Intellicell Biosciences, Inc.
Form 10-Q
November 19, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: **September 30, 2014**

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

For the transitional period from ______ to ______

Commission File Number: **000-54729**

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

Nevada	**91-1966948**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

460 Park Avenue, 17th Floor

New York, New York 10022

(Address of principal executive offices and zip code)

(212) 249-3050

(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 ý No o

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 ý No o

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 o	Accelerated filer o	Non-accelerated filer o
	Smaller Reporting Company x	

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

Number of shares of common stock issued and outstanding as of November 19, 2014 is 7,894,037,082.

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INTELLICELL BIOSCIENCES, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Intellicell BioSciences, Inc. and Subsidiary
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2014 (UNAUDITED) AND DECEMBER 31, 2013

	September 30, 2014 (Unaudited)	(Restated) December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$19,306	$-
Cash, restricted	28,774	-
Prepaid expenses	111,687	-
Other current assets	-	9,000
Total Current Assets	159,767	9,000
Property and equipment, net	2,423,643	2,670,499
OTHER ASSETS:		
Financing fees, net	-	8,712
Security deposit	525,453	525,453
Total Other Assets	525,453	534,165
TOTAL ASSETS	$3,108,863	$3,213,664
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		

Convertible debentures, net of discounts	$2,051,873	$452,607
Convertible promissory notes, net of discounts	2,093,460	2,755,986
Notes payable	277,100	727,545
Accounts payable and accrued liabilities	1,005,967	2,609,254
Accrued interest	592,824	388,302
License fee payable	922,500	922,500
Deferred rent liability	375,397	372,378
Accrued liabilities, related party, net	508,644	307,621
Derivative liabilities	9,707,766	6,958,822
Total Current Liabilities	17,535,531	15,495,015
TOTAL LIABILITIES	17,535,531	15,495,015
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Series B convertible preferred stock, $0.01 par value, 21,000 shares authorized, 15,057 and 15,057 issued and outstanding at September 30, 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 September 30, 2014 and December 31, 2013, respectively	73	73
Series D convertible preferred stock, $0.01 par value, 500,000 shares authorized, 56,500 and 56,500 issued and outstanding at September 30, 2014 and December 31, 2013, respectively	565	565
Series F convertible preferred stock, no par value, 51 shares authorized, 51 and 0 issued and outstanding at September 30, 2014 and December 31, 2013, respectively	-	-
Common stock, $0.0001 par value, 10,000,000,000 and 1,500,000,000 shares authorized, 3,717,753,280 and 922,722,023 issued and outstanding at September 30, 2014 and December 31, 2013, respectively	371,775	92,272
Additional paid in capital	49,843,968	41,256,261
Accumulated deficit	(64,643,200)	(53,630,673)
TOTAL STOCKHOLDERS' DEFICIT	(14,426,668)	(12,281,351)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$3,108,863	$3,213,664

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

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Intellicell BioSciences, Inc.
and Subsidiary
UNAUDITED CONDENSED
CONSOLIDATED
STATEMENTS OF
OPERATIONS

	For The Three Months Ended		For The Nine Months Ended	
	September 30 2014	September 30 2013	September 30 2014	September 30 2013
REVENUES:				
Revenues - related party	$55,000	$-	$120,000	$-
TOTAL REVENUES	55,000	-	120,000	-
COST OF GOODS SOLD:				
Cost of goods sold	5,341	-	12,886	-
TOTAL COST OF GOODS SOLD	5,341	-	12,886	-
GROSS PROFIT	49,659	-	107,114	-
OPERATING EXPENSES:				
Research and development	117,137	14,587	387,637	516,390
Sales and marketing	39,377	1,096	73,907	5,924
General and administrative	616,494	907,111	2,409,567	2,170,230
Employee stock based compensation	732,135	342,135	1,416,405	1,044,630
Non-employee stock based compensation	-	-	93,333	300,000
TOTAL OPERATING EXPENSES	1,505,143	1,264,929	4,380,849	4,037,174
LOSS FROM OPERATIONS	(1,455,484)	(1,264,929)	(4,273,735)	(4,037,174)
OTHER INCOME (EXPENSE):				
Interest expense	(136,233)	(54,903)	(513,607)	(148,548)
Other income (expense)	-	-	(135,258)	-
Financing costs	(1,535,745)	(2,308,478)	(19,990,196)	(2,476,228)
Change in fair value of derivative liabilities	(350,562)	(851,517)	13,900,270	(2,792,412)
TOTAL OTHER (EXPENSE) INCOME	(2,022,540)	(3,214,898)	(6,738,791)	(5,417,188)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(3,478,024)	(4,479,827)	(11,012,526)	(9,454,362)
Provision for income taxes	-	-	-	-
NET INCOME (LOSS)	(3,478,024)	(4,479,827)	$(11,012,526)	$(9,454,362)

