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

FORM 10-Q

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

For the quarterly period ended September 30, 2008

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For transition period from _____ to _____

Commission File Number: 0-51891

INTERNATIONAL STEM CELL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	20-4494098
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2595 Jason Court
Oceanside, CA 92056

(Address of Principal Executive Offices)

(760) 940-6383
(Registrant's telephone number)

Indicated 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 [X] NO [ ]

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

Large accelerated filer	[_]	Accelerated filer	[_]
Non-accelerated filer	[_]	Smaller reporting company	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [_] NO [X]

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 9, 2008, there were **35,989,495** shares of Common Stock outstanding.

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)
Condensed Consolidated Statements of Financial Condition

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash and cash equivalents	$ 1,194,166	$ 165,344
Inventory	280,583	175,636
Other current assets	219,262	10,189
Prepaid assets	105,368	119,035
Property and equipment, net	513,709	482,786
Patent licenses, net	614,181	625,148
Deposits and other assets	19,644	19,643
Total assets	$ 2,946,913	$ 1,597,781
Liabilities and stockholders' equity		
Accounts payable	$ 847,221	$ 493,426
Accrued liabilities	208,725	142,177
Loan payable and advances	781,706	-
Related party payables	449,297	749,778
Total liabilities	2,286,949	1,385,381
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.001 par value, 200,000,000 shares authorized, 35,989,495 shares and 35,369,495 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively	35,989	35,369
Preferred stock, $.001 par value, 20,000,000 shares authorized, 3,550,000 shares and 0 shares issued and outstanding as of September 30, 2008 and December 31, 2007, respectively	3,550	-
Additional paid-in capital	22,961,978	16,124,046
Accumulated deficit during the development stage	(22,341,553)	(15,947,015)
Total stockholders' equity	659,964	212,400
Total liabilities and stockholders' equity	$ 2,946,913	$ 1,597,781

See accompanying notes to the unaudited condensed consolidated financial statements.

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Inception (August 2001) through September 30, 2008
	2008	2007	2008	2007	
Revenue					
Product sales	$ 142,452	$ 12,435	$ 237,087	$ 17,616	$ 278,838
Royalties and license	75,000	-	135,000	-	135,000
	217,452	12,435	372,087	17,616	413,838
Development expenses					
Cost of sales	13,296	47,630	90,161	53,483	162,030
Research and development	444,964	620,703	1,695,927	1,812,343	8,071,039
Marketing	47,903	156,576	275,897	427,622	907,353
General and administrative	668,677	655,199	2,554,024	2,270,860	10,387,791
Total development expenses	1,174,840	1,480,108	4,616,009	4,564,308	19,528,213
Loss from development activities	(957,388)	(1,467,673)	(4,243,922)	(4,546,692)	(19,114,375)
Other income (expense)					
Settlement with related company	-	-	-	-	(93,333)
Miscellaneous income	268	275	629	2,356	9,000
Dividend income	-	18,012	-	102,082	54,603
Interest expense	(446,773)	(7,819)	(575,918)	(31,272)	(1,644,050)
Sublease income	2,100	2,100	6,300	7,542	35,029
Total other income (expense)	(444,405)	12,568	(568,989)	80,708	(1,638,751)
Loss before income taxes	(1,401,793)	(1,455,105)	(4,812,911)	(4,465,984)	(20,753,126)
Provision for income taxes	-	-	-	800	6,800
Net loss	$ (1,401,793)	$ (1,455,105)	$ (4,812,911)	$ (4,466,784)	$ (20,759,926)
Deemed dividend on preferred stock	1,056,522	-	1,581,628	-	
Net loss attributable to common shareholders	$ (2,458,315)	$ (1,455,105)	$ (6,394,539)	$ (4,466,784)	$ (20,759,926)
Net loss per share computation:					
Weighted average shares outstanding	35,987,321	35,366,908	35,655,261	35,360,087	
Net loss per share – Basic and Diluted	$ (0.07)	$ (0.04)	$ (0.18)	$ (0.13)	

See accompanying notes to the unaudited condensed consolidated financial statements.

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)
Condensed Consolidated Statements of Members' Deficit and Stockholders' Equity (Deficit)
From Inception to September 30, 2008
(Unaudited)

