

Intellicell Biosciences, Inc.  
Form 10-Q/A  
October 09, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q /A**

**(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended March 31, 2014

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

For the transitional period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **0-54729**

**INTELLICELL BIOSCIENCES, INC.**  
*(Exact name of registrant as specified in its charter)*

**Nevada** **91-1966948**  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

460 Park Avenue, 17th Floor

New York, New York 10022

(Address of principal executive offices) (zip code)

(646) 576-8700

(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

Number of shares of common stock issued and outstanding as of September 25, 2013 was 140,839,646



**EXPLANATORY NOTE**

This amended quarterly report on Form 10-Q/A amends and restates in its entirety the quarterly report on Form 10-Q that was filed with the U.S. Securities and Exchange Commission (the “SEC”) on June 18, 2014 and reflects certain corrections made in connection with the Company’s accounting for the application of fair value assessment for transactions involving derivative obligations related to the issuance of convertible debt instruments. The transactions include (1) derivative valuation at inception of the debt instrument, (2) upon conversion of the instrument to common stock, (3) upon assignment of the debt instrument and (4) upon valuation of the derivative at March 31, 2014. The Company also detected errors in the recording of debt discounts, upon issuance of debt instruments. These incorrectly recorded debt discounts also affected amortization expense for the quarterly period ended March 31, 2014. Below is a summary of changes to accounts for the March 31, 2014 reporting period:

Balance Sheet	March 31, 2014	
	As Filed	As Restated
Convertible Debentures	\$ 5,311,892	\$ 565,463
Convertible Promissory Notes	2,316,271	1,632,776
Notes Payable	392,883	392,883
Derivative Instruments (long term)	14,055,788	15,128,073
Additional paid-in-capital	40,535,612	46,807,939
Accumulated deficit	\$ (61,908,223 )	\$ (63,822,910 )

  

Statement of Operations	Three months ended March 31, 2014	
	As Filed	As Restated
Changes in fair value of derivative instruments	\$ (10,280,997 )	\$ 8,476,056
Financing Costs	(715,614 )	(17,119,990 )
Income (Loss) on Conversion of Debt	-	399,762
Net Loss	(13,004,773 )	(10,240,334 )
Net Loss per share, basic and diluted	\$ (0.01 )	\$ (0.01 )

This amended quarterly report on Form 10-Q/A has revised Item 1 “Financial Statements,” Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Item 4 “Controls and Procedures.” In connection with the filing of this amended quarterly report on Form 10-Q/A and pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities and Exchange Act of 1934, the Company is including with this amended quarterly report on Form 10-Q/A certain currently dated certifications.

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This amended quarterly report on Form 10-Q/A speaks as of the original filing date of the Form 10-Q, except as noted.

## TABLE OF CONTENTS

### PART I – FINANCIAL INFORMATION

Item 1.	<u>Consolidated Financial Statements</u>	4
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	45
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	55
Item 4.	<u>Controls and Procedures</u>	55

### PART II – OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	56
Item 1A.	<u>Risk Factors</u>	59
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	59
Item 3.	<u>Defaults Upon Senior Securities</u>	60
Item 4.	<u>Mine Safety Disclosures</u>	60
Item 5.	<u>Other Information</u>	60
Item 6.	<u>Exhibits</u>	60

<b><u>SIGNATURES</u></b>	61
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Intellicell BioSciences, Inc. and Subsidiary  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 AS OF MARCH 31, 2014 (UNAUDITED) AND DECEMBER 31, 2013

	(Restated) March 31, 2014 (unaudited)	(Restated) December 31, 2013 (unaudited)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 335,969	\$ -
Cash, restricted	664,362	-
Other current assets	-	9,000
Total Current Assets	1,000,331	9,000
Property and equipment, net	2,568,536	2,670,499
Financing fees, net	5,014	8,712
Restricted cash for security deposit	525,453	525,453
<b>TOTAL ASSETS</b>	<b>\$ 4,099,334</b>	<b>\$ 3,213,664</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Convertible debentures	\$ 502,872	\$ 452,607
Convertible promissory notes	1,749,793	2,755,986
Notes payable	392,883	727,545
Accounts payable and accrued expenses	1,227,544	2,609,254
Accrued interest	356,342	388,302
License fee payable	922,500	922,500
Deferred rent liability	372,692	372,378
Accrued liabilities, related party, net	304,705	307,621
Total Current Liabilities	5,829,331	8,536,193
Derivative liabilities	15,128,073	6,958,822
<b>TOTAL LIABILITIES</b>	<b>20,957,404</b>	<b>15,495,015</b>
Commitments and contingencies		
<b>STOCKHOLDERS' DEFICIT:</b>		
Series B convertible preferred stock, \$0.01 par value, 21,000 shares authorized, 15,057 and 15,057 issued and outstanding at March 31, 2014 and December 31, 2013, respectively	151	151
Series C convertible preferred stock, \$0.01 par value, 13,000 shares authorized, 7,250 and 7,250 issued and outstanding at March 31, 2014 and December 31, 2013, respectively	73	73

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Series D convertible preferred stock, \$0.01 par value, 500,000 shares authorized, 56,500 and 56,500 issued and outstanding at March 31, 2014 and December 31, 2013, respectively	565	565
Common stock, \$0.0001 par value, 3,500,000,000 and 1,500,000,000 shares authorized, 2,042,081,439 and 922,722,023 issued and outstanding at March 31, 2014 and December 31, 2013, respectively	204,208	92,272
Additional paid in capital	46,807,939	41,256,261
Accumulated deficit	(63,871,006 )	(53,630,673 )
TOTAL STOCKHOLDERS' DEFICIT	(16,858,070 )	(12,281,351 )
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 4,099,334	\$ 3,213,664

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



Intellicell BioSciences, Inc. and Subsidiary  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

	(Restated) March 31, 2014	March 31, 2013
NET REVENUES:		
Revenues	\$ -	\$ -
Revenues - related party	32,500	-
TOTAL NET REVENUES	32,500	-
COST OF GOODS SOLD:		
Cost of goods sold	4,618	-
TOTAL COST OF GOODS SOLD	4,618	-
GROSS PROFIT	27,882	-
OPERATING EXPENSES:		
Research and development	180,000	157,078
Sales and marketing	8,150	4,828
General and administrative	1,005,443	715,645
Employee stock based compensation	342,135	360,360
Non-employee stock based compensation	93,333	300,000
TOTAL OPERATING EXPENSES	1,629,061	1,537,911
LOSS FROM OPERATIONS	(1,601,179 )	(1,537,911 )
OTHER INCOME (EXPENSE):		
Income/(Loss) on conversion of debt to equity	399,762	-
Interest expense	(259,725 )	(44,896 )
Other income (expense)	(135,258 )	-
Financing costs	(17,119,990 )	(130,650 )
Change in fair value of derivative liabilities	8,476,056	654,998
TOTAL OTHER INCOME (EXPENSE)	(8,639,155 )	479,452
LOSS BEFORE PROVISION FOR INCOME TAXES	(10,240,334 )	(1,058,459 )
Provision for income taxes	-	-
NET LOSS	\$ (10,240,334 )	\$ (1,058,459 )
LOSS PER SHARE:		
Basic and diluted	\$ (0.01 )	\$ (0.02 )
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic and diluted	1,422,860,391	60,291,720

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

Intellicell BioSciences Inc. and Subsidiary  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2014

	Convertible Series B Preferred Stock		Convertible Series C Preferred Stock		Convertible Series D Preferred Stock		Common Stock		Additional Paid In Capital
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Balances, December 31, 2013	15,057	\$ 151	7,250	\$ 73	56,500	\$ 565	922,722,023	\$ 92,272	\$ 41,256,261
Stock-based compensation expense related to employee stock options							-	-	342,135
Gain on derivative liability of convertible debt upon conversion to common stock									3,977,390
Stock issued for the conversion of convertible debentures and accrued interest							1,119,359,416	111,936	1,232,154
Net loss for the three months ended March 31, 2014									
Balances, March 31, 2014	15,057	151	7,250	73	56,500	565	2,042,081,439	204,208	46,807,939

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



## Intellicell BioSciences, Inc. and Subsidiary

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

	(Restated) March 31, 2014	March 31, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (10,240,334 )	\$ (1,058,459 )
Adjustment to reconcile change in net loss to net cash used in operating activities:		
Income recognized on conversion of debt to common equity	(399,762 )	-
Employee stock compensation	342,135	360,360
Depreciation expense	101,963	84,551
Amortization of financing costs	3,698	55,650
Amortization of debt discounts	595,529	-
Financing costs	15,948,011	75,000
Interest from original issue discount on convertible debentures	100,000	1,126
Change in fair value of derivative liabilities	(8,476,056 )	(654,998 )
Guaranteed interest on convertible promissory notes	46,430	-
Promissory notes issued for services in excess of proceeds	115,783	-
Stock compensation issued for services in excess of proceeds	246,092	300,000
Changes in operating assets and liabilities:		
Other current assets	9,000	-
Accounts payable and accrued expenses	(33,666 )	446,192
Accrued interest	120,337	28,770
Deferred rent	314	-
Accrued liabilities, related party	(2,143 )	113,750
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,522,669 )</b>	<b>(248,058 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Advances to related party	-	93,350
Purchase of property and equipment	-	(4,271 )
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>-</b>	<b>89,079</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of convertible debentures	2,587,000	-
Proceeds from issuance of notes payable, net	30,000	100,000
Principal payments towards notes payable	(94,000 )	-
Proceeds from related party advances	-	25,554
Proceeds from sale of common stock	-	20,000
Bank overdraft	-	3,266
Change in restricted cash	(664,362 )	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,858,638</b>	<b>148,820</b>

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Net increase in cash	335,969	(10,159 )
Cash, beginning of year	-	10,159
Cash, end of year	\$ 335,969	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ -	\$ 15,000
Cash paid for taxes	\$ 445	\$ -
<b>NON-CASH ACTIVITIES:</b>		
Conversion of principal of convertible debentures to common stock	\$ 454,978	\$ -
Conversion of principal of convertible promissory notes to common stock	\$ 816,042	\$ -
Conversion of accrued interest to common stock	\$ 152,297	\$ -
Return and re-issuance of common stock for related party liabilities	\$ 79,227	\$ -
Common stock mistakenly returned	\$ 28	\$ -
Issuance of convertible promissory notes in lieu of accrued salaries, related parties	\$ 80,000	\$ -
Assignment of convertible promissory note to convertible debenture	\$ 500,000	\$ -
Issuance of convertible debentures in lieu of accounts payable	\$ 1,427,878	\$ -

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

**IntelliCell BioSciences Inc. and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Description of Business**

*Formation*

IntelliCell Biosciences Inc., a New York corporation, was formed under the name Regen Biosciences, Inc. on August 13, 2010 as a pioneering regenerative medicine company to develop and commercialize regenerative medical technologies in large markets with unmet clinical needs. On February 17, 2011, Regen Biosciences, Inc. changed its name to IntelliCell BioSciences Inc. (“IntelliCell”). To date, IntelliCell has developed proprietary technologies that allow for the efficient and reproducible separation of stromal vascular fraction (branded “IntelliCell™”) containing adipose stem cells that can be performed in tissue processing centers and in doctors’ offices.

In conjunction with the formation of IntelliCell (formerly Regen Biosciences, Inc.), a shareholder contributed, as part of his initial capital contribution, one hundred percent (100%) of the outstanding stock of Tech Stem Inc., a New York corporation (“Tech Stem”) originally formed on May 24, 2010. Tech Stem’s business is the sourcing, sales and distribution of laboratory equipment and supplies utilized in tissue processing related to IntelliCell’s technologies.

*Reverse Merger*

On April 27, 2011, IntelliCell and Media Exchange Group, Inc. (“MEG”) entered into an Agreement and Plan of Merger which was amended on June 3, 2011 (the “Merger Agreement”). Under the terms of the Merger Agreement, a subsidiary of MEG (“Merger Sub”) merged into IntelliCell. The Merger Sub ceased to exist as a corporation and IntelliCell continued as the surviving corporate entity. As a result of the merger, MEG’s former shareholders acquired majority of IntelliCell’s outstanding common stock and all of IntelliCell’s Series B preferred stock. The recapitalized IntelliCell Biosciences, Inc. is hereafter referred to as “IntelliCell” or the “Company”. As consideration for the Merger, the holders of the an aggregate of 7,975,768 shares of IntelliCell’s common stock exchanged their shares of common stock for an aggregate of 15,476,978 shares of the Company’s common stock and Dr. Steven Victor, the principal shareholder of IntelliCell and Chief Executive Officer (“CEO”), exchanged an aggregate of 10,575,482 shares of IntelliCell’s common stock for an aggregate of 20,521 shares of the Company’s series B preferred stock. Each share of series B preferred stock is convertible into 1,000 shares of the Company’s common stock. In addition, the holders of the series B preferred stock are entitled to notice of stockholders’ meetings and to vote as a single class with the holders of the Common Stock on any matter submitted to the stockholders for a vote, and are entitled to the number of

votes equal the product of (a) the number of shares of Common Stock into which the series B preferred stock is convertible into on the record date of the vote multiplied by (b) ten (10). The closing of the Merger took place on June 3, 2011 (the "Closing Date").

Prior to the consummation of the Merger, the Company entered into agreements the holders of an aggregate of \$1,619,606 of indebtedness to the Company, comprised of accrued compensation in the amount of \$1,201,551, promissory notes in the principal amount of \$263,707 plus accrued interest of \$9,398 less unamortized debt discounts of \$83,264 and accrued expenses totaling \$228,414 in exchange for the issuance of an aggregate of 12,123 shares of series C preferred stock. Each share of series C preferred stock shall be convertible into 1,000 shares of the Company's common stock. Certain holders of the Company's series C preferred stock have contractually agreed to restrict their ability to convert the series C preferred stock such that the number of shares of the Company common stock held by each of holder and its affiliates after such conversion shall not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

Furthermore, prior to the consummation of the Merger, the Company entered into agreements with the holders of an aggregate of \$250,000 of accrued compensation, pursuant to which such persons agreed to forgive all amounts owed by the Company.



## 2. Restatement of Previously Issued Financial Statements

Subsequent to the filing of our Form 10-Q for the quarter ended March 31, 2014, the Company identified errors in accounting for the application of fair value assessment for transactions involving derivative obligations, including derivative valuation at inception, conversion, assignment and period end. The Company also detected errors in the recording of debt discounts. The Company has assessed the impact of the accounting errors on its 3<sup>rd</sup> quarter 2013 financial statements, year-end December 31, 2013 financial statements and 1<sup>st</sup> quarter 2014 financial statements, and concluded that, although there was no impact on the Company's cash position, the effect on its financial statements was material.

The impact on the Company's balance sheets was to restate the balance sheet items of Notes Payables, Convertible Notes Payable Convertible Debentures Payable, additional paid in capital and accumulated deficit for the three periods of September 30, 2013, December 31, 2013 and March 31, 2014.

In addition, the items restated on the statements of income (loss) were financing costs, gain/(loss) on conversions of debt to equity, and change in fair value of derivative liabilities.

The tables below summarize the impact of the restatement from amounts previously reported on the Company's Form 10-Q for the periods ended September 30, 2013 and March 31, 2014 and Form 10k for the period ended December 31, 2013.

Balance Sheet	September 30, 2013			
	As Filed	As Restated		
Convertible Debentures	\$ 1,725,719	\$ 1,481,595		
Derivative Instruments (long term)	6,876	2,913,730		
Accumulated deficit	\$ (44,554,265 )	\$ (47,216,995 )		

  

Statement of Operations	Three months ended September 30, 2013		Nine months ended September 30, 2013	
	As Filed	As Restated	As Filed	As Restated
Changes in fair value of derivative instruments	\$ 75,581	\$ (1,134,691 )	\$ 980,144	\$ (230,128 )
Financing Costs	(856,019 )	(2,302,602 )	(1,023,769 )	(2,470,352 )
Net Loss	(1,817,096 )	(4,479,827 )	(6,791,631 )	(9,454,362 )
Net Loss per share, basic and diluted	\$ (0.02 )	\$ (0.04 )	\$ (0.09 )	\$ (0.12 )

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Balance Sheet	December 31, 2013	
	As Filed	As Restated
Convertible Debentures	\$ 840,900	\$ 452,607
Notes Payable	341,100	727,545
Convertible Promissory Notes	3,505,883	2,755,986
Derivative Instruments (long term)	3,774,790	6,958,822
Additional paid-in-capital	38,961,322	41,256,261
Accumulated deficit	\$ (48,903,450 )	\$ (53,630,673 )

Statement of Operations	Year ended	
	December 31, 2013	
	<b>As Filed</b>	<b>As Restated</b>
Changes in fair value of derivative instruments	\$ (2,787,770 )	\$ (2,944,352 )
Financing Costs	(305,112 )	(4,606,010 )
Income (Loss) on Conversion of Debt	(2,137,266 )	(2,272,409 )
Net Loss	(11,140,817 )	(15,868,039 )
Net Loss per share, basic and diluted	\$ (0.07 )	\$ (0.10 )

Balance Sheet	March 31, 2014	
	<b>As Filed</b>	<b>As Restated</b>
Convertible Debentures	\$ 5,311,892	\$ 502,872
Convertible Promissory Notes	2,316,271	1,749,793
Derivative Instruments (long term)	14,055,788	15,128,073
Additional paid-in-capital	40,535,612	46,807,939
Accumulated deficit	\$ (61,908,223 )	\$ (63,871,006 )

Statement of Operations	Three months ended	
	March 31, 2014	
	<b>As Filed</b>	<b>As Restated</b>
Changes in fair value of derivative instruments	\$ (10,280,997 )	\$ 8,476,056
Financing Costs	(715,614 )	(17,119,990 )
Income (Loss) on Conversion of Debt	-	399,762
Net Loss	(13,004,773 )	(10,240,334 )
Net Loss per share, basic and diluted	\$ (0.01 )	\$ (0.01 )

### 3. Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in an accumulated deficit of \$63,871,006 and a working capital deficit of \$4,829,000 as of March 31, 2014, respectively. Further losses are anticipated in the continued development of its business, raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with existing cash on hand and a private placement of common stock or other debt or equity securities. There can be no assurance that we will be able to obtain further financing, do so on reasonable terms, or do so on terms that would not substantially dilute our current stockholders' equity interests in us. If we are unable to raise additional funds on a timely basis, or at all, we probably will not be able to continue as a going

concern.

