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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-K /A

Amendment No. 1

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

For the fiscal year ended: **December 31, 2013**

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

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) (Zip Code)

(646) 576-8700

(Registrant's telephone number, including area code)

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

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $0.0001 par value per share

(Title of Class)

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

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

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

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates was 4,228,019, computed by reference to the closing price of the common stock on June 30, 2013.

The number of outstanding shares of the Registrant’s Common Stock, $0.0001 par value, at May 9, 2014 was 2,230,314,377.

Documents incorporated by reference: None .

EXPLANATORY NOTE

This amended annual report on Form 10-K/A amends and restates in its entirety the annual report on Form 10-K that was filed with the U.S. Securities and Exchange Commission (the "SEC") on May 12, 2014 and reflects certain corrections made in connection with the Company's accounting for the application of fair value assessment for transactions involving derivative obligations related to the issuance of convertible debt instruments. The transactions include (1) derivative valuation at inception of the debt instrument, (2) upon conversion of the instrument to common stock, (3) upon assignment of the debt instrument and (4) upon valuation of the derivative at December 31, 2013. The Company also detected errors in the recording of debt discounts, upon issuance of debt instruments. These incorrectly recorded debt discounts also affected amortization expense for the fiscal year ended December 31, 2013.

Below is a summary of changes to accounts for the December 31, 2013 reporting period:

	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)

	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)

This amended annual report on Form 10-K/A has revised Item 1 "Financial Statements," Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 9A "Controls and Procedures." In connection with the filing of this amended annual report on Form 10-K/A and pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities and Exchange Act of 1934, the Company is including with this amended annual report on Form 10-K/A certain currently dated certifications. This amended annual report on Form 10-K/A speaks as of the original filing date of the Form 10-K, except as noted.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this amended annual report may be "forward-looking statements." Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those described above and those risks discussed from time to time in this prospectus, including the risks described under "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report and in other documents which we file with the Securities and Exchange Commission. In addition, such statements could be affected by risks and uncertainties related to our ability to raise any financing which we may require for our operations, competition, government regulations and requirements, pricing and development difficulties, our ability to make acquisitions and successfully integrate those acquisitions with our business, as well as general industry and market conditions and growth rates, and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the filing of this amended annual report, except as may be required under applicable securities laws.

PART I

We urge you to read this entire amended annual report on Form 10-K /A , including the "Risk Factors" section and the financial statements and related notes included herein. As used in this amended annual report , nless context otherwise requires, the words "we," "us", "our," "the Company," "Intellicell" and "Registrant" refer to Intellicell Biosciences, Inc., including subsidiaries and predecessors, except where it is clear that the term refers to Intellicell Biosciences, Inc. Also, any reference to "common shares," or "common stock," refers to our common stock, par value $0.0001 per share.

ITEM 1. BUSINESS.

Overview

We are an emerging leader in the regenerative medicine market using adult autologous stromal vascular fraction cells (SVFs) derived from the blood vessels in adipose tissue. Among other cell types, stromal vascular fraction contains adult stem cells. We believe that our cell therapy processes and procedures are exempt under PHS Section 361, CFR 1271.10 or CFR 1271.15(b) same day surgical procedure. Therefore, we do not believe that we will be required to obtain Food and Drug Administration ("FDA") drug or biologic like approvals, although there can be no assurance that

the FDA will require our products to obtain approval in the future.

We currently operate from Regen Medical PC office based surgery center facility in New York, NY, an entity controlled by Dr. Steven Victor, our chief executive officer, where we have our cGTP (current good tissue practices) cellular processing laboratory which is registered with the FDA. It is our intent to place our cGTP cellular processing labs in ambulatory surgery centers or hospitals and operate them under cGTP and SOPs in other major US metropolitan areas.

The Company anticipates that it will have multiple revenue streams in the next 12 months including, but not limited to: (i) cellular product sales revenues, (ii) continuing medical education courses, (iii) cell banking, (iv) international licenses and royalties.

Our Technology

We use a proprietary, patented technology developed by our founder, Dr. Steven Victor, which provides us with the ability to extract, separate and process the stromal vascular fraction cells from the blood vessels in adult adipose (fat) tissue in about one hour. We believe that our technology produces the most cells from the least amount of fat (60 cc) at the lowest cost and the least amount of manipulation when compared to other technology or processes currently available that employ manipulative processes or enzymes to achieve cell separation. Further, all cells manufactured using our technology and proprietary process are done so under strict United States Food and Drug Administration ("FDA") cGTP guidelines and SOPs that we have established.

We believe that stromular vascular fraction ("SVFs") derived from the application of our proprietary process yield a functionally diverse population of cells that are synergistic and able to communicate with each other and with other cells in their local environment. We also believe that since we do not have to wash out the blood and do not digest the extracellular matrix versus competitors' enzymatic protocols that our product is superior. The mixture of cells has multiple functions and is highly integrated and we believe more potent than adipose stem cells themselves.

We further believe that IntelliCells™, when returned to a patient's own body by way of same-day same clinical procedure (autologous treatment) and delivered via Point of Care, have little or no risk of disease transfer, rejection or allergic reaction. We also believe that IntelliCells™ have the potential to treat a wide variety of clinical conditions involving orthopedic, gastrointestinal, periodontal, aesthetic and other conditions or disorders.

Our Strategy

We plan to focus our initial efforts on regenerative medicine in the areas of orthopedics, sports medicine, pain, aesthetics and periodontal diseases. According to arthritistoday.org, at least 25 million people nationwide are affected in the world of orthopedics, sports medicine and pain, which, just nationally, makes that a penetrable market into the billions of dollars. Likewise, according to Research and Markets Aesthetics Report and Global Data's market report for the periodontal market, the aesthetics and periodontal markets make up at least a minimum of $750 million and over a billion dollar market, respectively. We will focus on orthopedics including osteoarthritis, aesthetics, pain, periodontal and other indications by making our Intellicells™ available to practicing physicians using Regen Medical's office based surgical center ("OBSC"). We plan to establish and install our cGTP cellular processing labs in ambulatory surgery centers and hospitals to make our cellular product available to a wide range of physician specialties to use under the practice of medicine. We believe that we may also be able to license our technology for wound care, cardiac, gastrointestinal (colitis/ileitis), multiple sclerosis and autism to other companies in the regenerative medicine field.

In addition to our core focus noted above in which we provide cGTP cellular processing labs, we also intend to expand our areas of focus, as we are able to locate and partner with parties interested in utilizing or licensing our technology for other areas. In this regard, we intend to engage in a multi-pronged approach with respect to the utilization and commercialization of our proprietary process that will involve entering into technology licensing agreements and related service agreements with physicians and physician practice groups, that we will enable to practice our cell therapy procedures in our US facilities. We will also be seeking to enter into technology licensing agreements or other arrangements that cover particular international territories or countries as described in greater detail below.

Another focus of our business development will involve engaging in and our coordinating Institutional Review Board (”IRB”) approved clinical studies at prominent medical centers, some of which studies may also be the subject of Investigational New Drug applications (“IND’s”) with the goal of obtaining medical or regulatory approval for significant clinical indications, where, if and as required, of the Intellicells™ produced with our proprietary process. We have recently formed a wholly-owned subsidiary, ICBS Research, Inc., through which we plan to engage in research and development activities by collaborating with university based research organizations. We have started our first FDA IND study that will be on osteoarthritis of the knee with Dr. James Andrews and inVentiv as our CRO. We believe these activities may lead to additional patents and intellectual. ICBS Research, Inc., our wholly owned subsidiary, will also coordinate scientific research with world class researchers to learn more about the Intellicell™ process and the use of the cells in medical procedures and as to how it may be used as a more efficacious delivery mechanism or as to how it may be co-administered in conjunction with other medical therapies. In the future Intellicell plans to conduct human clinical studies under an IND in osteoarthritis of the knee, diabetic ulcers of the lower extremities, multiple sclerosis, periodontal gum recession and dermal wrinkles to obtain FDA approval where such approval may be necessary.

We are also exploring and undertaking, either on our own or in collaboration with one or more third parties, providing a service for the collection, processing and storage of autologous cells. We intend to market this service to liposuction patients in addition to any patient who might want to store their SVFs for future use.

Our Competitive Advantage

We believe that our proprietary process offers significant advantages over other competing processes or technologies currently being employed that utilize enzymes or other manipulative methods to harvest or culture cells, including:

We believe that our process is in compliance with existing FDA regulations – under current FDA Guidelines for human cell and tissue based products (HCT/P) (based on FDA regulations found at 21 C.F.R. § 1271), patients are allowed to use their own HCT/P for just about any indication, so long as the use of those cells is autologous (a situation in which the donor and recipient are the same person), the cells are minimally manipulated, the clinical use is homologous, and the procedure takes place as a single procedure as defined by the physician.