INCOME (LOSS) PER SHARE:				
Basic	$(0.00)	$(0.04)	$(0.00)	$(0.12)
Diluted	$(0.00)	$(0.04)	$(0.00)	$(0.12)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	3,001,685,610	107,883,264	2,845,436,013	77,951,031
Diluted	3,001,685,610	107,883,264	2,845,436,013	77,951,031

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

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Intellicell BioSciences, Inc. and Subsidiary
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (11,012,526)	$(9,454,362)
Adjustment to reconcile change in net loss to net cash used in operating activities:		
Common stock issued for consulting services	30,000	
Common stock issued for financing fees	122,496	
Employee stock compensation	1,416,405	1,044,630
Loss on conversion of accounts payable to common stock	-	2,562,284
Depreciation and amortization expense	313,920	300,433
Amortization of financing costs	8,712	86,133
Amortization of Debt Discounts	3,219,778	-
Financing costs	15,967,764	1,613,495
Interest from original issue discount on convertible debentures	100,000	-
Change in fair value of derivative liabilities	(13,900,270)	230,127
Guaranteed interest on convertible promissory notes	46,430	-
Promissory notes issued for services rendered	115,783	265,000
Stock compensation issued for services	328,459	300,000
Changes in operating assets and liabilities:		
Other current assets	9,000	-
Prepaid expenses	(111,687)	
Accounts payable and accrued expenses	(84,276)	2,122,335
Accrued interest	494,508	148,548
Deferred rent	3,019	
Accrued liabilities, related party	201,023	341,250
NET CASH USED IN OPERATING ACTIVITIES	(2,731,462)	(440,126)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From related party	-	227,937
Purchase of property and equipment	(67,064)	(279,156)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(67,064)	(51,219)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible debentures	2,607,000	-
Proceeds from issuance of notes payable, net	42,000	425,000
Principal payments towards notes payable	(97,586)	-
Proceeds from related party advances	-	56,186

Proceeds from sale of common stock		295,192		-
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,846,606		481,186
Net increase (decrease) in cash		48,080		(10,159)
Cash, beginning of the period		-		10,159
Cash, end of the period	$	48,080	$	-
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$	1,414	$	-
Cash paid for taxes	$	524	$	-
NON-CASH ACTIVITIES:				
Conversion of principal of convertible debentures to common stock	$	814,187	$	-
Conversion of principal of convertible promissory notes to common stock	$	1,041,569	$	-
Conversion of accrued interest to common stock	$	225,531	$	-
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	$	-
Conversion of Accounts Payable and Accrued Expenses to Common Stock				587,542
Issuance of convertible debentures in lieu of accounts payable	$	1,427,877	$	-
Reclassification of warrants to liabilities	$	500,170		-

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

IntelliCell BioSciences Inc. and Subsidiary

NOTES TO CONDENSED 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 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 to 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 with 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.

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2. Restatement of Previously Issued Financial Statements

Prior to the filing of our Form 10-Q for the quarter ended June 30, 2014, the Company identified errors in accounting for 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 3rd quarter 2013 financial statements, year-end December 31, 2013 financial statements and 1st 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 operations 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.

	September 30, 2013	
Balance Sheet	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)

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
Statement of Operations	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)

	December 31, 2013	
Balance Sheet	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)

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	Year Ended December 31, 2013	
Statement of Operations	As Filed	As Restated
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)

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 $64,643,200 and a working capital deficit of $17,375,764 as of September 30, 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.

4. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated balance sheet at December 31, 2013 was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The other information in these condensed consolidated financial statements is unaudited but, in the opinion of management, reflects all adjustments necessary for a fair presentation of the results for the periods covered. All such adjustments are of a normal recurring nature unless disclosed otherwise. These condensed financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission (the "SEC") and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These condensed financial statements should be read in conjunction with the financial statements and additional information as contained in our 2013 Annual Report. Results of operations for the nine-month period ended September 30, 2014 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2014.

As disclosed in Note 2, the financial statements for the year ended December 31, 2013 and the nine months ended September 30, 2013 have been restated.

Prior to the filing of our Form 10-Q for the quarter ended June 30, 2014, the Company identified errors in accounting for 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 3rd quarter 2013 financial statements, year-end December 31, 2013 financial statements and 1st 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.

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 Measurements

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.

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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 15.

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 term.

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.

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Restricted Cash

Restricted cash consists primarily of funds received that are restricted for specific purposes or cash set aside and restricted for specific payments. As of September 30, 2014 and December 31, 2013, the Company has restricted cash of $28,774 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 nine months ended September 30, 2014, $422,245 was paid from the $450,000 escrow for accounting fees and Dr. Andrews Consulting agreement and $259,343 was paid to the State of New York and the United States Treasury from the $260,362 tax escrow.

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 Instruments

Derivative instruments consist of common stock warrants, and certain instruments embedded in certain convertible debentures and promissory notes which meet the criteria for bifurcation from their host contract. These derivative instruments are recorded in the balance sheets at fair value as liabilities. Changes in fair value are recognized in earnings in the period of change.

If the Company were required to settle its outstanding warrants and convertible debt as of September 30, 2014, we would be required to issue 934,021,481 common shares for the settlement of warrants and 12,190,347,336 for the settlement of outstanding convertible debt. The Company determined that the settlement of these outstanding financial instruments would exceed our authorized shares of 10,000,000,000 at September 30, 2014 by 6,842,122,097. Pursuant to FASB ASC 815-40, the Company would be required to reclassify these contracts from equity to liabilities. As permitted by FASB ASC 815-40, the Company's policy with regard to settling outstanding financial instruments is to settle those with the earliest inception date first which essentially sets the order of preference for settling the financial instruments. As a result of the Company's policy it was determined that a classification of financial instruments, namely warrants to purchase shares of common stock, initially recorded as equity, was required at September 30, 2014. $500,171 was reclassified from Equity to Derivative Liability.

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.

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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 September 30, 2014 and December 31, 2013 consists of the following:

	September 30, 2014	December 31, 2013
Lab equipment	$213,291	$206,089
Lab equipment – Licensee	41,508	-
Leasehold Improvements	2,227,078	2,226,181
Furniture & Fixtures	465,041	463,769
Computer Equipment	433,001	416,816
	3,379,919	3,312,855
Less Accumulated depreciation and amortization	956,276	642,356
Property and Equipment, net	$2,423,643	$2,670,499

Depreciation and amortization expense for the nine months ended September 30, 2014 and 2013 was $313,920 and $300,430, respectively and is included in general and administrative expenses on the Company's condensed consolidated statements of operations.

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6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at September 30, 2014 and December 31, 2013 are as follows**:**

	September 30, 2014	December 31, 2013
Accounts payable	$847,620	$2,020,971
Accrued liabilities	36,522	154,040
Accrued payroll	121,825	434,243
Total	$1,005,967	$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 $1,222,500 in license fees for six centers which never commenced operations. 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 September 30, 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).

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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 Consorteum 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 Consorteum 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 Consorteum Notes was converted to common stock and warrants.

As of September 30, 2014 and December 31, 2013, the principal balance of the Consorteum Notes amounted to $236,600 and $236,600, and accrued interest amounted to $66,128 and $55,688, respectively. These Consorteum Notes are currently in default.

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 was 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. Accrued interest of $2,482 is still outstanding at September 30, 2014.

Sichenzia Ross Notes 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 required repayment by December 31, 2013, and annual simple interest of 10%.

On January 9, 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 from Redwood to Dominion Capital.

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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. Accrued interest of $456 is outstanding at September 30, 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 were 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 September 30, 2014 and December 31, 2013, the principal balance of the Highland Notes were $10,500.

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 September 30, 2014, the principal balance on the Kaplan Note was $30,000 and accrued interest was $1,725.