10

#### **4. Summary of Significant Accounting Policies**

##### *Basis of Presentation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”).

##### *Principles of Consolidation*

The consolidated financial statements include the accounts of IntelliCell and those of Tech Stem Inc., the Company’s wholly owned subsidiary (collectively the “Company”). All significant inter-company transactions and balances have been eliminated.

##### *Management’s Use of Estimates and Assumptions*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Management’s estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the periods they are determined to be necessary.

##### *Financial Instruments and Fair Value Measurement s*

The Company’s financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and debt instruments.

GAAP requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair

values.

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal, or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs that may be used to measure fair value:

For cash, cash equivalents, and trade payables, the carrying value approximates cost. For debt obligations with conversion features, the Company records a derivative liability using the Black-Scholes method of valuation.

*Fair Value Measurements* – The fair value of financial instruments are classified into one of the following categories:

Level 1 – Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

#### *Stock Based Compensation*

The Company recognizes the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant over the requisite service period. The Company uses the Black-Scholes-Merton (“Black-Scholes”) option pricing model to determine the fair value of stock option awards. Stock-based compensation plans, related expenses and assumptions used in the Black-Scholes option pricing model are more fully described in Note 14.

#### *Revenue Recognition*

The Company licenses independent third parties to use the Company’s technology in order to enable them to establish tissue processing centers in major metropolitan markets, as well as establishing centers it will operate. Each center will utilize the Company’s proprietary technology in conjunction with a suite of laboratory equipment selected by the Company that will enable the lab to process adipose tissue into stromal vascular fraction containing adipose stem cells using the Company’s technology and protocols. In certain centers, the Company will maintain ownership of the laboratory equipment and in other cases the laboratory equipment will be sold to an independent party. These license fees are payable upon signing of a license agreement and are recognized as revenue ratably over the license.

The Company has also entered into agreements with independent sales representative organizations that will market the centers services to physicians in the geographic area. Fees for tissue processing cases from such physicians will be collected by the Company and recognized upon performance of the laboratory analysis. Sales of equipment by Tech Stem are recognized when the following fundamental criteria are met: (i) delivery has occurred, (ii) the price to the customer is fixed or determinable and (iii) collection of the resulting accounts receivable is reasonably assured.

#### *Certain Risks and Uncertainties*

The Company has a limited operating history and its prospects are subject to the risks and uncertainties frequently encountered by companies in the early stages of development and commercialization, especially those companies in rapidly evolving and technologically advanced industries such as the biotech / medical device field. The future viability of the Company largely depends on its ability to complete development of new products and processes and maintain and/or receive regulatory approval for those products and processes. No assurance can be given that the Company's new processes and products will be successfully developed, regulatory approvals will be maintained or granted, or acceptance of these processes and products by the medical and patient communities will be achieved.

#### *Restricted Cash and Cash Equivalents*

Restricted cash and cash equivalents consist primarily of funds received that are restricted for specific purposes or cash set aside and restricted for specific payments. As of March 31, 2014 and December 31, 2013, the Company has restricted cash of \$664,362 and \$0, respectively. Cash escrow agreements were executed under the YA Global financing agreement. Funds of \$260,362 were placed in escrow for payment of taxes owed to Internal Revenue Service and the State of New York. Funds of \$450,000 were placed in escrow for which \$200,000 is to be used for the Dr. James Andrews Consulting agreement payments and \$250,000 to be used solely for the legal and accounting costs associated with the Company's 2013 and 2014 review and filings of forms 10K and 10Q. During the quarter ended March 31, 2014, \$46,000 was paid from the \$450,000 escrow for accounting fees and Dr. Andrews Consulting agreement.



*Accounts Receivable*

The Company extends credit to customers without requiring collateral. The Company provides for doubtful accounts based on management's evaluations of the collectability of accounts receivable. Management's evaluation is based on the Company's historical collection experience and a review of past-due amounts. The Company determines accounts receivable to be delinquent when collection is past due under the agreed upon terms. Accounts receivable are written off when it is determined that amounts are uncollectible.

*Property and equipment, net*

Property and equipment is recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related asset and, for leasehold improvements, the shorter of the lease term or estimated useful life.

Maintenance and repairs are charged to expense as incurred. Costs of renewals and betterments are capitalized.

*Research and Development Costs*

Research and development ("R&D") expenses include supplies, salaries, and other headcount related costs, contract and other outside service, and facilities and overhead costs. The Company expenses the costs associated with research and development activities when incurred.

*Derivative Financial Instruments*

The Company has issued various financial instruments to investors that contain anti-dilution provisions. GAAP provides guidance on determining what types of financial instruments or embedded features in a financial instrument would cause the financial instrument to be classified as a liability instead of equity. Under the evaluation criteria, the Company concluded that the financial instruments that contained full ratchet anti-dilution provisions are to be treated as derivative liabilities. GAAP requires that the fair value of these liabilities be re-measured at the end of every reporting period with the change in value over the period reported in the statement of operations. These instruments were valued using pricing models which incorporate the Company's stock price, volatility, U.S. risk free rate, dividend rate and estimated life.

*Income Taxes*

The Company accounts for income taxes using the liability method. The liability method requires recognition of future tax benefits, measured by enacted rates, attributable to deductible temporary differences between financial statement and income tax bases of assets and liabilities to the extent that realization of such benefits is “more likely than not.” The Company’s temporary differences between financial statement and income tax reporting relate primarily to receivable reserves, depreciation expense, and operating loss carryforwards. This standard also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

GAAP requires that, in applying the liability method, the financial statement effects of an uncertain tax position be recognized based on the outcome that is more likely than not to occur. Under this criterion the most likely resolution of an uncertain tax position should be analyzed base on technical merits and on the outcome that will likely be sustained under examination. The Company recognizes accrued penalties, and interest associated with uncertain tax positions, as part of the income tax provision.

*Net Loss per Share*

Basic net loss per share is calculated by dividing the net loss for the period by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is calculated by dividing loss for the period by the weighted-average number of common shares outstanding during the period, increased by potentially dilutive common shares ("dilutive securities") that were outstanding during the period. Dilutive securities include stock options and warrants granted and convertible debt. The Company's loss attributable to common stockholders, along with the dilutive effect of potentially issuable common stock due to outstanding options warrants and convertible securities cause the normal computation of diluted loss per share to be smaller than the basic loss per share; thereby yielding a result that is counterintuitive. Consequently, the diluted loss per share amount presented does not differ from basic loss per share due to this "anti-dilutive" effect.

*Reclassifications*

Certain prior year amounts were reclassified to conform with current year presentation.

**5. Property and Equipment, net**

The Company's property and equipment at March 31, 2014 and December 31, 2013 consists of the following:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Lab equipment	\$ 206,089	\$ 206,089
Leasehold Improvements	2,226,181	2,226,181
Furniture & Fixtures	463,769	463,769
Computer Equipment	416,816	416,816
	3,312,855	3,312,855
Less Accumulated depreciation and amortization	744,319	642,356
Property and Equipment, net	\$ 2,568,536	\$ 2,670,499

Depreciation and amortization expense for the three months ended March 31, 2014 and 2013 was \$101,963 and \$84,551, respectively and is included in general and administrative expenses on the Company's condensed consolidated statements of operations.

**6. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at March 31, 2014 and December 31, 2013 are as follows:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Accounts payable	\$ 599,038	\$ 2,020,971
Accrued liabilities	327,832	154,040
Accrued payroll	300,674	434,243
Total	\$ 1,227,544	\$ 2,609,254

## 7. License Fees Payable

During the years ended December 31, 2013 and 2012, the Company executed various license agreements and collected an aggregate of \$0 and \$1,222,500, respectively in license fees for six centers which had not yet commenced operations as of March 31, 2014. Consequently, recognition of such revenue had been deferred pending commencement of operations. The Company was unable to perform its obligations in regards to the licensing agreements and, accordingly, the agreements were cancelled. The Company has classified the amounts to be returned to the former licensees as Licensee Fees Payable on the condensed consolidated balance sheet.

In 2013, the Company converted three different license fees outstanding into convertible debentures totaling \$300,000, bringing the total balance as of March 31, 2014 to \$922,500.

## 8. Notes Payable

### *Consorteum Notes Payable*

In conjunction with the Merger, the Company assumed notes payable in the principal amount of \$2,463,652 plus accrued interest of \$369,898.

Following completion of the Merger, the Company entered into an asset purchase agreement (the "Consorteum Purchase Agreement") with Consorteum Holdings, Inc. ("Consorteum"), an unrelated company, pursuant to which the Company agreed to sell, transfer and assign to Consorteum all of the Company's rights, title and interests to, and agreements relating to, its digital trading card business and platform in exchange for Consorteum assuming an aggregate principal amount of \$1,864,152 of indebtedness of the Company (the "Consorteum Notes"). Such rights include, but are not limited to, the Company's name, phone number and listing, reputation, relationships and other intangible assets (including its rights to any intellectual property or proprietary technology), as well as the company's rights under certain licensing agreements ("Digital Trading Assets").

Also on June 6, 2011, the Company and Consorteum entered into an amendment agreement (the "Amendment Agreement") to the Consorteum Purchase Agreement pursuant to which the parties agreed, among other things, that the obligations of the Parties to consummate the transactions contemplated by the Purchase Agreement are subject to (i) the approval of the Board of Directors of each of the parties, and (ii) the completion of the assignment of the Assumed Liabilities (including receipt of all the necessary consents of the holders of all outstanding indebtedness of the Buyer).

On June 30, 2011, the Company and Consorteum agreed to waive the requirement that the conditions precedent set forth in the Consorteum Purchase Agreement as amended be satisfied on or before closing and each party agreed that as of the date of the Consorteum Purchase Agreement, Consorteum would assume an aggregate of \$1,477,052 of principal indebtedness plus accrued interest from the Company totaling \$250,695 less unamortized note discounts of \$9,890. Upon completion of the requirements of the Consorteum Purchase Agreement and the Amendment Agreement, the note holders who consented to the assumption of their obligations by Consorteum received shares of Consorteum common stock in satisfaction of their notes. Included in the notes assumed by Consorteum were notes payable to former officers and directors of the Company prior to the Merger totaling \$450,000 in principal plus accrued interest of \$74,935. Notwithstanding the foregoing, Consorteum agreed to provide the Company a guarantee, whereby Consorteum agrees to unconditionally and irrevocably guarantee to the Company the prompt and complete payment, as and when due and payable (whether at stated maturity or by required prepayment, acceleration, demand or otherwise), of any remaining notes payable for which the Company had not received the necessary consent as of the date of the waiver. As a result of the foregoing, the transactions contemplated by the Consorteum Purchase Agreement closed on June 30, 2011.

Upon completion of the Consortium Purchase Agreement, the Company had notes payable totaling \$986,600 that were not assumed in the agreement.

During the period ending June 30, 2012, \$375,000 of the principal balance of the Consortium Notes and accrued interest of \$152,549 was converted to common stock and warrants as part of the February 2012 private placement. Furthermore, in the year ended December 31, 2012, another \$375,000 of the principal balance of the Consortium Notes was converted to common stock and warrants.

As of March 31, 2014 and December 31, 2013, the principal balance of the Consortium Notes amounted to \$236,600 and \$236,600, and accrued interest amounted to \$59,168 and \$55,688, respectively. These Consortium Notes are currently in default.

#### *Frank Note*

On August 26, 2012, the Company entered into a secured promissory note (the "Frank Note") with Fredrick Frank (the "August 2012 Lender") pursuant to which the August 2012 Lender loaned the Company \$200,000 that was due and payable on October 31, 2012 in accordance with the terms of the Frank Note (the "Maturity Date"). The Frank Note is secured by 500,000 shares of the Company's common stock. On November 6, 2012, the Company and the August 2012 Lender agreed to extend the Frank Note until November 30, 2012.

In August 2013 the Company was advised that the Frank Note and accrued interest of \$18,696 was assigned to Redwood as part of Redwood Deal #1.

#### *JJK Notes Payable*

On May 29, 2013 and June 26, 2013, the Company issued promissory notes in the amount of \$50,000 and \$75,000, respectively, for advances from JJK, LLC (the "JJK Notes"). The terms of the JJK Notes required repayment in 30 days and an annual interest rate of 10%. The notes are currently due and payable.

In August 2013 the Company was advised that the JJK Notes and accrued interest of \$28,442 were assigned to Redwood as part of Redwood Deal #4 (see Note 10).

*May Davis Partners Note Payable*

On September 4, 2013, the Company issued a promissory note in the amount of \$75,000, for \$75,000 cash, of which \$72,000 went to pay accrued expenses for accounting fees and \$3,000 were expensed as legal fees, to May Davis Partners (the "May Davis Note"). The terms of the May Davis Note require repayment in 21 days and 10% compounded interest effective upon the maturity date of September 25, 2013. The May Davis Note was paid in full in January 2014.

*Sichenzia Ross Note Payable*

On September 16, 2013, the Company issued a promissory note in the amount of \$386,445 to Sichenzia Ross Friedman Ference, LP, for outstanding legal fees due (the "Sichenzia Note"). The terms of the Sichenzia Note require repayment by December 31, 2013, and annual simple interest of 10%.

As of March 31, 2014 and December 31, 2013, the principal balance of the Sichenzia Ross Note amounted to \$0 and \$386,445, and accrued interest amounted to \$0 and \$11,271, respectively

In January 2014, the Company was advised that the Sichenzia Notes were assigned to Redwood as part of Redwood Deal #3 (see Note 10).

In March of 2014, the Company was advised that \$193,223 of the note was re-assigned to Dominion Capital.



*MD Global Partners, LLC Notes Payable*

On October 11, 2013 and November 6, 2013, the Company issued promissory notes in the amount of \$15,000 and \$4,000, respectively for compensation due to MD Global Partners for services of raising capital for the Company (the "MD Global Notes"). The terms of the MD Global Notes require repayment on demand and 10% interest compounded annually. The MD Global Notes were paid in full in January 2014.

*Highland Capital Notes Payable*

On December 11, 2013 and December 20, 2013, the Company issued promissory notes to Highland Capital (the "Highland Notes") in the amount of \$5,500 for money owed to a stock transfer agent and \$5,000 for legal expenses owed, respectively. The Highland Notes are due June 25, 2014 and July 1, 2014, respectively. The interest rate on the Highland Notes is not specified. The Highland Notes are currently due and payable.

As of March 31, 2014 and December 31, 2013, the principal balance of the Highland Notes were \$10,500.

*Sherb Note Payable*

On January 6, 2014, the Company issued a promissory note to Sherb & Co. (the "Sherb Note") in the amount of \$115,785 for money owed for accounting services prior to the Reverse Merger of April 2011. The Sherb Note is due December 31, 2014 and has simple interest of 10% per annum. In April 2014, the Company was advised the note was assigned to May Davis Partners.

At March 31, 2014, the principal balance on the Sherb Note was \$115,783 and accrued interest was \$2,766.

On April 14, 2014, the Company was advised that the note was assigned to May Davis Partners Acquisition Company, LLC. As part of the assignment the Company issued a convertible note to May Davis Partners Acquisition

*Kaplan Note Payable*

On March 5, 2014, the Company issued a promissory note to Jeffrey Kaplan (the “Kaplan Note”) in the amount of \$30,000 for working capital advance. The Kaplan Note was due on March 10, 2014 and has simple interest of 10% per annum.

As of March 31, 2014 and December 31, 2013, the principal balance of the Company's notes payable were as follows:

	<b>March 31, 2014</b>	<b>December 31, 2013 (Restated)</b>
Consorteum Notes	\$ 236,600	\$ 236,600
May Davis Notes	-	75,000
MD Global Notes	-	19,000
Highland Notes	10,500	10,500
Sichenzia Ross Notes	-	386,445
Sherb Note	115,783	-
Kaplan Note	30,000	-
Total	\$ 392,883	\$ 727,545

## 9. Related Party Transactions

### *Rent*

The Company is provided office and lab facilities and related services by a company owned by the Company's CEO, a significant shareholder (Note 15, Commitments). The Company has recorded rent and utilities expenses of \$110,280 and \$96,900, respectively, for the three months ended March 31, 2014 and 2013.

### *Officer Salary*

The Company has recorded a salary expense of \$68,750 and \$68,750 for the three months ended March 31, 2014 and 2013, respectively, related to the Company's CEO and a salary expense totaling approximately \$45,000 and \$45,000 for the three months ended March 31, 2014 and 2013, respectively, recorded for the Company's Executive Vice President, a shareholder and the spouse of the Company's CEO.

### *Officer Advance*

From time to time, the Company has received advances from certain of its officers to meet short term working capital needs. These advances have no formal repayment terms or arrangements.

Advances received for working capital purposes amounted to \$0 and \$207,413 as of the three months ended March 31, 2014 and 2013, respectively. These advances do not have formal repayment terms or arrangements.