	Common Stock		Preferred Stock		Additional Paid-in	Accumulated	Total	Member's
	Shares	Par	Shares	Par	Capital	Deficit	Equity	Deficit
Balance at August 17, 2001								
Members contribution								$ 100,000
Net loss for the period from inception								(140,996)
Balance at December 31, 2001								(40,996)
Members contribution								250,000
Net loss for the year ended								(390,751)
Balance at December 31, 2002								(181,747)
Members contribution								195,000
Net loss for the year ended								(518,895)
Balance at December 31, 2003								(505,642)
Members contribution								1,110,000
Net loss for the year ended								(854,718)
Balance at December 31, 2004								(250,360)
Members contribution								780,000
Net loss for the year ended								(1,385,745)
Balance at December 31, 2005								(856,105)
Members contribution								(250,000)
Effect of the reorganization transaction	20,000,000	$ 20,000			$ 2,665,000	$ (3,291,105)	$ (606,105)	$ (606,105)
BTHC transactions	2,209,993	2,210			(2,210)		-	
Offering costs					(2,778,082)		(2,778,082)	
Warrants issued for equity placement services					1,230,649		1,230,649	
Warrants issued for services					222,077		222,077	
Warrants issued with promissory note					637,828		637,828	
Common stock issued for services	1,350,000	1,350			1,348,650		1,350,000	
Issuance of common stock	10,436,502	10,436			10,371,512		10,381,948	
Stock-based compensation					842,374		842,374	
Net loss for the year ended December 31, 2006						(6,583,927)	(6,583,927)	
Balance at December 31, 2006	33,996,495	33,996			14,537,798	(9,875,032)	4,696,762	
Offering costs					(382,124)		(382,124)	
Warrants issued for equity placement services					169,249		169,249	
Issuance of common stock	1,370,000	1,370			1,368,630		1,370,000	
Warrants exercised	3,000	3			2,997		3,000	
Stock-based compensation					427,496		427,496	
Net loss for the year ended December 31, 2007						(6,071,983)	(6,071,983)	
Balance at December 31, 2007	35,369,495	35,369	-	$ -	16,124,046	(15,947,015)	212,400	
Issuance of Preferred stock			3,550,000	3,550	3,546,450		3,550,000	
Preferred Stock Subscribed								
Warrants issued and beneficial conversion feature					924,692		924,692	
Issuance of Common Stock	620,000	620			111,543		112,163	
Stock-based compensation					673,620		673,620	
Deemed dividend on preferred stock					1,581,627	(1,581,627)	-	
Net loss year to date September 30, 2008						(4,812,911)	(4,812,911)	
Balance at September 30, 2008	35,989,495	$ 35,989	3,550,000	$ 3,550	$ 22,961,978	$ (22,341,553)	$ 659,964	

See accompanying notes to the unaudited condensed consolidated financial statements.

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,		Inception (August 2001) through September 30,
	2008	**2007**	**2008**
Operating activities			
Net loss	$ (4,812,911)	$ (4,466,784)	$ (20,759,926)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	120,640	100,031	410,057
Accretion of discount on Notes Payable	-	-	103,304
Accretion of discount on bridge loans	-	-	637,828
Non-cash warrants for services	-	-	222,077
Stock-based compensation	673,620	332,336	1,943,490
Amortization of debt discount on convertible debt and notes	557,480	-	557,480
Common stock issued for services	112,163	-	1,462,163
Changes in operating assets and liabilities			
(Increase) in other current assets	(209,073)	(9,371)	(239,405)
(Increase) decrease in inventory	(104,947)	(71,695)	(260,439)
(Increase) decrease in prepaid assets	13,667	(34,285)	(105,368)
(Increase) decrease in deposits and other assets	-	(1,400)	(19,643)
Increase (decrease) in accounts payable	353,795	46,177	847,220
Increase (decrease) in accrued liabilities	66,548	15,414	208,724
Increase (decrease) in related party payables	(231,562)	(207,894)	518,216
Net cash used in operating activities	(3,460,580)	(4,297,471)	(14,474,222)
Investing activities			
Purchases of property and equipment	(111,557)	(306,542)	(750,772)
Payments for patent licenses and trademarks	(29,041)	(192,159)	(787,176)
Net cash used in investing activities	(140,598)	(498,701)	(1,537,948)
Financing activities			
Members' contributions	-	-	2,685,000
Proceeds from issuance of common stock, Preferred Stock, and warrant exercises	3,550,000	1,370,000	15,304,948
Proceeds for issuance of convertible promissory notes	-	2,000	2,099,552
Net proceeds from convertible debt and advances	-	-	1,080,000
Payment of promissory notes	-	-	(2,202,856)
Proceeds from loan payable	1,605,000	-	1,605,000
Payment of loan payable	(525,000)	(25,000)	(525,000)
Payment of offering costs		(212,875)	(2,840,308)
Net cash provided by financing activities	4,630,000	1,134,125	17,206,336
Net (decrease) increase in cash	1,028,822	(3,662,047)	1,194,166
Cash and cash equivalents, beginning of period	165,344	4,696,694	-
Cash and cash equivalents, end of period	$ 1,194,166	$ 1,034,647	$ 1,194,166
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 135,442	$ 118,608	$ 359,656
Cash paid for income taxes	$ -	$ 2,500	$ 7,400
Non-cash financing activities:			
Warrants issued with promissory notes	$ 283,363	$ -	$ 921,191
Warrants issued for placements agent services	$ -	$ 1,230,649	$ 1,230,649
Beneficial conversion feature of convertible debt	$ 641,330	$ -	$ 641,330
Deemed dividend on preferred stock	$ 1,581,627	$ -	$ 1,581,627

See accompanying notes to the unaudited condensed consolidated financial statements.

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

Business Combination and Corporate Restructure
BTHC III, Inc. ("BTHC III" or the "Company") was organized in Delaware in June 2005 as a shell company to effect the reincorporation of BTHC III, I a Texas limited liability company. On December 28, 2006, we effected a Share Exchange pursuant to which we acquired all of the stock of International Sten Cell Corporation, a California corporation ("ISC California"). After giving effect to the Share Exchange, the stockholders of ISC California owned 93.7% our issued and outstanding shares of common stock. As a result of the Share Exchange, ISC California is now our wholly-owned subsidiary, though fo accounting purposes it was deemed to have been the acquirer in a "reverse merger." In the reverse merger, BTHC III is considered the legal acquirer and IS California is considered the accounting acquirer. On January 29, 2007, we changed our name from BTHC III, Inc. to International Stem Cell Corporation (t "Company").

Lifeline Cell Technology, LLC ("Lifeline") was formed in the State of California on August 17, 2001. Lifeline is in the business of developing, manufacturin and selling cells and reagents. Lifeline's scientists have used a technology, called basal medium optimization to systematically eliminate animal proteins from cell culture systems. Lifeline is unique in the industry in that it has in place scientific and manufacturing staff with the experience and knowledge to set up systems and facilities to produce a source of consistent, standardized, animal protein free ES cell products suitable for FDA approval.