As of September 30, 2014 and December 31, 2013, the principal balance of the Company's notes payable were as follows:

	September 30, 2014	(Restated) December 31, 2013
Consorteum Notes	$ 236,600	$ 236,600
May Davis Notes	—	75,000
MD Global Notes	—	19,000
Highland Notes	10,500	10,500
Sichenzia Ross	—	386,445
Kaplan Note	30,000	—
Total	$ 277,100	$ 727,545

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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 $320,076 and $290,700, respectively, for the nine months ended September 30, 2014 and 2013.

Officer Salary

The Company has recorded a salary expense of $68,750 and $68,750 for the three months ended September 30, 2014 and 2013 and $206,250 and $206,250 for the nine months ended September 30, 2014 and 2013, respectively for the Company's CEO, and a shareholder and a salary expense totaling approximately $45,000 and $45,000 for the three months ended September 30, 2014 and 2013 and $135,000 and $135,000 for the nine months ended September 30, 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 may not have formal repayment terms or arrangements.

Advances due for working capital purposes amounted to $-0- as of September 30, 2014 and December 31, 2013, respectively.

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 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 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 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 Regen 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 (iii) 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 nine months ended September 30, 2014, Intellicell completed 48 cases for a total revenue of $120,000. All cases were performed for Regen Medical patients.

Research and Development

Research and development costs to related parties for the nine months ended September 30, 2014 and 2013 were $353,500 and $287,000 respectively. These fees were accrued and paid to Regen Medical for services as the attending physician in thirty eight (38) and twenty three (23) patient cases respectively. These cases are included as part of the Company’s ongoing research of its technologies and processes.

As of September 30, 2014 and December 31, 2013, accrued research fees totaled $85,500 (and is included in Accounts Payable) and $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.

As of September 30, 2014 and December 31, 2013, the following related party amounts were due from (to) the Company:

	9/30/14	12/31/2013
Fees Receivable From Regen Medical for Processing of adipose tissues for Regen Medical patients	$(85,000)	$—
Advances to Dr. Steven Victor, CEO	110	(530,534)
Credit card payables	—	176,940
Due to Regen Medical	68,095	267,826
Accrued payroll	525,439	393,389
Totals	$508,644	$307,621

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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 were immediately due and payable. 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 (see Note 10).

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.

During the nine months ended September 30, 2014, $210,900 of the principal balance of the Hudson debentures and $6,417 of the accrued interest was converted to 240,949,354 shares of common stock.

As of September 30, 2014 and December 31, 2013, the Hudson Debentures had a principal balance totaling $-0- and $210,900, and accrued interest of $3,303 and $4,527, respectively.

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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.

During the nine months ended September 30, 2014, $274,000 of the principle balance of the Burrington Debentures and $13,050 of the accrued interest were converted to 351,503,086 shares of common stock.

At September 30, 2014, the Burrington Debentures had a principal balance totaling $26,000 and accrued interest of $16,250.

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.

On July 1, 2014, Dr. Michael KesselBrenner was assigned and assumed a total of $80,000 from holder of the Kozar license debenture. In addition, on July 1, 2014 the Company issued a secured convertible debenture for $20,000 (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 January 1, 2015 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 both the $80,000 and the $25,000 debentures and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During the nine months ended September 30, 2014, $25,000 of the principal balance of the Kesselbrenner Debentures was converted into 27,203,482 shares of common stock.

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At September 30, 2014, the Kesselbrenner Debentures had a principal balance totaling $125,000 and accrued interest of $20,121.

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.

During the nine months ended September 30, 2014, $65,000 of the principal balance of the Liben Debentures was converted into 69,117,822 shares of common stock.

At September 30, 2014, the Liben Debentures had a principal balance totaling $70,000 and accrued interest of $11,059.

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.

During the nine months ended September 30, 2014, $42,286 of the principal balance of the Brother Debentures was converted into 68,836,230 shares of common stock.

At September 30, 2014, the Brother Debentures had a principal balance totaling $107,714 and accrued interest of $15,665.

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 debenture has been bifurcated from the host contract and accounted for separately as a derivative.

During the nine months ended September 30, 2014, $10,000 of the principal balance of the Tuohy Debentures was converted into 10,881,392 shares of common stock.

