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

FORM 10-QSB/A

Amendment No.2

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

For the quarterly period ended March 31, 2007

☐ **TRANSITION REPORT UNDER 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 small business Issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-4494098

(I.R.S. Employer
Identification No.)

2595 Jason Court
Oceanside, CA 92056
(Address of Principal Executive Offices)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **35,366,495** shares of Common Stock as of May 1, 2007

Transitional Small Business Disclosure Format (check one):

YES ☐ NO ☒

Explanatory Note

We are providing a second amendment to this Quarterly Report on form 10-QSB/A to reflect cost of sales as a component of development expense and revisions to certain footnote disclosures. Detailed information regarding the effect of this and our first restatement on our results of operations and cash flows and disclosures is provided in Note 11 of the Notes to Consolidated Financial Statements, included in this report. The restatements provided in this second amendment had no effect on any other financial information contained in this Quarterly Report on Form 10-QSB/A.

Other Revisions in this Amended Quarterly Report

We have modified the disclosures presented in our original Quarterly Report on Form 10-QSB for the quarter ended March 31, 2007, to reflect the effects of this and our first restatement of our consolidated financial statements and have modified or updated certain other information as discussed below. However, this amended Quarterly Report on Form 10-QSB/A does not reflect all events occurring after the original filing of the March 31, 2007 Form 10-QSB or modify or update all the disclosures affected by subsequent events. Information not modified or updated in this Report reflects the disclosures made at the time of the original filing of the Form 10-QSB. Accordingly, this amended Quarterly Report on Form 10-QSB/A should be read in conjunction with our Registration Statement on Form SB-2, including any amendments thereto, our periodic filings, including any amendments to those filings, as well as any Current Reports on Form 8-K filed with the Securities and Exchange Commission subsequent to the date of the original filing of the March 31, 2007 Form 10-QSB. The following items have been amended as a result of this second amendment:

Part I — Item 1 — Financial Statements

Part I — Item 2 — Management's Discussion and Analysis or Plan of Operation

In addition, in accordance with applicable SEC rules, this second amendment to our Quarterly Report on Form 10-QSB/A includes updated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1 and 32.2

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INTERNATIONAL STEM CELL CORPORATION AND SUBSIDIARY
Consolidated Balance Sheets

	March 31, 2007 (Unaudited, Restated)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,347,404	\$ 4,696,694
Other current assets	21,274	20,759
Total current assets	4,368,678	4,717,453
Property and equipment, net	272,544	137,794
Patent licenses, net	692,340	668,016
Deposits and other assets	21,963	21,963
Total assets	\$ 5,355,525	\$ 5,545,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 275,254	\$ 321,589
Accrued expenses	38,471	21,430
Loan Payable	—	25,000
Related party payable	386,049	480,445
Total current liabilities	699,774	848,464
Total liabilities	699,774	848,464
Stockholders' equity		
Common stock, \$0.001 par value 200,000,000 shares authorized, 35,366,495 and 33,996,495 issued at March 31, 2007 and December 31, 2006, respectively	35,366	33,996
Additional paid-in capital	15,806,432	14,537,798
Deficit accumulated during the development stage	(11,186,047)	(9,875,032)
Total stockholders' equity	4,655,751	4,696,762
Total liabilities and stockholders' equity	\$ 5,355,525	\$ 5,545,226

See accompanying notes to unaudited consolidated financial statements.

INTERNATIONAL STEM CELL CORPORATION AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

	Three months ended March 31,		Inception (August 2001) through March 31, 2007
	2007	2006	
	(Restated)	(Restated)	(Restated)
Sales	\$ 1,826	\$ 1,752	\$ 4,812
Development expenses:			
Cost of Sales	4,525	2,527	35,397
Research and development	635,943	229,148	4,524,908
Marketing	63,988	10,285	200,436
General and administrative	645,155	113,179	5,388,689
Total development expenses	1,349,611	355,139	10,149,430
Loss from development activities	(1,347,785)	(353,387)	(10,144,618)
Other income (expense)			
Settlement with related company	—	—	(93,333)
Miscellaneous income	548	275	6,028
Dividend income	45,847	—	45,847
Interest income	11	7	22,601
Interest expense	(13,678)	(6,931)	(1,040,001)
Sublease income	4,042	2,800	23,129
Total other loss	36,770	(3,849)	(1,035,729)
Loss before tax	(1,311,015)	(357,236)	(11,180,347)
Provision for taxes	—	—	5,700
Net loss	\$ (1,311,015)	\$ (357,236)	\$ (11,186,047)
Net loss per common share - basic and diluted	\$ (0.04)	\$ (0.02)	
Weighted average shares - basic and diluted	35,139,467	19,998,353	

See accompanying notes to unaudited consolidated financial statements.