Our procedure takes place during the same office visit. The point of care nature of the process is a required element of the protocol required by our licenses, and is emphasized in our technician and physician training.

We believe that the number of adult autologous stem cells and other progenitor cells that comprise the SVF's that are harvested from the tissue through the use of our proprietary process are significantly higher than the number of cells produced through the use of other technology or processes currently available that employ manipulative processes or enzymes to achieve cell separation.

> We had engaged Millipore, a division of Merck, to perform a CD (cluster of differentiation) antibody flow cytometry study which has confirmed the high-quality composition of the IntelliCells™.

We believe that our patented process provides significant time and cost efficiencies at the point of care- using our proprietary ultrasound cavitation technique, SVFs can be separated at low cost and in less time, as compared to competing technologies that utilize enzymes.

We also believe that IntelliCells™ have the potential to treat not only aesthetic conditions, orthopedic and sports injuries, and pain, but also a wide variety of clinical conditions involving cardiac, gastrointestinal, periodontal, and autistic disorders. In that regard, we will be seeking to undertake clinical studies in partnership with well-known universities and hospitals for the following indications and markets:

Application	Market
Osteoarthritis	Internal Medicine and Orthopedic
Gum Regeneration	Periodontal
Non-healing Diabetic Ulcers	Wound healing
Multiple Sclerosis	Internal Medicine
Cartilage Regeneration	Orthopedic and Sports Medicine
Tendon Repair	Orthopedic and Sports Medicine
Facial Lines and Wrinkles	Aesthetic Medicine
Chronic Migraine Headache	Neurological
Bone Regeneration	Periodontal and General Surgery
Hair Regeneration	Aesthetic Medicine

The Regenerative Medicine Market

Overview of Stromal Vascular Fraction

Stromal Vascular Fraction ("Fraction") is the cells obtained from the blood vessels in the lipoaspirate from the small volume of fat harvested, minus the fat cells (adipocytes) and non-cellular material. The Fraction contains a wide number of cellular types including pre-adipocytes, endothelial cells, smooth muscle cells, pericytes, fibroblasts, and adult stem cells (ASCs). In addition, the Fraction also contains blood cells from the capillaries supplying the adipocytes and the extracellular matrix. We refer to this mixture of cells as SVF or SVF cells or SVFC.

SVF also includes erythrocytes or red blood cells, B and T cells, macrophages, monocytes, mast cells, natural killer (NK) cells, hematopoietic stem cells and endothelial progenitor cells and more. Also the Fraction includes adipocyte endocrine secretions, and importantly, contains growth factors such as transforming growth factor beta (TGF), platelet-derived growth factor (PDGF), and fibroblast growth factor (FGF), among others.

This is very much like the secretions of cells in the presence of an extracellular matrix. The SVF also contains the various proteins present in the tissue extracellular matrix.

How Do SVFs work?

Investigators have postulated a number of nonexclusive mechanisms through which SVFs can be used to repair and regenerate tissues. First, adult stem cells within the SVF delivered into an injured or diseased tissue may secrete cytokines and growth factors that stimulate recovery in a paracrine manner. These factors would modulate the "stem cell niche" of the host by stimulating the recruitment of endogenous stem cells to the site and promoting their differentiation along the required lineage pathway.

In a related manner, SVFs might provide antioxidants chemicals, free radical scavengers, and chaperone/heat shock proteins at an ischemic site. As a result, toxic substances released into the local environment would be removed, thereby promoting recovery of the surviving cells. Studies have suggested that transplanted bone marrow–derived mesenchymal stem cells or MSCs can deliver new mitochondria to damaged cells, thereby rescuing aerobic metabolism. It may develop that similar studies in SVFs will uncover a comparable ability to contribute mitochondria. A final mechanism is to differentiate components of SVFs along a desired cellular lineage.

Source: Adipose-Derived Stem Cells for Regenerative Medicine, Jeffrey M. Gimble, Adam J. Katz and Bruce A. Bunnell, *Circ. Res.* 2007;100;1249-1260

The Process of SVF Extraction

We intend to use our patented, proprietary laboratory system, which we have developed internally, that is composed primarily of an ultrasound unit and a centrifuge, and is performed in a closed sterile system which is readily available in the marketplace in conjunction with a proprietary closed process for the initial separating of SVF from vascular tissue found to be contained in adipose tissue. This process includes the use of a flow cytometer that will allow for immediate verification of the quantity and viability of processed cells prior to their reintroduction back to the same patient, a process overlooked by alternative systems and processes.

The extraction process for the SVF cell therapies can be summarized as follows:

1. Harvest :

Using a simple procedure, a cannulae attached to a syringe is inserted into the abdomen or other location for fat extraction and 60 cc of adipose tissue is harvested from the patient. This is sufficient for most treatments and cell storage of excess SVFC.

2. Separate :

The harvested tissue is then broken down using an ultrasound mechanical separation process, leaving substantially all of the cells viable but allowing them to be separated from the non-cellular material.

The mix of SVF cells and unwanted materials are spun down in a centrifuge to isolate the desired cells that form a “pellet” like substance that can be drawn out of the now separated materials.

The cells are tested with a flow cytometer to determine cell count and cell viability.

3. Return :

The cells are then administered back to the same patient by their physician under the practice of medicine through one or more of the following modes of administration:

Intravenous: The SVF's may be administered through a standard intravenous drip.

Intra-articular injection: The SVF's may be injected into and around an arthritic or injured joint such as the knee or shoulder.

Intra-oral injection: The SVF's may be injected into the oral cavity in the particular region around teeth where gum recession has been observed.

4. Cell Banking :

Banking of stem cells is useful for some procedures that require repeat therapeutic administration as well as for other therapeutic uses that may be required in the future. The Company currently does not have a cell banking license in New York State, but has applied for the license.

Market Data

Regenerative Medicine and Cell Therapy Overview

Source: Proteus Venture Partners

Regenerative Medicine (RM) is a rapidly expanding set of innovative medical technologies that restore function by enabling the body to repair, replace, and regenerate damaged, aging or diseased cells, tissues and organs.

According to a recent report, Worldwide Markets and Emerging Technologies for Tissue Engineering and Regenerative Medicine, by Life Science Intelligence (LSI), the largely untapped global market potential for tissue engineering and regenerative medicine products will exceed $118 billion by 2013. The actual current market, which represents only a fraction of the potential market, was estimated at $1.5 billion in 2008. The report forecasts rapid growth driven by various factors, including increased adoption in various clinical areas and trends in international markets.

Regenerative therapies have been demonstrated (in trials or the laboratory) to heal broken bones, treat severe burns, blindness, deafness, heart damage, nerve damage, Parkinson's Disease, diabetes and other conditions. Significant momentum has been achieved in recent years as evidenced by the surge in government and foundation research funding, with over 65 academic programs and more than $1.5 billion in worldwide funding for research, expected to grow to $14 billion in 10 years. There are greater than 175,000 peer-reviewed publications, over 10,000 issued and pending patents, and more than 900 FDA-approved clinical trials testing regenerative medicine technologies. More than 400 regenerative medicine products have reached the market today, with more than 600 in development. This, in turn, has led to a proliferation of patient advocacy groups rightfully demanding a shift in medical treatment paradigms from "band aid therapies" to prevention, cure, rejuvenation, restoration, and replacement. More than 1.2 million patients have been treated with regenerative products and therapies.

Source: Proteus Venture Partners

Licensing

As described above, we intend to engage in a multi-pronged approach with respect to the utilization and commercialization of our proprietary process that will focus on:

Entering into licensing agreements and related service agreements with ambulatory surgery centers or hospitals that are located in the United States that provide for the sale of our cellular products, from our labs that will receive lipoaspirate harvested from their patients and employ our proprietary process to the obtain the IntelliCell™ product, and then return the IntelliCell™ product to the physician on the same day labeled "autologous and homologous." In these arrangements, the clinical use of these IntelliCells™ is not specified in labeling or promotion, but will be left solely to the physician in the exercise of their medical judgment and under the practice of medicine. Under these arrangements, we will be collecting processing fees and/or service fees from the physicians or hospitals.

Entering into technology licensing agreements that cover a particular international territory or country pursuant to which the licensee shall have the right to set up and/or sublicense the right to set up labs in the territory using equipment purchased from us and that are operated in accordance with protocols set by us. Under these arrangements, we will be collecting an up-front territorial licensing fee and then will receive additional fees based upon from sublicensing and/or processing fees received by the licensees during the term of the license.

Licensing Agreement with The Andrews Research and Education Foundation, Inc. and related Consulting Agreement with Dr. James Andrews

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

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

Subject to the terms and conditions of the License Agreement, the Company agreed to grant AREF a non-exclusive (except for the Pensacola, Florida area and a surrounding radius of 150 miles), non-assignable, non-transferrable, non-sublicensable license to market the use of and practice the Technology (as such term is defined in the License Agreement) at AREF's premises for restricted purposes as provided in the License Agreement. The Company also agreed to grant AREF a non-exclusive, non-assignable, non-sublicensable, license to the Trademarks (as such term is defined in the Agreement). Furthermore, the Company reserved the perpetual worldwide right to license and use the

Patent (as defined in the License Agreement), Trademarks and the Technology licensed under the License Agreement for any purpose.