Going Concern
The Company continues in the development stage and as such has accumulated losses from inception and expects to incur additional losses in the near future. The Company needs to raise additional working capital. The timing and degree of any future capital requirements will depend on many factors. There can be no assurance that the Company will be successful in maintaining its normal operating cash flow and the timing of its capital expenditures will result in cash flow sufficient to sustain the Company's operations through 2008 or 2009. Based on the above, there is substantial doubt about the Company's ability to continue as a going concern. The financial statements were prepared assuming that the Company is a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Management's plans in regard to these matters are focused on managing its cash flow, the proper timing of its capital expenditures, and raising additional capital or financing in the future.

2. Summary of Significant Policies

Basis of Presentation
The accompanying unaudited condensed consolidated financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in the annual report on Form 10-KSB of International Stem Ce Corporation for the year ended December 31, 2007. When used in these notes, the terms "Company," "we," "us," or "our" mean International Stem Ce Corporation and all entities included in our unaudited condensed consolidated financial statements.

In the opinion of management, the unaudited condensed consolidated financial information for the interim periods presented reflects all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the Company's consolidated results of operations, financial position and cash flows. The unaudited condensed consolidated financial statements and the related notes should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007 included in the Company's annual report on Form 10-KSB. Operating results for interim period are not necessarily indicative of the operating results for any interim period or an entire year.

Principles of Consolidation
The unaudited condensed consolidated financial statements of the Company include the accounts of International Stem Cell Corporation and its subsidiary after intercompany balances and transactions have been eliminated.

Cash Equivalents
The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories
Inventories are stated at the lower of cost or market. Lab supplies used in the research and development process are expensed as consumed. Inventory is reviewed periodically for product expiration and obsolescence and adjusted accordingly.

Property and Equipment
Property and equipment are stated at cost. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which generally range from three to five years. The costs of major remodeling and leasehold improvements are capitalized and depreciated over the shorter of the remaining term of the lease or the life of the asset.

Patent Licenses
Patent licenses consist of acquired research and development rights used in research and development, which have alternative future uses. Patent licenses are recorded at cost of $787,176 and $758,135 at September 30, 2008 and December 31, 2007, respectively, and are amortized on a straight-line basis over the shorter of the lives of the underlying patents or the useful life of the license. Amortization expense for the nine months ended September 30, 2008 and 2007 amounted to $40,008 and $42,095 respectively, and is included in research and development expense. Additional information regarding patent licenses is included in Note 5.

Long-Lived Asset Impairment
The Company reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recovered. The Company considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. Fair value is the present value of the associated cash flows. The Company has determined that no material long-lived assets are impaired at September 30 2008. See Note 5 for a discussion on the Company's patent licenses.

Product Sales
Revenue from product sales is recognized at the time of shipment to the customer provided all other revenue recognition criteria of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104, Revenue Recognition, have been met. If the customer has a right of return, in accordance with the provision set forth in the Financial Accounting Standards Board's (FASB) Statement No. 48, Revenue Recognition When Right of Return Exists (SFAS 48), t Company recognizes product revenues upon shipment, provided that future returns can be reasonably estimated. In the case where returns cannot be reasonably estimated, revenue will be deferred until such estimates can be made.

Revenue Arrangements with Multiple Deliverables
The Company sometimes enters into revenue arrangements that contain multiple deliverables in accordance with EITF No. 00-21. This issue addresses th timing and method of revenue recognition for revenue arrangements that include the delivery of more than one product or service. In these cases, the Company recognizes revenue from each element of the arrangement as long as separate value for each element can be determined, the Company has completed its obligation to deliver or perform on that element, and collection of the resulting receivable is reasonably assured.

Cost of Sales
Cost of sales consists primarily of costs and expenses for salaries and benefits associated with employee efforts expended directly on the production of the Company's products and include related direct materials, overhead and occupancy costs. Certain of the agreements under which the Company has licensed technology will require the payment of royalties based on the sale of its future products. Such royalties will be recorded as a component of cost of sales. Additionally, the amortization of license fees or milestone payments related to developed technologies used in the Company's products will be classified as a component of cost of sales to the extent such payments become due in the future.

Research and Development Costs
Research and development costs, which are expensed as incurred, are primarily comprised of costs and expenses for salaries and benefits associated with research and development personnel; overhead and occupancy; contract services; and amortization of technology used in research and development with alternative future uses.

New Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. This statement is effective for us beginning January 1, 2008 and did not have an impact on our financial statements as we do not have financial instruments subject to the expanded disclosure requirements. In February 2008, the FASB issued FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year delay of the effective date of FAS 157 as it relates to nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of SFAS 157 relating to nonfinancial assets and liabilities will be effective for us on January 1, 2009. We assessed the potential impact that adoption of FASB 157 as it relates to nonfinancial assets and liabilities would have on our consolidated financial statements and have concluded that there will be no material impact in 2009.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). Under the provisions of SFAS 159, companies may choose to account for eligible financial instruments, warranties and insurance contracts at fair value on a contract-by-contract basis. Changes in fair value will be recognized in earnings each reporting period. FASB 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 159 had no impact on our consolidated financial statements as we did not elect the fair value option.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations.(SFAS 141(r)")*. The new standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. We will adopt this new standard for fiscal years beginning January 1, 2009.