INTERNATIONAL STEM CELL CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31,		Inception (August 2001) through March 31, 2007
	2007	2006	
	(Restated)	(Restated)	(Restated)
Cash flows from operating activities			
Net loss	\$ (1,311,015)	\$ (357,236)	\$ (11,186,047)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	26,524	54,716	180,213
Accretion of discount on notes payable	—	32,926	103,304
Accretion of discount on bridge loans	—	—	637,828
Non-cash warrants for services	—	—	222,077
Non-cash compensation expense	112,879	—	955,253
Common stock issued for services	—	—	1,350,000
Changes in operating assets and liabilities:			
Increase in other current assets	(514)	(218)	(1,129)
Increase in accounts receivable	—	(653)	(20,145)
Increase in deposits	—	—	(21,963)
Increase (decrease) in accounts payable	(46,335)	39,391	275,254
Increase (decrease) in accrued expenses	17,041	(10,915)	38,471
Increase (decrease) in loan payable	(25,000)	—	—
Increase (decrease) in related party payables	(94,396)	(26,057)	386,049
Net cash used in operating activities	(1,320,816)	(268,046)	(7,080,835)
Investing activities			
Purchases of property and equipment	(148,831)	(56,899)	(357,354)
Payments for patent licenses	(36,768)	(3,630)	(787,744)
Net cash used in investing activities	(185,599)	(60,529)	(1,145,098)
Financing activities			
Members' contributions	—	780,000	2,685,000
Issuance of common stock	1,370,000	—	11,751,948
Issuance of convertible promissory notes	—	600,000	2,099,552
Payment of promissory note	—	—	(2,202,856)
Payment of offering costs	(212,875)	—	(1,760,308)
Net cash provided by financing activities	1,157,125	1,380,000	12,573,336
Net increase in cash and cash equivalents	(349,290)	1,051,425	4,347,404
Cash and cash equivalents at beginning of period	4,696,694	9,736	—
Cash and cash equivalents at end of period	\$ 4,347,404	\$ 1,061,161	\$ 4,347,404
Supplemental disclosures of cash flow information			
Cash paid for interest	\$ 13,678	\$ 6,931	\$ 237,894
Cash paid for income taxes	\$ 1,700	\$ 800	\$ 7,400
Non-cash financing activities:			
Warrants issued with promissory notes	\$ —	\$ —	\$ 637,828
Warrants issued for placement agent services	\$ 169,249	\$ —	\$ 1,399,898

See accompanying notes to unaudited consolidated financial statements.

INTERNATIONAL STEM CELL CORPORATION AND SUBSIDIARY
Consolidated Statements of Members' Deficit and Stockholders' Equity
From Inception to March 31, 2007 (Unaudited)

	Common Stock		Additional	Accumulated	Total	Members'
	Shares	Amount	Paid-In	Deficit	Stockholders'	Deficit
Balance at August 17, 2001	—	—	—	—	—	—
Members contributions	—	—	—	—	—	\$ 100,000
Net loss for the period from inception	—	—	—	—	—	(140,996)
Balance at December 31, 2001	—	—	—	—	—	(40,996)
Members contributions	—	—	—	—	—	250,000
Net loss for the year ended	—	—	—	—	—	(390,751)
Balance at December 31, 2002	—	—	—	—	—	(181,747)
Members contributions	—	—	—	—	—	195,000
Net loss for the year ended	—	—	—	—	—	(518,895)
Balance at December 31, 2003	—	—	—	—	—	(505,642)
Members contributions	—	—	—	—	—	1,110,000
Net loss for the year ended	—	—	—	—	—	(854,718)
Balance at December 31, 2004	—	—	—	—	—	(250,360)
Members contributions	—	—	—	—	—	780,000
Net loss for the year ended December 31, 2005	—	—	—	—	—	(1,385,745)
Balance at December 31, 2005	—	—	—	—	—	(856,105)
Members contributions	—	—	—	—	—	250,000
Effect of the Reorganization						
Transactions	20,000,000	\$ 20,000	\$ 2,665,000	\$ (3,291,105)	\$ (606,105)	606,105
BTHC transactions	2,209,993	2,210	(2,210)	—	0	—
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 (Restated)	—	—	(382,124)	—	(382,124)	—
Warrants issued for equity placement services (Restated)	—	—	169,249	—	169,249	—
Issuance of common stock (Restated)	1,370,000	1,370	1,368,630	—	1,370,000	—
Stock-based compensation (Restated)	—	—	112,879	—	112,879	—
Net loss for the quarter ended March 31, 2007 (Restated)	—	—	—	(1,311,015)	(1,311,015)	—
Balance at March 31, 2007 (Restated)	<u>35,366,495</u>	<u>\$ 35,366</u>	<u>\$15,806,432</u>	<u>\$ (11,186,047)</u>	<u>\$ 4,655,751</u>	<u>\$ —</u>

See accompanying notes to unaudited consolidated financial statements.