### *Regen Agreement*

On April 16, 2012, the Company entered into a technology license and administrative services agreement (the "Agreement") with Regen Medical P.C., the medical practice which is owned by, and through which, the Company CEO, Dr. Steven Victor, engages in the practice of Cosmetic Dermatology ("Regen Medical"). Pursuant to the Agreement, the Company, among other things, (i) granted Regen Medical the non-exclusive and non-assignable license to utilize the Company's proprietary process and technology for its patients, (ii) granted Regen Medical a

license to use a laboratory which can be used by Regen Medical for use of the Company's proprietary process and (iii) was appointed as the exclusive manager and administrator of Regen Medical's operations which relates to the implementation of the Company's proprietary process as well as Regen Medical's cosmetic dermatology practice, and (iv) was appointed the sole provider of non-medical managerial, administrative and business functions for Regen Medical's cosmetic dermatology practice. The Agreement became effective as of April 16, 2012 and was to continue until April 16, 2017. Thereafter, the Agreement was to be automatically renewed for successive five year periods unless either party notifies the other in writing of its intention not to renew the Agreement.

In consideration for the services to be provided under the Agreement, Regen Medical was to pay the Company (i) an annual administrative fee of \$600,000, payable in equal monthly installments during the term of the term of the agreement (subject to an annual increase of up to a maximum of ten percent (10%) beginning on the second anniversary of the effective date), (ii) an annual technology license fee of \$120,000, payable in equal monthly installments during the term of the term of the agreement, for the use of our proprietary process (including the laboratory and the laboratory technician) and (iii) a processing fee of \$1,000 for each tissue processing case that utilizes our proprietary process. The Company is also entitled to a an annual performance fee during the term of either (i) \$150,000, in the event total income to Regen Medical exceeds \$5,500,000 or (ii) \$200,000, in the event that total income to Regen Medical exceeds \$7,000,000. In addition, beginning on October 16, 2013 and on each six month anniversary thereafter during the term, the Company is entitled to a share of Regen Medical's Savings (as defined below), minus its share of any Loss (as defined below"), based upon an agreed upon base burden percentage for Regen Medical (the "Base Burden Percentage"). The Base Burden Percentage is to be calculated by dividing (a) the aggregate actual costs of Regen Medical paid by the Company during the period ending on December 31, 2011 by (b) the aggregate revenue of Regen Medical collected by the Company during the period ending on December 31, 2011; provided , however , that the Base Burden Percentage shall be recalculated on January 1, 2013 and every 12 months thereafter during the term by dividing (i) the aggregate actual costs for the Regen Medical paid by the Company during the preceding three six-month periods by (ii) the aggregate Savings or Loss is to be calculated by subtracting (a) the aggregate actual costs for the Regen Medical paid by the Company during the preceding Period from (b) an amount equal to (I) the Base Burden Percentage multiplied by (ii) the aggregate revenue of the Regen Medical collected by the Company during the preceding Period (the "Burden Amount"). If the Burden Amount exceeds the Period Actual Costs (the "Savings") or the Period Actual Costs exceed the Burden Amount (the "Loss"), Regen Medical and the Company shall share such Savings or Loss 65% for the account of the Regen Medical and 35% for the account of the Company. The Company recognized revenue of \$0 and \$514,000 for the year ended December 31, 2013 and 2012, respectively, under the agreements.

On August 26, 2013, the Company and Regen Medical entered into a termination and general release agreement (the "Termination Agreement"), effective December 31, 2012 (the "Effective Date"), pursuant to which the Company and Regen Medical agreed, among other things, that as of the Effective Date, (i) the Company shall forgive the \$514,000 owed to the Company by Regen Medical under the Regen7 Medical Agreement in exchange for the exclusive right to certain open label data and other data which the Company would like to have the rights to use as empirical data or evidence of the efficacy of the Company's proprietary process (the "Clinical Data"), (ii) the parties will take all necessary steps to enter into an agreement for the grant of a license to Regen Medical for the Company's proprietary process as well as a license of the Clinical Data, (iii) the Regen Medical Agreement is terminated in its entirety and shall be deemed null and void and of no further force or effect and (iv) neither Company nor Regen Medical shall have any further rights or obligations under the Regen Medical Agreement. Each party also provided a general release to the other party with respect to the Regen Medical Agreement and all transactions contemplated by the Regen Medical Agreement.

#### *Revenue*

Intellicell charges Regen Medical a processing fee of \$2,500 for each tissue processing case that uses Intellicell's proprietary process. For the three months ended March 31, 2014, Intellicell completed 13 cases for a total revenue of \$32,500. All cases were performed for Regen Medical patients.

#### *Research and Development*

Research and development costs for the three months ended March 31, 2014 and 2013 were \$180,000 and \$157,068 respectively. These fees were accrued and paid to Regen Medical for services as the attending physician in fourteen (14) and fifteen (15) patient cases respectively. These cases are included as part of the Company's ongoing research of its technologies and processes.

As of March 31, 2014 and December 31, 2013, accrued research fees totaled \$361,000, respectively.

#### *Accrued liabilities, related parties, net*

The Company has ongoing transactions with related parties. These parties extend credit on behalf of the Company.

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As of March 31, 2014 and December 31, 2013, the following related party amounts were due from (to) the Company:

	<b>3/31/2014</b>	<b>12/31/2013</b>
Fees Receivable From Regen for Processing of adipose tissues for Regen patients	\$ (12,500 )	\$ -
Advances to Dr. Steven Victor, CEO	(451,306 )	(530,534 )
Credit card payables	182,427	176,940
Accrued research fees, Due to Regen Medical, net of Advances of \$202,054 and \$93,174 as of March 31, 2014 and December 31, 2013	158,946	267,826
Accrued payroll	427,138	393,389
Totals	\$ 304,705	\$ 307,621

## 10. Convertible Debentures

### *May 2011 Convertible Debenture Offering*

In May 2011, IntelliCell completed a convertible debt offering aggregating \$1,385,000. The units offered consist of a \$50,000 subordinated convertible debenture payable one year from the date of issue with interest at a rate of 6% and convertible, at the option of the holder, into the Company's common stock at an initial conversion price of \$1.72 per share (the "May 2011 Debentures"). Each unit also included a detachable five (5) year warrant to purchase 57,143 shares of IntelliCell's common stock at an exercise price of \$1.72 per share. The proceeds from the issuance of convertible debt securities with detachable warrants were allocated between the warrants and the debt security. The discount is being amortized over the life of the debt. As of December 31, 2011, the Company recorded an original issue discount of \$288,564 related to the value of the warrants that will be amortized as interest expense over the initial one year term of the May 2011 Debentures.

As a result of the Company's Merger, and the effect of recapitalization, the exercise price of the May 2011 Debentures and warrants was decreased from \$1.72 to \$.88. The subordinated convertible debentures are convertible into an aggregate of 1,561,443 shares of common stock and warrants to purchase an aggregate of 3,071,542 shares of common stock.

On May 17, 2012, the holder of an aggregate of \$500,000 principal amount of IntelliCell Notes informed the Company that it is in default and demanded repayment under the IntelliCell Notes. Pursuant to the terms of the IntelliCell Notes, upon the occurrence, after the expiration of a cure period of fifteen (15) days with respect to monetary defaults, following the receipt by the Company of written notice from a holder of a default in the payment of any installment of principal or interest, or any part thereof, when due, a holder, at its election may accelerate the unpaid balance of the principal and all accrued interest due under this Note and declare the same payable at once without further notice or demand. Upon an event of default under the IntelliCell Notes, the holders of the IntelliCell Notes shall be entitled to, among other things (i) the principal amount of the IntelliCell Notes along with any interest accrued but unpaid thereon and (ii) costs and expenses in connection with the collection and enforcement under the IntelliCell Notes, including reasonable attorneys' fees. As a result of the notice of default, the IntelliCell Notes in the aggregate principal amount of \$1,360,000 are immediately due and payable. The Company is currently working with its investors on making arrangements to honor its obligations under the IntelliCell Notes, however, there can be no assurance that any such arrangements will ever materialize or be permissible or sufficient to cover any or all of the obligations under the IntelliCell Notes. In conjunction with the agreement arrangements with the note holders, \$77,744 of accrued interest was converted to 89,358 shares of the Company's common stock in May 2012. Furthermore, a \$25,000 convertible debenture and related accrued interest of \$904 was converted to 29,436 shares of common stock during the year ended December 31, 2012.

During the year ended December 31, 2013, Redwood Management, LLC ("Redwood") assumed \$1,030,000 of the May 2011 Debentures, which included \$600,000 of principal and \$60,781 of accrued interest as part of Redwood Deal #1,

and \$430,000 as part of Redwood Deal #2.

During the three months ended March 31, 2014, the remaining \$330,000 balance of the May 2011 notes were assigned by the holders to various investors. As of March 31, 2014, the May 2011 Debentures were paid in full to the original holders.

*Hudson Street, LLC Convertible Debentures*

On October 7, 2013, Hudson Street LLC (“Hudson”), assumed a total of \$300,000 of convertible notes from Redwood as part of their total convertible debentures. On October 31, 2013, the Company issued a secured convertible debenture with Hudson for \$100,000 (combined, the “Hudson Debentures”). Under the terms of the agreement, Hudson has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Hudson Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Hudson Debentures are convertible into shares of the Company’s common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$100,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture



In the last quarter of 2013, \$189,100 of the principal balance of the Hudson Debentures were converted to 128,694,835 shares of common stock.

In the quarter ended March 31, 2014, \$110,900 of the principal balance of the Hudson debentures were converted to 144,118,899 shares of common stock.

As of March 31, 2014 and December 31, 2013, the Hudson Debentures had a principal balance totaling \$100,000, and \$210,900, and accrued interest of \$7,419 and \$4,527, respectively.

#### *Burrington Capital, LLC Convertible Debentures*

On January 2, 2014 and on February 5, 2014, Burrington Capital, LLC (“Burrington”) was assigned and assumed a total of \$200,000 from holders of the May 2011 offering. In addition, on January 7, 2014 the Company issued a secure convertible debenture for \$100,000 (combined, the “Burrington Debentures”). Under the terms of the agreement, Burrington has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Burrington Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Burrington Debentures are convertible into shares of the Company’s common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$100,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture

For the quarter ended March 31, 2014, \$126,750 of the principal balance of the Burrington Debentures was converted into 158,698,856 shares of common stock. At March 31, 2014, the Burrington Debentures had a principal balance totaling \$173,250, and accrued interest of \$23,488.

#### *KesselBrenner Convertible Debentures*

On January 10, 2014, Dr. Michael KesselBrenner was assigned and assumed a total of \$25,000 from holders of the May 2011 offering. In addition, on January 31, 2014 the Company issued a secure convertible debenture for \$25,000 (combined, the “KesselBrenner Debentures”). Under the terms of the agreement, Dr. Michael KesselBrenner has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of

capital stock that the Company issues to raise additional capital. The terms of the KesselBrenner Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The KesselBrenner Debentures are convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$25,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture

In February 2014, \$25,000 of the principal balance of the KesselBrenner Debentures was converted into 27,203,482 shares of common stock. At March 31, 2014, the KesselBrenner Debentures had a principal balance totaling \$25,000 and accrued interest of \$3,131.

*Liben Convertible Debentures*

On January 27, 2014, Barry Liben was assigned and assumed a total of \$65,000 from holders of the May 2011 offering. In addition, on January 27, 2014 the Company issued a secure convertible debenture for \$70,000 (combined, the “Liben Debentures”). Under the terms of the agreement, Barry Liben has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Liben Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Liben Debentures are convertible into shares of the Company’s common stock at a price equal to 52% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$70,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture

In January 2014, \$58,286 of the principal balance of the Liben Debentures was converted into 63,422,742 shares of common stock. At March 31, 2014, the Liben Debentures had a principal balance totaling \$76,715 and accrued interest of \$7,312.

*Brother Capital, LLC Convertible Debentures*

On January 13, 2014, Brother Capital, LLC (“Brother”) was assigned and assumed a total of \$75,000 from holders of the May 2011 offering. In addition, on January 21, 2014 the Company issued a secure convertible debenture for \$75,000 (combined, the “Brother Debentures”). Under the terms of the agreement, Brother has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Brother Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Brother Debentures are convertible into shares of the Company’s common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$75,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture

In January 2014, \$42,286 of the principal balance of the Brother Debentures was converted into 68,836,230 shares of common stock. At March 31, 2014, the Brother Debentures had a principal balance totaling \$107,744 and accrued interest of \$9,952.

*Patrick Tuohy, Convertible Debentures*

On January 30, 2014, Patrick Tuohy was assigned and assumed a total of \$10,000 from holders of the May 2011 offering (the "Tuohy Debentures"). Under the terms of the agreement, Patrick Tuohy has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Tuohy Debentures require repayment on the date of the note and bears a 6% simple annual interest rate. The Tuohy Debentures are convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative.

In January 2014, \$10,000 of the principal balance of the Tuohy Debentures was converted into 10,881,392 shares of common stock. At March 31, 2014, the Tuohy Debentures had a principal balance totaling \$0 and accrued interest of \$969.

*Redwood Management, LLC Convertible Debentures*

On January 17, 2014 and on January 31, 2014, the Company issued secure convertible debentures to Redwood Management, LLC for \$67,000 and \$75,000, respectively (combined, the "Redwood Debentures"). Under the terms of the agreement, Redwood Management, LLC has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Redwood Debentures require repayment on the date of the note and bears a 12% simple annual interest rate. The Redwood Debentures are convertible into shares of the Company's common stock at a price equal to 5% of the lowest traded price (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$75,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, the Redwood Debentures had a principal balance totaling \$142,000 and accrued interest of \$2,929.

*MD Global Convertible Debentures*

On January 9, 2014 the Company issued a secure convertible debenture to MD Global for \$50,000. Under the terms of the agreement, MD Global has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the MD Global Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The MD Global Debentures are convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 180 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative

At March 31, 2014, the MD Global Debentures had a principal balance totaling \$50,000 and accrued interest of \$1,153.

*May Davis Partners Convertible Debentures*

On March 5, 2014 the Company issued a secure convertible debenture to May Davis Partners for \$25,000 (the "May Davis Debenture"). Under the terms of the agreement, May Davis Partners has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the May Davis Debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The May Davis Debenture are convertible into shares of the Company's common stock at a price equal to 52% of the average 3 lowest trades (not on the same day) of the common stock of the 180 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$25,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

On March 4, 2014, May Davis Partners converted \$20,000 of a convertible debenture issued for financing fees into 9,157,509 shares of the Company's common stock.

At March 31, 2014, the May Davis Debenture had a principal balance totaling \$25,000 and accrued interest of \$188.

*Empire Equity Convertible Debentures*

On February 5, 2014 the Company issued a secure convertible debenture to Empire Equity for \$100,000 (the “Empire Debentures”). Under the terms of the agreement, Empire Equity has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Empire Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Empire Debentures are convertible into shares of the Company’s common stock at a price equal to 52% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$100,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During February 2014, \$61,756 of the principal balance of the Empire Equity Debentures was converted into 28,966,229 shares of common stock. At March 31, 2014, the Empire Equity Debentures had a principal balance totaling \$38,244 and accrued interest of \$1,184.

#### *License Fee Conversion*

On January 1, 2013, the Company issued three separate secured convertible debentures totaling \$300,000 to convert license fees due certain third parties. Bill Hess, POBD Holding Co. was issued a convertible debenture for \$80,000. Patty Dixon, Allwin Scientific Corp. was issued a convertible debenture for \$60,000. Brian Kozar, MD was issued a convertible debenture for \$160,000. The terms of these convertible debentures were the same: a maturity date of January 1, 2014, 10% simple interest calculated on a 360 day year, and a conversion rate equal to 48.5% of the average of the three lowest traded prices (not the same day) of the common Stock, determined on the then current trading market for the Common Stock for 20 trading days immediately preceding the Conversion Date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$300,000 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

As of March 31, 2014 and December 31, 2013, the three convertible debentures from license fees had a balance due of \$300,000, respectively, and had accrued interest of \$37,500 and \$30,000, respectively. These debentures are currently in default.

#### *YA Global Investments LP Convertible Debenture*

On March 11, 2014, the Company entered into a Securities Purchase Agreement to issue and sell a secured convertible debenture to YA Global Investments, L.P., in the principal amount of \$2,100,000 (the "YA Global Debenture"). In addition to the YA Global Debenture, the Company also agreed to issue a warrant to purchase up to 400,000,000 shares of common stock at an exercise price of \$0.005 per share.

The YA Global Debenture matures on March 11, 2015 and accrues interest at an annual rate equal to 7.5%. At any time, and at its sole option, YA Global can to convert a portion or all amounts of principal and interest due and outstanding under the YA Global Debenture into shares of common stock at a price equal to 48.5% of the average of the three lowest prices per share of reported trades (not on the same day) of the common stock on the OTC Markets or on the exchange which the common stock is then listed as quoted by Bloomberg, LP during the 20 trading days preceding the conversion date. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which

reduced the book value of the \$2,100,000 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

As of March 31, 2014, the YA Global Debenture had a principal balance of \$2,100,000 and accrued interest of \$8,750.

*Dominion Capital Debenture*

On March 24, 2014, Ironridge Global sold the TCA Note to Dominion Capital under the security settlement agreement executed between the Company and Dominion Capital, and the Company issued a convertible debenture to Dominion Capital in the amount of \$746,092 (the “Dominion Debenture”). The \$746,092 principal balance included the original TCA Note of \$500,000, accrued interest and pre-payment penalties of \$246,092.



The Dominion Capital Debenture matures on March 24, 2015 and accrues interest at an annual rate equal to 7.5%. At any time, and at its sole option, Dominion Capital can to convert a portion or all amounts of principal and interest due and outstanding under the Dominion Debenture into shares of common stock at a price equal to 48.5% of the average of the three lowest prices per share of reported trades (not on the same day) of the common stock on the OTC Markets or on the exchange which the common stock is then listed as quoted by Bloomberg, LP during the 20 trading days preceding the conversion date. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$746,092 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

As of March 31, 2014, the Dominion Debenture had a principal balance of \$746,092, and accrued interest of \$1,088.

