BIOTIME INC
Form 10-Q
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from _____ to _____

Commission file number **1-12830**

BioTime, Inc.

(Exact name of registrant as specified in its charter)

California	**94-3127919**

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

1010 Atlantic Avenue, Suite 102

Alameda, California 94501

(Address of principal executive offices)

(510) 521-3390

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 13(a) of the Exchange Act.

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 126,964,037 common shares, no par value, as of November 7, 2018.

PART 1—FINANCIAL INFORMATION

Statements made in this Report that are not historical facts may constitute forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed. Such risks and uncertainties include but are not limited to those discussed in this Report under Item 1 of the Notes to Condensed Consolidated Interim Financial Statements, and under Risk Factors in this Report. Words such as "expects," "may," "will," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar expressions identify forward-looking statements.

References to "we" means BioTime, Inc. and its subsidiaries unless the context otherwise indicates.

The description or discussion, in this Form 10-Q, of any contract or agreement is a summary only and is qualified in all respects by reference to the full text of the applicable contract or agreement.

BioTime's sale of significant ownership interest in, and deconsolidation of, AgeX Therapeutics, Inc. effective August 30, 2018

On August 30, 2018, BioTime, Inc. ("BioTime") entered into a Stock Purchase Agreement (the "Purchase Agreement") with Juvenescence Limited ("Juvenescence") and AgeX Therapeutics, Inc. ("AgeX"), BioTime's subsidiary, pursuant to which BioTime sold 14,400,000 shares of its shares of AgeX common stock to Juvenescence for $3.00 per share (the "Juvenescence Transaction"). Prior to the Juvenescence Transaction, Juvenescence owned 5.6% of AgeX's issued and outstanding common stock. Upon completion of the Juvenescence Transaction, BioTime's ownership in AgeX decreased from 80.4% to 40.2% of AgeX's issued and outstanding shares of common stock, and Juvenescence's ownership in AgeX increased from 5.6% to 45.8% of AgeX's issued and outstanding shares of common stock.

As a result of the consummation of the Juvenescence Transaction on August 30, 2018, AgeX is no longer a subsidiary of BioTime. Effective August 30, 2018, BioTime deconsolidated AgeX's consolidated financial statements and consolidated results of operations from those of BioTime under applicable generally accepted accounting principles due to the decrease in BioTime's percentage ownership in AgeX below 50% as a result of the Juvenescence Transaction. Prior to that date, AgeX was a majority-owned and consolidated subsidiary of BioTime. Since August 30, 2018, BioTime has accounted for AgeX using the equity method of accounting, electing the fair value option, recording the retained interest in AgeX at fair value on the Juvenescence Transaction date with all subsequent changes in fair value included in BioTime's unaudited condensed consolidated statements of operations in other income and expenses, net. As of, and for each reporting period after August 30, 2018, the fair value of BioTime's interest in AgeX is determined by the number of shares of AgeX held by BioTime and the fair value of the per share of common stock of AgeX.

BioTime's consolidated balance sheet at December 31, 2017, as reported, includes AgeX's consolidated assets and liabilities, after intercompany eliminations. However, AgeX's consolidated assets and liabilities are not included in BioTime's unaudited condensed consolidated balance sheet at September 30, 2018, due to the deconsolidation of AgeX on August 30, 2018.

BioTime's unaudited consolidated statements of operations for the three and nine months ended September 30, 2018 include AgeX's consolidated results for the period through August 29, 2018, the day immediately preceding the deconsolidation. For the three and nine months ended September 30, 2017, BioTime's unaudited consolidated results include AgeX's consolidated results for the full periods presented.

The deconsolidation of AgeX is sometimes referred to as the "AgeX Deconsolidation" in this Report.

For further discussion, see Notes to the Unaudited Condensed Consolidated Financial Statements and *Management's Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this report.

As discussed in Note 4 to the Unaudited Condensed Consolidated Financial Statements, BioTime also deconsolidated OncoCyte Corporation's ("OncoCyte") financial statements and results of operations effective February 17, 2017.

The deconsolidation of OncoCyte is sometimes referred to as the "OncoCyte Deconsolidation" in this Report.

Item 1. Financial Statements

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	September 30, 2018 (Unaudited) (Notes 1 and 4)	December 31, 2017 (Note 2)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 19,467	$36,838
Marketable equity securities	1,972	1,337
Trade accounts and grants receivable, net	721	780
Receivables from affiliates, net (Note 11)	2,185	2,266
Receivable from Juvenescence (Note 3)	10,800	-
Prepaid expenses and other current assets	1,761	1,402
Total current assets	36,906	42,623
NONCURRENT ASSETS		
Property, plant and equipment, net	5,117	5,533
Deposits and other long-term assets	518	1,018
Promissory note from Juvenescence (Note 3)	21,730	-
Equity method investment in AgeX, at fair value (Note 5)	43,248	-
Equity method investment in OncoCyte, at fair value (Note 6)	36,686	68,235
Equity method investment in Asterias, at fair value (Note 7)	28,272	48,932
Intangible assets, net	3,600	6,900
TOTAL ASSETS	$ 176,077	$173,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,082	$5,718
Capital lease and lease liabilities, current portion	231	212
Promissory notes, current portion	70	152
Deferred license and subscription revenues	77	488
Deferred grant revenue	43	309
Total current liabilities	4,503	6,879
LONG-TERM LIABILITIES		
Deferred rent liabilities, net of current portion	238	105
Lease liability, net of current portion	1,221	1,019