International Stem Cell Corporation and Subsidiary
(A Development Stage Company)
Notes to consolidated financial statements
(Unaudited)

1. Organization and Significant Accounting Policies (Restated)

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, LLC, 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 Stem Cell Corporation, a California corporation ("ISC California"). After giving effect to the Share Exchange, the stockholders of ISC California owned 93.7% of our issued and outstanding shares of common stock. As a result of the Share Exchange, ISC California is now our wholly owned subsidiary, though for 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 ISC California is considered the accounting acquirer. On January 29, 2007, we changed our name from BTHC III, Inc. to International Stem Cell Corporation.

Lifeline Cell Technology, LLC ("Lifeline") was formed in the State of California on August 17, 2001. Lifeline is in the business of developing and manufacturing human embryonic stem cells and reagents free from animal protein contamination. 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.

On July 1, 2006, Lifeline entered into an agreement among Lifeline, ISC California and the holders of membership units and warrants for the purchase of membership interests of Lifeline. Pursuant to the terms of the agreement, all the membership units in Lifeline were exchanged for 20,000,000 shares of ISC California Common Stock and for ISC California's assumption of Lifeline's obligations under the warrants. Lifeline became a wholly owned subsidiary of ISC California.

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 believes that it has sufficient working capital to finance operations through the third quarter of 2008. Thereafter, the Company will need 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 burn rate of approximately \$250,000 per month and the timing of its capital expenditures will result in cash flow sufficient to sustain the Company's operations through 2007 or 2008. 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 maintaining its burn rate, the proper timing of its capital expenditures, and raising additional capital or financing in the future.

Proforma Information and Basis of Presentation

International Stem Cell Corporation was formed in June 2006. BTHC III, Inc. was a shell company that had no operations and no net assets. For accounting purposes the acquisition has been treated as a recapitalization of BTHC III with ISC California as the accounting acquirer (reverse acquisition). The historical statements prior to June 2006 are those of Lifeline Cell Technology, the wholly owned subsidiary of ISC California.

The accompanying unaudited 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-QSB and item 310(b) of regulation S-B. 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/A of International Stem Cell Corporation for the year ended December 31, 2006. When used in these notes, the terms "Company," "we," "us," or "our" mean International Stem Cell Corporation and all entities included in our consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for any interim period or the entire year. For further information, these 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, 2006 included in the Company's annual report on Form 10-KSB/A.

Principles of Consolidation

The 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.

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, net, consists of acquired research and development rights used in research and development, which have alternative future uses. Patent licenses are recorded at cost of \$787,744 and \$750,976 at March 31, 2007 and December 31, 2006, 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 amounted to \$12,444 for each of the quarters ended March 31, 2007 and 2006, and is included in research and development expense. Additional information regarding patent licenses is included in Note 3.

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 March 31, 2007. See Note 3 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 Security 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 provisions set forth in the Financial Accounting Standards Board's (FASB) Statement No. 48, Revenue Recognition When Right of Return Exists (SFAS 48), the 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.

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 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.

Registration Payment Arrangements

The Company adopted FASB Staff Position No. EITF 00-19-2, Accounting for Registration Payment Arrangements ("FSP EITF 00-19-2"), on January 1, 2007. FSP EITF 00-19-2 requires that companies separately recognize and measure registration payment arrangements, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement. Such payments include penalties for failure to affect a registration of securities.

Prior to the adoption of FSP EITF 00-19-2, the Company accounted for registration rights as separate arrangements. Accordingly, the adoption of FSP EITF 00-19-2 had no impact on the consolidated financial position, operations, or cash flows of the Company.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS 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. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is required to and plans to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. The Company is currently assessing the impact of the adoption of SFAS 159.

Income Taxes

Income taxes are recorded in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the use of the liability method for deferred income taxes.

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 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 primarily in the United States. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per financial institution. At March 31, 2007, the Company's cash balances on deposit with the financial institutions in excess of the FDIC insurance limit amounted to \$4,137,526.

Fair Value of Financial Instruments

The Company believes that the carrying value of its cash and cash equivalents, accounts payable and accrued liabilities as of March 31, 2007 and December 31, 2006 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 diluted 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 March 31, 2007, there were 3,879,813 warrants, 1,286,404 vested stock options and 1,801,096 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. At March 31, 2006, there were no warrants, and no vested stock options or unvested options outstanding.