#### *Issuance of Convertible Debentures – Vendor Services*

On January 1, 2014, the Company issued a secured convertible debenture with The Roth Firm for \$196,612 to memorialize outstanding accounts payable. Under the terms of the agreement, The Roth Firm has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the Common Stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$196,612 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture

At March 31, 2014, The Roth Firm had a principal balance of \$196,612 and accrued interest of \$4,915.

On January 1, 2014, the Company issued a secured convertible debenture with Mintz Levin for \$25,382 to memorialize outstanding accounts payable. Under the terms of the agreement, Mintz Levin has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$25,382 debentures and increases prospectively the amount of interest expense to be recognized over the life of the

debenture.

At March 31, 2014, Mintz Levin had a principal balance of \$25,382 and accrued interest of \$635.

On January 1, 2014, the Company issued a secured convertible debenture with Biologics Consulting Group for \$93,006 to memorialize outstanding accounts payable. Under the terms of the agreement, Biologics Consulting Group has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$93,005 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, Biologics Consulting Group had a principal balance of \$93,005 and accrued interest of \$2,325.

On January 1, 2014, the Company issued a secured convertible debenture with Michael Friedman for \$200,000 to memorialize outstanding compensation. Under the terms of the agreement, Michael Friedman has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$200,000 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, Michael Friedman had a principal balance of \$200,000 and accrued interest of \$5,000.

On January 1, 2014, the Company issued a secured convertible debenture with University of Florida, Department of Materials Sciences & Engineering for \$33,781 to memorialize outstanding accounts payable. Under the terms of the agreement, University of Florida, Department of Materials Sciences & Engineering has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$33,781 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture

At March 31, 2014, University of Florida, Department of Materials Sciences & Engineering had a principal balance of \$33,781 and accrued interest of \$845.

On January 1, 2014, the Company issued a secured convertible debenture with Hunton & Williams, LLP for \$187,107 to memorialize outstanding accounts payable. Under the terms of the agreement, Hunton & Williams, LLP has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not

on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$187,107 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, Hunton & Williams, LLP had a principal balance of \$187,107 and accrued interest of \$4,678.

On January 1, 2014, the Company issued a secured convertible debenture with Lucosky Brookman, LLP for \$124,812 to memorialize outstanding accounts payable. Under the terms of the agreement, Lucosky Brookman, LLP has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$124,812 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, Lucosky Brookman, LLP had a principal balance of \$124,812 and accrued interest of \$3,120.

On January 1, 2014, the Company issued a secured convertible debenture with Buchanan Ingersoll & Rooney for \$525,583 to memorialize outstanding accounts payable. Under the terms of the agreement Buchanan Ingersoll & Rooney has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$525,583 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, Buchanan Ingersoll & Rooney had a principal balance of \$525,583 and accrued interest of \$13,140.

On January 1, 2014, the Company issued a secured convertible debenture with Charles River for \$6,229 to memorialize outstanding accounts payable. Under the terms of the agreement Charles River has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$6,229 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, Charles River had a principal balance of \$6,229 and accrued interest of \$156.

On January 1, 2014, the Company issued a secured convertible debenture with Heilscher for \$8,522 to memorialize outstanding accounts payable. Under the terms of the agreement Heilscher has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the

debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$8,522 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

On March 31, 2014, Heilscher had a principal balance of \$8,522 and accrued interest of \$213.

On January 1, 2014, the Company issued a secured convertible debenture with Millipore for \$13,611 to memorialize outstanding accounts payable. Under the terms of the agreement Millipore has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$13,611 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

On March 31, 2014, Millipore had a principal balance of \$13,611 and accrued interest of \$340.

On January 1, 2014, the Company issued a secured convertible debenture with The Shore Group for \$13,234 to memorialize outstanding accounts payable. Under the terms of the agreement The Shore Group has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on December 31, 2014 and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$13,234 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

On March 31, 2014, The Shore Group had a principal balance of \$13,234 and accrued interest of \$331.

As of March 31, 2014 and December 31, 2013, the principal balance, net of debt discounts, of the Company's convertible debentures were as follows:

	<b>March 31, 2014 (Restated)</b>	<b>December 31, 2013 (Restated)</b>
May 2011 Convertible Debentures	\$ -	\$ 330,000
Hudson Convertible Debentures, Net of Unamortized Debt Discount of \$62,591 and \$88,293	37,409	122,607
Hess Convertible Debentures, Net of Unamortized Debt Discount of \$68,749 and \$80,000	11,251	-
Dixon Convertible Debentures, Net of Unamortized Debt Discount of \$51,561 and \$60,000	8,438	-
Kozer Convertible Debentures, Net of Unamortized Debt Discount of \$137,956 and \$160,000	22,045	-
Burrington Convertible Debentures, Net of Unamortized Debt Discount of \$76,186 and \$0	97,064	-
YA Global Convertible Debentures, Net of Unamortized Debt Discount of \$2,100,000 and \$0	-	-
KesselBrenner Convertible Debentures, Net of Unamortized Debt Discount of \$19,047 and \$0	5,954	-
Liben Convertible Debentures, Net of Unamortized Debt Discount of \$54,077 and \$0	22,638	-
Brother Convertible Debentures, Net of Unamortized Debt Discount of \$64,631 and \$0	43,086	-

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Redwood Convertible Debentures, Net of Unamortized Debt Discount of \$58,416 and \$0	83,584	-
MD Global Convertible Debentures, Net of Unamortized Debt Discount of \$38,093 and \$0	11,907	-
May Davis Convertible Debentures, Net of Unamortized Debt Discount of \$25,000 and \$0	-	-
Empire Convertible Debentures, Net of Unamortized Debt Discount of \$38,244 and \$0	-	-
Dominion Convertible Debentures, Net of Unamortized Debt Discount of \$746,092 and \$0	-	-
Roth Firm Convertible Debentures, Net of Unamortized Debt Discount of \$175,342 and \$0	21,270	-
Mintz Levin Convertible Debentures, Net of Unamortized Debt Discount of \$21,468 and \$0	3,914	-
Biologic Convertible Debentures, Net of Unamortized Debt Discount of \$79,695 and \$0	13,310	-
Friedman Convertible Debentures, Net of Unamortized Debt Discount of \$172,350 and \$0	27,650	-
Univ. of Fla Convertible Debentures, Net of Unamortized Debt Discount of \$28,722 and \$0	5,059	-
Hunton Convertible Debentures, Net of Unamortized Debt Discount of \$166,346 and \$0	20,761	-
Lucoksky Convertible Debentures, Net of Unamortized Debt Discount of \$107,881 and \$0	16,932	-
Buchanan Convertible Debentures, Net of Unamortized Debt Discount of \$481,284 and \$0	44,299	-
Charles River Convertible Debentures, Net of Unamortized Debt Discount of \$5,319 and \$0	909	-
Heilscher Convertible Debentures, Net of Unamortized Debt Discount of \$7,331 and \$0	1,191	-
Millipore Convertible Debentures, Net of Unamortized Debt Discount of \$11,494 and \$0	2,116	-
Shore Group Convertible Debentures, Net of Unamortized Debt Discount of \$11,149 and \$0	2,085	-
	\$ 502,872	\$ 452,607



The Company accounted for the conversion features underlying the convertible debentures and issued in accordance with GAAP, as the conversion feature embedded in the convertible debentures could result in the debentures being converted to a variable number of the Company's common shares. The Company determined the value of the derivative conversion features of these debentures at the relevant commitment dates utilizing a Black-Scholes valuation model.

The Company accounted for the detachable warrants included with the convertible debentures as liabilities in accordance with GAAP, as the warrants are subject to anti-dilution protection and could result in them being converted to a variable number of the Company's common shares. The Company determined the value of the derivative feature of the warrants at the relevant commitment dates utilizing a Black-Scholes valuation model.

## **11. Convertible Notes Payable**

### *TCA Convertible Promissory Note*

On June 7, 2012, the Company issued a convertible promissory note to TCA Global Master Fund, L.P. ("TCA") for \$500,000 (the "TCA Note"). The maturity date of the TCA Note is June 7, 2013, and the Convertible Note bears interest at a rate of twelve percent (12%) per annum. The TCA Note is convertible into shares of the Company's common stock at a price equal to ninety-five percent (95%) of the average of the lowest daily volume weighted average price of the common stock during the five (5) trading days immediately prior to the date of conversion. The TCA Note may be prepaid in whole or in part at the Company's option without penalty.

Pursuant to the terms of the Equity Agreement, for a period of twenty-four months commencing on the effective date of a registration statement, TCA is to commit to purchase up to \$2,000,000 of the Company's common stock, pursuant to Advances, covering the Registerable Securities. The purchase price of the Shares under the Equity Agreement is equal to ninety-five percent (95%) of the lowest daily volume weighted average price of the Company's common stock during the five (5) consecutive trading days after the Company delivers to TCA an Advance notice in writing requiring TCA to advance funds (an "Advance") to the Company, subject to the terms of the Equity Agreement.

As further consideration for TCA entering into and structuring the Equity Facility, on June 14, 2012, the Company paid TCA a fee by issuing 275,000 shares of its common stock that equal to \$110,000.

In July 2013, the Company was advised that the TCA Note was sold to Ironridge Global IV, Ltd.

On March 24, 2014, Ironridge Global sold the TCA Note to Dominion Capital under the security settlement agreement executed between the Company and Dominion Capital, the Company issued a convertible debenture to Dominion Capital in the amount of \$746,092. The \$746,092 principal balance included the original TCA Note of \$500,000, accrued interest and pre-payment penalties of \$246,092.

*Ludlow Capital Convertible Promissory Note*

On April 30, 2013, the Company issued a convertible promissory note to Ludlow Capital, LLC, for \$15,000 in professional services (the “Ludlow Note”). The terms of the Ludlow Note require repayment immediately and bear a 0% interest rate. The Ludlow Note is convertible into shares of the Company’s common stock at a price that shall be 10% below the closing bid upon notice of conversion. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The Ludlow Note is currently due and payable.

*Steven Victor Convertible Promissory Note*

On October 1, 2013, the Company issued a \$1,000,000 convertible promissory note to Dr. Steven Victor, the Company’s CEO, to convert \$585,794 of accrued salary and \$414,206 of personal loans due to Dr. Steven Victor (the “Victor Note”). The Victor Note is payable on demand and bears an annual 12% simple interest rate. The Victor Note is convertible into shares of the Company’s common stock at a price equal to the average five trading day closing bid price during the five days immediately prior to the conversion date multiplied by one and a half. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative.

On October 1, 2013, the Company was advised that the Victor Note was assigned to Redwood as part of Redwood Deal #5.

On January 1, 2014, the Company issued an \$80,000 convertible promissory note to Dr. Steven Victor, the Company’s CEO, to convert \$80,000 of accrued salary, and bears simple interest of 12% per annum. On March 26, 2014, the \$80,000 convertible promissory note was assigned to Gene Kaslow (the “Kaslow Note”).

On March 19, 2014, the Gene Kaslow converted the full \$80,000 of principal into 31,720,856 shares of the Company’s common stock.

As of March 31, 2014, the Kaslow Note had a principal balance of \$-0- and accrued interest of \$2,400.

*Anna Rhodes Convertible Promissory Note*

On October 1, 2013, the Company issued a \$389,711 convertible promissory note to Anna Rhodes, the Company's Executive Vice President, to convert \$229,464 of accrued salary and \$160,247 of personal loans due to Anna Rhodes (the "Rhodes Note"). The Rhodes Note is payable on demand and bears an annual 12% simple interest rate. The Rhodes Note is convertible into shares of the Company's common stock at a price equal to the average five trading day closing bid price during the five days immediately prior to the conversion date multiplied by one and a half. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative.

On October 1, 2013, the Company was advised that the Rhodes Note was assigned to Redwood as part of Redwood Deal #5.

#### *WHC Capital Convertible Promissory Notes*

On November 11, 2013, WHC Capital, LLC ("WHC") assumed \$100,000 of convertible notes from Redwood as part of their total convertible notes. On November 15, 2013, the Company issued a \$75,000 convertible promissory note to WHC (combined, the "WHC Notes"). The Company received \$66,000 in cash and \$9,000 was recorded as other current assets on the balance sheet. The \$9,000 was received in 2014. The terms of the WHC Notes require repayment on November 15, 2014 and bear an interest rate of 12% per annum. The WHC Notes are convertible into shares of the Company's common stock at a price equal to 48% of the lowest intra-day trading price for the Company's common stock during the fifteen trading days immediately preceding the conversion date. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$75,000 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During November and December 2013, \$39,617 of the principal of the WHC Notes were converted into 49,920,000 shares of the Company's common stock.

During January 2014, \$10,760 of the principal of the WHC Notes were converted into 12,960,000 shares of the Company's common stock.

As of March 31, 2014 and December 31, 2013, the WHC Note had a principal balance of \$124,623 and \$135,383, respectively and accrued interest of \$6,369 and \$2,582, respectively.

*LG Capital (Crowning Capital) Convertible Promissory Note*

On January 10, 2013, the Company entered into a promissory note with Crowning Capital, LLC (the "Crowning Note") pursuant to which Crowning Capital performed services in the amount of \$250,000. The promissory note has a due date of July 31, 2013, and 0% interest rate. The note is currently due and payable.

In December 2013, LG Capital executed two debt purchase agreements to purchase a \$156,250 portion of the Crowning Capital convertible promissory \$250,000 face value note.

During December 2013, \$98,845 of the principal of the Crowning Note was converted by LG Capital into 92,476,326 shares of the Company's common stock.

On January 14, 2014 LG Capital executed a third Debt Purchase Agreement to assume the Crowning Capital Convertible Promissory Note in the amount of \$93,750.

The terms of the convertible notes issued by the Company to LG Capital on the assignment from Crowning require repayment in 9 months and bear no interest.

The LG Capital Notes are convertible into shares of the Company's common stock at a price equal to 65% of the lowest closing bid price of the common stock for the ten prior trading days upon notice of conversion. The conversion feature of the notes have been bifurcated from the host contract and accounted for separately as a derivative. The

bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$250,000 of notes and increased prospectively the amount of interest expense to be recognized over the life of the note.

During January 2014, \$57,210 of the principal of the LG Capital (Crowning) Note was converted into 65,974,298 shares of the Company's common stock.

As of March 31, 2014, the LG Capital (Crowning) Note had a principal balance of \$64,053.

*JMJ Financial Promissory Note*

On February 20, 2013 (the "Effective Date"), the Company entered into promissory note, as amended (the "JMJ Note") with JMJ Financial ("JMJ"), pursuant to which JMJ agreed to lend the Company up to an aggregate principal amount of \$500,000 (the "Principal Sum") for an aggregate purchase price of \$450,000. JMJ provided \$100,000 to the Company on the Effective Date. The JMJ Note matures one year from the date of each payment by JMJ to the Company (the "Maturity Date").

The Company may repay the JMJ Note at any time on or before the 90th day after the Effective Date, after which the Company may not make further payments on the Note prior to the Maturity Date without written approval from the Investor. If the Company repays the JMJ Note on or before the 90th day after the Effective Date, the interest rate under the JMJ Note shall be zero percent (0%). If the Company does not repay the JMJ Note on or before the 90th day after the Effective Date, a one-time interest payment of 12% shall be applied to the Principal Sum.

JMJ may convert, beginning on the six month anniversary of the Effective Date, the outstanding principal and accrued interest on the Note into shares of the Company's common stock at a conversion price per share equal to the lesser of (i) \$0.16 or (ii) 60% of the lowest trade price in the 25 trading days prior to the date of conversion (the "Conversion Price"). The Conversion Price will be subject to adjustment for, among other things, the Company's failure to be DTC eligible and only being clearing deposit eligible. The conversion feature of the notes have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$125,000 of notes and increased prospectively the amount of interest expense to be recognized over the life of the note.

The Company shall include on the next registration statement the Company files with Securities and Exchange Commission (or on the subsequent registration statement if such registration statement is withdrawn) all shares issuable upon conversion of the JMJ Note. Failure to include such securities on the next registration statement will result in liquidated damages of 25% of the outstanding principal balance of the Note, but not less than \$25,000, being immediately due and payable to JMJ at its election in the form of cash or added to the Principal Sum of the JMJ Note.

JMJ has contractually agreed to restrict its ability to convert the JMJ Note such that the number of shares of the Company common stock held by the Investor and its affiliates after such conversion does not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

So long as the JMJ Note is outstanding, upon any issuance by the Company or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to JMJ in the JMJ Note, then the Company shall notify the Borrower of such additional or more favorable term and such term, at JMJ's option, shall become a part of the transaction documents with JMJ.

In October and November 2013, \$71,670 of the principal balance of the JMJ Note were converted into 32,500,000 shares of the Company's common stock.

In January 2014, \$7,200 of principal was converted into 7,500,000 shares of the Company's common stock.

As of March 31, 2014 and December 31, 2013, the principal balance of the JMJ Note was \$46,130 and \$53,330, respectively and accrued interest was \$24,444 and \$24,444, respectively.

*Redwood Deal #1*

On August 5, 2013, Redwood assumed \$600,000 of principal and \$60,781 of accrued interest, which was converted to principal, from two debenture holders from the May 2011 Offering, and \$199,167 of principal and \$18,697 of accrued interest, which was converted to principal, from the Frank Note as part of Redwood Deal #1. The terms of the assumed debt remained the same.

On October 7, 2013, Redwood assigned a total of \$300,000 in principal debt from Redwood Deal #1 to Hudson.

On November 11, 2013, Redwood assigned \$100,000 in principal debt from Redwood Deal #1 to WHC.

In October and November 2013, Redwood converted a total of \$323,400 in principal from the outstanding debt in Redwood Deal #1 into 102,010,399 shares of the Company's common stock.

On March 12, 2014, Redwood converted a total of \$155,204 in principal into 72,865,732 shares of the Company's common stock.