In December, 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements—*an amendment of ARB No. 51("SFAS 160")*. This statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective prospectively, except for certain retrospective disclosure requirements, for fiscal years beginning after December 15, 2008. We are currently analyzing the effects of the new standard and its potential impact, if any, on our consolidated financial statements.

In December 2007, FASB ratified the consensus reached by EITF on EITF Issue 07-1, Accounting for Collaborative Arrangements, or EITF 07-1. EITF 07-1 requires collaborators to present the results of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. Further, EITF 07-1 clarified that the determination of whether transactions within a collaborative arrangement are part of a vendor-customer (or analogous) relationship subject to EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." EITF 07-1 will be effective beginning on January 1, 2008. We assessed the potential impact adopting this pronouncement would have on our consolidated financial statements and have concluded that there is no material impact as of September 30, 2008.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). This statement requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of this statement is not expected to have a material effect on our financial position or results of operations.

In May 2008, the FASB issued Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the "Hierarchy"). The Hierarchy within SFAS 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* ("SAS 69"). SFAS 162 is effective 60 days following the United States Securities and Exchange Commission's (the "SEC") approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The adoption of SFAS 162 will not have a material effect on our consolidated financial statements because we have utilized the guidance within SAS 69.

In May 2008, the FASB issued Statement No. 163,*Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statemen No. 60* ("SFAS No. 163"). SFAS 163 requires recognition of an insurance claim liability prior to an event of default when there is evidence that credi deterioration has occurred in an insured financial obligation. SFAS 163 is effective for financial statements issued for fiscal years beginning after December 15 2008, and all interim periods within those fiscal years. Early application is not permitted. We expect that the adoption of SFAS 163 will not have a materia effect on our consolidated financial statements

Income Taxes
The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". FA No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryforwards. The Company has available at September 30, 2008 operating loss carryforwards of approximately $13,397,507, which may be applied against future taxable income and will expire in various years through 2025. At December 31, 2007, the company had operating loss carryforwards of approximately $9,444,482. The increase in carryforwards for the nine months ended September 30, 2008 is approximately $3,953,025.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements. Significant estimates include patent life (remaining legal life versus remaining useful life) and transactions using the Black-Scholes option pricing model, e.g., promissory notes, warrants, and stock options. Actual results could differ from those estimates.

Concentration of Credit Risk
The Company maintains its cash and cash equivalents in banks located in the United States. Bank accounts are guaranteed by the Federal Deposit Insuranc Corporation (FDIC) up to $250,000 per financial institution. At September 30, 2008, the Company did not have any of its cash balances on deposit with financial institutions in excess of the FDIC insurance limit.

Fair Value of Financial Instruments
The Company believes that the carrying amount of its cash and cash equivalents, accounts payable and accrued liabilities as of September 30, 2008 and 2007 approximate their fair values due to the short-term nature of those instruments.

Income (Loss) Per Common Share
Statement of Financial Accounting Standards No. 128, "Earnings Per Share", requires presentation of basic earnings per share ("Basic EPS") and dilute earnings per share ("Diluted EPS"). The computation of net loss per common share is based on the weighted average number of shares outstanding during each period based on the exchange ratio of shares issued in the merger. The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents, which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the period. At September 30, 2008, there were 15,479,813 warrants, 2,849,400 vested stock options and 3,313,100 unvested options outstanding. These options and warrants were not included in the diluted loss per share calculation because the effect would have been anti-dilutive. The weighted average number of shares prior to 2006 was calculated based on the members' contribution, as if converted to shares in the ratio of the share exchange with BTHC III.

Comprehensive Income
The Company displays comprehensive income or loss, its components and accumulated balances in its consolidated financial statements. Comprehensive income or loss includes all changes in equity except those resulting from investments by owners and distributions to owners. The Company did not have any items of comprehensive income or loss for the three months ended September 30, 2008 and 2007 or the period from inception through September 30, 2008.

3. Inventory

Inventories are stated at the lower of cost or market. Lab supplies used in the research and development process are expensed as consumed. Inventory is reviewed periodically for product expiration and obsolete inventory and adjusted accordingly. The components of inventories are as follows:

	September 30, 2008	December 31, 2007
Raw materials	$ 69,395	$ 33,646
Work in Process	3,268	3,270
Finished goods	207,920	138,720
	$ 280,583	$ 175,636

4. Property and Equipment

Property and equipment consists of the following:

	September 30, 2008	December 31, 2007
Machinery and equipment	$ 317,695	$ 301,246
Computer equipment	152,369	100,375
Office equipment	59,969	59,809
Leasehold improvements	220,740	177,786
	750,773	639,216
Accumulated depreciation and amortization	(237,064)	(156,430)
	$ 513,709	$ 482,786

5. Patent Licenses

On December 31, 2003, Lifeline entered into an *Option to License Intellectual Property* agreement with Advanced Cell Technology, Inc. ("ACT") for patent rights and paid ACT $340,000 in option and license fees. On February 13, 2004, Lifeline and ACT amended the Option agreement and Lifeline paid ACT additional option fees of $22,500 for fees related to registering ACT's patents in selected international countries.