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 quarters ended March 31, 2007 and 2006 or the period from inception through March 31, 2007.

2. Property and Equipment

Property and equipment consists of the following:

	March 31, 2007	December 31, 2006
	Unaudited	
Machinery and equipment	\$ 199,624	\$ 138,625
Computer equipment	38,829	30,179
Office equipment	54,718	18,849
Leasehold improvements	64,182	20,869
	<u>357,353</u>	<u>208,522</u>
Accumulated depreciation and amortization	(84,809)	(70,728)
	<u>\$ 272,544</u>	<u>\$ 137,794</u>

3. 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.

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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 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 small cap), 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.

The Company still maintains an obligation to pay ACT 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

On February 1, 2007, Lifeline entered into an exclusive License Agreement with Neuronascent, Inc. to manufacture and sell specific products covered by the agreement. The agreement required an upfront payment of \$35,000.

4. Related Party Payables

The Company has incurred obligations to the following related parties:

	March 31 2007	December 31 2006
Management fee	\$ 372,741	\$ 467,137
Janus Biologics, LLC	13,308	13,308
	<u>\$ 386,049</u>	<u>\$ 480,445</u>

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 of \$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 as on November 1, 2006, at which time Mr. Adams and Mr. Aldrich became employees of ISC.

SeaCrest Capital and SeaCrest Partners are controlled by Mr. Adams and Mr. Aldrich, YKA Partners is controlled by Mr. Aldrich and the amounts represent advances to the Company for operating expenses.

5. Promissory Notes

During the year ended December 31, 2006, in connection with loans to ISC California of \$1,202,856. ISC California issued warrants granting the holders the right to acquire 1,202,856 shares of common stock at a price of \$0.80 per share. The loans were repaid during December 2006. The Company recognized the value attributable to the warrants in the amount of \$637,828 and applied it to additional paid-in capital and a discount against the loan. The Company valued the warrants in accordance with EITF 00-27 using the Black-Scholes pricing model and the following assumptions: contractual terms of 3.25 years, an average risk free interest rate of 5.03%, a dividend yield of 0%, and volatility of 65%. The debt discount attributed to the value of the warrants was \$637,828 and upon repayment of the loans was recorded as interest expense.

In addition, a convertible promissory note in the amount of \$400,000 issued in payment for patent licenses (see Note 3) was reduced by a discount in the amount of \$52,632 to reflect a 10% fair market rate of interest. The note was repaid before December 31, 2006 and the unamortized discount was recorded as interest expense.

6. Capital Stock (Restated)

As of March 31, 2007, the Company was 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 March 31, 2007, the Company has issued and outstanding 35,366,495 shares of common stock and no 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.

On December 27, 2006, the Company's Board of Directors and holders of a majority of the outstanding shares approved an increase in the authorized capital stock of the Company to 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. The increase did not become effective until January 2007.

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 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 totalling \$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 final settlement with respect to 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 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.

7. Income Taxes

Income taxes are provided based on the liability method for financial reporting purposes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

8. Stock Options and Warrants

The Company has adopted the 2006 Equity Participation Plan (the “Plan”). The options granted under the Plan may be either qualified or non-qualified options. Up to 15,000,000 options may be granted to employees, directors and consultants under the Plan. Options may be granted with different vesting terms and expire no later than 10 years from the date of grant. In 2006, 3,087,500 options with an exercise price of \$1.00 were granted under the Plan. Stockholders approved the Plan effective December 1, 2006.

Stock Options

Transactions involving stock options issued to employees, directors and consultants under the Plan are summarized below. Options issued under the plan have a maximum life of 10 years. The following table summarizes the changes in options outstanding and the related exercise prices for the shares of the Company’s common stock issued under the Plan and as of March 31, 2007:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$1.00	3,087,500	10	\$1.00	1,286,404	\$1.00
				Number of Shares	Weighted Average Price Per Share
Outstanding at December 31, 2006				3,087,500	\$1.00
Granted				none	
Exercised				none	
Canceled or expired				none	
Outstanding at March 31, 2007				3,087,500	\$1.00

The weighted-average fair value of stock options vested during the year ended March 31, 2007 and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

	2006
Significant assumptions (weighted-average):	
Risk-free interest rate at grant date	4.43%
Expected stock price volatility	84%
Expected dividend payout	0%
Expected option life-years based on management’s estimate	3.75 yrs

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS123R). This Statement requires public entities to measure the cost of equity awards to employees based on the grant-date value of the award for the quarter ended March 31, 2007, the Company recognized \$112,879 as expenses; \$74,145 of this expense is included in the Consolidated Statement of Operations as R&D expense and the remainder is included in General and Administrative expense.