On March 17, 2014, Redwood converted a total of \$105,437 in accrued interest into 45,842,295 shares of the Company's common stock.

As of March 31, 2014 all principal and accrued interest for Redwood Deal #1 has been paid in full.



*Redwood Deal #2*

On August 5, 2013, Redwood assumed \$430,000 of total principal from seven debenture holders from the May 2011 Offering as part of Redwood Deal #2. The terms of the assumed debt remained the same.

In November and December 2013, Redwood converted a total of \$113,787 in principal from the outstanding debt in Redwood Deal #2 into 120,580,000 shares of the Company's common stock.

In January and February of 2014, Redwood converted a total of \$316,213 in principal from the outstanding debt in Redwood Deal #2 into 311,154,640 shares of the Company's common stock. In March of 2014, Redwood converted \$46,860 of accrued interest from the Redwood Deal #2 into 22,000,000 shares of the Company's common stock.

As of March 31, 2014 and December 31, 2013, the principal balance of the Redwood Deal #2 was \$-0- and \$316,213, respectively and accrued interest was \$4,740 and \$11,271, respectively.

*Redwood Deal #3*

On January 9, 2014, Redwood assumed \$386,445 of total principal from the Sichenzia Note as part of Redwood Deal #3. The terms of the assumed debt remained the same. The conversion feature of the notes have been bifurcated from the host contract and accounted for separately as a derivative.

On March 14, 2014, Redwood assigned \$193,223 of Redwood Deal #3 to Dominion Capital.

On March 17, 2014, Redwood converted \$124,563 from the outstanding debt into 54,157,705 shares of the Company's common stock.

On March 17, 2014, the total guaranteed accrued interest from Redwood Deal #3 was converted to principal. The Company recorded additional interest of \$32,530 in connection with this conversion.

As of March 31, 2014 and December 31, 2013, the principal balance of Redwood Deal #3 was \$115,089 and \$0, respectively and accrued interest was \$0 and \$0, respectively.

*Redwood Deal #4*

On August 5, 2013, the Company issued a convertible promissory note to Redwood for \$250,000 as part of Redwood Deal #4. The Company received \$125,000 cash, of which \$15,000 is being amortized as financing fees over the term of the convertible promissory note, on August 7, 2013 as a partial payment for the convertible promissory note. The remaining \$125,000 was paid in October 2013. The terms of the convertible promissory note require repayment in one year and bears a 12% simple annual interest rate. The convertible promissory note is convertible into shares of the Company's common stock at a price that shall be the lesser of \$0.05 per share or 48% of the average of the lowest traded price of the Common Stock as quoted by Bloomberg, L.P. on any three trading days during the twenty trading days immediately preceding the conversion date. The convertible promissory note may be prepaid in whole or in part at the Company's option without penalty. The conversion feature of the notes have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$250,000 of notes and increased prospectively the amount of interest expense to be recognized over the life of the note.

On October 23, 2013, Redwood assumed \$125,000 of principal and \$28,442 of accrued interest, which was converted to principal, from the JJK Notes as part of Redwood Deal #4. The terms of the assumed debt remained the same.

As of March 31, 2014 and December 31, 2013, the principal balance of Redwood Deal #4 was \$403,442 and \$403,442, and accrued interest was \$28,672 and \$17,336, respectively. The related amortizable financing fees had a balance of \$5,014 and \$8,712 as of March 31, 2014 and December 31, 2013, of which \$3,699 were expensed as financing fees on the statement of operations for the three months ended March 31, 2014.

*Redwood Deal #5*

On October 1, 2013, Redwood assumed \$389,711 of total principal from the Rhodes Note, and \$1,000,000 of total principal from the Victor Note, as part of Redwood Deal #5. The terms of the assumed debt remained the same. The conversion feature of the notes have been bifurcated from the host contract and accounted for separately as a derivative.

As of March 31, 2014 and December 31, 2013, the principal balance of Redwood Deal #5 was \$1,389,711, and accrued interest was \$83,383 and \$41,691, respectively.

*Dominion Capital Convertible Promissory Note*

On March 14, 2014, Redwood assigned \$193,223 of principal from Redwood Deal #3 to Dominion Capital (the "Dominion Note"). Interest is payable at 10%.

On March 17, 2014, \$35,000 of the principal on the Dominion Note was converted into 15,217,391 shares of the company's common stock. The conversion feature of the notes have been bifurcated from the host contract and accounted for separately as a derivative.

At March 31, 2014 the principal balance on the Dominion Note was \$158,223 and accrued interest was \$6,456.

The Company accounted for the conversion features underlying the convertible promissory notes and issued in accordance with GAAP, as the conversion feature embedded in the convertible promissory notes could result in the convertible promissory notes being converted to a variable number of the Company's common shares. The Company determined the value of the derivative conversion features of these convertible promissory notes at the relevant commitment dates as of June 30, 2014, utilizing a Black-Scholes valuation model.

As of March 31, 2014 and December 31, 2013 the Company's convertible notes payable was as follows:

	<b>March 31, 2014 (Restated)</b>	<b>December 31, 2013 (Restated)</b>
TCA Note	\$ -	\$ 500,000
Ludlow Note	15,000	15,000
WHC Notes, Net of Debt Discounts of \$63,953 and \$72,890	60,670	62,492
Crowning-LG Notes, Net of Debt Discounts of \$64,053 and \$36,345	-	114,810
JMJ Note, Net Of Debt Discounts of \$0 and \$36,283	46,130	17,046
Redwood Deal #1, Net of Debt Discounts of \$0 and \$0	-	155,204
Redwood Deal #2, Net of Debt Discounts of \$0 and \$0	-	316,213
Redwood Deal #3, Net of Debt Discounts of \$115,089 and \$0	-	-
Redwood Deal #4, Net of Debt Discounts of \$171,356 and \$217,932	232,086	185,510
Redwood Deal #5, Net of Debt Discounts of \$0 and \$0	1,389,711	1,389,711
Dominion Capital, Net of Debt Discounts of \$152,027 and \$0	6,196	-
Total	\$ 1,749,793	\$ 2,755,986

## 12. Derivative Liabilities

The following table sets forth the Company's estimate of the fair value of the financial instruments that are classified as liabilities as of:

	March 31, 2014 (Restated)				December 31, 2013 (Restated)			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Embedded Detachable Warrants	\$ -	\$ -	\$ 2,142,397	\$ 2,142,397	\$ -	\$ -	\$ 6,735	\$ 6,735
Embedded Conversion Option Features	\$ -	\$ -	\$ 12,985,676	\$ 12,985,676	\$ -	\$ -	\$ 6,952,087	\$ 6,952,087
Totals	\$ -	\$ -	\$ 15,128,073	\$ 15,128,073	\$ -	\$ -	\$ 6,958,822	\$ 6,958,822

The following table sets forth a summary of changes in fair value of our derivative liabilities for the periods ended:

	Warrant Derivatives	Hybrid Instruments Derivatives	Total
Beginning balance, December 31, 2013 (Restated)	\$ 6,735	\$ 6,952,087	\$ 6,958,822
Fair Value adjustments:			
Warrant derivatives (Gain)/Loss	(888,425 )	-	(888,425 )
Hybrid instruments (Gain)/Loss	-	(7,587,631 )	(7,587,631 )
Issuance of Warrants attached to debt financing	3,024,087		3,024,087
(Gain)/Loss on Conversions:			
Hybrid convertible notes and derivatives	-	836,035	836,035
	-	12,785,185	12,785,185

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Fair Value of Embedded conversion Feature on issuance of convertible promissory notes and debentures

Ending balance, March 31, 2014 (Restated)	\$ 2,142,397	\$ 12,985,676	\$ 15,128,073
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The following tables set forth a description of the financial instruments classified as derivate liabilities as of March 31, 2014 and December 31, 2013, and the assumption used to value the instruments.

*Convertible Debt*

The derivative liabilities related to the embedded conversion option feature and the outstanding warrants were valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	<b>March 31, 2014</b>		<b>December 31, 2013</b>	
	<b>(Restated)</b>		<b>(Restated)</b>	
	<b>Embedded Detachable Warrants</b>	<b>Embedded Conversion Option Features</b>	<b>Embedded Detachable Warrants</b>	<b>Embedded Conversion Option Feature</b>
Risk free interest rate	0.90 %	0.13 %	1.750 %	0.13 %
Expected volatility	251.57%-274.97 %	279.4%-334.1 %	316.09 %	289.2%-371.3 %
Expected life (in years)	2.80	0.25-1.0	2.25	0.58-1.0
Expected dividend yield	-	-	-	-
Number outstanding	443,071,542	2,565,473,216	3,071,542	1,592,259,716
Fair value at issue date	\$ 3,287,233	\$ 15,827,512	\$ 263,146	\$ 5,002,411
Accumulated change in derivative liability as of the period ended	\$ (1,144,836 )	\$ (2,842,496 )	\$ (256,892 )	\$ 1,949,675
Fair value at end of period	\$ 2,142,397	\$ 12,985,016	\$ 6,254	\$ 6,952,087

*Private Placement Offering*

The derivative liabilities related to the warrants issued as part of the private placement offering were valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	<b>(Restated)</b>	
	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Risk free interest rate	1.73 %	1.75 %
Expected volatility	329.73 %	316.09 %
Expected life (in years)	2.84	3.25

Expected dividend yield	-	-
Number outstanding	200,000	200,000
Fair value at issue date	\$ 19,036,312	\$ 19,036,312
Accumulated change in derivative liability as of the year ended December 31	\$ (19,035,652 )	\$ (19,035,831 )
Fair value at Period End	\$ 660	\$ 481

### 13. Concentrations

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. This potentially subjects the Company to a concentration of credit risk; however the Company believes the risk is negligible. The Company's carrying amounts of deposits in financial institutions exceeded the federally insured limit of \$250,000 by \$85,969 as of March 31, 2014. The Company's carrying amount of deposits in financial institutions did not exceed federally insured limits as December 31, 2013.



## 14. Capital Stock

The principal features of the Company's capital stock are as follows:

### *Series B Preferred Stock*

As of March 31, 2014 and December 31, 2013, the Company has designated 21,000 shares of preferred stock as Series B preferred stock, with a par value of \$.01 per share, of which 15,058 shares of preferred stock are issued and outstanding. Each share of series B preferred stock shall be convertible into 1,000 shares of the Company's common stock. In addition, the holders of the series B preferred stock shall be entitled to notice of stockholders' meeting and to vote as a single class with the holders of the Common Stock upon any matter submitted to the stockholders for a vote, and shall be entitled to such number of votes as shall equal the product of (a) the number of shares of Common Stock into which the series B preferred stock is convertible into on the record date of such vote multiplied by (b) ten (10).

### *Series C Preferred Stock*

As of March 31, 2014 and December 31, 2013, the Company has designated 13,000 shares of preferred stock as Series C preferred stock, with a par value of \$.01 per share, of which 7,250 shares of preferred stock are issued and outstanding. Each share of Series C preferred stock shall be convertible into 1,000 shares of the Company's common stock. . In addition, the holders of the series B preferred stock shall be entitled to notice of stockholders' meeting and to vote as a single class with the holders of the Common Stock upon any matter submitted to the stockholders for a vote, and shall be entitled to such number of votes as shall equal to the number of shares of Common Stock into which the series B preferred stock is convertible into on the record date.

Certain holders of the Company's Series C preferred stock have contractually agreed to restrict their ability to convert the Series C preferred stock such that the number of shares of the Company common stock held by each of holder and its affiliates after such conversion shall not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

### *Series D Preferred Stock*

As of March 31, 2014 and December 31, 2013, the Company has designated 500,000 shares of preferred stock as Series D preferred stock, with a par value of \$.01 per share, of which 56,500 shares of preferred stock are issued and outstanding. Each share of series D convertible preferred stock is convertible at any time at an initial conversion price equal to \$2.00 per share, subject to adjustment under certain circumstances. As long as the series D preferred stock is outstanding, the conversion price of the series D convertible preferred stock in effect shall be reduced by \$0.05 for every 180 day period a share of series D preferred stock is held by the investor. The series D convertible preferred stock automatically converts into shares of the Company's common stock after three years. Each share of Series D convertible preferred stock was issued with a warrant to purchase 10 shares of the Company's common stock. The warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of \$2.00, subject to adjustment under certain circumstances. The exercise price of the warrants and the conversion price of the series D convertible preferred stock are subject to full ratchet and anti-dilution adjustment for subsequent lower price issuances by the Company, as well as customary adjustments provisions for stock splits, stock dividends, recapitalizations and the like. However, no adjustment made shall cause the exercise price of the series D convertible preferred stock and warrants to be less than \$1.00. The holders of Series D preferred stock have no voting rights.

*Series F Preferred Stock*

On January 17, 2014, Intellicell Biosciences, Inc. (the “Corporation”) filed a certificate of designations, rights and preferences (the “Certificate of Designation”) with the Secretary of State of the State of Nevada pursuant to which the Corporation set forth the designation, powers, rights, privileges, preferences and restrictions of the Series E Preferred Stock. On January 22, 2014 the Corporation filed a certificate of correction (the “Certificate of Correction”) with the Secretary of State of Nevada to change the name of the designation from “Series E Preferred Stock” to “Series F Preferred Stock.” By unanimous written consent of the Board, the Board issued an aggregate of fifty one (51) shares of Series F Preferred to five individuals. The five individuals include the Company’s CEO and Chairman and four members of the Board of Directors. As a result of the voting rights granted to the Series F Preferred, the Series F Stockholders hold, in the aggregate, approximately 50.95% of the total voting power of all issued and outstanding voting capital of the Company. Each one (1) share of the Series F Preferred Stock shall have voting rights equal to (x) 0.019607 multiplied by the total issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote (the “Numerator”), divided by (y) 0.49, minus (z) the Numerator. For purposes of illustration only, if the total issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series F Preferred shall be equal to  $102,036 (0.019607 \times 5,000,000) / 0.49 - (0.019607 \times 5,000,000) = 102,036$ .

*Common Stock*

*Amendment to Articles of Incorporation*

On March 7, 2014, Intellicell Biosciences, Inc. filed an amendment to the Company’s articles of incorporation with the Secretary of State of the State of Nevada (the “Amendment”), to increase the Company’s authorized common stock from one billion five hundred million (1,500,000,000) shares of common stock to three billion five hundred million (3,500,000,000) shares of common stock. The Amendment also changed the par value of the Company’s authorized common stock from \$0.001 per share to \$0.0001 per share.

As of March 31, 2014 and December 31, 2013, the Company had 2,042,081,439 and 922,722,023 shares of common stock issued and outstanding, respectively.

During the period ended March 31, 2014, the Company issued the following equity instruments:

- In January of 2014, the Company issued a total of 454,690,538 shares of common stock for debt conversions.
- In March of 2014, the Company issued a total of 664,668,878 shares of common stock for debt conversions.

## 15. Stock Options and Warrants

### *Employee Stock Options*

The following table summarizes the changes in the options outstanding at March 31, 2014, and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$ 0.01 - 0.25	1,775,000	\$ 0.15	8.32	1,762,500	\$ 0.15
4.00	2,347,926	4.00	7.75	1,879,173	4.00
	4,122,926		7.99	3,641,673	

A summary of the Company's stock awards for options as of March 31, 2014 and changes for the period ended March 31, 2014 is presented below:

	Stock Options	Weighted Average Exercise Price
Outstanding, December 31, 2013	4,122,926	\$ 2.34
Granted	-	-
Exercised	-	-
Expired/Cancelled	-	-
Outstanding, March 31, 2014	4,122,926	\$ 2.34
Exercisable, March 31, 2014	3,641,673	\$ 2.14

The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company has no historical experience with which to establish a basis for determining an expected life of these awards. Therefore, the Company only gave consideration to the contractual terms and did not consider the vesting schedules, exercise patterns and pre-vesting and post-vesting forfeitures significant to the expected life of the option award.

We estimate the volatility of our common stock based on the calculated historical volatility of similar entities in industry, in size and in financial leverage whose share prices are publicly available. We base the risk-free interest rate used in the Black-Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. We have not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes-Merton option valuation model.

Total stock-based compensation expense in connection with options granted to employees recognized in the condensed consolidated statement of operations for the period ended March 31, 2014 and 2013 was \$342,135 and \$360,360, respectively, net of tax effect. There was no stock-based compensation expense in connection with options granted to non-employees recognized for the periods ended March 31, 2014 and 2013. Additionally, none of the options outstanding and unvested as of March 31, 2014, and 2013 had any intrinsic value.

#### *Warrants*

The following table summarizes the changes in the warrants outstanding at March 31, 2014, and the related prices for the shares of the Company's common stock issued to non-employees of the Company. These warrants were issued in lieu of cash compensation for services performed or financing expenses and in connection with the private placements

and merger.

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$ .005	400,000,000	\$ .005	4.88	400,000,000	\$ .005
.0055	40,000,000	.0055	4.95	40,000,000	.0055
0.33	3,071,542	0.33	2.11	3,071,542	0.33
.045	2,566,664	0.45	3.66	2,566,664	0.45
0.75 - 0.86	11,580,000	0.75	2.86	11,580,000	0.75
1.00	42,500	1.00	2.73	42,500	1.00
1.58	45,000	1.58	8.00	45,000	1.58
2.00	2,529,200	2.00	2.85	2,529,200	2.00
2.45 - 2.60	800,000	2.51	2.76	800,000	2.51
3.00	750,000	3.00	2.71	750,000	3.00
3.20	350,000	3.20	2.68	350,000	3.20
3.75	100,000	3.75	2.89	100,000	3.75
	461,834,906		4.84	461,834,906	

A summary of the Company's stock awards for warrants as of March 31, 2014 and changes for the three months ended March 31, 2014 is presented below:

	Warrants	Weighted Average Exercise Price
Outstanding, January 1, 2014	21,834,906	\$ 3.09
Granted	440,000,000	.0050
Exercised	-	-
Expired/Cancelled	-	-
Outstanding, March 31, 2014	461,834,906	4.84
Exercisable, March 31, 2014	461,834,906	4.84

The Company issued 440,000,000 and -0- compensatory warrants to non-employees during the three months ended March 31, 2014 and 2013, respectively. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model with the following weighted average assumptions used for the grants, respectively; dividend yield of zero percent for all periods; expected volatility is 329.73%; risk-free interest rate from a range of .71% to .79%; expected lives of three years. Total non-employee stock-based compensation expensed in connection with warrants recognized in the condensed consolidated statement of operations for the three months ended March 31, 2014 and 2013 was \$2,197,088 and \$0, respectively, net of tax effect.