Capital lease, net of current portion	110	132
Promissory notes, net of current portion	-	18
Liability classified warrants and other long-term liabilities	447	825
TOTAL LIABILITIES	6,519	8,978
Commitments and contingencies (Note 15)		
SHAREHOLDERS' EQUITY		
Preferred shares, no par value, authorized 2,000 shares; none issued and outstanding as of September 30, 2018 and December 31, 2017	-	-
Common shares, no par value, 250,000 shares authorized; 126,884 shares issued and outstanding as of September 30, 2018 and 126,866 shares issued and outstanding as of December 31, 2017	386,858	378,487
Accumulated other comprehensive income	1,174	451
Accumulated deficit	(216,905)	(216,297)
BioTime, Inc. shareholders' equity	171,127	162,641
Noncontrolling interest (deficit)	(1,569)	1,622
Total shareholders' equity	169,558	164,263
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 176,077	$ 173,241

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2018	2017	2018	2017
REVENUES:				
Grant revenue	$718	$1,225	$2,985	$1,236
Royalties from product sales and license fees	85	86	312	277
Subscription and advertisement revenues	119	376	691	940
Sale of research products and services	60	1	242	6
Total revenues	982	1,688	4,230	2,459
Cost of sales	(35)	(52)	(250)	(114)
Gross profit	947	1,636	3,980	2,345
OPERATING EXPENSES:				
Research and development	(4,882)	(6,562)	(17,175)	(19,327)
Acquired in-process research and development	-	-	(800)	-
General and administrative	(6,422)	(4,587)	(17,585)	(14,111)
Total operating expenses	(11,304)	(11,149)	(35,560)	(33,438)
Gain on sale of assets	-	-	-	1,754
Loss from operations	(10,357)	(9,513)	(31,580)	(29,339)
OTHER INCOME/(EXPENSES):				
Interest income (expense), net	174	(10)	278	(729)
Gain on sale of equity method investment in Ascendance	-	-	3,215	-
Gain on sale of AgeX shares and deconsolidation of AgeX	78,511	-	78,511	-
Gain on deconsolidation of OncoCyte	-	-	-	71,697
Gain (loss) on equity method investment in OncoCyte at fair value	(734)	34,485	(31,550)	39,620
Loss on equity method investment in Asterias at fair value	(1,087)	(3,262)	(20,660)	(26,097)
Unrealized gain on marketable equity securities	23	-	635	-
Loss on extinguishment of related party convertible debt	-	(2,799)	-	(2,799)
Other income (expenses), net	14	(143)	(649)	1,202
Total other income, net	76,901	28,271	29,780	82,894
INCOME (LOSS) BEFORE INCOME TAXES	66,544	18,758	(1,800)	53,555
Deferred income tax expense	-	(4,772)	-	(4,772)
NET INCOME (LOSS)	66,544	13,986	(1,800)	48,783

Net loss attributable to noncontrolling interest	181	335	762	3,175
NET INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC.	$66,725	$14,321	$(1,038)	$51,958
NET INCOME (LOSS) PER COMMON SHARE:				
BASIC	$0.53	$0.12	$(0.01)	$0.47
DILUTED	$0.53	$0.12	$(0.01)	$0.47
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING:				
BASIC	126,878	115,288	126,872	110,989
DILUTED	126,973	115,298	126,872	111,124

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
NET INCOME (LOSS)	$66,544	$13,986	$(1,800)	$48,783
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax	92	(349)	1,051	56
Available-for-sale investments:				
Unrealized gain on available-for-sale securities, net of taxes	-	219	-	822
COMPREHENSIVE INCOME (LOSS)	66,636	13,856	(749)	49,661
Less: Comprehensive loss attributable to noncontrolling interest	181	335	762	3,175
COMPREHENSIVE INCOME ATTRIBUTABLE TO BIOTIME, INC. COMMON SHAREHOLDERS	$66,817	$14,191	$13	$52,836

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) attributable to BioTime, Inc.	$(1,038)	$51,958
Net loss allocable to noncontrolling interest	(762)	(3,175)
Adjustments to reconcile net income (loss) attributable to BioTime, Inc. to net cash used in operating activities:		
Gain on sale of AgeX shares and deconsolidation of AgeX	(78,511)	-
Gain on deconsolidation of OncoCyte	-	(71,697)
Gain on sale of equity method investment in Ascendance	(3,215)	-
Acquired in-process research and development	800	-
Unrealized (gain) loss on equity method investment in OncoCyte at fair value	31,550	(39,620)
Unrealized loss on equity method investment in Asterias at fair value	20,660	26,097
Deferred income tax expense	-	4,772
Unrealized gain on marketable equity securities	(635)	-
Depreciation expense, including amortization of leasehold improvements	814	670
Amortization of intangible assets	1,715	1,766
Amortization of deferred license fees	-	(166)
Stock-based compensation	3,397	2,903
Amortization of discount on related party convertible debt	-	640
Foreign currency remeasurement and other (gain) loss	788	(980)
Gain on sale of assets	-	(1,754)
Loss on extinguishment of related party convertible debt	-	2,799
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	107	(905)
Receivables from affiliates, net of payables	486	760
Prepaid expenses and other current assets	(708)	93
Accounts payable and accrued liabilities	(314)	1,276
Deferred revenue and other liabilities	(204)	(279)
Net cash used in operating activities	(25,070)	(24,842)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deconsolidation of cash and cash equivalents of AgeX	(9,704)	-
Deconsolidation of cash and cash equivalents of OncoCyte	-	(8,898)
Proceeds from the sale of AgeX common stock to Juvenescence	10,800	-
Proceeds from the sale of equity method investment in Ascendance	3,215	-
Purchase of in-process research and development	(1,872)	-