On May 14, 2004, Lifeline amended the licensing agreement with ACT for the exclusive worldwide patent rights for the following ACT technologies: Infigen IP, UMass IP and ACT IP, which terms are summarized below. The license fees aggregate a total of $400,000 and were secured by separate convertible promissory notes. The notes bear no interest unless they are not repaid at maturity, in which event they shall thereafter bear interest at an annual rate equal to the lesser of 10% or the maximum non-usurious rate legally allowed. The note could be converted at the option of ACT into the first equity financing of Lifeline with cash proceeds in excess of $5,000,000 under the following conditions: i) Upon the consummation of the First Equity Financing; or ii) Immediately prior to the closing of any merger, sale or other consolidation of the Company or of any sale of all or substantially all assets of the Company which occurs prior to the First Equity Financing (an "Acquisition Event"). Notwithstanding the above, and only in the event that a conversion resulting from such Acquisition Event would result in a security not traded on a national stock exchange (including NASDAQ and NASDAQ Capital market), upon written notice to the Company not later than five days after the consummation of the Acquisition Event and notice of the Acquisition Event to the holder of the note, the holder may elect to receive payment in cash of the entire outstanding principal of this Note. On December 21, 2006, ACT elected to receive payment in cash in lieu of conversion of the notes, which was paid in full.

The Company still maintains an obligation to pay royalties and other fees in accordance with the following schedule:

	Infigen IP	**UMass IP**	**ACT IP**
License fee	$ 25,000	$ 150,000	$ 225,000
Royalty rates	6%	3% to 12%	3% to 10%
Minimum royalties			
At 12 months	$ 7,500	$ 15,000	$ 15,000
At 24 months	$ 7,500	$ 30,000	$ 37,500
At 36 months	$ 6,875	$ 45,000	$ 60,625
Annually thereafter	$ 15,000	$ 60,000	$ 75,000
Milestone payments			
First commercial product	$ 250,000	$ 250,000	$ 250,000
Sales reaching $5,000,000	$ 500,000	$ 500,000	$ 500,000
Sales reaching $10,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000

6. Convertible debt and Advances

Convertible debt

On May 14, 2008, to obtain funding for working capital, the Company entered into a Securities Purchase Agreement with an accredited investor (Gemir Capital) for the issuance (for total consideration of $830,000 minus certain expenses of the purchaser) of an OID Senior Secured Convertible Note an warrants. The note was for $1,000,000 (and was issued with a 15% original issue discount) and is due and payable on or before January 31, 2009. The note is convertible into shares of common stock of the company at the rate of $0.50 per share. The note is guaranteed by the subsidiaries of the Company and secured by certain patents and patent applications. Warrants were issued which permit the holder to purchase up to 2,000,000 shares of common stock from the Company at $0.50 per share until five years from the issuance of the warrants. The note and the warrants contain anti-dilution clauses whereby, (subject to the exceptions contained in those instruments) if the Company issues equity securities or securities convertible into equity at a price below the respective conversion price of the note or exercise price of the warrant, such conversion and exercise prices shall be adjusted downward to equal the price of the new securities.

In accordance with EITF 98-05, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustment Conversion Rati Abstract", the Company allocated the $830,000 proceeds according to the value of the convertible note and the warrants based on their relative fair values. Fair value of the warrants was determined using the Black-Scholes valuation model using risk-free interest rate of 3.22%, volatility rate of 59.5%, term of five years, and exercise price of $0.50.

In accordance with EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments", the reduction in proceeds, value of the beneficial conversion feature, and value of the warrants amounting to $170,000, $216,117 and $266,117, respectively, have been recorded as a discount to convertible notes and are being amortized over the term of the notes using the straight-line method. For the nine months ended September 30, 2008, amortization of the discount was $90,496, $115,045 and $141,662, respectively. In August 2008, in accordance with the anti-dilution provisions of the debt. The conversion rate and exercise price were reduced to $0.25. The beneficial conversion feature and warrants were adjusted to $641,331 and $188,669, respectively. Net additional amortization is $184,502. Unamortized debt discount as of September 30, 2008 are $79,504, $300,695 and $88,095, respectively.

Advance

On June 18, 2008, the Company entered into an agreement with BioTime, Inc. ("Bio Time"), were Bio Time will pay an advance of $250,000 to LifeLine Cell Technology ("Lifeline"), a wholly owned subsidiary of International Stem Cell Corporation, to produce, make, and distribute Joint Products. The $250,000 advance will be paid down with the first $250,000 of net revenues that otherwise would be allocated to Lifeline under the agreement. As of September 30, 2008 no revenues were realized from this agreement.

	September 30, 2008	December 31, 2007
Gemini Capital, net of debt discount of $468,294	$ 531,706	$ -
Bio Time, Inc	250,000	-
	$ 781,706	$ -

7. Related Party Payables

The Company has incurred obligations to the following related parties:

	September 30, 2008	December 31, 2007
Management fee, net of debt discount of $68,919	$ 189,297	$ 249,778
Management Loan	260,000	500,000
	$ 449,297	$ 749,778

SeaCrest Capital and SeaCrest Partners are controlled by Mr. Adams and Mr. Aldrich, YKA Partners is controlled by Mr. Aldrich and the amounts represer advances to the Company for operating expenses. The management fee was paid to Mr. Adams and Mr. Aldrich, who acted as managing members of the Company (and prior to the Share Exchange of ISC California and Lifeline) for management of the Company since inception of Lifeline for an aggregate $10,000 per month plus accrued interest at 10% per annum on the unpaid balance. Effective June 1, 2006 the management fee was increased to $20,000 per month. The management fee ceased on November 1, 2006, at which time Mr. Adams and Mr. Aldrich became employees of ISC.

During the quarter ended September 30, 2008, Mr. Aldrich loaned the company $125,000, as a short-term loan until the Company secured alternative financing at which time the Company would pay off the loan to Mr. Aldrich.