Except for when performed for research purposes, AREF shall pay to the Company a fee equal to Two Thousand Five Hundred Dollars ($2,500.00) per Tissue Processing (as such term is defined in the License Agreement) case processed. The parties to the License Agreement have mutually agreed not to disclose any Confidential Information (as such term is defined in the License Agreement), whether verbal or written, conveyed to them prior to, during or subsequent to the term of the License Agreement.

The foregoing description of the License Agreement does not purport to be complete and is qualified in its entirety by reference to such document and incorporated herein as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 12, 2014.

Additionally, on March 11, 2014, the Company executed a Consulting Agreement (the "Consulting Agreement") with Dr. James Andrews, effective March 7, 2014, pursuant to which Dr. Andrews shall serve as Chairman of the Intellicell Orthopedic Cellular Therapy Advisory Board. The initial term of the Agreement shall be for a period of ten (10) years unless extended as provided in the Agreement or unless terminated by either party with thirty (30) days advance written notice to the other party. In consideration for Consultant's services, the Consultant shall be paid a monthly fee and make a monthly charitable contribution to the Andrews Foundation after the Company closes a Capital Raise (as defined in the Consulting Agreement), and the amount of such monthly fee and monthly charitable contribution shall be determined based on the amount raised in the Capital Raise. For example, if the value of the Capital Raise is equal to or greater than $2,000,000 but less than $15,000,000, the monthly fee payable to the Consultant thereafter shall be equal to $30,000 (with $6,000 of such amount payable to Dr. Michael Immel) with a charitable contribution of $10,000 payable to the Andrews Foundation thereafter for the term of the Consulting Agreement.

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

The Consulting Agreement contains customary representations and warranties, as well as a mutual indemnification provision, an assignment of inventions and patents provision and a confidentiality and trade secrets provision. The foregoing description of the Consulting Agreement does not purport to be complete and is qualified in its entirety by reference to such document and incorporated herein as Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on March 12, 2014.

Agreement with Regen Medical P.C.

On April 16, 2012, we entered into a technology license and administrative services agreement with Regen Medical P.C., the medical practice which is owned by, and through which, our Chief Executive Officer, Dr. Steven Victor, engages in the practice of Cosmetic Dermatology. Pursuant to the agreement, we, among other things, (i) granted Regen Medical the non-exclusive and non-assignable license to utilize our 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, (iii) were appointed as the exclusive manager and administrator of Regen Medical's operations which relate to the implementation of our proprietary process as well as Regen Medical's cosmetic

dermatology practice, and (iv) were appointed the sole provider of non-medical managerial, administrative and business functions for Regen Medical's cosmetic dermatology practice. The agreement was effective as of April 16, 2012 and was to continue until April 16, 2017.

On August 26, 2013, the Company and Regen 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 agreed, among other things, that as of the Effective Date, (i) the Company shall forgive the $514,000 owed to the Company by Regen under the Regen 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 for the Company's proprietary process as well as a license of the Clinical Data, (iii) the Regen 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 shall have any further rights or obligations under the Regen Agreement. Each party also provided a general release to the other party with respect to the Regen Agreement and all transactions contemplated by the Regen Agreement.

International Licensing Agreements

As of the date hereof, we have entered into the licensing agreements covering the territories of Canada, Australia, New Zealand, and Thailand.

Canadian License Agreement

On December 15, 2011, we entered into an exclusive lab services agreement with Regenastem, Inc., a Canadian corporation, pursuant to which we granted the licensee the exclusive right and license to utilize our proprietary process as well as our trademarks for the purpose of providing tissue processing services for humans and animals in Canada. The agreement had an initial term ending on August 26, 2031, and shall continue on successive five-year terms thereafter unless terminated by either party. Either party may terminate the agreement, for among other things, the failure to cure a material breach of the agreement within 10 business days or if either party makes an assignment for the benefit of creditors, is adjudicated bankrupt or insolvent, commences proceedings under bankruptcy law or licensee is unable to generate at least $500,000 in fees payable to us with any eighteen (18) month period during the Term. We may terminate the agreement, if among other things, the licensee fails to follow our protocol for tissue processing or if the licensee fails to report any tissue processing case to us. If the agreement is terminated for non-performance as described above, we shall repurchase the license from the licensee for an amount equal to two times the license fee earned by the licensee through the date of such termination.

In addition, licensee agreed to invest $500,000 in our Series D Preferred Stock financing, $250,000 of which was invested in December 2011 after the signing of the license and the remaining $250,000 of which was invested in January 2012. The parties agreed that, within one hundred and twenty (120) days before the expiration of the term, the licensee will pay a renewal fee of $500,000 for the next 10 years and/or two 5 year renewal terms in total. For each tissue processing case performed by licensee, the licensee is required to pay us, on a monthly basis, a fee of thirty percent (30%) of the fess designated by us for tissue processing. In addition, for each laboratory facility set up by the licensee, the licensee shall pay us 30% of the net profit realized from the establishment of such laboratory facility.

Australia and New Zealand

On December 16, 2011, the Company entered into an exclusive lab services agreement (the "Australian Agreement") with Cell-Innovations Pty Ltd. ("Australian Licensee") pursuant to which the Company granted Australian Licensee the exclusive right and license to the Company's technology and trademarks so that the Australian Licensee can utilize the Company's technology and trademarks to provide tissue processing services for humans in Australia and New Zealand. As of the date hereof, the Company and Australian Licensee are in a dispute over some of the terms of the Australian Agreement, including, but not limited to, compliance by the Australian Licensee with IBC Protocols (as

defined in the Australian Agreement). While the Company has commenced discussions with the Australian Licensee concerning the disputes that have arisen under the terms of the Australian Agreement, there can be no assurance that the Company and the Australian Licensee will come to any mutual understanding with respect to any of the issues in question. As of the date of this Memorandum, the Company is continuing to evaluate what further action(s), if any, it make take in response to the dispute with the Australian Licensee, which action(s) may include, but not be limited to, terminating the Australian Agreement.

Thailand

On April 7, 2012, we entered into an exclusive lab services license agreement with StemCells 21 Co., Ltd. pursuant to which we granted the licensee, among other things, (i) an exclusive, non-assignable, non-transferable, license to utilize and commercially exploit our proprietary process and trademarks, solely for the provision of the separation of Adipose Stromal Vascular Fraction from fat tissue within the Kingdom of Thailand. We also granted the licensee the right to grant sublicenses in accordance with the provisions of the agreement, so that the licensee can utilize the Technology and Trademarks (as defined in the Agreement) to provide Tissue Processing services in various territories. The agreement has an initial term ending on April 7, 2022, and shall continue on successive one-year terms thereafter unless terminated by either party

On October 23, 2012, the Company sent a letter to StemCells 21 Co. Ltd. (the "Thailand Licensee") pursuant to which the Company notified the Thailand Licensee that it intends to terminate the Laboratory Services License Agreement, dated April 7, 2012 by and between the Company and Thailand Licensee (the "Thailand Agreement"), effective immediately. The Company is terminating the Thailand Agreement, for, among other reasons, Thailand Licensee's (i) attempt to determine the Technology (as defined in the Thailand Agreement) for Tissue Processing (as defined in the Thailand Agreement), (ii) failure to provide monthly reports summarizing Thailand Licensee's efforts to utilize and commercially exploit the Patents (as defined in the Thailand Agreement) and Technology, (iii) operation of the Technology without using the name "Intellicell Thailand", (iv) operation of the Technology in ways that fall outside the scope of the Thailand Agreement and (v) failure to notify the Company of infringing uses of the Technology. Pursuant to the terms of the Thailand Agreement, the Thailand Licensee has ten (10) business days to cure an event of default under the Thailand Agreement (except for termination of the Thailand Agreement as set forth in subsection (i) above which allows the Company to terminate the Thailand Agreement immediately).

Lasersculpt IP License Agreement

On July 20, 2012, the Company entered into an intellectual property license agreement (the "License Agreement") with Lasersculpt, Inc., a corporation controlled by Dr. Steven Victor, the Company's chief executive officer ("Lasersculpt"), pursuant to which Lasersculpt licensed to the Company, among other things, the right to (i) use, market, broadcast and otherwise exploit a 30 minute infomercial, 30 and 60 second commercials and other produced content regarding the Lasersculpt method and procedure (the "Shows") (ii) product and commercially exploit new versions of the Shows, as well as any sequels, prequels and other productions based on the Shows or the IP Rights (as defined in the License Agreement), and (iii) use and exploit the IP Rights (as defined in the License Agreement) in any manner the Company, in its sole discretion, deems necessary or advisable. The License Agreement shall have an initial term of ten (10) years from the date of the License Agreement, unless terminated sooner in accordance with the License Agreement (the "Term"). In consideration for the rights granted under the License Agreement, the Company agreed to (i) issue 430,000 shares of Common Stock to Lasersculpt (which shares were transferred by Dr. Victor out of his personal holdings in the Company directly to Lasersculpt) and (ii) pay Lasersculpt royalties in an amount equal to 5% of Net Revenue (as defined in the License Agreement) received by the Company during the Term (which royalties Dr. Victor and his affilates have agreed to not receive).