Purchase of equipment and other assets	(399)	(930)
Proceeds from sales of assets and other	(8)	186
Net cash provided by (used in) investing activities	2,032	(9,642)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	-	20,125
Fees paid on sale of common shares	-	(1,623)
Proceeds from exercises of stock options	-	29
Common shares received and retired for employee taxes paid	(26)	(38)
Proceeds from sale of common shares of subsidiary	5,000	9,968
Proceeds from sale of subsidiary warrants	1,000	-
Repayment of lease liability and capital lease obligation	(155)	(31)
Reimbursement from landlord on construction in progress	-	198
Proceeds from issuance of related party convertible debt	-	384
Repayment of principal portion of promissory notes	(101)	-
Payment to repurchase subsidiary shares	(38)	-
Net cash provided by financing activities	5,680	29,012
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(40)	46
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(17,398)	(5,426)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
At beginning of the period	37,685	22,935
At end of the period	$20,287	$17,509

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization and Business Overview

General – BioTime, Inc. ("BioTime" or the "Company") is a clinical-stage, biotechnology company targeting degenerative diseases. BioTime's programs are based on two proprietary core technology platforms: cell replacement and cell/drug delivery. With the cell replacement platform, BioTime is producing new cells and tissues with its pluripotent and progenitor cell technologies. These cells and tissues are developed to replace those that are either rendered dysfunctional or lost due to degenerative diseases or injuries. BioTime's cell/drug delivery programs are based upon its proprietary HyStem® cell and drug delivery matrix technology. HyStem® was designed to provide for the transfer, retention, and/or engraftment of cell replacement therapies and to act as a device for localized drug delivery.

BioTime's lead cell replacement clinical product is OpRegen®, a retinal pigmented epithelium (RPE) cell replacement therapy, which is in a Phase I/IIa multicenter trial for the treatment of late-stage, dry age-related macular degeneration (dry-AMD). There are currently no FDA-approved therapies for dry-AMD, which accounts for approximately 90% of all age-related macular degeneration cases, and is the leading cause of blindness in people over the age of 60.

BioTime's lead cell delivery clinical product, based on its proprietary HyStem® technology, is Renevia®, a potential treatment for facial lipoatrophy. "Lipoatrophy" means the loss of fat tissue, which can be caused by several factors, including trauma, aging, or drug side effects, such as those that cause HIV-associated lipoatrophy. BioTime is also developing HyStem® for the sustained delivery of therapeutic drugs and targeted cells to specific areas of the body.

BioTime is also enabling early-stage programs in other new technologies through its own research programs as well as through other subsidiaries or affiliates.

In 2017, BioTime formed AgeX Therapeutics, Inc. ("AgeX") to continue development of initial discovery and preclinical programs with a focus on utilizing brown adipose tissue ("brown fat") in targeting diabetes, obesity, and heart disease; and induced tissue regeneration ("iTR") in utilizing the human body's own abilities to scarlessly regenerate tissues damaged from age or trauma. AgeX may also pursue other early-stage preclinical programs.

On August 17, 2017, AgeX completed an asset acquisition and stock sale pursuant to which it received certain assets from BioTime for use in its research and development programs and raised $10.0 million in cash from investors to finance its operations.

As discussed in Note 3, on August 30, 2018, BioTime entered into a Stock Purchase Agreement (the "Purchase Agreement") with Juvenescence Limited ("Juvenescence") and AgeX pursuant to which BioTime sold 14,400,000 shares of its shares of AgeX common stock to Juvenescence for $3.00 per share (the "Juvenescence Transaction"). Prior to the Juvenescence Transaction, Juvenescence owned 5.6% of AgeX's issued and outstanding common stock. Upon completion of the Juvenescence Transaction, BioTime's ownership in AgeX decreased from 80.4% to 40.2% of AgeX's issued and outstanding shares of common stock, and Juvenescence's ownership in AgeX increased from 5.6% to 45.8% of AgeX's issued and outstanding shares of common stock. As a result of the Juvenescence Transaction, as of August 30, 2018, BioTime owned less than 50% of AgeX's outstanding common stock and experienced a loss of control of AgeX in accordance with accounting principles generally accepted in the United States ("GAAP"). Under GAAP, loss of control of a subsidiary is deemed to have occurred when, among other things, a parent company owns less than a majority of the outstanding common stock of the subsidiary, lacks a controlling financial interest in the subsidiary, and is unable to unilaterally control the subsidiary through other means such as having the ability or being able to obtain the ability to elect a majority of the subsidiary's Board of Directors. BioTime determined that all of these loss of control factors were present with respect to AgeX on August 30, 2018. Accordingly, BioTime has deconsolidated AgeX's consolidated financial statements and consolidated results of operations from BioTime, effective August 30, 2018 (the "AgeX Deconsolidation"), in accordance with Accounting Standards Codification, or ASC 810-10-40-4(c), *Consolidation*. Since August 30, 2018, BioTime has accounted for the AgeX common stock it holds using the equity method of accounting at fair value (see Note 5).

As discussed in Note 16, on November 5, 2018, AgeX filed Amendment No. 4 to its Registration Statement on Form 10 with the Securities and Exchange Commission ("SEC") in connection with BioTime's planned distribution of shares of AgeX common stock owned by BioTime to holders of BioTime common shares, on a pro rata basis (the "AgeX Distribution"). If the AgeX Distribution is completed, BioTime shareholders of record on November 16, 2018 will receive one share of AgeX common stock for every 10 BioTime common shares they own on November 28, 2018, the expected "Distribution Date".