8. Capital Stock

The Company is authorized to issue 200,000,000 shares of common stock, $0.001 par value per share, and 20,000,000 shares of preferred stock, $0.001 par value per share. As of September 30, 2008, the Company has issued and outstanding 35,989,495 shares of common stock and 3,550,000 shares of preferred stock.

In October 2006, the board of directors of BTHC III approved a stock split of 4.42 shares to 1. As a result of the split, the outstanding common stock of BTHC III increased from 500,000 to 2,209,993 shares. Pursuant to the Share Exchange Agreement, each share of International Stem Cell Corporation common stock was exchanged for one share of BTHC III common stock. All numbers in the financial statements and notes to the financial statements have been adjusted to reflect the stock split for all periods presented.

On December 27, 2006, the Company's Board of Directors and holders of a majority of the outstanding shares approved a change in the Company's name to International Stem Cell Corporation, which change became effective in January 2007. The accompanying financial statements have been changed to reflect the change as if it had happened at the beginning of the periods presented.

In December 2006, the Company issued 1,350,000 shares of common stock, 350,000 of such shares in consideration for legal consulting services relating to the reverse merger and 1,000,000 shares in consideration for a contract to provide investor relations services which commenced September 1, 2006 for a period of one year.

In November and December of 2006, ISC California commenced its Brookstreet financing and issued 9,880,950 shares of common stock for cash at $1.00 per share for net proceeds after commissions and expenses of $8,334,551, net of cash expenses which totaled $1,547,433. In addition, ISC California issued 555,552 shares of common stock for $500,000.

In January and February 2007, ISC California completed the Brookstreet financing and issued 1,370,000 shares of common stock that was part of a private placement of securities by ISC California during the second half of 2006. The net proceeds from the shares whose sale was finalized in 2007 and was $1,157,125 net of cash fees and expenses. In connection with the final settlement in 2007, the selling agent for the private placement received 274,000 additional warrants, which entitle the holder thereof to purchase the number of shares of common stock for $1.00 each.

On January 15, 2008, to raise funds, the Company entered into a subscription agreement with accredited investors for the sale between one million and five million of Series A Preferred Stock ("Series A Preferred"). Series A Units consists of one share of Series A Preferred and two Warrants ("Series A Warrants") to purchase Common Stock for each $1.00 invested. The Series A Preferred was convertible into shares of common stock at market price on the date of the first finance closing, but not to exceed $1 per share and the Series A Warrants are exercisable at $0.50 per share. The Series A Preferred has an anti-dilution clause whereby, if the Company issues $1 million or more of equity securities or securities convertible into equity at a price below the respective exercise prices of the Series A Preferred or the Series A Warrant shall be adjusted downward to equal the price of the new securities. The Series A Preferred has priority on any sale or liquidation of the Company equal to the purchase price of the Series A Units, plus a liquidation premium of 6% per year. If the Company elects to declare a dividend in any year, it must first pay to the Series A Preferred a dividend of the amount of the dividend the Series A Preferred holder would receive if the shares were converted just prior to the dividend declaration. Each share of Series A Preferred has the same voting rights as the number of shares of Common Stock into which it would be convertible on the record date.

On May 12, 2008, to obtain funding for working capital, the Company entered into a series of subscription agreements with a total of five accredited investors for the sale of a total of 400,000 Series B Units, each Series B Unit consisting of one share of Series B Preferred Stock ("Series B Preferred") and two Series B Warrants ("Series B Warrants") to purchase Common Stock for each $1.00 invested. The total purchase price received by the Company was $ 400,000. The Series B Preferred is convertible into shares of common stock at the initial conversion ratio of two shares of common stock for each share of Series B Preferred converted (which was established based on an initial conversion price of $0.50 per share), and the Series B Warrants are exercisable at $0.50 per share until five years from the issuance of the Series B Warrants. The Series B Preferred and Series B Warrants contain anti-dilution clauses whereby, (subject to the exceptions contained in those instruments) if the Company issues equity securities or securities convertible into equity at a price below the respective conversion price of the Series B Preferred or the exercise price of the Series B Warrant, such conversion and exercise prices shall be adjusted downward to equal the price of the new securities. The Series B Preferred has a priority (senior to the shares of common stock, but junior to the shares of Series A Preferred Stock) on any sale or liquidation of the Company equal to the purchase price of the Series B Units, plus a liquidation premium of 6% per year. If the Company elects to declare a dividend in any year, it must first pay to the Series B Preferred holder a dividend equal to the amount of the dividend the Series B Preferred holder would receive if the Series B Preferred were converted just prior to the dividend declaration. Each share of Series B Preferred has the same voting rights as the number of shares of Common Stock into which it would be convertible on the record date.

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes and other financial information included elsewhere herein. This information should also be read in conjunction with our audited historical consolidated financial statements which are included in our Form 10-KSB for the fiscal year ended December 31, 2007. The discussion contain forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, expectations and intentions. Our actual results may differ significantly from management's expectations and may vary based on the risks associated with related development progress and other risks discussed in more detail in our Form 10-KSB. This discussion should not be construed to imply that the results discussed herein will necessarily continue int the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only represents our management's best present assessment.

Overview

We were originally incorporated in Delaware on June 7, 2005 as BTHC III, Inc. to effect the reincorporation of BTHC III, LLC, a Texas limited liabi company, mandated by a plan of reorganization. Pursuant to the plan of reorganization, an aggregate of 500,000 shares of our common stock were issued to holders of administrative and tax claims and unsecured debt, of which 350,000 shares were issued to Halter Financial Group. The plan of reorganizatio required BTHC III, Inc. to consummate a merger or acquisition prior to June 20, 2007. Until the Share Exchange Agreement described below, BTHC III, I conducted no operations. In October 2006, BTHC III, Inc. affected a 4.42-for-one stock split with respect to the outstanding shares of common stock.