Warrants

For the quarter ended March 31, 2007 Brookstreet Securities Corporation was awarded 274,000 warrants as compensation for their services as placement agent for the raising of equity capital for the quarter. Brookstreet earned 1,976,190 warrants in 2006. Brookstreet earned a total of 2,250,190 warrants in 2006 and 2007 in connection with the Company’s private placement. Each Warrant entitles the holder thereof to purchase one share of common stock for \$1.00. The Company recognized the value attributable to the warrants in the amount of \$169,249 as a component of additional paid-in capital with a corresponding reduction in additional paid-in capital to reflect the issuance as a non-cash cost of the offering. The Company valued the Brookstreet warrants in accordance with EITF 00-27 using the Black-Scholes pricing model and the following assumptions: contractual terms of 5 years, an average risk free interest rate of 4.58%, a dividend yield of 0% and 0%, and volatility of 70.57%.

9. Commitments and Contingencies (Restated)**Leases**

The Company leases office space under a noncancelable operating lease. Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of April 1, 2007, are as follows:

	Amount
April 1, to December 31, 2007	\$ 123,674
2008	168,558
2009	129,359
2010	96,100
2011	64,134
Total	<u>\$ 581,825</u>

American Stem Cell Corporation ("ASC")

On June 30, 2006 ASC, the members of Lifeline and Lifeline entered into a Final Settlement Agreement to resolve certain disputes that had arisen regarding prior agreements among the parties and to resolve all rights and obligations between such parties. Pursuant to the Final Settlement Agreement, (i) the members of Lifeline transferred to ASC all 15.5 million shares of ASC Common Stock held by them, and (ii) all promissory notes previously issued by Lifeline in favor of ASC, and all other debt owed by Lifeline to ASC, were replaced by a new amended and restated promissory note by Lifeline to ASC in the amount of \$500,000. The terms of the promissory note specified a maturity date of June 30, 2007 and that early repayments are required when Lifeline consummates equity financing in excess of \$2,000,000 prior to the maturity date, Lifeline shall make partial early repayment of the note in an amount equal to 10% of such financing up to the amount of \$500,000. The note was paid in full December 21, 2006.

10. Subsequent Events

None

11. Restatement of Unaudited Consolidated Financial Statements

The Company is restating its previously issued consolidated financial statements for the quarters ended March 31, 2007 and 2006 and for the period from inception through March 31, 2007 for the following reasons: offering costs erroneously charged to general and administrative expense, amortization of license fees for technology used in research projects with alternative future uses erroneously charged to general and administrative expenses.

The following is a summary of the restatements for the quarter ended March 31, 2007:

Offering costs erroneously charged to expense	<u>\$382,124</u>
License fee amortization erroneously classified as general and administrative expense	<u>\$ 12,444</u>

The effect on the Company's previously issued financial statements is summarized as follows:

	As Previously Reported	Increase (Decrease)	Restated
Balance Sheet Data:			
Total assets	\$ 5,355,525	\$ —	\$ 5,355,525
Total liabilities	699,774	—	699,774
Additional paid-in capital	16,188,556	(382,124)	15,806,432
Total stockholders' equity	4,655,751	—	4,655,751
Statement of Operations Data:			
Research and development expense	623,499	12,444	635,943
General and administrative expense	1,039,723	(394,568)	645,155
Total development expenses	1,727,210	(382,124)	1,345,086
Net loss	\$ (1,693,139)	\$ 382,124	\$ (1,311,015)

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The following is a summary of the restatements for the quarter ended March 31, 2006:

License fee amortization erroneously classified as general and administrative expense	<u>\$ 12,444</u>
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The effect on the Company's previously issued financial statements is summarized as follows:

	As Previously Reported	Increase (Decrease)	Restated
Statement of Operations Data:			
Research and development expense	\$ 216,704	\$ 12,444	\$ 229,148
General and administrative expense	125,623	(12,444)	113,179
Total development expenses	352,612	—	352,612
Net loss	\$ (357,236)	\$ —	\$(357,236)

The following is a summary of the restatements for the period from inception through March 31, 2007:

Offering costs erroneously charged to expense	<u>\$382,124</u>
License fee amortization erroneously classified as general and administrative expense	<u>\$ 95,404</u>

The effect on the Company's previously issued financial statements is summarized as follows:

	As Previously Reported	Increase (Decrease)	Restated
Balance Sheet Data:			
Total assets	\$ 5,355,525	\$ —	\$ 5,355,525
Total liabilities	699,774	—	699,774
Additional paid-in capital	16,188,556	(382,124)	15,806,432
Total stockholders' equity	4,655,751	—	4,655,751

Statement of Operations Data:			
Research and development expense	4,429,504	95,404	4,524,908
General and administrative expense	5,866,217	(477,528)	5,388,689
Total development expenses	10,496,157	(382,124)	10,114,033
Net loss	\$(11,568,171)	\$ 382,124	\$(11,186,047)

Additionally, reclassifications have been made to the Company's previously issued consolidated statements of cash flows and statement of stockholder's equity to correct classifications of cash flows between operating and financing activities, to remove certain non-cash transactions from the consolidated statement of cash flows, and to conform presentation to the audited financial statements for the year ended December 31, 2006.