BioTime also has significant equity holdings in two publicly traded companies, Asterias Biotherapeutics, Inc. ("Asterias") and OncoCyte Corporation ("OncoCyte"), which BioTime founded and, until recently, were majority-owned and consolidated subsidiaries. Asterias (NYSE American: AST) is presently focused on advancing three clinical-stage programs that have the potential to address areas of very high unmet medical needs in the fields of neurology (spinal cord injury) and oncology (Acute Myeloid Leukemia and lung cancer). OncoCyte (NYSE American: OCX) is developing confirmatory diagnostic tests for lung cancer utilizing novel liquid biopsy technology. See Note 16 for the definitive merger agreement entered into by BioTime and Asterias on November 7, 2018, for BioTime to acquire the remaining ownership interest in Asterias (see Note 7).

Beginning on February 17, 2017, BioTime deconsolidated OncoCyte's financial statements and results of operations from BioTime (the "OncoCyte Deconsolidation") (see Notes 4 and 6).

Beginning on May 13, 2016, BioTime deconsolidated Asterias' financial statements and results of operations from BioTime (the "Asterias Deconsolidation") (see Notes 7 and 16).

2. Basis of Presentation, Liquidity and Summary of Significant Accounting Policies

The unaudited condensed consolidated interim financial statements presented herein, and discussed below, have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. In accordance with those rules and regulations certain information and footnote disclosures normally included in comprehensive consolidated financial statements have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2017 was derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by GAAP. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in BioTime's Annual Report on Form 10-K, as amended, for the year ended December 31, 2017, the audited annual consolidated financial statements of AgeX for the year ended December 31, 2017 and the AgeX unaudited condensed consolidated interim financial statements as of, and for the nine months ended September 30, 2018 included in Amendment No. 4 to AgeX's Registration Statement on Form 10 filed on November 5, 2018 with the SEC (see Note 16).

The accompanying condensed consolidated interim financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of BioTime's financial condition and results of operations. The condensed consolidated results of operations are not necessarily indicative of the results to be expected for any other interim period or for the entire year.

Principles of consolidation – BioTime's condensed consolidated interim financial statements present the operating results of all of its wholly-owned and majority-owned subsidiaries that it consolidates as required under GAAP. All

material intercompany accounts and transactions have been eliminated in consolidation. BioTime consolidated Cell Cure Neurosciences, Ltd ("Cell Cure"), OrthoCyte Corporation ("OrthoCyte"), ES Cell International, Pte Ltd ("ESI") and BioTime Asia, Limited ("BioTime Asia"), as BioTime has the ability to control their operating and financial decisions and policies through its stock ownership or representation on the board of directors, and the noncontrolling interest is reflected as a separate element of shareholders' equity on BioTime's condensed consolidated balance sheets.

BioTime's consolidated balance sheet at December 31, 2017, as reported, includes AgeX's consolidated assets and liabilities, after intercompany eliminations. However, AgeX's consolidated assets and liabilities are not included in BioTime's unaudited condensed consolidated balance sheet at September 30, 2018, due to the deconsolidation of AgeX on August 30, 2018. AgeX's consolidated financial statements and consolidated results of operations include its majority owned and consolidated subsidiaries, including ReCyte Therapeutics, Inc. ("ReCyte"), LifeMap Sciences, Inc. ("LifeMap Sciences") and LifeMap Sciences, Ltd.

BioTime's unaudited consolidated statements of operations for the three and nine months ended September 30, 2018 include AgeX's consolidated results for the period through August 29, 2018, the day immediately preceding the AgeX Deconsolidation. For the three and nine months ended September 30, 2017, BioTime's unaudited consolidated results include AgeX's consolidated results for the full periods presented. As a result of the AgeX Deconsolidation, beginning on August 30, 2018 (a) AgeX's consolidated financial statements and consolidated results are no longer a part of BioTime's condensed consolidated interim financial statements and results, and (b) the fair value of AgeX common stock held by BioTime is now reflected on BioTime's condensed consolidated balance sheet and the changes in the fair value of those shares during the applicable accounting period are reflected as gains or losses in BioTime's condensed consolidated statements of operations. Since AgeX's common stock is not publicly traded, fair value is estimated (see Note 5).

Beginning on February 17, 2017 and May 13, 2016, respectively, OncoCyte and Asterias financial statements and results are no longer a part of BioTime's condensed consolidated interim financial statements and results. The market value of OncoCyte and Asterias common stock held by BioTime is now reflected on BioTime's condensed consolidated balance sheet and the changes in the market value of those shares during the applicable accounting period are reflected as gains or losses in BioTime's condensed consolidated statements of operations, allowing BioTime shareholders to evaluate the value of the respective OncoCyte and Asterias' portion of BioTime's business.

OncoCyte's results are not included in BioTime's condensed consolidated statements of operations for the three and nine months ended September 30, 2018, and the three months ended September 30, 2017. BioTime's condensed consolidated statements of operations for the nine months ended September 30, 2017 include OncoCyte's results for the period from January 1, 2017 through February 16, 2017, the day immediately preceding the OncoCyte Deconsolidation.

Liquidity – Since inception, BioTime has incurred significant operating losses and has funded its operations primarily through the issuance of equity securities, sale of common stock of a former subsidiary, payments from research grants, royalties from product sales and sales of research products and services. At September 30, 2018, BioTime had an accumulated deficit of $216.9 million, working capital of $32.4 million and shareholders' equity of $169.6 million. BioTime has evaluated its projected cash flows and believes that its $32.2 million of cash, cash equivalents, receivable from Juvenescence (Notes 3 and 16) and marketable equity securities at September 30, 2018, provide sufficient cash, cash equivalents and liquidity to carry out BioTime's current operations through at least twelve months from the issuance date of the condensed consolidated interim financial statements included in this Report. BioTime also holds shares of Asterias and OncoCyte common stock with a combined market value of $65.0 million at September 30, 2018. Although BioTime has no present plans to liquidate its holdings of Asterias or OncoCyte shares, if BioTime needs near term working capital or liquidity to supplement its cash and cash equivalents for its operations, BioTime may sell some, or all, of its Asterias or OncoCyte shares, as necessary.