Other Licensing Agreements

As of the date hereof, we have entered into the licensing agreements covering the areas of Philadelphia, Pennsylvania, Dallas/Ft. Worth, Texas, Palm Beach, Florida, Metaire, Lousiana, Lake Mary, Florida, Denver, Colorado,Sugarland, Texas and Baton Rouge, Louisiana.

On November 1, 2010 we entered into agreement with Thomas E. Young MD, LLC, pursuant to which we granted Dr. Young a license to the Company's Technology so Dr. Young can utilize the Technology to provide tissue processing

services within a 50 mile radius of Philadelphia, PA. In consideration for the Technology, Dr. Young agreed to pay us (i) a licensing fee of $80,000, and (ii) a fee of $400 for each tissue processing case processed for each of Dr. Young's patients.

On November 15, 2010, we entered into agreement with R. Craig Saunders, pursuant to which we granted Dr. Saunders a license to the Technology so Dr. Saunders can utilize the Technology to provide tissue processing services within a 50 mile radius of Dallas/Ft. Worth, Texas. In consideration for the Technology, Dr. Saunders agreed to pay us (i) a licensing fee of $80,000 and (ii) a fee of $400 for each tissue processing case processed for each of Dr. Saunder's patients.

In February 2011, we entered into agreement with Foursight LLC, pursuant to which as granted Foursight a ten year license to the Technology so Foursight can utilize the Technology to provide tissue processing services within a 50 mile radius of Lake Worth, Florida. In consideration for the Technology, Foursight agreed to pay us (i) an equipment fee of $45,000 and (ii) a royalty payment equal to the greater of (x) $250 for each processing case or (y) 10% of Foursight's gross revenue in any calendar year. In the event Foursight fails to achieve certain minimum yearly net revenue targets in any calendar year during the term of the agreement (generating annual royalties of $130,000 for 2011 and increasing over the term to up to $390,000 in 2016 and beyond), the Company shall have the right to terminate the agreement upon 30 days written notice to Foursight.

On February 28, 2011, we entered into agreement with Dauterive Medical, Inc. (“DMI”), pursuant to which we granted DMI a five year license to the Technology so DMI can utilize the Technology to provide tissue processing services within a 70 mile radius of Metaire, LA. In consideration for the Technology, DMI agreed to pay us (i) a licensing fee of $1 and (ii) a royalty payment equal to $500 for each processing case performed by DMI and we agreed to pay DMI $500 for each processing case referred to us by DMI. The agreement may be terminated by either party in the event of a material default of any duty, obligation or responsibility imposed by the agreement which has not been cured within ten business days after the non-defaulting party gives written notice to the defaulting party of such default. In addition, in the event that certain minimum annual revenue targets are not met ($1,000,000 of tissue processing cases) during the term of the agreement, we shall have the right to terminate the agreement for non-performance upon 30 days written notice to DMI for an amount equal to two times the license fee paid less all cumulative fees paid by us to the date of such termination. In the event we exercise such right to terminate for non-performance, DMI would have the right to elect to have the agreement become non-exclusive as to the territory for the remainder of the initial term.

On April 29, 2011, we entered into agreement with AGE Management LLC, pursuant to which we granted AGE a five year license to the Technology so AGE can utilize the Technology to provide tissue processing services within a 50 mile radius of Lake Mary, Florida. In consideration for the Technology, AGE agreed to pay us (i) a license fee of $80,000 and (ii) a royalty payment equal to $500 for each tissue processing case. The agreement may be terminated by either party in the event of a material default of any duty, obligation or responsibility imposed by the agreement which has not been cured within ten business days after the non-defaulting party gives written notice to the defaulting party of such default. In addition, in the event that certain minimum annual revenue targets are not met ($1,000,000 of tissue processing cases) during the term of the agreement, we shall have the right to terminate the agreement for non-performance upon 30 days written notice to AGE for an amount equal to two times the license fee paid less all cumulative fees paid by us to the date of such termination. In the event we exercise such right to terminate for non-performance, AGE would have the right to elect to have the agreement become non-exclusive as to the territory for the remainder of the initial term.

On June 14, 2011, we entered into agreement with AllWin Scientific Corporation, pursuant to which we granted AllWin a five year license to the Technology so AllWin can utilize the Technology to provide tissue processing services within a 25 mile radius of Denver, Colorado. In consideration for the Technology, AllWin agreed to pay us (i) a license fee of $80,000 and (ii) a royalty payment equal to $500 for each tissue processing case. The agreement may be terminated by either party in the event of a material default of any duty, obligation or responsibility imposed by the agreement which has not been cured within ten business days after the non-defaulting party gives written notice to the defaulting party of such default. In addition, in the event that certain minimum annual revenue targets are not met ($400,000 of tissue processing cases) during the term of the agreement, we shall have the right to terminate the agreement for non-performance upon 30 days written notice to AllWin for an amount equal to two times the license fee paid less all cumulative fees paid by us to the date of such termination. In the event we exercise such right to terminate for non-performance, AllWin would have the right to elect to have the agreement become non-exclusive as to the territory for the remainder of the initial term.

On June 27, 2011, we entered into agreement with PBH Holdings, LLC ("PBH"), pursuant to which we granted PBH a five year license to the Technology so PBH can utilize the Technology to provide tissue processing services within a territory to be determined as per population density (comprising an approximate 50 mile radius of Sugarland, Texas).

In consideration for the Technology, PBH agreed to pay us (i) a license fee of $80,000 and (ii) a royalty payment equal to $500 for each tissue processing case. The agreement may be terminated by either party in the event of a material default of any duty, obligation or responsibility imposed by the agreement which has not been cured within ten business days after the non-defaulting party gives written notice to the defaulting party of such default. In addition, in the event that certain minimum annual revenue targets are not met ($1,000,000 of tissue processing cases) during the term of the agreement, we shall have the right to terminate the agreement for non-performance upon 30 days written notice to PBH for an amount equal to two times the license fee paid less all cumulative fees paid by us to the date of such termination. In the event we exercise such right to terminate for non-performance, PBH would have the right to elect to have the agreement become non-exclusive as to the territory for the remainder of the initial term.

In July, 2011, we entered into agreement with Regenerative Laboratory Services of Baton Rouge, LLC, pursuant to which we granted Regenerative a five year license to the Technology so Regenerative can utilize the Technology to provide tissue processing services within a specified territory comprising an approximate 50 mile radius of Baton Rouge, Lousiana. In consideration for the Technology, Regenerative agreed to pay us (i) a license fee of $80,000 and (ii) a royalty payment equal to $500 for each tissue processing case. The agreement may be terminated by either party in the event of a material default of any duty, obligation or responsibility imposed by the agreement which has not been cured within ten business days after the non-defaulting party gives written notice to the defaulting party of such default. In addition, in the event that certain minimum annual revenue targets are not met ($250,000 of tissue processing cases) during the term of the agreement, we shall have the right to terminate the agreement for non-performance upon 30 days written notice to Regenerative for an amount equal to two times the license fee paid less all cumulative fees paid by us to the date of such termination. In the event we exercise such right to terminate for non-performance, Regenerative would have the right to elect to have the agreement become non-exclusive as to the territory for the remainder of the initial term.

As of the date hereof, we believe that the licensees in Philadelphia, Pennsylvania, Dallas/Ft. Worth, Texas, Palm Beach, Florida, Metaire, Lousiana, and Lake Mary, Florida are either in default and/or non-compliance with the duties, obligation or responsibility imposed upon them by the agreement and we intend to pursue our remedies accordingly. In addition, we have received notification of termination from the licensees in Denver, Colorado and Baton Rouge, Louisiana, which notifications include demand for payments. We believe that such parties were also in default and/or non-compliance with the duties, obligation or responsibility imposed upon them by the agreement, and we intend to pursue our remedies and/or vigorously defend ourselves against any claims made by such parties.

Sales and Marketing

Our current marketing objectives focus on achieving rapid growth by entering into agreements to install our cGTP cellular processing lab in ambulatory surgery centers and hospitals located in the United States that initially focus on regenerative medicine in the areas of Aesthetics, Orthopedics, Sports Medicine, Pain Management and Periodontal Diseases, and by entering into technology licensing agreements that cover a particular international territory or country. Finally, another focus of our business development will involve engaging in and our coordinating clinical studies at prominent medical centers with the goal of obtaining FDA approval for major clinical indications of the SVF’s yielded from the use of our proprietary process.