On July 1, 2014, Patrick Tuohy was assigned and assumed a total of $30,000 from the holder of the Kozar License Debenture. 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 January 1, 2015 and bears a 10% 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 debenture has been bifurcated from the host contract and accounted for separately as a derivative.

At September 30, 2014, the Tuohy Debentures had a principal balance totaling $30,000 and accrued interest of $6,699

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 52% 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.

During the nine months ended September 30, 2014, $67,000 of the principal balance of the Redwood Management Debentures and $6,684 of accrued interest was converted into 109,000,000 shares of common stock.

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At September 30, 2014, the Redwood Debentures had a principal balance totaling $75,000 and accrued interest of $3,537.

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. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the $50,000 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, the MD Global Debentures had a principal balance totaling $50,000 and accrued interest of $3,653.

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.

During the nine months ended September 30, 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 September 30, 2014, the May Davis Debenture had a principal balance totaling $25,000 and accrued interest of $1,787.

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 the nine months ended September 30, 2014, $100,000 of the principal balance of the Empire Equity Debentures and $704 of the accrued interest was converted into 63,011,684 shares of common stock.

At September 30, 2014, the Empire Equity Debentures had a principal balance totaling $-0- and accrued interest of $1,330.

License Fee Conversions

On December 31, 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 Kozer, 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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During the nine months ended September 30, 2014, $140,000 of the principal balance of the Brian Kozer, MD Debentures were assigned to various investors.

As of September 30, 2014 and December 31, 2013, the three convertible debentures from license fees had a balance due of $160,000 and $300,000, respectively, and had accrued interest of $26,000 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 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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

As of September 30, 2014, the YA Global Debenture had a principal balance of $2,100,000 and accrued interest of $87,500.

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 September 30, 2014, the Dominion Debenture had a principal balance of $746,092, and accrued interest of $29,066.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, The Roth Firm had a principal balance of $196,612 and accrued interest of $14,746.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, Mintz Levin had a principal balance of $25,382 and accrued interest of $1,904.

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 $93,006 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, Biologics Consulting Group had a principal balance of $93,006 and accrued interest of $6,975.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, Michael Friedman had a principal balance of $200,000 and accrued interest of $15,000.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, University of Florida, Department of Materials Sciences & Engineering had a principal balance of $33,781 and accrued interest of $2,534.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, Hunton & Williams, LLP had a principal balance of $187,107 and accrued interest of $14,033.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, Lucosky Brookman, LLP had a principal balance of $124,812 and accrued interest of $9,361.

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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

At September 30, 2014, Buchanan Ingersoll & Rooney had a principal balance of $525,583 and accrued interest of $39,419.

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 October 21, 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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During the nine months ended September 30, 2014, $6,229 of the principal balance of the Charles River Debenture was assigned to Gene R. Kazlow.

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 October 21, 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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During the nine months ended September 30, 2014, $8,522 of the principal balance of the Heilscher Debenture was assigned to Gene R. Kazlow.

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 October 21, 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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During the nine months ended September 30, 2014, $3,586 of the principal balance and $825 of accrued interest was paid to Millipore and the remaining principal balance of $10,025 of the Millipore Debenture was assigned to Gene R. Kazlow.

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 October 21, 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 debenture and increases prospectively the amount of interest expense to be recognized over the life of the debenture.

During the nine months ended September 30, 2014, $13,234 of the principal balance of the Shore Group Debenture was assigned to Gene R. Kazlow.

Christopher Mattes, Convertible Debentures

On July 1, 2014, Christopher Mattes was assigned and assumed a total of $30,000 from the holder of the Kozar License Debenture. Under the terms of the agreement, Mattes 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 Mattes Debenture requires repayment on January 1, 2015 and bears a 10% simple annual interest rate. The Mattes 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 debenture has been bifurcated from the host contract and accounted for separately as a derivative.

At September 30, 2014, the Mattes Debenture had a principal balance totaling $30,000 and accrued interest of $5,730.

In September 2014, Gene Kazlow assumed the convertible debentures issued by the Company to the following 4 vendors: Charles River ($6,229), Heilscher ($8,522), Millipore ($10,025) and Shore Group ($13,234). All terms of repayment and conversion the remain the same. 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 $38,009 of debentures and increases prospectively the amount of interest expense to be recognized over the life of the debentures.

