a straight-line basis.

Stock-based compensation is presented in accordance with the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, Compensation — Stock Compensation ("ASC 718"). Under the provisions of ASC 718, companies are required to estimate the fair value of share-based payment awards made to employees and directors including employee stock options based on estimated fair values on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our statement of operations.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2015.

(b) Changes in Internal Control over Financial Reporting

There were no significant changes in our internal controls over financial reporting during the period ended September 30, 2015 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our management, including our Chief Executive Officer and our Chief Financial Officer, do not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

We may be involved from time to time in litigation, negotiation and settlement matters that may have a material effect on our operations or finances. We are not aware of any pending or threatened litigation against us or our officers or directors in their capacity as such that could have a material impact on our operations or finances.

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition and/or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

Holders of 6,700 options entitling them to purchase shares of stock at $2.32 apiece exercised their options during the nine months ended September 30, 2015. None were exercised during the nine months ended September 30, 2014.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

The following exhibits are filed with this report on Form 10-Q or are incorporated by reference:

Exhibit No.	Description of Exhibit
31.1	Certification of Principal Executive Officer Pursuant To Section 302 Of The Sarbanes—Oxley Act Of 2002
31.2	Certification of Principal Financial Officer Pursuant To Section 302 Of The Sarbanes—Oxley Act Of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

SIGNATURE

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

LIFELOC TECHNOLOGIES, INC.

November 12, 2015	By:	/s/ Barry R. Knott
Date		Barry R. Knott President and Chief Executive Officer (Principal Executive Officer)
November 12, 2015	By:	/s/ Kristie L. LaRose
Date		Kristie L. LaRose Vice President of Finance and Administration (Principal Accounting Officer)

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

I, Barry R. Knott, certify that:

1. I have reviewed this report on Form 10-Q of Lifeloc Technologies, Inc.

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Dated: November 12, 2015

/s/ Barry R. Knott
Barry R. Knott
Chief Executive Officer
(Principal Executive Officer)

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

I, Vern D. Kornelsen, certify that:

1. I have reviewed this report on Form 10-Q of Lifeloc Technologies, Inc.

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Dated: November 12, 2015

/s/ Vern D. Kornelsen
Vern D. Kornelsen
Chief Financial Officer
(Principal Financial Officer)

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

I, Barry R. Knott, Chief Executive Officer of Lifeloc Technologies, Inc. (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Dated: November 12, 2015

/s/ Barry R. Knott
Barry R. Knott
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Vern D. Kornelsen, Chief Financial Officer of Lifeloc Technologies, Inc. (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Dated: November 12, 2015

/s/ Vern D. Kornelsen
Vern D. Kornelsen
Chief Financial Officer
(Principal Financial Officer)