Research and Development

We have recently formed a wholly-owned subsidiary, ICBS Research, Inc., through which we plan to conduct research and development activities on our own and in combination with academic, government and industry collaborators.

In contemplation of our proposed research and development activities, in December 2011, we entered into a strategic collaborative agreement with Numoda Corporation, a large Contract Research Organization (CRO) that provides a number of clinical research services to the biotech industry. Under the terms of the agreement, Numoda agreed to invest $500,000 into us based on our achievement of certain milestones to be agreed upon between the parties, in exchange for our contracting with Numoda to provide CRO services in planned in-human clinical studies commencing in 2012. As of the date hereof, Numoda has not invested any money into the Company.

We have also had preliminary discussions with several researchers and Universities regarding the establishment of clinical studies for the purpose of exploring therapeutic use of IntelliCells™. The currently contemplated initial areas under study with proposed partners are:

Osteoarthritis;

Non-healing diabetic ulcers (wound healing); and

Military severe injuries deploying the IntelliCell™ product (process) on the battlefield as part of the care provider on-site.

The October 2011 Issue of the Journal of Implant & Advanced Clinical Dentistry published an article on a prospective pilot study on the clinical application of SVF with stem cells in the treatment of gingival recession defects using our proprietary process to be conducted by Dr. Nicholas Toscano. Dr. Toscano is a member of our advisory board.

As previously disclosed above, we have started our first FDA IND study that will be on osteoarthritis of the knee with Dr. James Andrews and inVentiv as our CRO. On March 11, 2014, the Company executed a Consulting Agreement with Dr. James Andrews, effective March 7, 2014, pursuant to which Dr. Andrews shall serve as Chairman of the Intellicell Orthopedic Cellular Therapy Advisory Board.

Competition

We compete with many pharmaceutical, biotechnology, medical device and bio tools companies, as well as other private and public stem cell companies involved in the development and commercialization of cell-based medical technologies and therapies in the regenerative medicine industry. Regenerative medicine is a rapidly evolving industry, primarily through the development of cell-based therapies or devices designed to isolate cells from human tissues. Most efforts involve cell sources, such as bone marrow, embryonic and fetal tissue, umbilical cord and peripheral blood and skeletal muscle. Companies working in the area of regenerative medicine include, among others, Cytori Therapeutics, Stem Cell Assurance, Inc., Osiris, Aastrom Biosciences, Aldagen, BioTime, Baxter International, Celgene, Geron, Harvest Technologies, Mesoblast, Regenexx, NeoStem, X-Cell Center, Stem Cells, Athersys, and Tissue Genesis. Companies working in the area of biological tools include, among others, Life Technologies, Asterand, Pacific Biosciences of California, and AllCells. Currently, we are aware of certain regenerative medical companies that provide processes for extracting SVF containing adult stem cells from adipose (fat) tissue. As techniques for expanding the use of stem cells improve, the use of collection techniques of adult stem cells could increase and compete with our services. Many of our competitors and potential competitors have substantially greater financial, technological, research and development, marketing and personnel resources than we do. We cannot with any accuracy forecast when or if these companies are likely to bring cell therapies to market for procedures that we are also pursuing.

Patents and Proprietary Rights

Our success will likely depend upon our ability to preserve our proprietary patented process and operate without infringing on the proprietary rights of other parties. However, we may rely on certain proprietary technologies and know-how that are not patentable or that we determine to keep as trade secrets. We intend to protect our proprietary information, in part, by the use of confidentiality and assignment of invention agreements with our officers, directors, employees, consultants, significant scientific collaborators and sponsored researchers that will generally provide that all inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. The following table identifies the published pending patent applications that are owned by us:

Number	Country	Filing Date	Issue Date	Expiration Date	Title
Patent Applications					
US 13/323,030	U.S.		January 17, 2013	N/A	Ultrasonic Cavitation Derived Stromal Or Mesenchymal Vascular Extracts And Cells Derived Therefrom Obtained From Adipose Tissue And Use Thereof
PCT/US2011/064464	PCT		Pending	N/A	Ultrasonic Cavitation Derived Stromal Or Mesenchymal Vascular Extracts And Cells Derived Therefrom Obtained From Adipose Tissue And Use Thereof

INTELLICELL BIOSCIENCES INC. PATENT PORTFOLIO CHART
(MAY 27, 2013)

H&W Ref.	Country	Patent Application No. Patent No.	Filing Date Issue Date	Status	Action
ULTRASONIC CAVITATION DERIVED STROMAL OR MESENCHYMAL VASCULAR EXTRACTS AND CELLS DERIVED THEREFROM OBTAINED FROM ADIPOSE TISSUE AND USE THEREOF					
2	US	8,440,440	14-May-13		
5	US-CON	13/745,367	1-Jan-13	Preexam	Continuation
3	PCT	PCT/US11/64464	12-Dec-11	Published	National Stage Filing Due 6/27/2013
ISOLATION OF STROMAL VASCULAR FRACTION FROM NON-LIVING ADIPOSE TISSUE USING ULTRASONIC CAVITATION					
10	PRO	61/674,116	20-Jul-2012	Pending	Pending US/FF 7/20/2013
000010A	PRO	61/721,917	02-Nov-2012	Pending	Pending Updated Matter 10
METHOD OF HARVESTING SVF FROM VARIOUS TISSUES USING INDIRECT ULTRASONIC CAVITATION					
20	PRO	61/773,482	6-Mar-13	Pending	Pending US/FF 3/6/2014
000020A	PRO	61/793,934	15-Mar-13	Pending	Pending Updated Matter 20
ISOLATION OF SVF FROM ADIPOSE TISSUE OBTAINED USING HOMOGENIZATION WITH BEADS					
30	PRO	61/693,982	28-Aug-12	Pending	Pending US/FF 8/28/2013
ALLOGENEIC STORMAL VASCULAR FRACTION TRANSPLANTATION BY BLOOD TYPE MATCHING					
4	PRO	61/784,173	14-Mar-13	Pending	Pending US/FF 3/14/2014

When appropriate, we will continue to seek patent protection for inventions in our core technologies and in ancillary technologies that support our core technologies or which we otherwise believe will provide us with a competitive advantage. We will accomplish this by filing and maintaining patent applications for discoveries we make, either alone or in collaboration with scientific collaborators and strategic partners. Typically, we plan to file patent applications in the United States. In addition, we plan to obtain licenses or options to acquire licenses to patent filings from other individuals and organizations that we anticipate could be useful in advancing our research, development and commercialization initiatives and our strategic business interest.

Government Regulation

The health care industry is highly regulated in the United States. The federal government, through various departments and agencies, and state and local governments regulate and monitor the health care industry. The following is a general overview of the laws and regulations pertaining to our business.

Human cells, tissues, and cellular and tissue-based products ("HCT/Ps") Regulation

The U.S. Food and Drug Administration (the "FDA") regulates the manufacture of human cells, tissues, and cellular and tissue-based products ("HCT/Ps") under the authority of Section 361 of the Public Health Safety Act ("PHS Act") and exercises this authority pursuant to the regulations governing HCT/Ps in Part 1271 in Title 21 of the Code of Federal Regulations.

The FDA regulatory requirements for HCT/Ps, such as IntelliCells™, are complex and evolving. The FDA sets forth criteria for determining whether an HCT/P can be regulated solely under Section 361 of the PHS Act, *i.e.* , as a "361 HCT/P." A 361 HCT/P is regulated solely as an HCT/P, without additional regulation as a medical device, drug, or biologic.

Under the FDA regulations, an HCT/P qualifies as a 361 HCT/P if it meets all of the following criteria: (i) it is minimally manipulated; (ii) it is intended for homologous use only, as reflected by labeling, advertising, or other indications of the manufacturer's objective intent; (iii) it is not combined with a device, drug or biologic (with limited exceptions); and (iv) either (a) it does not have a systemic effect and is not dependent upon metabolic activity for its primary function (with certain exceptions) or (b) it does have a systemic effect or is dependent upon metabolic activity for its primary function and is intended for certain uses, including autologous use. Such 361 HCT/Ps may be commercially distributed without the FDA's premarket clearance or approval. The FDA permits manufacturers to proceed to market based upon a self-determination that a product qualifies as a 361 HCT/P. The FDA reserves the right to disagree, and also has voluntary procedures for obtaining an advance agency determination. We believe the autologous stem cells that are derived from the IntelliCells™ process meet the FDA's requirements to be regulated solely as 361 HCT/Ps, and have proceeded to market on that basis.