As of September 30, 2014 and December 31, 2013, the principal balance of the Company's convertible debentures were as follows:

	September 30, 2014	December 31, 2013
May 2011 Convertible Debentures	$—	$ 330,000
Hudson Convertible Debentures, Net of Unamortized Debt Discount of $-0- and $88,293	—	122,607
Hess Convertible Debentures, Net of Unamortized Debt Discount of $12,202 and $80,000	67,798	-0-

Dixon Convertible Debentures, Net of Unamortized Debt Discount of $9,151 and $60,000	50,849	-0-
Kozer Convertible Debentures, Net of Unamortized Debt Discount of $3,093 and $160,00	16,907	-0-
Burrington Convertible Debentures, Net of Unamortized Debt Discount of $-0- and $-0-	26,000	—
YA Global Convertible Debentures, Net of Unamortized Debt Discount of $1,561,300 and $-0-	538,700	—
Kesselbrenner Convertible Debentures, Net of Unamortized Debt Discount of $-0- and $-0-	25,000	—
Liben Convertible Debentures, Net of Unamortized Debt Discount of $-0- and $-0-	70,000	—
Brother Convertible Debentures, Net of Unamortized Debt Discount of $12,928 and $-0-	94,786	—
Redwood Convertible Debentures, Net of Unamortized Debt Discount of $-0- and $-0-	75,000	—
MD Global Convertible Debentures, Net of Unamortized Debt Discount of $-0- and $-0-	50,000	—
May Davis Convertible Debentures, Net of Unamortized Debt Discount of $12,786 and $-0-	12,214	—
Dominion Convertible Debentures, Net of Unamortized Debt Discount of $566,485 and $-0-	179,607	—
Roth Firm Convertible Debentures, Net of Unamortized Debt Discount of $86,789 and $-0-	109,823	—
Mintz Levin Convertible Debentures, Net of Unamortized Debt Discount of $9,267 and $-0-	16,115	—
Biologic Convertible Debentures, Net of Unamortized Debt Discount of $35,512 and $-0-	57,494	—
Friedman Convertible Debentures, Net of Unamortized Debt Discount of $77,893 and $-0-	122,107	—
Univ. of Fla Convertible Debentures, Net of Unamortized Debt Discount of $12,556 and $-0-	21,225	—
Hunton Convertible Debentures, Net of Unamortized Debt Discount of $81,622 and $-0-	105,485	—
Lucosky Convertible Debentures, Net of Unamortized Debt Discount of $49,128 and $-0-	75,684	—
Buchanan Convertible Debentures, Net of Unamortized Debt Discount of $257,667 and $-0-	267,916	—
Kesselbrenner Convertible Debentures, Net of Unamortized Debt Discount of $12,989 and $-0-	7,011	----
Kazlow Convertible Debentures, Net of Unamortized Debt Discount of $5,810 and $-0-	32,200	—
Mattes Convertible Debentures, Net of Unamortized Debt Discount of $23,564 and $-0-	6,437	—
Tuohy Convertible Debentures, Net of Unamortized Debt Discount of $23,564 and $-0-	6,437	—
Kesselbrenner Convertible Debentures, Net of Unamortized Debt Discount of $62,923 and $-0-	17,077	—
	$2,051,873	$452,607

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The Company accounted for the conversion features underlying the convertible debentures 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 derivate 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 for 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 Ludlow Note is currently due and payable. The conversion feature of the note has been bifurcated from the host contract and accounted for separately as a derivative.

Steven Victor Convertible Promissory Notes

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 note has been bifurcated from the host contract and accounted for separately as a derivative.

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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 simples 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, Kaslow converted the full $80,000 of principal into 31,720,856 shares of the Company's common stock.

As of September 30, 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 note has 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 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 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 $75,000 note and increases prospectively the amount of interest expense to be recognized over the life of the note.

During the nine months ended September 30, 2014, $21,880 of the principal of the WHC Notes were converted into 31,250,000 shares of the Company's common stock.

As of September 30, 2014 and December 31, 2013, the WHC Note had a principal balance of $113,503 and $135,383, respectively and accrued interest of $9,941 and $2,582, respectively.

LG Capital (Crowning Capital) Convertible Promissory Notes

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.

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.