## 16. Loss per Share

The following table presents the computations of basic and dilutive loss per share:

	(Restated) March 31, 2014	March 31, 2013
Net Income (Loss)	\$ (10,240,334 )	\$ (1,058,459 )
Net income (loss) per share:		
Net income (loss) per share – basic	\$ (0.01 )	\$ (0.02 )
Net income (loss) per share – diluted	\$ (0.01 )	\$ (0.02 )
Weighted average common shares outstanding – basic	1,422,860,391	60,291,720
Weighted average common shares outstanding – diluted	1,422,860,391	60,291,720

For the three months ended March 31, 2014 and 2013 common stock equivalents totaling 3,830,552,036 and 43,931,682 related to warrants, convertible debt and preferred stock were excluded from the calculation of the diluted net loss per share as their effect would have been antidilutive.



**17. Commitments***Non-cancellable lease*

On June 1, 2011, the Company entered into a 13 year lease for office space with a related company, for which the Company unconditionally guaranteed any and all obligations owed under the lease to the landlord. In connection with the execution of the lease, the Company was required to establish a restricted cash account in the amount of approximately \$650,000 to secure a line of credit to be used as a security deposit under the lease. The landlord released \$124,577 of the restricted cash in 2013.

The lease commenced on June 1, 2012 and expires on May 31, 2025. Upon commencement, the aggregate minimum annual lease payments under the operating lease guarantee are as follows:

2014 (Remainder of Year)	\$ 484,546
2015	665,555
2016	679,479
2017	679,479
2018	679,479
Thereafter	5,440,474
Total	\$ 8,629,012

*Laboratory Services and License Agreement*

On March 11, 2014 (the “Effective Date”), Intellicell Biosciences, Inc., (the “Company”), executed a Laboratory Services and License Agreement (the “License Agreement”), effective March 7, 2014, with The Andrews Research and Education Foundation, Inc. (“AREF”) pursuant to which the Company agreed to grant certain technology and trademark licenses to AREF.

The term of the License Agreement shall be for a period of three (3) years commencing on March 7, 2014 and shall automatically renew for subsequent periods of three (3) years unless either party to the License Agreement provides notice of its intention not to renew at least ninety (90) days prior to the expiration of any three (3) year term.

Subject to the terms and conditions of the License Agreement, the Company agreed to grant AREF a non-exclusive (except for the Pensacola, Florida area and a surrounding radius of 150 miles), non-assignable, non-transferrable,

non-sublicensable license to market the use of and practice the Technology (as such term is defined in the License Agreement) at AREF's premises for restricted purposes as provided in the License Agreement. The Company also agreed to grant AREF a non-exclusive, non-assignable, non-sublicensable, license to the Trademarks (as such term is defined in the Agreement). Furthermore, the Company reserved the perpetual worldwide right to license and use the Patent (as defined in the License Agreement), Trademarks and the Technology licensed under the License Agreement for any purpose.

Except for when performed for research purposes, AREF shall pay to the Company a fee equal to \$2,500 per Tissue Processing (as such term is defined in the License Agreement) case processed. The parties to the License Agreement have mutually agreed not to disclose any Confidential Information (as such term is defined in the License Agreement), whether verbal or written, conveyed to them prior to, during or subsequent to the term of the License Agreement.

### *Consulting Agreements*

On March 11, 2014, the Company executed a Consulting Agreement (the “Consulting Agreement”) with Dr. James Andrews, effective March 7, 2014, pursuant to which Dr. Andrews shall serve as Chairman of the Intellicell Orthopedic Cellular Therapy Advisory Board. The initial term of the Agreement shall be for a period of ten (10) years unless extended as provided in the Agreement or unless terminated by either party with thirty (30) days advance written notice to the other party. In consideration for Consultant’s services, the Consultant shall be paid a monthly fee and make a monthly charitable contribution to the Andrews Foundation after the Company closes a Capital Raise (as defined in the Consulting Agreement), and the amount of such monthly fee and monthly charitable contribution shall be determined based on the amount raised in the Capital Raise. Based upon the capital raise transaction in March 2014 with YA Global Investments, LP in the amount of \$2,100,000, the monthly fee payable to the Consultant thereafter shall be equal to \$40,000, which includes a \$6,000 payment to Dr. Michael Immel and a charitable contribution of \$10,000 payable to the Andrews Foundation. These payments will continue for the term of the Consulting Agreement.

Furthermore, commencing on March 1, 2014 and ending on May 1, 2017, on each of March 1, June 1, October 1 and January 1 during such period, the Company shall issue and the Consultant shall be entitled to receive non-qualified stock options to purchase a number of shares of the Company’s common stock equal to 750,000 divided by the average of the closing bid price per share of such common stock for the ten (10) trading days immediately prior to the date of issuance, subject to certain adjustments as set forth in the Consulting Agreement. The options have a strike price of \$0.0058 per share and are exercisable for ten (10) years. A portion (13.33%) of such options will be issued to the Andrews Foundation (and Dr. Immel shall receive 20% of such options). In addition, The Company shall issue to the Consultant 6,666,666 shares of its common stock based on the market price at the date of the execution of the License Agreement (see description above), as well as 2,000,000 shares to Dr. Immel and 7,999,999 shares to the Andrews Foundation. Additionally, 1,000,000 shares shall be issued to the Consultant, 200,000 shares shall be issued to Dr. Immel and 133,333 shares shall be issued to the Andrews Foundation upon FDA approval of the Company’s Stromal Vascular Fraction Cell injection for treatment of osteoarthritis.

## **18. Litigation**

### *TCA Default Notice*

On July 15, 2013, while the Company was finalizing an amendment and waiver to that certain Convertible Promissory Note (the “Note”) issued by the Company in favor of TCA Global Credit Master Fund, LP (“TCA”) on June 7, 2012 in the principal amount of \$500,000, the Company was advised that Ironridge Global IV, LTD (“Ironridge”), led by Mr. John C. Kirkland, Esq., purportedly purchased the Note from TCA. The Complaint and Motion alleged that Ironridge and TCA each served the Company with a Notice of Foreclosure and Sale, both claiming to be the “Secured Party” of the same assets.

On August 8, 2013, a Summons and Complaint (the “Complaint”) was filed along with a Motion for a Temporary Restraining Order (the “Motion”) before the Supreme Court of the State of New York, County of New York (the “Court”) under the caption Intellicell Biosciences, Inc. v Ironridge Global IV, LTD., and TCA Global Credit Master Fund, LP, Index No. 652800/13. The Motion sought to restrain the sale of the Company’s assets.

Given that Ironridge and TCA asserted that they would sell the secured assets of the Company at auction on August 12, 2013, the Motion sought to temporarily restrain both parties from so doing. On August 12, 2013, Justice Sherwood, Justice of the Supreme Court, New York County, issued a written Order granting the relief requested, thereby restraining any sale of assets (the “Temporary Restraining Order”).

On August 26, 2013, despite the Company’s best efforts to amicably resolve the dispute related to the Note, a subsequent hearing on the Motion was held, at which time the Company voluntarily brought with it to Court: (i) a certified check in the amount of \$ 535,833.33 constituting payment of all principal and interest owed under the Note; and (ii) a stock certificate constituting the facility fee shares owed to the Secured Party pursuant to that certain Equity Facility Agreement. Since TCA admitted in prior court filings that it has no remaining interest in the that certain Note and Equity Facility Agreement, both the check and the stock certificate were tendered to Ironridge in open court, and counsel for Ironridge confirmed receipt thereof to Justice Oing directly. The company's attorneys argued in court that with the exception of possible attorney’s fees owed, the Company's obligations under the transaction documents have now been satisfied in full.

In addition, the Court found Ironridge's jurisdictional argument to be unavailing and held that the case shall remain in New York and directed all parties to file submissions with the Court on September 10, 2013, indicating why any other monies are or are not owed under those certain transaction documents. Judge Oing further directed that the Temporary Restraining Order restraining the sale of the Company's assets shall remain in place indefinitely until further order of the Court and that the auction shall not be rescheduled and that Ironridge shall not make, post or distribute any further advertisements, internet postings, blogs or otherwise in relation thereto. Finally, Judge Oing held that the balance of the \$680,000 that was being held in escrow be immediately released.

On January 28, 2014, Judicial Hearing Officer Ira Gammerman, in a decision on each of Ironridge's claims against the Company, fully justified IntelliCell's position by ruling against each of Ironridge's and TCA's demands for monetary damages. The Court made it clear that Ironridge and TCA are not entitled to monetary damages and had no right to inappropriately broadcast to the world that it could sell IntelliCell's assets.

#### *Additional litigations*

On March 17, 2014, Dean E. Miller, as representative shareholder, on behalf of the nominal defendant Intellicell Biosciences, Inc., filed a shareholder's derivative action against Steven Victor, MD, in his capacity as Chairman - CEO and individually, Anna Rhodes as former Executive Vice President and individually, Leonard L. Mazur as interim Chief Operating Officer and individually, Myron Holubiak as a Director and individually, Michael Hershman, as Chairman of the Board of Directors and individually, Stuart Goldfarb as a former Director and individually, Victor Dermatology & Rejuvenation, P.C., Victor Cosmeceuticals, Inc., Lasersculpt, Inc., and the Doe Entities 1-5, as defendants, and Intellicell Biosciences, Inc., as nominal-defendant. The complaint, which was filed on the aforementioned date with the United States District Court Southern District of New York, alleges that the Company has failed to comply with US Food and Drug Administration and United States Patent and Trade Office regulations. The allegations in the complaint include, but are not limited to, allegations involving fraud, negligence, false reporting, and mismanagement of laboratory facilities. Pursuant to the complaint, the amount in controversy exceeds \$75,000. Furthermore, the complaint as filed lists the following counts: 1. Against the individual defendants for breach of their fiduciary duties in connection with their management of the Company; 2. Against the individual defendants for breach of fiduciary duty in connection with disseminating false information; 3. Against the individual defendants for breach of fiduciary duty for failing to design and implement adequate internal controls; 4. Request for injunctive relief; 5. Imposition of constructive trust/accounting; and 6. Appointment of referee injunctive relief. The Company believes that such allegations and claims are without merit and intends to vigorously defend such allegations and claims. Because the inquiry is in its initial stages, the Company is not currently able to predict the probability of a favorable or unfavorable outcome, or the amount of any possible loss in the event of an unfavorable outcome. Consequently, no material provision or liability has been recorded for such allegations and claims as of December 31, 2013. However, management is confident in its defenses to such allegations and claims.

On March 13, 2014, Steven A. Victor ("Dr. Victor"), Intellicell Biosciences, Inc., a Nevada corporation, Intellicell Biosciences Inc., a New York corporation, and Regen Medical P.C., a New York corporation filed a complaint against Jonathan Schwartz ("Schwarz"), Joseph P. Salvani ("Salvani") and Douglas R. Dollinger ("Dollinger"), in the Supreme

Court of the State of New York, County of New York. Schwartz and Salvani, both shareholders of the Company, are represented by Dollinger in his capacity as legal counsel. Pursuant to the complaint, the plaintiffs' first cause of action alleges that the defendants conspired together and acted in concert, to defame Dr. Victor and the Company in an effort to take control of the Company and to reap large profits by dumping their shares thereafter. Furthermore, the plaintiffs' second cause of action alleges that Salvani made false statements to a potential investor, resulting in damages amounting to \$250,000. The plaintiffs seek compensatory damages, together with punitive damages and interest in connection with the first cause of action, and compensatory damages in the amount of \$250,000.00, together with punitive damages and interest, in connection with the second cause of action.

In February 2014, John Cade and two other lenders to Intellicell's predecessor entities filed suit, in the Second Judicial District Court of the State of Nevada, Washoe County, for non-payment of certain promissory notes owed by predecessor company, Media Exchange Group. Company Counsel managed to obtain a stay of Intellicell's time to appear until June 20, 2014.

## 19. Subsequent Events

The Company has evaluated its subsequent events through September 26, 2014, the date the condensed consolidated financial statements were available to be issued. Except as disclosed below, there were no additional significant subsequent events requiring disclosure.

In April 2014, Convertible Debenture and Note Holders converted \$263,421 of principal into 124,088,476 shares of its Company's common stock.

In May 2014, Convertible Debenture and Note Holders converted \$171,500 of principal into 99,968,831 shares of its Company's common stock.

In June 2014, Convertible Debenture and Note Holders converted \$287,130 of principal into 254,072,898 shares of its Company's common stock.

In May 2014, the Company issued 16,666,665 shares of common stock under the Andrews Consulting Agreement executed in March 2014.

In May 2014, the Company issued 2,000,000 shares of common stock under two Scientific Advisory Agreements executed in March 2014 with Dr. Josh Hackel and Dr. Adam Anz.

In May 2014, the Company issued replacement shares of common stock to Dr. Steven Victor (53,568,400 shares) and Anna Rhodes (3,000,000 shares) for shares returned back to the Company in January 2014. Both Victor and Rhodes are Company Officers.

In May 2014, the Company issued 20,000,000 shares of common stock to Copper Bay, SA under a Consulting Services Agreement dated August 2013.

In May 2014, the Company issued 87,000,000 shares of common stock to Gene R. Kazlow as compensation for legal services performed and to be performed for the Company.

On June 24, 2014, the Company received a unanimous written consent in lieu of a meeting of the holders of its Series F Preferred Stock, \$0.01 par value per share (the “Series F Preferred Stock”), created by unanimous written consent of the Board of Directors of the Company (the “Board”), as permitted by the Company’s Articles of Incorporation, as amended and which may be amended from time to time (“Amended Articles”). Each share of Series F Preferred Stock has the equivalent of 51,133,625 votes of Common Stock (based upon the 2,355,075,373 outstanding number of shares of Common Stock issued at the time hereof). Currently, there are five (5) holders of Series F Preferred Stock (the “Series F Stockholders” or the “Majority Stockholders”), holding fifty-one (51) shares of Series F Preferred Stock, resulting in the Series F Stockholders holding in the aggregate approximately 50.99% of the total voting power of all issued and outstanding voting capital of the Company.

On June 24, 2014, the Board approved an increase in the number of authorized shares of Common Stock from Three Billion Five Hundred Million (3,500,000,000) shares of Common Stock to Ten Billion (10,000,000,000) shares of Common Stock (the “Authorized Share Increase”) and recommended to the Majority Stockholders that they approve the Authorized Share Increase.

On June 24, 2014 (the “Record Date”), the Majority Stockholders approved the Authorized Share Increase by written consent in lieu of a meeting in accordance with the Nevada Revised Statutes. Accordingly, consent of common shareholders are not required and will not being solicited in connection with the approval of the Authorized Share Increase.

In July 2014, Convertible Debenture and Note Holders converted \$115,715 of principal into 167,228,569 shares of its Company’s common stock.

In August 2014, Convertible Debenture and Note Holders converted \$108,917 of principal into 159,817,308 shares of its Company’s common stock.

On July 3, 2014, the Company issued 53,568,400 shares to Iron Ridge Global IV LTD in final settlement of all outstanding claims under the TCA/Iron Ridge convertible promissory note.

The Company executed a financial consulting agreement with Highland Capital in January 2014. In the two months ended August 31, 2014, Highland earned fees of \$258,700. These fees will be payable in 51,740,000 shares of common stock of the Company. The shares have not yet been issued as of September 25, 2014.



**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Results of Operations**

***Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013***

***Revenue***

Revenue for the three months ended March 31, 2014 and 2013 was \$32,500 and \$0, respectively. Revenues in 2014 were attributable to fees from 13 cases processed by Regen Medical in the Company's New York City Tissue Processing Center which were 100% related party revenue. The rate per case to process the cells was \$2,500. We intend to engage in a multi-pronged approach with respect to the utilization and commercialization of our proprietary process that will involve entering into technology licensing agreements and related service agreements with physicians, physician practice groups, hospitals and ambulatory service centers located in the United States. We will also be seeking to enter into technology licensing agreements that cover a particular international territory or country. In addition, we will also be seeking to establish "Centers of Excellence" in conjunction with physicians under an arrangement whereby we are appointed the exclusive managing agent for the professional corporation in exchange for the grant of a license to the professional corporation to utilize our proprietary process. Depending upon the arrangement involved, we will be collecting some combination of fees from licensing, processing, service, and management, as well as up-front territorial licensing fees.

License fees will generally be payable upon signing of a license agreement and will be recognized as revenue ratably over the appropriate period of time to which the revenue item relates.

***Cost of goods sold and Gross Margin***

Cost of goods sold were \$4,618 and \$0 for the three months ended March 31, 2014 and 2013, respectively. These costs were the cost of supplies for cases processed in our tissue processing center in New York.

Gross margins were \$27,882 and \$0 for the three months ended March 31, 2014 and 2013, respectively. In the future, the cost of goods sold effecting gross margins will include costs for the supplies sold to licensees for the processing of each tissue processing case, cost of equipment sold directly to licensees, and the direct sales costs associated with

license fees received.