If the AgeX Distribution is completed, AgeX will become a public company and BioTime will continue to hold a minor interest in AgeX common stock that may be a source of additional liquidity to BioTime as a marketable equity security. The AgeX Distribution is subject to numerous conditions, including the SEC declaring AgeX's Registration Statement on Form 10 effective. There can be no assurance that the AgeX Distribution will be completed (see Note 16).

If the Juvenescence Promissory Note discussed in Note 3 is converted to Juvenescence common stock prior to its maturity date, the Juvenescence common stock may be a marketable security that BioTime may use to supplement its liquidity, as needed. If the Promissory Note is not converted, it is payable in cash, plus accrued interest, at maturity (see Note 3). There can be no assurance that the Promissory Note will be converted prior to maturity.

BioTime's projected cash flows are subject to various risks and uncertainties, and the unavailability or inadequacy of financing to meet future capital needs could force it to modify, curtail, delay, or suspend some or all aspects of its planned operations. BioTime's determination as to when it will seek new financing and the amount of financing that it will need will be based on its evaluation of the progress it makes in its research and development programs, any changes to the scope and focus of those programs, and projection of future costs, revenues, and rates of expenditure. For example, clinical trials being conducted for its OpRegen® program will be funded in part with funds from grants and not from cash on hand. If BioTime were to lose grant funding or is unable to continue to provide working capital to the OpRegen® program, it may be required to delay, postpone, or cancel the clinical trials or limit the number of clinical trial sites, unless BioTime is able to obtain adequate financing from another source that could be used for the clinical trials.

As discussed on Note 16, on November 7, 2018, BioTime entered into a definitive merger agreement with Asterias to acquire the remaining ownership interest in Asterias (see Note 7). The acquisition is expected to close in the first quarter of 2019, subject to approval by the shareholders of each of BioTime and Asterias and the satisfaction of other customary closing conditions. As of September 30, 2018, BioTime owns approximately 39% of the issued and outstanding shares of Asterias common stock.

If the merger is completed, Asterias will cease to exist as a public company and this marketable security will not be a source of possible liquidity to BioTime, BioTime will consolidate Asterias' operations and results with its operations and consolidated results beginning on the consummation of the merger. If the merger is completed, BioTime expects to incur significant costs in connection with consummating the merger and integrating the operations of Asterias. BioTime may incur additional costs to maintain employee morale and to retain key employees. BioTime will also incur significant fees and expenses relating to legal, accounting and other transaction fees and other costs associated with the merger. Some of these costs are payable regardless of whether the merger is completed. Moreover, under specified circumstances, the merger agreement requires either party to pay the other a termination fee of $2.0 million if the merger is not consummated or, under specified circumstances, an expense reimbursement of $1.5 million which will be credited against the termination fee. The unavailability or inadequacy of financing to meet future capital needs could force BioTime to further modify, curtail, delay, or suspend some or all aspects of planned operations.

BioTime cannot assure that adequate future financing will be available on favorable terms, if at all, when needed. Sales of additional equity securities by BioTime or its subsidiaries could result in the dilution of the interests of present shareholders.

As discussed in Note 14, the planned AgeX Distribution will be a taxable event to BioTime. The amount of income tax obligation, if any, that BioTime may incur in connection with the AgeX Distribution is not estimable at this time since the tax obligation depends on numerous factors and contingencies including, but not limited to, the completion of the AgeX Distribution, the amount and availability of U.S. net operating losses generated by BioTime to offset any taxable gain as a result of the AgeX Distribution, and the value of AgeX common stock on the distribution date.

Equity method accounting for AgeX, OncoCyte and Asterias, at fair value – BioTime uses the equity method of accounting when it has the ability to exercise significant influence, but not control, as determined in accordance with GAAP, over the operating and financial policies of a company. For equity method assets which BioTime has elected to measure at fair value, unrealized gains and losses are reported in the condensed consolidated statements of operations in other income and expenses, net.

As further discussed in Notes 5, 6 and 7, BioTime has elected to account for its AgeX, OncoCyte and Asterias shares at fair value using the equity method of accounting because beginning on August 30, 2018, February 17, 2017 and May 13, 2016, the respective dates on which BioTime deconsolidated AgeX, OncoCyte and Asterias (see Note 16), BioTime has not had control of AgeX, OncoCyte and Asterias, as defined by GAAP, but continues to exercise significant influence over those companies. Under the fair value method, BioTime's value in shares of common stock it holds in OncoCyte and Asterias is marked to market at each balance sheet date using the closing prices of OncoCyte and Asterias common stock on the NYSE American multiplied by the number of shares of OncoCyte and Asterias held by BioTime, with changes in the fair value of the OncoCyte and Asterias shares included in other income and expenses, net, in the condensed consolidated statements of operations. The OncoCyte and Asterias shares are considered level 1 assets as defined by ASC 820, *Fair Value Measurements and Disclosures*.

BioTime accounts for the AgeX shares it continues to hold in a manner similar to the accounting for Asterias and OncoCyte shares held, except the fair value of the AgeX shares is estimated by BioTime at each reporting period because AgeX common stock is not publicly traded. Accordingly, the AgeX shares are considered level 2 assets as defined by ASC 820 (see Note 5 for a discussion of factors used to determine the fair value of AgeX common stock beginning on August 30, 2018, the date of the AgeX Deconsolidation).