The Company has also supplemented its previous disclosure of accounting policies by adding disclosures regarding revenue recognition, cost of sales, research and development costs, and registration payment arrangements. Information regarding our policies with respect to patent licenses was relocated from note 3 to note 1 to provide prominent presentation of all of the Company's significant accounting policies. Additionally, the disclosure of amount of patent license amortization expense was corrected. The number of unvested options outstanding disclosed in note 1 has been corrected. Clarification regarding the cash proceeds of ISC California's private placement and a correction to the cash amount raised was made in note 6. The schedule of lease commitments in note 9 was amended to separately disclose commitments due in 2010 and 2011. Note 9 was further amended to clarify the ownership of certain shares of ASC. In its second amendment to its Quarterly Report on form 10-QSB, the Company further supplemented its previous disclosure of accounting policies by adding disclosures regarding its return policies and making clarifications to its policy regarding registration rights payments in note 1.

Item 2. Management's Discussion and Analysis or Plan of Operation.

The following discussion of our financial condition and results of operations should be read in conjunction with our 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 Second Amendment to Form 10-KSB/A for the fiscal year ended December 31, 2006. The discussion contains 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. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

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 liability 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 reorganization required BTHC III, Inc. to consummate a merger or acquisition prior to June 20, 2007. Until the Share Exchange Agreement described below, BTHC III, Inc. conducted no operations. In October 2006, BTHC III, Inc. effected 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 approximately 93.7% of the common stock outstanding immediately after the transaction, to the shareholders of International Stem Cell Corporation, a California corporation ("ISC California"), in exchange for all outstanding stock of ISC California. This transaction is being accounted for as a "reverse merger" for accounting 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 organized 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 our current operations are conducted by Lifeline. Our principal executive offices are located at 2595 Jason Court, Oceanside, California 92056, and our telephone number is (760) 940-6383.

Plan of Operations

Our overall plan of operations for 2007 is to expand significantly our marketing and sales of cell culture products while continuing to focus on research and commercial product development in the stem cell field. In early 2007, we hired three full-time sales and marketing employees to market our eight existing products as well as the substantial number of additional products that we expect to be released for sale during the coming months.

During 2007, we also will expand our research and manufacturing facility in Oceanside California to accommodate Dr. Revazova and her team of Russian scientists. This team of expert cell culturists will focus on developing ways to change our stem cells into cell types to treat retinal, diabetes and liver disease. The facility, when expanded, also will be able to culture human cells under FDA compliant conditions. In February 2007, we were able to purchase equipment with an original estimated cost in excess of \$800,000 for only approximately \$42,000, as a result of the liquidation of the federal human genome project. This purchase will enable us to complete the expansion and remodeling of our Oceanside, California facility at one time rather than in several stages, as originally contemplated. We anticipate that the expansion and remodeling will be completed during the first half of 2007.

Commencing February 1, 2007, the Company entered into a lease for approximately 1,700 sq. ft. of commercial space in Walkersville, Maryland. The lease for this facility expires on January 31, 2010, subject to a three-year extension at the Company's option. The base rent is \$1,200 per month. The administrative staff is in the process of relocating to this location, which will allow the full utilization of the laboratory facilities for laboratory-related development.

Results of Operations

Revenues

We are a development stage company and have generated nominal revenues, \$1,826 for the three months ended March 31, 2007 and \$1,752 during the three months ended March 31, 2006.

General and Administrative Expenses

General and administrative expenses were \$645,155 for the three months ended March 31, 2007, as compared to \$113,179 for the three months ended March 31, 2006. The increase was primarily due to our continued expansion and to certain costs of a private placement of securities in 2006, for which certain closings occurred in January and February of 2007. Our payroll was \$190,099 for the three months ended March 31, 2007 as compared to \$0 for the three months ended March 31, 2006, while our audit fees were \$77,000 for the three months ended March 31, 2007 as compared to zero for the three months ended March 31, 2006.