*Operating expenses*

**Research and development expenses** were \$180,000 and \$157,078 for three months ended March 31, 2014 and 2013, respectively. The principal component of research development costs consists of services as the attending physician in patient cases, for lab technicians, and for nursing staff employed by Dr. Victor's medical practice included as part of the ongoing research of our technologies and processes.

The Company continues to increase research and development costs in the current year period. The principal component of research and development costs consists of fees payable to Regen Medical, a medical practice owned by Dr. Steven Victor, the Company's Chief Executive Officer and principal shareholder. The fees are for services as the attending physician in patient cases, for lab technicians, and for nursing staff employed by Dr. Victor's medical practice included as part of the ongoing research of our technologies and processes. These fees totaled \$180,000 and \$49,500 for the three months ended March 31, 2014 and March 31, 2013, respectively. The fees payable to Regen Medical for these cases range from \$5,000 to \$15,000 per case.

**Sales and marketing expenses** were \$8,150 and \$4,828 for the three months ended March 31, 2014 and 2013, respectively. Sales and marketing expenses consist of costs associated with the development of our brochure and informational materials, our website, an informational video and travel expenses to attend professional meetings, as well as commissions on sales.

**General and administrative expenses** were \$1,005,443 and \$715,645 for the three months ended March 31, 2014 and 2013, respectively. The following are the significant components of the general and administrative costs:

*Salary Expense*

General and administrative is comprised of salary expenses of \$196,278 and \$246,080 for the three months ended March 31, 2014 and 2013, respectively. Included in the salary expense for each of the three months ended March 31, 2014 and 2013 was \$68,750 paid to a significant shareholder as a result of this individual serving in the capacity of our Chief Executive Officer. In addition, the Company incurred salary expenses totaling \$45,000 for the three months ended March 31, 2014 and March 31, 2013, respectively, to the spouse of the Company's Chief Executive Officer and majority shareholder.

*Rent and office administrative expenses*

Included in general and administrative expenses are \$110,594 and \$103,800 of rent for the three months ended March 31, 2014 and 2013, respectively. Rent is for the office space and Tissue Processing Lab located at 460 Park Avenue.

*Professional fees*

For the three months ended March 31, 2014 and 2013, we have incurred approximately \$607,995 and \$241,000 in legal, accounting, and professional fees primarily related the FDA compliance, public company costs, and Company litigation.

*Depreciation*

Depreciation expense is included in general and administrative costs and amounted to \$101,963 and \$84,551 for the three months ended March 31, 2014 and 2013, respectively.

**Employee Stock Based Compensation.** During the three months ended March 31, 2014 and 2013, the Company incurred employee stock based compensation expenses of \$342,135 and \$360,360, respectively, for incentive stock options and common stock issued to employees. The incentive stock options were valued using the Black Scholes method.

**Non-Employee Stock Based Compensation.** During the three months ended March 31, 2014 and 2013, non-employee stock based compensation of \$93,333 and \$300,000 were incurred as non-cash charges, respectively. Non-employee stock based compensation is comprised of the following:

During the three months ended March 31, 2014, the Company did not issue any shares of common stock shares for medical advisory and professional services compared to 2,000,000 shares issued, valued at \$300,000 during the three months ended March 31, 2013. The shares for stock based compensation for the \$93,333 were issued subsequent to March 31, 2014.

The value of the warrants and non-employee stock options were determined using the Black Scholes method, the details of which are more fully explained within the notes to the financial statements.

#### *Changes in Fair Value of Derivative Liability*

The Company has issued various instruments (as detailed below) which are accounted for as derivative liabilities and are valued at fair value at the date of issuance and at each balance sheet date. The change in value of these instruments is recorded as a charge (or as income). During the three months ended March 31, 2014 and 2013, the Company recorded income in the amount of \$8,476,056 and \$654,998, respectively, relating to the change in value of all its derivative liabilities. During the three months ended March 31, 2014, the company recorded income on conversions of convertible debt to equity in the amount of \$399,762, as compared to \$0 for the three months ended March 31, 2013. During the three months ended March 31, 2014, the company recorded financing costs of \$17,119,990 relating to derivative liabilities created upon the issuance of convertible debt instruments as compared to financing costs of \$130,650 for the three months ended March 31, 2013.

The instruments with derivative properties are as follows:

*Convertible Debt - Derivative Liabilities*

In May 2011, IntelliCell completed a convertible debt offering aggregating \$1,385,000. The units offered consist of a \$50,000 subordinated convertible debenture payable one year from the date of issue with interest at a rate of 6% and convertible, at the option of the holder, into the Company's common stock at an initial conversion price of \$1.72 per share. Each unit also included a detachable five (5) year warrant to purchase 57,143 shares of IntelliCell's common stock at an exercise price of \$1.72 per share. The proceeds from the issuance of convertible debt securities with detachable warrants were allocated between the warrants and the debt security. The discount is being amortized over the life of the debt. As of December 31, 2011, the Company recorded an original issue discount of \$288,564 related to the value of the warrants that will be amortized as interest expense over the initial one year term of the convertible debentures. As of December 31, 2011, the Company has recognized \$ 216,422 of interest expense as a result of such amortization.

The Company accounted for the conversion features underlying the convertible debentures an issued in accordance with GAAP, as the conversion feature embedded in the convertible debentures could result in the debentures being converted to a variable number of the Company's common shares. The Company determined the value of the derivate conversion features of these debentures issued during the year ended December 31, 2011 at the relevant commitment dates to be \$32,209 utilizing a Black-Scholes valuation model. The change in fair value of the liability for the conversion feature resulted in income of \$293 and a reduction to income of \$437,013 for the three months ended March 31, 2014 and 2013, respectively, which is included in the accompanying financial statements. The fair value of the derivative conversion features was determined to be \$0 and \$3,683 at March 31, 2014 and December 31, 2013, respectively. All notes were assumed and assigned to other investors in the three months ended March 31, 2014

The Company accounted for the detachable warrants included with the convertible debentures as liabilities in accordance with GAAP, as the warrants are subject to anti-dilution protection and could result in them being converted to a variable number of the Company's common shares. The Company determined the value of the derivate feature of the warrants issued during year ended December 31, 2011 at the relevant commitment dates to be \$332,401 utilizing a Black-Scholes valuation model. The change in fair value of the liability for the warrants resulted in a reduction to income of \$3,060 and \$211,015, respectively for the three months ended March 31, 2014 and 2013, respectively, which is included in the accompanying financial statements. The fair value of the derivative conversion features was determined to be \$9,314 and \$6,254 at March 31, 2014 and December 31, 2013, respectively.

As discussed, as a result of the Company's Merger, and the effect of recapitalization, the exercise price of the convertible debentures and warrants was decreased from \$1.72 to \$.88. The subordinated convertible debentures are convertible into an aggregate of 1,561,443 shares of common stock and warrants to purchase an aggregate of 3,071,542 shares of common stock.

*Common Stock Offering - Derivative Liabilities*

In February 2012, the Company entered into securities purchase agreements with accredited investors, pursuant to which the Company sold (i) an aggregate of 2,600,000 shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), (ii) class A warrants to purchase an aggregate of 5,200,000 shares of Common Stock (the "Class A Warrants"), and (iii) class B warrants to purchase an aggregate of 5,200,000 shares of Common Stock (the "Class B Warrants" and together with the Class A Warrants, the "Warrants"), for aggregate gross cash proceeds of \$2,627,649, which consisted of \$2,100,000 of cash and the exchange and cancellation of a promissory note (bearing principal and interest totaling \$527,549) and a warrant ("Exchange Agreement").

The Class A Warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of \$2.00, subject to adjustment. The Class B Warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of \$3.75, subject to adjustment. The exercise price of the Warrants were subject to anti-dilution protection if shares or share-indexed financing instruments were sold at less than the stated conversion prices.

Therefore, the associated conversion feature requires liability classification under GAAP which is carried at their fair value to be reevaluated each reporting period. We estimate their fair value as a common stock equivalent, enhanced by the forward elements (coupon, puts, and calls), because that technique embodies all of the assumptions (including credit risk, interest risk, stock price volatility and conversion behavior estimates) that are necessary to determine the fair value of this type of financial instrument.

We determined the value of the derivative conversion features of these debentures issued at the relevant commitment dates to be \$19,036,312 utilizing a Black-Scholes valuation model.

Between September 5, 2012 and October 11, 2012, the February 2012 investors (including the investor that exchanged and cancelled his outstanding promissory note) agreed to certain amendments to their securities purchase agreement and exchange their respective Warrants for (i) an aggregate of 6,100,000 shares of the Company's Common Stock (ii) a new series A warrant to purchase an aggregate of 6,100,000 shares of Common Stock at an exercise price of seventy-five cents (\$0.75) per share and (iii) a new series B warrant to purchase an aggregate of 6,100,000 shares of Common Stock at an exercise price of seventy-five cents (\$0.75) per share.

As of March 31, 2014 and December 31, 2013, the Company had 100,000 Class A and 100,000 Class B warrants outstanding, that were not exchanged and retained their anti-dilutive properties. The change in fair value for the conversion feature resulted in a net increase in income of \$179 for the three months ended March 31, 2014. The value of the derivative liabilities was \$660 and \$481 as of March 31, 2014 and December 31, 2013, respectively.

#### ***Loss before income tax and Net Loss***

Loss before income tax for the three months ended March 31, 2014 and March 31, 2013 was \$10,240,334 and \$1,058,459, respectively, which includes reduction of charges for the non-cash change in fair value of derivative liabilities of \$8,476,056 for the three months ended March 31, 2014 and a reduction of charges for the non-cash change in fair value of derivative liabilities of \$654,998 for the three months ended March 31, 2013. The loss before income tax for the three months ended March 31, 2014 included non cash expense for financing costs of \$16,404,376, relating to derivative liability costs upon issuance of convertible debt instruments Furthermore, loss before income tax for the three months ended March 31, 2014 and 2013 included non-cash expense for Employee Stock Compensation of \$342,135 and \$360,360, respectively. As we are still implementing our business strategy we anticipate that we will continue to have operating losses for the next several calendar quarters until such time as we have been able to establish a sufficient number of licensees generating licensing, processing, service, and management fees to us, as well as up-front territorial licensing fees, sufficient to cover our operating costs.

#### **Liquidity and Capital Resources**

We had a working capital deficit as of March 31, 2014 of \$4,829,000, compared to a working capital deficit at December 31, 2013 of \$8,527,193.

Our cash and cash equivalents as of March 31, 2014 was \$ 1,000,331 , compared to cash balances at December 31, 2013 of \$0 . We are in the early stages of the implementation of our business strategy and anticipate we will require additional cash to fund our operations for the next twelve months inclusive of costs associated with attracting, training and acquiring laboratory equipment for licensees, costs associated with the conducting of clinical research needed to establish and protect the therapeutic benefits of our technologies, costs associated with the development and marketing and promotional and educational materials relative to our services and costs associated with building out the infrastructure necessary to manage and control our business. In the near term, we plan to utilize our existing limited cash balances and proceeds from licensing, processing, service, and management fees to us, as well as up-front territorial licensing fees, and additional debt and equity based financings to maintain our operations.

Based on our current cash and cash equivalents levels and expected cash flow from operations, we believe our current cash position is not sufficient to fund our cash requirements during the next twelve months, including operations and capital expenditures. We intend to license our proprietary technology and services or obtain equity and/or debt financing to support our current and proposed operations and capital expenditures. We cannot assure that continued funding will be available. There can be no assurance, however, that any such opportunities may arise, or that any such acquisitions may be consummated. Additional financing may not be available on satisfactory terms when required. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. We currently have no firm commitments for any additional capital. There is no guarantee that we will be successful in raising the funds required. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.



*Net cash used in operating activities*

Net cash used in operating activities was \$1,522,669 and \$248,058 for the three months ended March 31, 2014 and March 31, 2013, respectively. Cash was used primarily to fund our operating losses exclusive of non-cash expenditures such as stock compensation for services, changes in the fair value of our derivative liabilities, financing costs, amortization and depreciation. For the three months ended March 31, 2014, operating activities were impacted by a decrease in accounts payable and accrued liabilities of \$33,666 and an increase in accrued interest of \$120,337. For the three months ended March 31, 2013, operating activities were impacted by an increase in our accounts payable and accrued liabilities of \$446,192, accrued interest of \$28,770, and accrued liabilities to related parties of \$113,750.

*Net cash used in investing activities*

Net cash provided by investing activities was \$0 and \$89,079 for the three months ended March 31, 2014 and March 31, 2013, respectively. Furthermore, \$0 and \$93,350 of net advances were received from Regen Medical, respectively during the three months ended March 31, 2014 and March 31, 2013.

*Net cash provided by financing activities*

Net cash provided by financing activities was \$1,858,638 and \$148,820 for the three months ended March 31, 2014 and March 31, 2013, respectively, consisting of \$0 and \$20,000 of net proceeds received from the sale of our common stock, and \$2,617,000 and \$100,000 of gross proceeds from our convertible debenture issuances, respectively. Additionally, the Company placed \$664,362 of convertible debenture proceeds in specific escrow accounts for the purpose of future payment of specific expenses for delinquent taxes, future committed consulting fees and costs to complete all financial reporting filings through March 31, 2014.

**SIGNIFICANT LIQUIDITY EVENTS**

The following financing events were transacted in the quarter ended March 31, 2014.

*Sherb Note Payable*

On January 6, 2014, the Company issued a promissory note to Sherb & Co. (the "Sherb Note") in the amount of \$115,785 for money owed for accounting services prior to the Reverse Merger of April 2011. The Sherb Note is due December 31, 2014 and has simple interest of 10% per annum. In April 2014, the Company was advised the note was assigned to May Davis Partners.

At March 31, 2014, the principal balance on the Sherb Note was \$115,783 and accrued interest was \$2,766.

*Kaplan Note Payable*

On March 5, 2014, the Company issued a promissory note to Jeffrey Kaplan (the "Kaplan Note") in the amount of \$30,000 for working capital advance. The Kaplan Note was due on March 10, 2014 and has simple interest of 10% per annum.

At March 31, 2014 and December 31, 2013, the Company had a total of Notes Payable of \$392,883 and \$727,545, respectively.

*YA Global*

In March of 2014, external financing was provided by YA Global. We received a gross total of \$2.1 million from YA Global through the issuance of convertible debentures, and common stock warrants. The debentures bear interest at 7.5% per annum and mature on March 11, 2015. We paid cash fees to YA Global from the proceeds of the secured convertible debentures and warrants of \$125,000. We also paid \$240,000 in cash fees to MD Global. After payment of these fees, the Company received net proceeds of \$1,735,000.

At any time, and at its sole option, YA Global can convert a portion or all amounts of principal and interest due and outstanding under the YA Global Debenture into shares of common stock at a price equal to 48.5% of the average of the three lowest prices per share of reported trades (not on the same day) of the common stock on the OTC Markets or on the exchange which the common stock is then listed as quoted by Bloomberg, LP during the 20 trading days preceding the conversion date. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$2,100,000 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

*Burrington Capital, LLC Convertible Debentures*

On January 2, 2014 and on February 5, 2014, Burrington Capital, LLC (“Burrington”) was assigned and assumed a total of \$200,000 from holders of the May 2011 offering. In addition, on January 7, 2014 the Company issued a secure convertible debenture for \$100,000 (combined, the “Burrington Debentures”). Under the terms of the agreement, Burrington has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Burrington Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Burrington Debentures are convertible into shares of the Company’s common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$100,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

For the quarter ended March 31, 2014, \$126,750 of the principal balance of the Burrington Debentures was converted into 158,698,856 shares of common stock. At March 31, 2014, the Burrington Debentures had a principal balance totaling \$173,250 and accrued interest of \$23,488.

*Dominion Capital Debenture*

On March 24, 2014, Ironridge Global sold the TCA Note to Dominion Capital under the security settlement agreement executed between the Company and Dominion Capital, and the Company issued a convertible debenture to Dominion Capital in the amount of \$746,092 (the "Dominion Debenture"). The \$746,092 principal balance included the original TCA Note of \$500,000, accrued interest and pre-payment penalties of \$246,092.

The Dominion Capital Debenture matures on March 24, 2015 and accrues interest at an annual rate equal to 7.5%. At any time, and at its sole option, Dominion Capital can to convert a portion or all amounts of principal and interest due and outstanding under the Dominion Debenture into shares of common stock at a price equal to 48.5% of the average of the three lowest prices per share of reported trades (not on the same day) of the common stock on the OTC Markets or on the exchange which the common stock is then listed as quoted by Bloomberg, LP during the 20 trading days preceding the conversion date. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$746,092 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

As of March 31, 2014, the Dominion Debenture had a principal balance of \$746,092, and accrued interest of \$1,088.

*Issuance of Convertible Debentures – Vendor Services*

In the quarter ended March 31, 2014, the Company issued a total of secured convertible debentures in the amount of \$1,427,878 to 12 vendors that were owed fees for services rendered through December 31, 2013. Under the terms of the agreements, the debenture holders have the right of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debentures require repayment on December 31, 2014 and bear a 10% simple annual interest rate. The convertible debentures are convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the Common Stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$1,427,878 of debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, the balance due on the vendor debentures was principal of \$1,427,878 and accrued interest of \$35,697.

*Redwood Management, LLC Convertible Debentures*

On January 17, 2014 and on January 31, 2014, the Company issued secure convertible debentures to Redwood Management, LLC for \$67,000 and \$75,000, respectively (combined, the "Redwood Debentures"). Under the terms of the agreement, Redwood Management, LLC has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Redwood Debentures require repayment on the date of the note and bears a 12% simple annual interest rate. The Redwood Debentures are convertible into shares of the Company's common stock at a price equal to 5% of the lowest traded price (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$75,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At March 31, 2014, the Redwood Debentures had a principal balance totaling \$142,000 and accrued interest of \$2,929.