The regulatory requirements of 21 C.F.R. Part 1271 applicable to HCT/Ps include the following:

registration and listing of HCT/Ps with the FDA;

current good tissue practices, specifically including requirements for the facilities, environmental controls, equipment, supplies and reagents, recovery of HCT/Ps from the patient, processing, storage, labeling and document controls, and distribution and shipment of the HCT/Ps to the laboratory, storage, or other facility;

tracking and traceability of HCT/Ps and equipment, supplies, and reagents used in the manufacture of HCT/Ps;

adverse event reporting;

FDA inspection;

importation of HCT/Ps; and

abiding by any FDA order of retention, recall, destruction, and cessation of manufacturing of HCT/Ps.

We believe the donor screening requirements in Part 1271 do not apply because our product is made from autologous tissue.

Possible Additional FDA Device, Drug, or Biologic Regulatory Requirements

On March 13, 2012, the Company received a regulatory Warning Letter from FDA regarding the Intellicell™ process. A Warning Letter is an FDA notification to a regulated company that the Agency believes the company to have violated the Federal Food, Drug, and Cosmetic Act (“FDC Act”), but it is not considered final agency enforcement action. The March Warning Letter stated that FDA believed the Intellicell™ process to be a new drug or a biologic product requiring a new drug application (“NDA”) or biologics license application ("BLA"). This was based on statements that the Agency believed that the Company was using adipose tissues for non-homologous use, and that these cells were more than minimally manipulated. Such products would not be considered HCT/Ps regulated solely under section 361 of the PHS Act. The Warning Letter also noted a number of cGMP issues at the Intellicell lab facility (which the Company has since shut down and moved).

On April 2, 2012, the Company timely submitted a comprehensive response to the Warning Letter that provided a detailed explanation of the Intellicell™ process, which uses non-adipose adult stem cells in the SVF matrix (i.e., our adult autologous vascular cells). The letter further explained how the SVF product is used, and why it should be considered appropriate homologous use under section 361 of the PHS Act and FDA regulations at 21 C.F.R. § 1271. The response letter noted that all of the cells contained in SVF are characteristic of vascular tissue, and are simply extracted from adipose tissue.

On November 19, 2012, the Company received a letter (the "FDA Letter") from the FDA as part of its ongoing discussion and correspondence with the FDA regarding a warning letter the Company received from the FDA on March 13, 2012. The FDA stated in the FDA Letter that it believes that the Company's process does not meet the definition of minimal manipulation, does not fall within the definition of homologous use of the adipose tissue and is not the same surgical procedure under 21 CFR 1271.3(f)(1), 21 CFR 1271.10(a)(2) and 21 CFR 1271.15(b), respectively, and as such, the Company is required to have FDA approval for its product, and file an investigational new drug (IND) application for planned in-human clinical studies. In December 2012, the Company filed an appeal with FDA under 21 CFR 1075 for internal review of the FDA's decisions. The Company has made every effort to comply with FDA requirements for human cell and tissue products ("HCT/Ps") that are not subject to FDA pre-approval and it continues to believe that its product/process is compliant with currently FDA requirements.

The response letter also notified FDA that we were opening a new facility that would be fully cGMP compliant, and that the Company had retained several expert consultants to assist in quality and regulatory compliance. We believe that the steps we have taken should resolve the FDA regulatory issues noted in the Warning Letter; however, there is no guarantee that FDA will agree with our position on the regulatory status of the AAVC product or on cGMP compliance.

If the FDA were to disagree with our conclusion that IntelliCells™ qualify as a 361 HCT/P, then IntelliCells™ could be subject to additional FDA regulatory requirements applicable to medical devices or drugs under the FDC Act or biological products under Section 351 of the PHS Act and implementing regulations, depending upon which of these categories FDA concluded applies to IntelliCells™.

The Company underwent a thorough inspection by the FDA from May 14, 2013 through June 2, 2013, of its cellular laboratory facility. The observations from the FDA inspection were provided to the company in the Form 483. The Company has responded to those observations in a timely manner. IntelliCell has taken the necessary actions to address the relevant observations of the FDA inspection.

Medical Device Regulation

The FDA regulates the design/development process, clinical testing, manufacture, safety, labeling, sale, distribution, and promotion of medical devices under the FDC Act. Included among these regulations are premarket clearance and premarket approval requirements, and the Quality System Regulation (which imposes Good Manufacturing Practice requirements). Other statutory and regulatory requirements govern, among other things, registration and inspection, medical device listing, prohibitions against misbranding and adulteration, labeling, and post-market reporting.

The regulatory clearance/approval process can be lengthy, expensive, and uncertain. Unless an exemption applies, any medical device that we would bring to market must first receive either premarket notification clearance (by making a 510(k) submission) or premarket approval (by filing a premarket approval application ("PMA")) from the FDA pursuant to the FDC Act. In addition, certain modifications made to marketed devices also may require 510(k) clearance or approval of a PMA supplement. The FDA's 510(k) clearance process usually takes from four to twelve months, but it may take longer. The process of obtaining PMA approval is much more costly and uncertain and may take one or more years from the time the process is initiated. We cannot be sure that 510(k) clearance or PMA approval will be obtained for any product that we propose to market.

A clinical study in support of a PMA application or 510(k) submission for a "significant risk" device requires an Investigational Device Exemption ("IDE") application approved in advance by the FDA for a limited number of patients. The IDE application must be supported by appropriate data, such as animal and laboratory testing results. If the device presents a "non-significant risk" to the patient, a sponsor may begin the clinical study without the need for FDA approval. In all cases, the clinical study must be conducted under the auspices of an Institutional Review Board ("IRB") pursuant to the FDA's regulatory requirements intended for the protection of subjects and to assure the integrity and validity of the data.

Medical devices are subject to post-market reporting requirements when the device may have caused or contributed to the death or serious injury, and for certain device malfunctions that would be likely to cause or contribute to a death or serious injury if the malfunction were to recur. If safety or effectiveness problems occur after the product reaches the market, the FDA may take steps to prevent or limit further marketing of the product. The FDA actively enforces regulations prohibiting marketing and promotion of devices for indications or uses that have not been cleared or approved by the FDA. Modifications or enhancements of products that could affect the safety or effectiveness or effect a major change in the intended use of a device that was either cleared through the 510(k) process or approved through the PMA process may require further FDA review through new 510(k) or PMA submissions.

Failure to comply with applicable requirements can result in application integrity proceedings, fines, recalls or seizures of products, injunctions, civil penalties, total or partial suspensions of production, withdrawals of existing product approvals or clearances, refusals to approve or clear new applications or notifications, and criminal prosecution.

Drug and Biological Product Regulation

To obtain approval of a drug or biological product from the FDA, a company must, among other requirements, submit data supporting safety and efficacy as well as detailed information on the manufacture and composition of the product. In most cases, this entails extensive laboratory tests and preclinical and clinical trials. The collection of these data, as well as the preparation of applications for review by the FDA, are costly in time and effort, and may require significant capital investment.

A company typically conducts human clinical trials in three sequential phases, but the phases may overlap. Phase 1 trials consist of testing of the product in a small number of patients or healthy volunteers, primarily for safety at one or more doses. Phase 2 trials, in addition to safety, evaluate the efficacy of the product in a patient population somewhat larger than Phase 1 trials. Phase 3 trials typically involve additional testing for safety and clinical efficacy in an expanded population at geographically dispersed test sites. A company must submit to the FDA a protocol, which must also be approved by the IRBs at the institutions participating in the trials, prior to commencement of each clinical trial. The trials must be conducted in accordance with the FDA's good clinical practices. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time.

To obtain marketing authorization, a company must submit to the FDA the results of the preclinical and clinical testing, together with, and among other things, detailed information on the manufacture and composition of the product, in the form of a NDA, or, in the case of a biologic, a BLA. Under federal law, the submission of most NDAs and BLAs is subject to a substantial application user fee, currently exceeding $1.5 million, and the manufacturer and/or sponsor under an approved NDA or BLA are also subject to annual product and establishment user fees, currently exceeding $86,000 per product and $497,000 per establishment. These fees are typically increased annually. We cannot be sure that NDA or BLA approval would be obtained for any product that we propose to market.

All approved drug and biological products are subject to continuing regulation by the FDA, including record-keeping requirements, reporting of adverse experiences with the product, sampling and distribution requirements, notifying the FDA and gaining its approval of certain manufacturing or labeling changes, complying with certain electronic records and signature requirements, submitting periodic reports to the FDA, maintaining and providing updated safety and efficacy information to the FDA, and complying with FDA promotion and advertising requirements. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action, criminal prosecution, or civil penalties.

The FDA may require post-marketing studies or clinical trials to develop additional information regarding the safety of a product. These studies or trials may involve continued testing of a product and development of data, including clinical data, about the product's effects in various populations and any side effects associated with long-term use. The FDA may require post-marketing studies or trials to investigate known serious risks or signals of serious risks or

identify unexpected serious risks and may require periodic status reports if new safety information develops. Failure to conduct these studies in a timely manner may result in substantial civil fines.