Research and Development

Research and development expenses were \$635,943 for the three months ended March 31, 2007 as compared to \$229,148 for the three months ended March 31, 2006. Payroll and related taxes totaled \$338,184 and \$60,135 for the 2007 and 2006 quarters, respectively. The increase is primarily a result of the addition of the lab in Oceanside, California, resulting in additional scientific staffing, as well as the addition of scientific staff at our Maryland facility. Contract service expenditures related to our collaboration with the lab in Russia increased slightly in 2007 to \$82,058 from \$55,003 in 2006. Additional contract service expenditures in the form of consulting fees incurred for scientific projects were \$60,824 in 2007 compared with \$58,090 in 2006. Expenditures for lab supplies and lab facility rental increased to \$64,158 in 2007 from \$24,025 in 2006, primarily as a result of the addition of the Oceanside facility. Depreciation of lab equipment and amortization of licensed technology totaled \$12,444 in both 2007 and 2006.

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 expense increased to \$63,988 for the three months ended March 31, 2007, as compared to \$10,285 for the three months ended March 31, 2006. This increase was due to web site development, creation of sales literature, and development of print ads for trade journals.

Liquidity and Capital Resources

At March 31, 2007, we held cash and cash equivalents totaling \$4,347,404. Overall, we had a decrease in cash of \$349,290 for the three-month period ended March 31, 2007, resulting from \$1,320,816 cash used in operating activities and \$185,599 used in investment activities, offset by \$1,157,125 of cash provided by our financing activities. The funds generated from financing activities during 2006 and 2007 were used mainly to support our operating losses.

Net cash used in operating activities of \$1,320,816 for the three-month period ended March 31, 2007 was primarily attributable to a net loss of \$1,311,015. The adjustments to reconcile the net loss to net cash used in operating activities include depreciation and amortization expense of \$26,524, non-cash stock option expense of \$112,879, a decrease in accounts payable of \$46,335, an increase in accrued expenses of \$17,041, a decrease in loan payable of \$25,000, and a decrease in related party payables of \$94,396, attributable to repayments. The major portion of this increase in cash used resulted from increased R&D spending.

Net cash used in investing activities of \$185,599 for the three-month period ended March 31, 2007 was primarily attributable to purchases of property and equipment of \$148,831 consisting primarily of laboratory equipment for use in a variety of research projects, and payments for patent licenses of \$36,768.

Net cash provided by financing activities of \$1,157,125 for the three-month period ended March 31, 2007 was attributable to the delayed closings during such period for the sale of 1,370,000 shares of common stock that were part of a private placement of securities during the second half of 2006. Such shares were sold for cash at \$1.00 per share and we incurred \$212,875 in cash expense related to the subscriptions that closed in 2007.

During the second half of 2006 and early 2007, ISC California raised an aggregate of approximately \$9,992,000 in net proceeds from two private offerings of securities. Management believes that there is sufficient working capital to finance operations through the third quarter of 2008; however 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. Our current burn rate is approximately \$250,000 per month excluding capital expenditures. 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 2007 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. 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 payments of \$150,000 in May 2007 and annual payments thereafter of \$150,000, 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. See footnote 3 to financial statements for details. No licenses are terminable at will by the licensor.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements.

Recently Issued Accounting Pronouncements

In February 2007, the FASB issued SFAS 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. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are required to and plan to adopt the provisions of SFAS 159 beginning in the first quarter of 2008. We are currently assessing the impact of the adoption of SFAS 159.

Item 3. Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our Chief Executive and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2007. Based upon that evaluation, our Chief Executive and Chief Financial Officer concluded that, as of March 31, 2007, our disclosure controls and procedures were effective.

Subsequent to this reporting period, it was determined that certain errors were made in reporting the effects of certain warrant issuances, in classifying the amortization of license fees in the statements of operations, and in classifying items in our statements of cash flows. Additionally, certain disclosures in the notes to our consolidated financial statements were incorrect or insufficient. Management, under the supervision and with the participation of our board of directors, has reviewed the disclosure controls and procedures in place as of March 31, 2007 and concluded that they were not effective. We are restating our financial statements for the years ended December 31, 2006 and 2005 and from inception through December 31, 2006. We are also restating our financial statements for the quarterly periods ended March 31, 2007 and 2006 and from inception through March 31, 2007. We are amending our quarterly and annual reports on forms 10-QSB and 10-KSB for the affected periods.

Our board of directors is currently working towards implementing significant changes in our internal controls over financial reporting that are expected to materially affect such controls. We have retained a consultant to recommend for implementation specific disclosure controls and procedures to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Not Applicable.

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

Not Applicable.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

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

Not Applicable.

Item 5. Other Information.

Not Applicable.