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, $87,102 of the principal of the LG Capital (Crowning) Note was converted into 91,523,674 shares of the Company’s common stock.

As of September 30, 2014, the LG Capital Notes 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 note and increases 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 January 2014, $7,200 of principal was converted into 7,500,000 shares of the Company's common stock.

As of September 30, 2014 and December 31, 2013, the principal balance of the JMJ Note was $46,130 and $53,330, respectively and accrued interest was $28,668 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. The conversion feature of the note has been bifurcated from the host contract and accounted for separately as a derivative.

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.

During the nine months ended September 30, 2014, Redwood converted a total of $155,204 in principal and $105,437 in accrued interest into 118,708,027 shares of the Company's common stock.

As of September 30, 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. The conversion feature of the note has been bifurcated from the host contract and accounted for separately as a derivative.

During the nine months ended September 30, 2014, Redwood converted a total of $316,213 in principal and $46,860 of accrued interest from the outstanding debt in Redwood Deal #2 into 333,154,640 shares of the Company's common stock.

As of September 30, 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 $41,044, 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. The bifurcation of the embedded derivative created a debt discount which reduced the book value of the $386,445 note and increases prospectively the amount of interest expense to be recognized over the life of the note.

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

During the nine months ended September 30, 2014, Redwood converted $124,563 from the outstanding debt, $68,710 of principal and $46,379 of accrued interest into 106,470,996 shares of the Company's common stock. During this same period the total guaranteed accrued interest from Redwood Deal #3 was converted to principal and the Company recorded additional interest of $32,530 in connection with this conversion.

As of September 30, 2014 and December 31, 2013, the principal balance of Redwood Deal #3 was $-0- 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 note and increases 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 September 30, 2014 and December 31, 2013, the principal balance of Redwood Deal #4 was $403,442 and $403,442, and accrued interest was $51,344 and $17,336, respectively. The related amortizable financing fees had a balance of $-0- and $8,712 as of September 30, 2014 and December 31, 2013, of which $1,274 and $8,712 were expensed as financing fees on the statement of operations for the three months and the nine months ended September 30, 2014, respectively.

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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 September 30, 2014 and December 31, 2013, the principal balance of Redwood Deal #5 was $1,389,711, and accrued interest was $61,328 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%. The conversion feature of the note has been bifurcated from the host contract and accounted for separately as a derivative.

During the nine months ended September 30, 2014, $145,465 of the principal on the Dominion Note was converted into 85,166,666 shares of the Company’s common stock.

At September 30, 2014 the principal balance on the Dominion Note was $47,757 and accrued interest was $18,997.

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 derivate conversion features of these convertible promissory notes at the relevant commitment dates as of September 30, 2014, utilizing a Black-Scholes valuation model.

May Davis Partners Acquisition Company, LLC Promissory Note

On April 14, 2014, Sherb & Company LLP assigned its promissory note payable to May Davis Partners Acquisition Company LLC. Under the Securities Settlement agreement executed between the Company and May Davis, the Company allows May Davis to assume the Sherb & Co LLP Note Payable. Interest shall be payable at 12% per annum with a maturity date of July 6, 2014. Any outstanding amount of principal and interest may be converted into shares of common stock at 52% of the average of the three lowest traded prices of the Company common stock for 20 trading days prior to 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 $115,783 note and increases prospectively the amount of interest expense to be recognized over the life of the note.

During the nine months ended September 30, 2014, May Davis (Sherb) converted $35,233 of principal into 50,817,308 shares of the Company's common stock.

As of September 30, 2014 and December 31, 2013 the principal balance of the May Davis (Sherb) note was $80,550 and $-0- respectively. Accrued interest was $8,119 and $-0- respectively.

May Davis Partners Acquisition Company, LLC Promissory Note

On August 7, 2014 (the "Effective Date"), the Company issued a convertible promissory note to May Davis Partners Acquisitions Company, LLC for $12,000 (the "May Davis Note"). The maturity date of the May Davis Note is June 7, 2015, and the Convertible Note bears interest at a rate of ten percent (10%) per annum.

The Company may prepay the May Davis Note at any time in whole or in part at the Company's option without penalty. Any amount of principal or interest on the May Davis Note not paid on or before the due date shall bear interest at the rate of eighteen percent (18%) per annum until paid in full.