Marketable equity securities – BioTime accounts for the shares it holds in foreign equity securities as marketable equity in accordance with ASC 320-10-25, *Investments – Debt and Equity Securities*, as amended by Accounting Standards Update ("ASU") 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, further discussed below, as the shares have a readily determinable fair value quoted on the Tel Aviv Stock Exchange ("TASE") (under trading symbol "HDST") where share prices are denominated in New Israeli

Shekels (NIS). These securities are held principally to meet future working capital needs. The securities are measured at fair value and reported as current assets on the condensed consolidated balance sheets based on the closing trading price of the security as of the date being presented. Beginning on January 1, 2018, with the adoption of ASU 2016-01 discussed below, these securities are now called “marketable equity securities” and unrealized holding gains and losses on these securities, including changes in foreign currency exchange rates, are reported in the condensed consolidated statements of operations in other income and expenses, net. Prior to January 1, 2018 and the adoption of ASU 2016-01, these securities were called “available-for-sale securities” and unrealized holding gains and losses, including changes in foreign currency exchange rates, were reported in other comprehensive income or loss, net of tax, and were a component of the accumulated other comprehensive income or loss on the consolidated balance sheet. Realized gains and losses, and declines in value judged to be other-than-temporary related to marketable equity securities, are included in other income and expenses, net, in the condensed consolidated statements of operations.

On January 1, 2018, in accordance with the adoption of ASU 2016-01, BioTime recorded a cumulative-effect adjustment for these available-for-sale-securities to reclassify the unrealized gain of $328,000 included in consolidated accumulated other comprehensive income to the consolidated accumulated deficit balance. For the three and nine months ended September 30, 2018, BioTime recorded an unrealized gain of $23,000 and $635,000, respectively, included in other income and expenses, net, due to the increase in fair market value of the marketable equity securities from December 31, 2017 to September 30, 2018.

Basic and diluted net income (loss) per share attributable to common shareholders – Basic earnings per share is calculated by dividing net income or loss attributable to BioTime common shareholders by the weighted average number of common shares outstanding, net of unvested restricted stock or restricted stock units, subject to repurchase by BioTime, if any, during the period. Diluted earnings per share is calculated by dividing the net income or loss attributable to BioTime common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of potentially dilutive common shares issuable under outstanding stock options and warrants, using the treasury-stock method, convertible preferred stock, if any, using the if-converted method, and treasury stock held by subsidiaries, if any.

The primary components of the weighted average number of potentially dilutive common shares used to compute diluted net income per common share for the three months ended September 30, 2018 were approximately 95,000 outstanding stock options and restricted stock units. For the nine months ended September 30, 2018, there were no potentially dilutive common share equivalents due to the net loss reported for the period presented.

The primary components of the weighted average number of potentially dilutive common shares used to compute diluted net income per common share for the three months ended September 30, 2017 were approximately 10,000 outstanding stock options and restricted stock units. The primary components of weighted average shares of potentially dilutive common shares used to compute diluted net income per common share for the nine months ended September 30, 2017 were 109,000 shares of treasury stock and 26,000 restricted stock units and outstanding stock options (see Note 13).

The following common share equivalents were excluded from the computation of diluted net income (loss) per common share for the periods presented because including them would have been antidilutive (in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	(unaudited)		**(unaudited)**	
	2018	2017	2018	2017
Stock options	9,742	7,915	9,301	7,871
Warrants[(1)]	8,795	9,395	9,138	9,395
Restricted stock units	83	-	286	-

[(1)]The warrants expired on October 1, 2018 (see Note 16).

Recently adopted accounting pronouncements

Adoption of ASU 2016-18, *Statement of Cash Flows (Topic 230).* On January 1, 2018, BioTime adopted Financial Accounting Standards Board ("FASB") ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash, and that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the condensed consolidated statements of cash flows. The adoption of ASU 2016-18 did not have a material effect on BioTime's condensed consolidated financial

statements. However, prior period restricted cash balances included in prepaid expenses and other current assets, and in deposits and other long-term assets, on the condensed consolidated balance sheets was added to the beginning-of-period and end-of-period total consolidated cash and cash equivalents in the condensed consolidated statements of cash flows to conform to the current presentation shown below.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheet dates that comprise the total of the same such amounts shown in the condensed consolidated statements of cash flows for all periods presented herein and effected by the adoption of ASU 2016-18 (in thousands):

	September 30, 2018	December 31, 2017	**September 30, 2017**	December 31, 2016
	(unaudited)		**(unaudited)**	
Cash and cash equivalents	$ 19,467	$ 36,838	$ 16,662	$ 22,088
Restricted cash included in prepaid expenses and other current assets (see Note 15)	424	-	-	-
Restricted cash included in deposits and other long-term assets (see Note 15)	396	847	847	847
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statements of cash flows	$ 20,287	$ 37,685	$ 17,509	$ 22,935

Adoption of ASU 2014-09, Revenues from Contracts with Customers (Topic 606). In May 2014, the FASB issued ASU 2014-09 (“Topic 606”) *Revenue from Contracts with Customers* which supersedes the revenue recognition requirements in Topic 605 *Revenue Recognition* (“Topic 605”). Topic 606 describes principles an entity must apply to measure and recognize revenue and the related cash flows, using the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Topic 606 core principle is that it requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

BioTime adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method applied to those contracts which were not completed as of the adoption date. Results for reporting periods beginning on January 1, 2018 and thereafter are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with BioTime's historical revenue recognition accounting under Topic 605.

On January 1, 2018, the adoption and application of Topic 606 resulted in an immaterial cumulative effect adjustment to BioTime's beginning consolidated accumulated deficit balance. In the applicable paragraphs below, BioTime has summarized its revenue recognition policies for its various revenue sources in accordance with Topic 606.