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).
10.1	Employment Agreement, dated December 1, 2006, by and between International Stem Cell and Kenneth C. Aldrich (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on December 29, 2006).
10.2	Employment Agreement, dated November 1, 2006, by and between International Stem Cell and William B. Adams (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on December 29, 2006).
10.3	Employment Agreement, dated March 27, 2006, by and between International Stem Cell and Jeff Krstich (incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed on December 29, 2006).
10.4	Employment Agreement, dated October 31, 2006, by and between International Stem Cell and Jeffrey Janus (incorporated by reference to Exhibit 10.4 of the Registrant's Form 8-K filed on December 29, 2006).
10.5	Advisory Agreement, dated as of October 18, 2006, by and between International Stem Cell and Halter Financial Group, L.P. (incorporated by reference to Exhibit 10.5 of the Registrant's Form 8-K filed on December 29, 2006).
10.6	Consulting Agreement, effective as of September 1, 2006, by and between International Stem Cell and Capital Group Communications, Inc. (incorporated by reference to Exhibit 10.6 of the Registrant's Form 8-K filed on December 29, 2006).
10.7	Lifeline/ASC Final Settlement Agreement, effective as of June 30, 2006, by and between each of the American Stem Cell Corporation Parties (which include American Stem Cell Corporation Kenneth Swaisland, Ken Sorensen, Milton Datsopoulos, Michael McClain, Array Capital, Catalytix LDC, Catalytix Life Sciences Hedge, Avion Holdings, Inc., jointly and severally) and the Lifeline Parties (which include Lifeline Cell Technology, LLC ("Lifeline"), Jeffrey Janus, William B. Adams, Kenneth C. Aldrich, jointly and severally) (incorporated by reference to Exhibit 10.7 of the Registrant's Form 8-K filed on December 29, 2006).

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Exhibit Number	Description
10.8	Promissory Note, dated as of June 30, 2006, by Lifeline in favor of American Stem Cell Corporation (incorporated by reference to Exhibit 10.8 of the Registrant's Form 8-K filed on December 29, 2006).
10.9	First Amendment to Exclusive License Agreement (ACT IP), dated as of August 1, 2005, by and between Advanced Cell, Inc. and Lifeline (incorporated by reference to Exhibit 10.9 of the Registrant's Form 8-K filed on December 29, 2006).
10.10	First Amendment to Exclusive License Agreement (UMass IP), dated as of August 1, 2005, by and between Advanced Cell, Inc. and Lifeline (incorporated by reference to Exhibit 10.10 of the Registrant's Form 8-K filed on December 29, 2006).
10.11	First Amendment to Exclusive License Agreement (Infigen IP), dated as of August 1, 2005, by and between Advanced Cell, Inc. and Lifeline (incorporated by reference to Exhibit 10.11 of the Registrant's Form 8-K filed on December 29, 2006).
10.12	Exclusive License Agreement (Infigen IP), dated as of May 14, 2004, by and between Advanced Cell Technology, Inc and PacGen Cellco, LLC (predecessor company of Lifeline) (incorporated by reference to Exhibit 10.12 of the Registrant's Form 8-K filed on December 29, 2006).
10.13	Exclusive License Agreement (ACT IP), dated as of May 14, 2004, by and between Advanced Cell Technology, Inc. and PacGen Cellco, LLC (predecessor company of Lifeline) (incorporated by reference to Exhibit 10.13 of the Registrant's Form 8-K filed on December 29, 2006).
10.14	Exclusive License Agreement (UMass IP), dated as of May 14, 2004, by and between Advanced Cell Technology, Inc. and PacGen Cellco, LLC (predecessor company of Lifeline) (incorporated by reference to Exhibit 10.14 of the Registrant's Form 8-K filed on December 29, 2006).
10.15	International Stem Cell Corporation 2006 Equity Participation Plan (incorporated by reference to Exhibit 10.15 of the Registrant's Form 8-K filed on December 29, 2006).
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 of the Registrant's Form 8-K filed on December 29, 2006).
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.

INTERNATIONAL STEM CELL CORPORATION

Dated: July 9, 2007

By: /s/ Jeff Krstich
Name: Jeff Krstich
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 INDEX

<u>Exhibit Number</u>	<u>Description</u>
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.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Jeff Krstich, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB/A 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Omitted.
 - (c) Evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: July 9, 2007

By: /s/ Jeff Krstich

Jeff Krstich
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, William B. Adams, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB/A 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer'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)) for the small business issuer 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 small business issuer, 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) Omitted.
 - (c) Evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: July 9, 2007

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-QSB/A (the "Report") of International Stem Cell Corporation (the "Company") for the three months ended March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeff Krstich, 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: July 9, 2007

By: /s/ Jeff Krstich

Jeff Krstich

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-QSB/A (the "Report") of International Stem Cell Corporation (the "Company") for the three months ended March 31, 2007, 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: July 9, 2007

By: /s/ William B. Adams

William B. Adams

Chief Financial Officer