Drug and biological product manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and to list their products with the FDA. The FDA periodically inspects manufacturing facilities in the United States and abroad in order to assure compliance with the applicable current good manufacturing practices (“cGMP”) regulations and other requirements. Facilities also are subject to inspections by other federal, foreign, state, or local agencies. In complying with the cGMP regulations, manufacturers must continue to expend time, money and effort in record-keeping and quality control to assure that the product meets applicable specifications and other post-marketing requirements. We must ensure that any third-party manufacturers continue to expend time, money and effort in the areas of production, quality control, record keeping and reporting to ensure full compliance with those requirements. Failure to comply with these requirements subjects the manufacturer to possible legal or regulatory action, such as suspension of manufacturing or recall or seizure of product.

Newly discovered or developed safety or efficacy data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, additional preclinical or clinical studies, or even in some instances, revocation or withdrawal of the approval. Violations of regulatory requirements at any stage, including after approval, may result in various adverse consequences, including the FDA's withdrawal of an approved product from the market, other voluntary or FDA-initiated action that could delay or restrict further marketing, and the imposition of civil fines and criminal penalties against the manufacturer and NDA or BLA holder. Later discovery of previously unknown problems may result in restrictions on the product, manufacturer or NDA or BLA holder, including withdrawal of the product from the market. New government requirements may be established that could delay or prevent regulatory approval, or affect the conditions under which approved products are marketed.

State and Local Government Regulation

Some states and local governments regulate human tissue banking facilities and require these facilities to obtain specific licenses. Our processing centers may be required to comply with such state laws, including becoming licensed as a tissue bank and being subject to inspection. Some states, such as New York, California and Maryland, may require licensure of out-of-state facilities that process tissue of residents of those states. We must obtain the applicable state licensures for our processing centers and comply with the current and any new licensing laws that become applicable in the future.

Health Insurance Portability and Accountability Act—Protection of Patient Health Information

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") included the *Administrative Simplification* provisions that require the Secretary of the Department of Health and Human Services ("HHS") to publicize standards for the electronic exchange, privacy, and security of health information. HHS published the *Standards for Privacy of Individually Identifiable Health Information* ("Privacy Rule") and the *Security Standards for the Protection of Electronic Protected Health Information* ("Security Rule") to protect the privacy and security of certain health information. The Privacy Rule addresses the use and disclosure of an individual's protected health information by covered entities and applies to health plans, health care clearinghouses, and any health care provider who transmits health information in electronic format. In addition to these entities, the Privacy Rule also applies to business associates and requires certain requirements to be placed in contracts between business associates and covered entities.

The Security Rule establishes a national security standard for protecting certain health information that is held or transferred in electronic form. The Security Rule implements the protections in the Privacy Rule by addressing the technical and non-technical safeguards that covered entities must put in place to secure individuals' electronic protected health information.

Companies failing to comply with the HIPAA standards may be subject to civil money penalties or criminal prosecution. To the extent that our business requires compliance with HIPAA, it intends to fully comply with all requirements.

Other Applicable U.S. Laws

In addition to the above-described regulation by United States federal and state government, the following are other federal and state laws and regulations that could directly or indirectly affect our ability to operate the business:

- state and local licensure, registration, and regulation of the development of pharmaceuticals and biologics;
- state and local licensure of medical professionals;
- state statutes and regulations related to the corporate practice of medicine;
- other laws and regulations administered by the U.S. Food and Drug Administration;
- other laws and regulations administered by the U. S. Department of Health and Human Services;
- state and local laws and regulations governing human subject research and clinical trials;
- the federal physician self-referral prohibition, also known as Stark Law, and any state equivalents to Stark Law;
- the Medicare and Medicaid Anti-Kickback Law and any state equivalent statutes and regulations;
- Federal and state coverage and reimbursement laws and regulations;
- state and local laws and regulations for the disposal and handling of medical waste and biohazardous material; and
- Occupational Safety and Health (“OSHA”) regulations and requirements.

Employees

As of December 31, 2013, we had 6 full-time employees. We have not experienced any work disruptions or stoppages and we consider our relationship with our employees to be strong. None of our employees are covered by a collective-bargaining agreement.

Our Website

Our website address is *www.intellicellbiosciences.com.* Information found on our website is not incorporated by reference into this report. We make available free of charge through our website our SEC filings furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. In determining whether to purchase our common stock, an investor should carefully consider all of the material risks described below, together with the other information contained in this report before making a decision to purchase our securities. An investor should only purchase our securities if he or she can afford to suffer the loss of his or her entire investment.

Risks Relating to Our Business and Industry

We are a development-stage company with a limited operating history, no marketed tests and substantial losses predicted for the foreseeable future.

The Company's wholly-owned subsidiary commenced operations in the regenerative medicine industry in August 2010. As such, we have a limited operating history and have not earned any profits to date. To date, we have not achieved, and we may never achieve, revenues sufficient to offset expenses. We expect to devote substantially all of our resources to the completion of build-out of our Ambulatory Surgical Center in New York, NY, the cell processing laboratory within that facility and develop and commercialize our regenerative medical products.

Because of the numerous risks and uncertainties associated with developing and commercializing our regenerative medical products, we are unable to predict the extent of any future losses or when we will become profitable, if ever. We may never become profitable and you may never receive a return on an investment in our shares of common stock. An investor in our common shares must carefully consider the substantial challenges, risks and uncertainties inherent in the attempted development and commercialization of procedures and products in the medical, cell therapy, biotechnology and biopharmaceutical industries. We may never successfully commercialize our regenerative medical products, and our business may fail.

Our auditors have expressed substantial doubt about our ability to continue as a going concern.

In their report dated May 9, 2014, Rosen Seymour Shapss Martin & Company LLP stated that our financial statements for the fiscal years ended December 31, 2013 and 2012, were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of our recurring losses from operations and our net capital deficiency. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit.

Our regenerative medical products may not gain acceptance among physicians, healthcare professionals and third-party payors, which could have a material impact on our future business, financial condition and operations.

Our success will depend upon our regenerative medical products being accepted in the market. The degree of market acceptance of our tests by physicians, healthcare professionals and third-party payers will depend on a number of factors, including:

our ability to provide acceptable evidence of clinical utility;

successful integration into clinical practice;

availability and advantages of alternative tests;

effectiveness of our sales and marketing efforts and strategies;

pricing and positive health economics; and

our ability to obtain sufficient insurance coverage or reimbursement.

If any tests that we commercialize fail to gain market acceptance, our ability to generate revenue would be impaired, which could have a material impact on our business, financial condition and operations.

Additional financing is necessary for the implementation of our growth strategy.

We may require additional debt and/or equity financing to pursue our growth strategy. Given our limited operating history and existing losses, there can be no assurance that we will be successful in obtaining additional financing. Lack of additional funding could force us to curtail substantially our growth plans or cease of operations. Furthermore, the issuance by us of any additional securities pursuant to any future fundraising activities undertaken by us would dilute the ownership of existing shareholders and may reduce the price of our common stock. Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

If we are unable to adequately acquire and protect or enforce our intellectual property, our competitive position could be impaired.

Our commercial success depends in part on our ability to obtain patents or rights to patents and maintain their validity, protect our trade secrets and effectively enforce our proprietary rights or patents against infringers. Although we have filed, or have licenses to, patent applications in respect of the technology underlying our regenerative medicine products, there are no guarantees that such patent applications will result in issued patents, that any patents that might be issued will protect our technology or that we will develop other patentable tests in the future. Moreover, there can be no assurance that a patent granted to us or in respect of which we hold a license will make the related test more competitive, that third parties will not contest the protection granted by the patent, or that the patents of third parties will not be detrimental to our commercial activities. Our failure or inability to protect our trade secrets and proprietary know-how could impair our competitive position. There is no guarantee that other companies will not independently develop tests similar to our regenerative products or any future tests that we develop, that they will not imitate our tests or that our competitors will not produce tests designed to circumvent our proprietary rights.

Potential claims alleging infringement of third party's intellectual property by us could harm our ability to compete and result in significant expense to us and loss of significant rights.

From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business. Any claims, with or without merit, could be time-consuming, result in costly litigation, divert the efforts of our technical and management personnel, cause product shipment delays, disrupt our relationships with our customers or require us to enter into royalty or licensing agreements, any of which could have a material adverse effect upon our operating results. Royalty or licensing agreements, if required, may not be available on terms acceptable to us. If a claim against us is successful and we cannot obtain a license to the relevant technology on acceptable terms, license a substitute technology or redesign our products to avoid infringement, our business, financial condition and results of operations would be materially adversely affected.

If the FDA imposes device, drug, or biologic regulation on IntelliCells™, we may not be able to obtain the necessary clearance or approval to market IntelliCells™ in a timely manner or at all. Even if we do obtain approval, the cost and delay could materially adversely affect our financial condition, results of operations and cash flows.