Revenue Recognition by Source and Geography. Revenues are recognized when control of the promised goods or services is transferred to customers, or in the case of governmental entities funding a grant, when allowable expenses are incurred, in an amount that reflects the consideration BioTime or a subsidiary, depending on which company has the customer or the grant, expects to be entitled to in exchange for those goods or services. See further discussion under *Grant Revenues* below.

The following table presents BioTime's unaudited consolidated revenues disaggregated by source (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017[1]**	2018	**2017 [1]**
REVENUES:				
Grant revenue	$718	$1,225	$2,985	$1,236
Royalties from product sales and license fees	85	86	312	277
Subscription and advertisement revenues[2]	119	376	691	940
Sale of research products and services	60	1	242	6
Total revenues	$982	1,688	4,230	2,459

[1]Amounts recognized prior to adoption of Topic 606 have not been adjusted under the Topic 606 modified retrospective transition method.

[2]These revenues were generated by LifeMap Sciences, which is now a subsidiary of AgeX. As a result of the AgeX Deconsolidation BioTime does not expect to recognize subscription and advertisement revenues during subsequent accounting periods.

The following table presents unaudited consolidated revenues, disaggregated by geography, based on the billing addresses of customers, or in the case of grant revenues based on where the governmental entities that fund the grant are located. Amounts shown are in unaudited and in thousands. See further discussion under *Grant Revenues* below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017 (1)**	2018	**2017[1]**
REVENUES:				
United States	$403	$209	$1,541	$569
Foreign[2]	579	1,479	2,689	1,890
Total revenues	$982	$1,688	$4,230	$2,459

[1]Amounts recognized prior to adoption of Topic 606 have not been adjusted under the Topic 606 modified retrospective transition method.

[2]Foreign revenues are primarily generated from grants in Israel.

Research and development contracts with customers. In its agreements with customers, BioTime's performance obligations of research and development are completed as services are performed and control passes to the customer, and accordingly revenues are recognized over time. BioTime generally receives a fee at the inception of an agreement, with variable fees, if any, tied to certain milestones, if achieved. BioTime estimates this variable consideration using a single most likely amount. Based on historical experience, there has been no variable consideration related to milestones included in the transaction price due to the significant uncertainty of achieving contract milestones and milestones not being met. If a milestone is met, subsequent changes in the single most likely amount may produce a different variable consideration, and BioTime will allocate any subsequent changes in the transaction price on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation will be recognized as revenue in the period in which the transaction price changes with respect to variable consideration, which could result in a reduction of revenue. Contracts of this kind are typically for a term greater than one year. For each of the three and nine months ended September 30, 2018 and 2017, BioTime recognized $77,000 and $231,000 for such services included in the consolidated royalties from product sales and license fees, respectively. The aggregate amount of the transaction price, excluding payments related to any milestones, allocated to performance obligations that are unsatisfied, or partially unsatisfied, as of September 30, 2018 was $77,000, included in deferred revenues in the consolidated balance sheets. BioTime expects to recognize revenue of $77,000 through the year ending December 31, 2018. As of September 30, 2018, BioTime had not met any milestones that would require adjustment of the transaction price.

Royalties from product sales and license fees. BioTime's performance obligations in agreements with certain customers is to provide a license to allow customers to make, import and sell company licensed products or methods for pre-clinical studies and commercial use. Customers pay a combination of a license issue fee paid up front and a sales-based royalty, if any, in some cases with yearly minimums. The transaction price is deemed to be the license issue fee stated in the contract. The license offered by BioTime is a functional license with significant standalone functionality and provides customers with the right to use BioTime's intellectual property. This allows BioTime to recognize revenue on the license issue fee at a point in time at the beginning of the contract, which is when the customer begins to have use of the license. Variable consideration related to sales-based royalties is recognized only when (or as) the later of the following events occurs: (a) a sale or usage occurs, or (b) the performance obligation to which some, or all, of the sales-based or usage-based royalty has been allocated has been satisfied or partially satisfied. Due to the contract termination clauses, BioTime does not expect to receive all of the minimum royalty payments throughout the term of the agreements. Therefore, BioTime fully constrains recognition of the minimum royalty payments as revenues until its customers are obligated to pay, which is generally within 60 days prior to beginning of each year the minimum royalty payments are due. For the three and nine months ended September 30, 2018 and 2017, royalty revenues were immaterial.

Sale of research products and services. Revenues from the sale of research products and services shown in the table above are primarily derived from the sale of hydrogels and stem cell products for research use and are recognized when earned. Revenues from the sale of hydrogels and stem cell products were immaterial for all periods presented.

Subscription and advertisement revenues. LifeMap Sciences, a direct majority-owned subsidiary of AgeX, sells subscription-based products, including research databases and software tools, for biomedical, gene, disease, and stem cell research. LifeMap Sciences sells these subscriptions primarily through the internet to biotech and pharmaceutical companies worldwide. LifeMap Sciences' principal subscription product is the GeneCards® Suite, which includes the GeneCards® human gene database, and the MalaCards™ human disease database.

LifeMap Sciences' performance obligations for subscriptions include a license of intellectual property related to its genetic information packages and premium genetic information tools. These licenses are deemed functional licenses that provide customers with a "right to access" to LifeMap Sciences' intellectual property during the subscription period and, accordingly, revenue is recognized over a period of time, which is generally the subscription period. Payments are typically received at the beginning of a subscription period and revenue is recognized according to the type of subscription sold.