*MD Global Convertible Debentures*

On January 9, 2014 the Company issued a secure convertible debenture to MD Global for \$50,000. Under the terms of the agreement, MD Global has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the MD Global Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The MD Global Debentures are convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 180 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative.

At March 31, 2014, the MD Global Debentures had a principal balance totaling \$50,000 and accrued interest of \$1,153.

*May Davis Partners Convertible Debentures*

On March 5, 2014 the Company issued a secure convertible debenture to May Davis Partners for \$25,000 (the “May Davis Debenture”). Under the terms of the agreement, May Davis Partners has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the May Davis Debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The May Davis Debenture are convertible into shares of the Company’s common stock at a price equal to 52% of the average 3 lowest trades (not on the same day) of the common stock of the 180 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$25,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

On March 4, 2014, May Davis Partners converted \$20,000 of a convertible debenture issued for financing fees into 9,157,509 shares of the Company’s common stock.

At March 31, 2014, the May Davis Debenture had a principal balance totaling \$25,000 and accrued interest of \$188.

*Empire Equity Convertible Debentures*

On February 5, 2014 the Company issued a secure convertible debenture to Empire Equity for \$100,000 (the “Empire Debentures”). Under the terms of the agreement, Empire Equity has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Empire Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Empire Debentures are convertible into shares of the Company’s common stock at a price equal to 52% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP. The conversion feature of the debentures have been bifurcated from the host contract and accounted for separately as a derivative. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the \$100,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During February 2014, \$61,756 of the principal balance of the Empire Equity Debentures was converted into 28,966,229 shares of common stock. At March 31, 2014, the Empire Equity Debentures had a principal balance totaling \$38,244 and accrued interest of \$1,184.

At March 31, 2014 and December 31, 2013, the Company had a total principal balance of convertible debentures of \$5,311,892 and \$840,900. At March 31, 2014 and December 31, 2013, the Company had balances, net of unamortized debt discounts, of \$502,872 and \$452,607.



During the quarter ended March 31, 2014, convertible debenture holders converted their debt into common stock.

	<b>Debt Converted</b>	<b>Common Stock Shares Acquired</b>
Hudson Street	\$ 110,900	144,118,899
Burrington	126,750	158,698,856
KesselBrenner	25,000	27,203,482
Liben	58,286	63,422,742
Brother	42,286	68,836,230
Touhy	10,000	10,881,392
Dominion Capital	35,000	15,217,391
May Davis Partner	20,000	9,157,509
Empire Equity	61,756	28,966,229
WHC	10,760	12,960,000
LG Capital from	87,102	91,523,674
Kazlow	80,000	31,720,856
JMJ	7,200	7,500,000
Redwood	595,980	438,178,078
	<b>\$ 1,271,020</b>	<b>\$ 1,108,385,338</b>

Redwood also converted \$152,297 of accrued interest into 67,842,295 shares of common stock.

### **Off Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as “special purpose entities” (SPEs).

### **Contractual Obligation and Commitments**

The following table is a summary of contractual cash obligations for the periods indicated that existed as of March 31, 2014, and is based on information appearing in the notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

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	Total	Less than 1 Year	1-2 Years	3-5 Years	More than 5 Years
Current Debt Obligations-Face Value	\$ 8,021,046				
Current Operating Lease Obligations	\$ 665,555				
Total Obligations	\$ 8,686,601				

53

## Critical Accounting Policies

The Securities and Exchange Commission ("SEC") defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Not all of the accounting policies require management to make difficult, subjective or complex judgments or estimates. However, the following policies could be deemed to be critical within the SEC definition.

### *Fair Value of Financial Instruments*

GAAP requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs that may be used to measure fair value:

Level 1 – Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived

principally from, or corroborated by, observable market data.

Level 3 - Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

#### *Revenue Recognition*

The Company licenses independent third parties to use the Company's technology in order to enable them to establish tissue processing centers in major metropolitan markets, as well as establishing centers it will operate. Each center will utilize the Company's proprietary technology in conjunction with a suite of laboratory equipment selected by the Company that will enable the lab to process adipose tissue into stromal vascular fraction containing adipose stem cells using the Company's technology and protocols. In certain centers the Company will maintain ownership of the laboratory equipment and in other cases the laboratory equipment will be sold to an independent party. These license fees are payable upon signing of a license agreement and will be recognized as revenue ratably over the appropriate period of time to which the revenue item relates. As of March 31, 2013, the Company had executed license agreements and received \$1,222,500 in license fees for six centers which had not yet commenced operations. Subsequently, the Company reclassified the license fees to Accrued Licensee Fee Liability upon the Company's cancellation of the license agreements and the determination of the amount of fees to be returned to the former licensees.

The Company has also entered into agreements with independent sales representative organizations that will market the centers services to physicians in the geographic area. Fees for tissue processing cases from such physicians will be collected by the Company and recognized upon performance of the laboratory analysis. Sales of equipment by Tech Stem are recognized when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured.

### **New Accounting Pronouncements**

No accounting standards or interpretation issued recently are expected to have a material impact on the Company's consolidated financial position, operation or cash flow.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES.**

On or about August 29, 2014, the Board of Directors of the Company, upon the recommendation of the Company's management and after discussions with the Company's current and former independent registered public accounting firms, concluded that the quarterly financial statements filed on Form 10-Q for the period ended September 30, 2013 and March 31, 2014 and the annual financial statements filed on Form 10-K for the year ended December 31, 2013 as previously issued should no longer be relied upon and will be restated.

This amended quarterly report on Form 10-Q/A reflects certain corrections made in connection with the Company's accounting for the application of fair value assessment for transactions involving derivative obligations related to the issuance of convertible debt instruments. The transactions include (1) derivative valuation at inception of the debt instrument, (2) upon conversion of the instrument to common stock, (3) upon assignment of the debt instrument and (4) upon valuation of the derivative at March 31, 2014. The Company also detected errors in the recording of debt discounts, upon issuance of debt instruments. These incorrectly recorded debt discounts also affected amortization expense for the period ended March 31, 2014.

This restatement has impacted the Company's CEO and accounting professionals original conclusions regarding the effectiveness of disclosure controls and procedures and internal controls over financial reporting by further demonstrating the need for the Company to segregate duties and develop a stronger internal control environment. The Company is planning to further segregate duties related to internal controls over financial reporting as it increases its number of employees. The Company plans to hire additional employees in 2015 to change its disclosure controls and procedures and prevent future misstatements of a similar nature.

*Evaluation of Disclosure Controls and Procedures*

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the ‘‘Exchange Act’’). Disclosure controls and procedures include, without limitation, means controls and other procedures that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, because of the Company's limited resources and limited number of employees, management concluded that our disclosure controls and procedures were ineffective as of March 31, 2014 .

Management has identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment. Management of the Company believes that these material weaknesses are due to the small size of the Company's accounting staff. The small size of the Company's accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of external legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.

These control deficiencies could result in a misstatement of account balances that would result in a reasonable possibility that a material misstatement to our consolidated financial statements may not be prevented or detected on a timely basis. In light of this material weakness, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the quarter ended March 31, 2014 included in this amended quarterly report on Form 10-Q/A were fairly stated in accordance with US GAAP. Accordingly, management believes that despite our material weaknesses, our consolidated financial statements for the quarter ended March 31, 2014 are fairly stated, in all material respects, in accordance with US GAAP.

#### **Limitations on Effectiveness of Controls and Procedures**

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent 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, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also 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 the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### ***Changes in Internal Controls***

During the fiscal quarter ended March 31, 2014, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

## **PART II**

## ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business. Other than as stated below, the Company is currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse effect on its business, financial condition or operating results.

### *Ironridge Litigation*

On August 8, 2013, a Summons and Complaint (the “Complaint”) was filed along with a Motion for a Temporary Restraining Order (the “Motion”) before the Supreme Court of the State of New York, County of New York (the “Court”) under the caption Intellicell Biosciences, Inc. v Ironridge Global IV, LTD., and TCA Global Credit Master Fund, LP, Index No. 652800/13. The Motion sought to restrain the sale of the Company’s assets.

As previously reported, on July 15, 2013, while the Company was finalizing an amendment and waiver to that certain Convertible Promissory Note (the “Note”) issued by the Company in favor of TCA Global Credit Master Fund, LP (“TCA”) on June 7, 2012 in the principal amount of \$500,000, the Company was advised that Ironridge Global IV, LTD (“Ironridge”), led by Mr. John C. Kirkland, Esq., purportedly purchased the Note from TCA. The Complaint and Motion alleged that Ironridge and TCA each served the Company with a Notice of Foreclosure and Sale, both claiming to be the “Secured Party” of the same assets.



Given that Ironridge and TCA asserted that they would sell the secured assets of the Company at auction on August 12, 2013, the Motion sought to temporarily restrain both parties from so doing. On August 12, 2013, Justice Sherwood, Justice of the Supreme Court, New York County, issued a written Order granting the relief requested, thereby restraining any sale of assets (the "Temporary Restraining Order").

On August 26, 2013, despite the Company's best efforts to amicably resolve the dispute related to the Note, a subsequent hearing on the Motion was held, at which time the Company voluntarily brought with it to Court: (i) a certified check in the amount of \$535,833.33 constituting payment of all principal and interest owed under the Note; and (ii) a stock certificate constituting the facility fee shares owed to the Secured Party pursuant to that certain Equity Facility Agreement. Since TCA admitted in prior court filings that it has no remaining interest in the that certain Note and Equity Facility Agreement, both the check and the stock certificate were tendered to Ironridge in open court, and counsel for Ironridge confirmed receipt thereof to Justice Oing directly. The company's attorneys argued in court that, with the exception of possible attorney's fees owed, the Company's obligations under the transaction documents have now been satisfied in full.

In addition, the Court found Ironridge's jurisdictional argument to be unavailing and held that the case shall remain in New York and directed all parties to file submissions with the Court on September 10, 2013, indicating why any other monies are or are not owed under those certain transaction documents. Judge Oing further directed that the Temporary Restraining Order restraining the sale of the Company's assets shall remain in place indefinitely until further order of the Court and that the auction shall not be rescheduled and that Ironridge shall not make, post or distribute any further advertisements, internet postings, blogs or otherwise in relation thereto. Finally, Judge Oing held that the balance of the \$680,000 that was being held in escrow be immediately released. A hearing was scheduled for October 29, 2013.

#### *Hanover Holdings Litigation*

On May 21, 2013, the Supreme Court of the State of New York, County of New York (the "Court"), entered an order (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 (the "Securities Act"), in accordance with a stipulation of settlement (the "Settlement Agreement") between Intellicell Biosciences, Inc., a Nevada corporation (the "Company"), and Hanover Holdings I, LLC, a New York limited liability company ("Hanover"), in the matter entitled Hanover Holdings I, LLC v. Intellicell Biosciences, Inc., Case No. 651709/2013 (the "Action"). Hanover commenced the Action against the Company on May 10, 2013 to recover an aggregate of \$706,765.38 of past-due accounts payable of the Company, plus fees and costs (the "Claim"). 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 Hanover upon execution of the Order by the Court on May 21, 2013. On May 23, 2013, the Company issued and delivered to Hanover 8,500,000 shares (the "Initial Settlement Shares") of the Company's common stock, \$0.001 par value (the "Common Stock")

The Settlement Agreement provides that the Initial Settlement Shares will be subject to adjustment on the trading day immediately following the Calculation Period (as defined below) to reflect the intention of the parties that the total number of shares of Common Stock to be issued to Hanover pursuant to the Settlement Agreement be based upon a specified discount to the trading volume weighted average price (the “VWAP”) of the Common Stock for a specified period of time subsequent to the Court’s entry of the Order. Specifically, the total number of shares of Common Stock to be issued to Hanover pursuant to the Settlement Agreement shall be equal to the sum of: (i) the quotient obtained by dividing (A) \$706,765.38 by (B) 55% of the average of the lowest 10 VWAPs of the Common Stock over the 80-consecutive trading day period immediately following the date of issuance of the Initial Settlement Shares (or such shorter trading-day period as may be determined by Hanover in its sole discretion by delivery of written notice to the Company) (the “ Calculation Period ”); (ii) the quotient obtained by dividing (A) the total dollar amount of legal fees and expenses incurred in connection with the Action, which shall not exceed \$57,500 (less \$5,000 heretofore paid by the Company) by (B) the VWAP of the Common Stock over the Calculation Period; and (iii) the quotient obtained by dividing (A) agent fees of \$35,338.27 by (B) the VWAP of the Common Stock over the Calculation Period, rounded up to the nearest whole share (the “VWAP Shares”). As a result, the Company ultimately may be required to issue to Hanover substantially more shares of Common Stock than the number of Initial Settlement Shares issued (subject to the limitations described below). The Settlement Agreement further provides that if, at any time and from time to time during the Calculation Period, Hanover reasonably believes that the total number of Settlement Shares previously issued to Hanover shall be less than the total number of VWAP Shares to be issued to Hanover or its designee in connection with the Settlement Agreement, Hanover may, in its sole discretion, deliver one or more written notices to the Company, at any time and from time to time during the Calculation Period, requesting that a specified number of additional shares of Common Stock promptly be issued and delivered to Hanover or its designee (subject to the limitations described below), and the Company will upon such request reserve and issue the number of additional shares of Common Stock requested to be so issued and delivered in the notice (all of such additional shares of Common Stock, “Additional Settlement Shares”). At the end of the Calculation Period, (i) if the number of VWAP Shares exceeds the number of Initial Settlement Shares and Additional Settlement Shares issued, then the Company will issue to Hanover or its designee additional shares of Common Stock equal to the difference between the number of VWAP Shares and the number of Initial Settlement Shares and Additional Settlement Shares, and (ii) if the number of VWAP Shares is less than the number of Initial Settlement Shares and Additional Settlement Shares issued, then Hanover or its designee will return to the Company for cancellation that number of shares of Common Stock equal to the difference between the number of VWAP Shares and the number of Initial Settlement Shares and Additional Settlement Shares. Hanover may sell the shares of Common Stock issued to it or its designee in connection with the Settlement Agreement at any time without restriction, even during the Calculation Period.

Between May 23, 2013 and the date of this report, the Company issued and delivered to Hanover an aggregate of 68,766,171 Additional Settlement Shares pursuant to the terms of the Settlement Agreement approved by the Order.

*Sherb Litigation*

In February 2013, the Company was served with notice that on October 13, 2011, Sherb & Co. LLP (“Sherb”) filed a complaint (the “Sherb Complaint”) in the Supreme Court of the State of New York, County of New York, Index No. 11/111685, alleging, among other things, breach of contract, and debt owed against the Company, in connection with accounting and audit services performed from May 12, 2010 through May 31, 2011. Sherb is seeking, among other things, an amount not less than \$88,508 plus interest.

*Cragmont Litigation*

On August 21, 2012, a complaint for damages was filed by Ethan Einwohner and Cragmont Capital, LLC (collectively, “Cragmont”) in the Supreme Court of the State of New York, County of New York, Index No. 652924/2012, alleging, among other things, quantum meruit, unjust enrichment, fraud and breach of contract related to alleged services performed by Cragmont on behalf of the Company. The parties entered into a stipulation whereby Cragmont withdrew and dismissed the claim for fraud. The complaint was amended to add Recurrent Capital LLC as a plaintiff. Cragmont is seeking, among other things, damages of at least \$100,400 plus interest, costs and disbursements.

The results of any litigation are inherently uncertain and there can be no assurance that we will prevail in the litigation matter stated above or otherwise. We plan to pursue our claims and defenses vigorously and expect that the litigation matters discussed above will be protracted and costly.

**ITEM 1A. RISK FACTORS.**

Not applicable.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

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

Unless otherwise noted, the issuances noted below are considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), provided, however, the issuance of any shares of common stock to Hanover Holdings is pursuant to the terms of a settlement agreement approved by a court order that is exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(10) thereof, as an issuance of securities in exchange for bona fide outstanding claims, where the terms and conditions of such issuance are approved by a court after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange shall have the right to appear.

In January 2013, the Company issued 2,000,000 shares of its common stock for \$300,000 of advisory services.

In February 2013, the Company entered into securities purchase agreements, pursuant to which the Company sold 66,666 units, each unit consisting of two (2) shares of the Company's common stock, par value \$0.001 per share (133,333 shares issued) and a warrant to purchase a share of common stock (66,666 warrants issued) for aggregate gross proceeds of \$20,000.

In May 2013, pursuant to the terms of the Settlement Agreement approved by the Order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 8,500,000 Settlement Shares of the Company's common stock.

In June 2013, pursuant to the terms of the Settlement Agreement approved by the Order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 9,850,000 Settlement Shares of the Company's common stock.

In July 2013, pursuant to the terms of the Settlement Agreement approved by the Order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 21,316,171 Settlement Shares of the Company's common stock.

In August 2013, pursuant to the terms of the Settlement Agreement approved by the Order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 12,300,000 Settlement Shares of the Company's common stock.

In August 2013, the Company issued Ironridge Global IV, Ltd. 4,959,613 shares of common stock as payment for a facility fee per their litigation settlement.

In September 2013, pursuant to the terms of the Settlement Agreement approved by the Order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 6,800,000 Settlement Shares of the Company's common stock.

In October 2013, pursuant to the terms of the Settlement Agreement approved by the Order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 10,000,000 Settlement Shares of the Company's common stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

**ITEM 5. OTHER INFORMATION.**

Not applicable.

**ITEM 6. EXHIBITS.**

<b>Exhibit No.</b>	<b>Description</b>
31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002*
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 302 of 2002*
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Principal Financial 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 Document**
101.SCH	XBRL Taxonomy Extension Schema Document**

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document\*\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*\*

\* Filed herewith

\*\* Furnished herewith

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**INTELLICELL BIOSCIENCES, INC.**

Date: October 9, 2014 By: /s/ Steven A. Victor

Name: Steven A. Victor

Title: Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)