On December 28, 2006, pursuant to a Share Exchange Agreement, BTHC III, Inc. issued 33,156,502 shares of common stock, representing approximate 93.7% of the common stock outstanding immediately after the transaction, to the shareholders of International Stem Cell Corporation, a California corporatio ("ISC California"), in exchange for all outstanding stock of ISC California. This transaction is being accounted for as a "reverse merger" for accountin purposes. Consequently, the assets and liabilities and the historical operations that are reflected in our financial statements are those of ISC California.

ISC California was incorporated in California in June 2006 for the purpose of restructuring the business of Lifeline Cell Technology, LLC, which was organize in California in August 2001. As a result of the restructuring, Lifeline became wholly-owned by ISC California, which in turn is wholly-owned by us. All of ou current operations are conducted by Lifeline. Our principal executive offices are located at 2595 Jason Court, Oceanside, California 92056, and our telephon number is (760) 940-6383.

Results of Operations

Revenues

We are a development stage company and as such have generated nominal revenues. For the three months ended September 30, 2008, our product sales increased to $217,452, compared to $12,435 for the three months ended September 30, 2007. The primary reason for the increase is due to collaboratio agreements we signed in the third quarter to provide stem cells, which resulted in revenue in the third quarter of $125,000. The remaining increase is due to the increased efforts by our sales and marketing team as well as our remaining marketing consultants promoting our products.

For the nine months ended September 30, 2008, our product sales increased to $372,087 of product revenue, compared to $17,616 for the nine months ended September 30, 2007. The primary reason for the increase is due to collaboration agreements we signed in the third quarter to provide stem cells, which resulted in revenue in the third quarter of approximately $185,000, as well as, increased efforts by our sales and marketing team and our remaining marketing consultants promoting our products.

General and Administrative Expenses

General and administrative expenses were $668,677, for the three months ended September 30, 2008, an increase of $13,478 or 2%, compared to $655,199 fo the three months ended September 30, 2007. The increase in expenses for the quarter was primarily due to increased stock based compensation relating to stock issued for services.

General and administrative expenses were $2,554,024 for the nine months ended September 30, 2008, an increase of $283,164 or 12%, compared to $2,270,860 for the nine months ended September 30, 2007. The reason for this increase is primarily due to a one time charge of deferred compensation in the amount of $578,691 for options that we accelerated vesting, as well as a charge for common stock issued for services during the quarter which resulted in $113,749 of stock-based compensation expense.

Research and Development
Research and development expenses were $444,964 for the three months ended September 30, 2008, a decrease of $175,739, or 28%, compared to $620,703 for the three months ended September 30, 2007. During the third quarter in an effort to mange our cash position, we reviewed all research and development expenses for cost opportunities. The decrease for the third quarter is primarily due to a decrease in research lab expenses related to our Russian Lab and other research development consultants.

Research and development expenses were $1,695,927 for the nine months ended September 30, 2008, a decrease of $116,416, or 6%, compared to $1,812,343 for the nine months ended September 30, 2007. During the third quarter in an effort to mange our cash position, we reviewed all research and development expenses for cost opportunities. During the nine months ended September 30, 2008, the decrease in research and development costs is primarily due to a decrease in research being conducted at our Russian Lab and research and development consultants no longer used.

Research and development expenses are expensed as they are incurred, and are not yet accounted for on a project by project basis since, to date, all of our research has had potential applicability to each of our projects.

Marketing Expense
Marketing expenses were $47,903 for the three months ended September 30, 2008, a decrease of $108,673, compared to $156,576, or 69%, for the three months ended September 30, 2007. This significant decrease was due to our cost cutting measures to manage our current cash position. The areas affected by our cost saving measures were marketing consultants and the cost of advertising.

Marketing expenses were $275,897 for the nine months ended September 30, 2008, an decrease of $151,725, compared to $427,622, or 35%, for the nine months ended September 30, 2007. This significant decrease was due to our cost cutting measures to manage our current cash position. For the nine months ended September 30, 2008, areas affected by our cost saving measures were marketing consultants and the cost of advertising.

Liquidity and Capital Resources

At September 30, 2008, we had an increase in cash of $1,028,822 for the nine month period ended September 30, 2008, resulting from $3,460,580 cash used in operating activities and $140,598 used in investment activities, offset by $4,630,000 of cash provided by our financing activities. The funds generated from financing activities during 2008 were used mainly to support our operating losses.

Operating Cash Flows
Net cash used in operating activities of $3,460,580 for the nine months ended September 30, 2008 was primarily attributable to a net loss of $4,812,911, however, the Company did secure short term borrowings and advances totaling approximately $3,550,000 from different sources. The adjustments to reconcile the net loss to net cash used in operating activities include depreciation and amortization expense of $120,640, non-cash stock option expense of $673,620,common stock issued for services of $112,163, Amortization of discounts on Convertible Notes $557,480, an increase in other current assets $209,073, an increase in inventory of $104,947, an decrease in prepaid assets of $13,667, an increase in accounts payable of $353,795, an increase in accrued expenses of $66,548, and a decrease in related party payables of $231,562. The major portion of this increase in cash used resulted from increased spending in general and administrative expenses.