For subscription contracts in which the subscription term commences before a payment is due, LifeMap Sciences records an accounts receivable as the subscription is earned over time and bills the customer according to the contract terms. LifeMap Sciences continuously monitors collections and payments from customers and maintains a provision for estimated credit losses and uncollectible accounts based upon its historical experience and any specific customer collection issues that have been identified. Amounts determined to be uncollectible are written off against the allowance for doubtful accounts. LifeMap Sciences has not historically provided significant discounts, credits, concessions, or other incentives from the stated price in the contract as the prices are offered on a fixed fee basis for

the type of subscription package being purchased. LifeMap Sciences may issue refunds only if the packages cease to be available for reasons beyond its control. In such an event, the customer will get a refund on a pro-rata basis. Using the most likely amount method for estimating refunds under Topic 606, including historical experience, LifeMap Sciences determined that the single most likely amount of variable consideration for refunds is immaterial as LifeMap Sciences does not expect to pay any refunds. Both the customer and LifeMap Sciences expect the subscription packages to be available during the entire subscription period, and LifeMap Sciences has not experienced any significant issues with the availability of the product and has not issued any material refunds.

LifeMap Sciences performance obligations for advertising are overall advertising services and represent a series of distinct services. Contracts are typically less than a year in duration and the fees charged may include a combination of fixed and variable fees with the variable fees tied to click throughs to the customer’s products on their website. LifeMap Sciences allocates the variable consideration to each month the click through services occur and allocates the annual fee to the performance obligation period of the initial term of the contract because those amounts correspond to the value provided to the customer each month. For click-through advertising services, at the time the variable compensation is known and determinable, the service has been rendered. Revenue is recognized at that time. The annual fee is recognized over the initial subscription period because this is a service and the customer simultaneously receives and consumes the benefit of LifeMap Sciences’ performance.

LifeMap Sciences deferred subscription revenues primarily represent subscriptions for which cash payment has been received for the subscription term, but the subscription term has not been completed as of the balance sheet date reported. No revenues from subscription and advertisement products have been recorded since August 29, 2018 because of the AgeX Deconsolidation. The LifeMap Sciences revenues shown for the three and nine months ended September 30, 2018 are for revenues earned through August 29, 2018, the date immediately preceding the AgeX Deconsolidation. As a result of the AgeX Deconsolidation, BioTime does not expect to earn subscription and advertising revenues in subsequent accounting periods.

For the three months ended September 30, 2018 and 2017, LifeMap Sciences recognized $119,000 and $376,000 in subscription and advertisement revenues. For the nine months ended September 30, 2018 and 2017, LifeMap Sciences recognized $691,000 and $940,000 in subscription and advertisement revenues. As of September 30, 2018, there were no deferred revenues related to LifeMap Sciences included in the condensed consolidated balance sheets due to the AgeX Deconsolidation on August 30, 2018.

LifeMap Sciences has licensed from a third party the databases it commercializes and has a contractual obligation to pay royalties to the licensor on subscriptions sold. These costs are included in cost of sales on the condensed consolidated statements of operations when the cash is received and the royalty obligation is incurred as the royalty payments do not qualify for capitalization of costs to fulfill a contract under ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*.

Grant revenues. In applying the provisions of Topic 606, BioTime has determined that government grants are out of the scope of Topic 606 because the government entities do not meet the definition of a “customer”, as defined by Topic 606, as there is not considered to be a transfer of control of good or services to the government entities funding the grant. BioTime has, and will continue to, account for grants received to perform research and development services in accordance with ASC 730-20, *Research and Development Arrangements*, which requires an assessment, at the inception of the grant, of whether the grant is a liability or a contract to perform research and development services for others. If BioTime or a subsidiary receiving the grant is obligated to repay the grant funds to the grantor regardless of the outcome of the research and development activities, then BioTime is required to estimate and recognize that liability. Alternatively, if BioTime or a subsidiary receiving the grant is not required to repay, or if it is required to repay the grant funds only if the research and development activities are successful, then the grant agreement is accounted for as a contract to perform research and development services for others, in which case, grant revenue is recognized when the related research and development expenses are incurred (see Note 15).

Deferred grant revenues represent grant funds received from the governmental funding agencies for which the allowable expenses have not yet been incurred as of the balance sheet date reported. As of September 30, 2018, deferred grant revenue was immaterial.

Arrangements with multiple performance obligations. BioTime's contracts with customers may include multiple performance obligations. For such arrangements, BioTime allocates revenue to each performance obligation based on its relative standalone selling price. BioTime generally determines or estimates standalone selling prices based on the prices charged, or that would be charged, to customers for that product or service. As of, and for the nine months ended, September 30, 2018, BioTime did not have significant arrangements with multiple performance obligations.

Adoption of ASU 2016-01, Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Changes to the current GAAP model under ASU 2016-01 primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, ASU 2016-01 clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The more significant amendments are to equity investments in unconsolidated entities. In accordance with ASU No. 2016-01, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification (changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values. As further discussed above under the *marketable equity securities* policy, BioTime adopted ASU 2016-01 on January 1, 2018.

Recently Issued Accounting Pronouncements Not Yet Adopted – The recently issued accounting pronouncements applicable to BioTime that are not yet effective should be read in conjunction with the recently issued accounting pronouncements, as applicable and disclosed in BioTime's Annual Report on Form 10-K, as amended, for the year ended December 31, 2017.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which requires lessees to recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted. BioTime is evaluating the impact the adoption of ASU 2016-02 will have on its consolidated financial statements. BioTime expects that most of its operating lease commitments will be subject to the new standard and recognized as right-of-use assets and operating lease liabilities upon the adoption of ASU 2016-02, which will increase the total consolidated assets and total consolidated liabilities that it reports.

3. Sale of significant ownership interest in AgeX to Juvenescence Limited

On August 30, 2018, BioTime entered into a Stock Purchase Agreement with Juvenescence Li