The FDA allows HCT/Ps (human cell and tissue products) to proceed to market without prior clearance or approval. We believe IntelliCells™ qualify under this foregoing section and under Title 21 of the Code of Federal Regulations, Part 1271.10 (21 C.F.R. § 1271.10), and we have not invoked FDA's voluntary procedures for seeking a ruling. We cannot assure you that the FDA would agree with our determination. For example, such HCT/Ps must be "minimally manipulated." We believe that our use of ultrasound cavitation or other physical means, rather than chemical means, to separate non-cellular material and to create IntelliCells™ qualifies as minimal manipulation. However, to our knowledge, the FDA has not publicly addressed the issue of ultrasound cavitation and minimal manipulation, and could disagree. If the FDA were to decide that ultrasound cavitation is more than minimal manipulation, then IntelliCells™ would no longer qualify for these exemptions.

The FDA may disagree with the Company that using SVFC for regenerative inductions represents homologous use (same basic function) and otherwise meet the conditions of 21 C.F.R. § 1271, If FDA were to disagree, Intellicells™ would require premarket approval as a drug, medical device, or biological product.

If the FDA were to disagree with our determination, or were to prospectively alter the requirements for HCT/P eligibility, the agency could require us to stop marketing IntelliCells™ until we met burdensome and lengthy medical device, drug, or biologic premarket clearance or approval requirements, which could include a requirement to gather extensive supporting clinical data. We do not know if clearance or approval of our IntelliCells™ could be obtained in a timely fashion, or at all. Even if such clearance or approval could be obtained, IntelliCells™ would be subject to more stringent level of post-market regulation as well. If any of these events were to occur, our financial condition and results of operations and cash flows could be materially and adversely affected.

We operate in a highly-regulated environment and may be unable to comply with applicable federal regulations, registrations and approvals. Failure to comply with applicable licensure, registration, and approval standards may result in a loss of licensure, registration, and approval or other government enforcement actions.

The FDA imposes substantial regulatory requirements upon facilities that are engaged in the recovery, processing, storage, labeling, packaging, or distribution of HCT/Ps.

Our processing centers will likely be required to comply with the HCT/P regulations and applicable state tissue bank regulation. Although we do not currently intend to utilize third parties, if any third parties were retained by us to

engage in the manufacture of an HCT/P on our behalf, such third parties must also comply with the HCT/P regulations. If we or our third-party contractors fail to register, update registration information, or comply with any HCT/P regulation, we could be subject to civil and criminal fines and penalties and/or injunction, which could adversely affect our business. Furthermore, adverse events in the field of stem cell therapy may result in greater governmental regulation, which could create increased expenses, potential delays, or otherwise affect our business.

State and local governments impose additional licensing and other requirements upon clinical laboratories and facilities that store, handle, and process human tissue. We may not be able to obtain the necessary licensure required to conduct business in any state in a timely manner, or at all, and the cost of compliance could adversely affect our ability to operate our business profitably.

In the United States, we are obligated to comply with HIPAA (Health Insurance Portability and Accountability Act) and state privacy and security standards. As HIPAA is amended and changed, we will incur additional compliance burdens. We may be required to spend substantial time and money to ensure compliance with ever-changing federal and state standards as electronic and other means of transmitting protected health information evolve. Failure to comply with HIPAA standards may subject us to civil money penalties or criminal prosecution. To the extent that our business requires compliance with HIPAA, we intend to fully comply with all requirements.

Whether or not the Intellicells™ are regulated as HCT/P products under the PHS Act or require some sort of FDA approval, the product will be subject to cGMP requirements. These requirements are the minimum standards for facilities and procedures necessary to ensure that medical products, including HCT/P products are manufactured under proper conditions. We have taken steps to make sure that our facilities are compliant with cGMP requirements. If FDA disagrees with us on cGMP compliance, the Agency may take regulatory action against us.

There are risks associated with our strategy to remotely operate cGTP lab in ambulatory surgery centers and hospitals.

We have no experience in operating cGTP lab remotely in ambulatory surgery centers and hospitals,. There are numerous risks associated with this strategy that include, but are not limited to: (i) the costs of setting up and operating such cGTP labs, (ii) there are substantial risks associated with operating complex businesses remotely, especially one where controlling the cell therapy lab and operations is so critical, (iii) there are risks associated with controlling growth, (iv) risks exist associated with adverse events in one facility affecting the business as a whole, (v) there are general risks associated with growth.

We face competition in our markets from a number of large and small companies, some of which have greater financial, research and development, production and other resources than we have.

Our services face competition from services which may be used as an alternative or substitute therefore. In addition we compete with several large companies in the healthcare industry. To the extent these companies, or new entrants into the market, offer comparable services at lower prices, our business could be adversely affected. Our competitors can be expected to continue to improve the design and performance of their products and services and to introduce new products and services with competitive performance characteristics. There can be no assurance that we will have sufficient resources to maintain our current competitive position. See “Description of Business - Competition.”

The current U.S. and global economic conditions could materially adversely affect our results of operations and business condition.

Our operations and performance depend significantly on economic conditions. Over the past three years, the U. S. economy has experienced a prolonged economic downturn. While economic conditions have recently improved, there is continued uncertainty regarding the timing or strength of any economic recovery. If the current economic situation remains weak or deteriorates further, our business could be negatively impacted by reduced demand for our services or third-party disruptions resulting from higher levels of unemployment, government budget deficits and other adverse economic conditions. Any of these risks, among other economic factors, could have a material adverse effect on our financial condition and operating results, and the risks could become more pronounced if the problems in the U.S. and

global economies become worse.

We are heavily dependent on our senior management, and a loss of a member of our senior management team or our failure to attract, assimilate and retain other highly qualified personnel in the future, could harm our business.

If we lose members of our senior management, we may not be able to find appropriate replacements on a timely basis, and our business could be adversely affected. Our existing operations and continued future development depend to a significant extent upon the performance and active participation of certain key individuals, including Steven Victor, our Chief Executive Officer, If we were to lose Mr. Victor, we may not be able to find appropriate replacements on a timely basis and our financial condition and results of operations could be materially adversely affected.

In addition, to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these employees is intense, and we may not be successful in attracting and retaining qualified personnel. We could also experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

Steven Victor, our chief executive officer, is a practicing cosmetic dermatologist and his duties as a doctor may limit the time he may be able to spend developing our products.

Dr. Steven Victor, our chief executive officer, is a practicing cosmetic dermatologist in New York City. Currently, Dr. Victor does not believe his duties as a practicing physician will limit his ability to function as our sole officer or develop our products. However, to the extent Dr. Victor's duties as a practicing physician requires him to limit his commitment to us, it could impact our ability develop our products which could have an adverse effect on our results of operations.

Our current officer, directors and principal shareholders may have substantial influence over the election of the Board of Directors and matters submitted to a stockholder vote.

Our directors, executive officers and principal (10%) stockholders and their affiliates beneficially own approximately 8% of the outstanding shares of Common Stock. Accordingly, our executive officers, directors, principal stockholders and certain of their affiliates may have substantial influence on the ability to control the election of our Board of Directors and the outcome of issues submitted to our stockholders.

Our business may be affected by factors outside of our control.

Our ability to increase sales, and to profitably distribute and sell our products and services, is subject to a number of risks, including changes in our business relationships with our principal distributors, competitive risks such as the entrance of additional competitors into our markets, pricing and technological competition, risks associated with the development and marketing of new products and services in order to remain competitive and risks associated with changing economic conditions and government regulation.

Holders of some of our promissory notes which are now in default could, if they were to successfully enforce those notes in a law suit, levy on our assets and have them sold to satisfy our obligations on the notes.

Part of our debt held by promissory note holders has been assumed by Redwood Management, LLC. However, our bridge notes and our convertible promissory notes held by some of our promissory note holders are in default, and we are not in a position to repay them. We intend to use the proceeds of a future offering to pay off such notes. Holders of those notes could if they choose to sue on those notes, and if they were successful in their lawsuits they could levy on our assets and have those assets sold to satisfy the amounts we owe them.

Risks Related to our Common Stock

There has not been an active public market for our common stock so the price of our common stock could be volatile and could decline following this offering at a time when you want to sell your holdings.

Our common stock is traded on the OTCQB under the symbol SVFC. Our common stock is not actively traded and the price of our common stock may be volatile. Numerous factors, many of which are beyond our control, may cause the market price of our common stock to fluctuate significantly. These factors include:

the Food and Drug Administration (FDA) has re-inspected our facility in early June and issued a 483 Report and the Company has responded in a timely manner. They may determine that we do not currently meet the guidelines to operate a cell therapy business or that our cell therapy treatments should be treated as a drug;

the failure of any of our clinical studies;

market conditions or trends related to the biotechnology, cell therapy, stem cell, pharmaceutical, medical device, diagnostics and medical services industries, or the market in general;

announcements of technological innovations, new commercial products, or other material events by our competitors or us;