Investing Cash Flows
Net cash used in investing activities of $140,598 for the nine months ended September 30, 2008 was primarily attributable to purchases of property and equipment of $111,557 consisting primarily of laboratory equipment for use in a variety of research projects, and payments for patent licenses of $29,041.

Financing Cash Flows
Net cash provided by financing activities of approximately $4,630,000 for the nine months ended September 30, 2008 was attributable to closing the Series A B, and C Preferred Stock financings of $3,550,000, net proceeds from loan of $1,355,000 and advances of $250,000, offset by a loan payment of $525,000.

Management is currently reviewing different financing sources to raise working capital to help fund our current operations. We will need to obtain significant additional capital resources from sources including equity and/or debt financings, license arrangements, grants and/or collaborative research arrangements in order to develop products. Thereafter, we will need to raise additional working capital. The timing and degree of any future capital requirements will depend on many factors, including:

- the accuracy of the assumptions underlying our estimates for capital needs in 2008 and beyond;
- scientific progress in our research and development programs;
- the magnitude and scope of our research and development programs and our ability to establish, enforce and maintain strategic arrangements for research, development, clinical testing, manufacturing and marketing;
- our progress with preclinical development and clinical trials;
- the time and costs involved in obtaining regulatory approvals;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims; and
- the number and type of product candidates that we pursue.

Additional financing through strategic collaborations, public or private equity financings or other financing sources may not be available on acceptable terms, or at all. Additional equity financing could result in significant dilution to our stockholders. Additional debt financing may be expensive and require us to pledge all or a substantial portion of our assets. Further, if additional funds are obtained through arrangements with collaborative partners, these arrangements may require us to relinquish rights to some of our technologies, product candidates or products that we would otherwise seek to develop and commercialize on our own. If sufficient capital is not available, we may be required to delay, reduce the scope of or eliminate one or more of our product lines.

We do not currently have any obligations for milestone payments under any of our licensed patents other than annual payments of $150,000 due each May, plus payments that are specifically related to sales and are therefore unpredictable as to timing and amount. Royalties on sales range of 3% to 12%, and milestone payments do not begin until our first therapeutic product is launched. No licenses are terminable at will by the licensor. For further discussion of our patents, see Note 5 to our condensed consolidated financial statements.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements.

Evaluation of Disclosure Controls and Procedures. The Securities and Exchange Commission defines the term "disclosure controls and procedures" to mean company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Ou chief executive officer and our chief financial officer have concluded, based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our chief executive officer and our chief financial officer, as of the end of the period covered by this report, that our disclosure controls and procedures were effective for this purpose.

Changes in Internal Controls Over Financial Reporting. There was no change in our internal control over financial reporting for the nine months ende September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

No disclosure

Item 1A. Risk Factors

Not applicable to smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Previously reported on form 8-K, filed on July 31, 2008.

Previously reported on form 8-K, filed on August 21, 2008.

Item 3. Defaults Upon Senior Securities.

No disclosure

Item 4. Submission of Matters to a Vote of Security Holders.

No disclosure

Item 5. Other Information.

No disclosure

Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.4 of the Registrant's Form 10-SB filed on April 4, 2006).
3.2	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Registrant's Preliminary Information Statement on Form 14C filed on December 29, 2006).
3.3	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Preliminary Information Statement on Form 14C filed on December 29, 2006).
4.1	Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 10-KSB filed on April 9, 2007).
4.2	Form of Lifeline Warrant (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on December 29, 2006).
4.3	Form of Lifeline Warrant held by ISC Bridge lenders (incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K filed on December 29, 2006).
4.4	Placement Agents Warrant (incorporated by reference to Exhibit 4.3 of the Registrant's Form 8-K filed on December 29, 2006).
4.5	Certificate of designation or rights, preferences, privileges and restrictions of series A Preferred Stock of International Stem Cell Corporation (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on January 17, 2008).
4.6	Certificate of designation or rights, preferences, privileges and restrictions of series B Preferred Stock of International Stem Cell Corporation (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on May 12, 2008).
4.7	Certificate of designation or rights, preferences, privileges and restrictions of series B Preferred Stock of International Stem Cell Corporation (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on August 21, 2008).
10.1	Subscription Agreement (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on January 17, 2008, May 12, 2008, and August 21, 2008.
31.1	Rule 13a-14(a)/15d-14a(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14a(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

SIGNATURES

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

Dated: November 14, 2008

INTERNATIONAL STEM CELL CORPORATION

By: /s/ Kenneth C. Aldrich
Name: Kenneth C. Aldrich
Title: Chief Executive Officer and Director

By: /s/ William B. Adams
Name: William B. Adams
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) and Director

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
FORM OF RULE 13a-14(a)
AS ADOPTED PURSUANT TO
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth C. Aldrich, Chief Executive Officer of International Stem Cell Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of International Stem Cell Corporation;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2008

By: /s/ Kenneth C. Aldrich

Kenneth C. Aldrich
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
FORM OF RULE 13a-14(a)
AS ADOPTED PURSUANT TO
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, William B. Adams, Chief Financial Officer of International Stem Cell Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of International Stem Cell Corporation;

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

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

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

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

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

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

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

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

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

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

Date: November 14, 2008

By: /s/ William B. Adams

William B. Adams
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of International Stem Cell Corporation (the "Company") for the nine months ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth C. Aldrich, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350,that as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2008

By: /s/ Kenneth C.Aldrich

Kenneth C. Aldrich
Chief Executive Officer

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q (the "Report") of International Stem Cell Corporation (the "Company") for the nine months ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William B. Adams, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, that as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2008

By: /s/ William B. Adams

William B. Adams
Chief Financial Officer