Alliance HealthCare Services, Inc
Form S-4
April 29, 2010
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As filed with the Securities and Exchange Commission on April 29, 2010

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLIANCE HEALTHCARE SERVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	8071	33-0239910
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

100 Bayview Circle, Suite 400

Newport Beach, California 92660

(949) 242-5300

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Office)

Eli H. Glovinsky

Executive Vice President, General Counsel and Secretary

Alliance HealthCare Services, Inc.

100 Bayview Circle, Suite 400

Newport Beach, California 92660

(949) 242-5300

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copy to:

Keith Benson, Esq.

Latham & Watkins LLP

505 Montgomery Street, Suite 2000

San Francisco, CA 94111

(415) 391-0600

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration number for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier, effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated files, 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	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
8% Series B Senior Notes due 2016	$190,000,000	100%	$190,000,000	$13,547

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f).

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not exchange these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 29, 2010

PRELIMINARY PROSPECTUS

ALLIANCE HEALTHCARE SERVICES, INC.

OFFER TO EXCHANGE

$190,000,000 principal amount of its

8.00% Series B Senior Notes due 2016

which have been registered under the Securities Act,

for any and all of its outstanding 8.00% Senior Notes due 2016

The exchange offer expires at 5:00 p.m., New York City time, on , 2010, unless extended.

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of a new series of notes which are registered under the Securities Act.

The exchange offer is not subject to any conditions other than that it not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission.

You may withdraw tenders of outstanding notes at any time before the exchange offer expires.

The exchange of notes will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offer.

The terms of the new series of notes are substantially identical to the outstanding notes, except for transfer restrictions and registration rights relating to the outstanding notes.

You may tender outstanding notes only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

Our affiliates may not participate in the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities.

Please refer to Risk Factors beginning on page 10 of this prospectus for a description of the risks you should consider when evaluating this offer to exchange.

We are not making this exchange offer in any state where it is not permitted.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2010.

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We have not authorized any dealer, salesperson or other people to give any information or to make any representations to you other than the information contained in this prospectus. You must not rely on any information or representations not contained in this prospectus unless we authorize it. This prospectus does not offer to sell or solicit an offer to buy any securities other than the registered notes to which it relates, nor does it offer to buy any of these notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The information contained in this prospectus is current only as of the date on the cover page of this prospectus, and may change after that date.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. If you would like a copy of any of this information, please submit your request to Alliance HealthCare Services, Inc., 100 Bayview Circle, Suite 400, Newport Beach, California 92660, Attention: Investor Relations, or call (949) 242-5300 and ask to speak to Investor Relations. In addition, to obtain timely delivery of any information you request, you must submit your request no later than   , 2010, which is five business days before the date the exchange offer expires.

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CAUTIONARY DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Prospectus Summary, Risk Factors, Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus and in the documents incorporated by reference herein that are forward-looking statements, within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with this offer to exchange these outstanding notes pursuant to this prospectus. In some cases you can identify these statements by forward-looking words such as may , will , should , expect , plans , anticipate , believe , estimate , predict , seek , intend and continue or similar words. Fo may also use different phrases. Forward-looking statements address, among other things, our future expectations, projections of our future results of operations or of our financial condition and other forward-looking information.

We believe it is important to communicate our expectations to our investors. However, there may be events in the future that we are not able to accurately predict or that we do not fully control that could cause actual results to differ materially from those expressed or implied by our forward-looking statements, including:

- our high degree of leverage and our ability to service our debt;
- factors affecting our leverage, including interest rates;
- the risk that the counter-parties to our interest rate swap agreements fail to satisfy their obligations under these agreements;
- our ability to obtain financing;
- the effect of operating and financial restrictions in our debt agreements;
- the accuracy of our estimates regarding our capital requirements;
- intense levels of competition in our industry;
- changes in the rates or methods of third-party reimbursements for diagnostic imaging and radiation oncology services;
- fluctuations or unpredictability of our revenues, including as a result of seasonality;
- changes in the healthcare regulatory environment;
- our ability to keep pace with technological developments within our industry;
- the growth in the market for MRI and other services;

the disruptive effect of hurricanes and other natural disasters;

adverse changes in general domestic and worldwide economic conditions and instability and disruption of credit markets;

our ability to successfully integrate acquisitions; and

other factors discussed under Risk Factors.

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MARKET AND INDUSTRY DATA

This prospectus contains and incorporates statistical data that we obtained from public industry publications. These publications generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Although we believe that the publications are reliable, we have not independently verified market industry data provided by third parties. Similarly, while we believe our management s estimates with respect to our industry are reliable, our estimates have not been verified by any independent sources, and we cannot assure you that they are accurate.

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PROSPECTUS SUMMARY

In this prospectus, unless we indicate otherwise, the words we, us, our, Alliance and the Company refer to Alliance HealthCare Services, Inc the issuer of the notes, and its subsidiaries. The following summary contains basic information about the Company and this offering. You should read this entire prospectus, including our financial statements, the notes to those financial statements and the other financial information included and incorporated by reference in this prospectus, carefully before making an investment decision. It likely does not contain all the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire document and the documents we have referred you to. Our fiscal year ends on December 31 of each year.

We will refer to the offering of the private notes as the private offering. Unless indicated otherwise, the term notes refers to both the private notes and the exchange notes.

Our Company

We are a leading national provider of outpatient diagnostic imaging services, based upon annual revenue and number of diagnostic imaging systems deployed, and a provider of radiation oncology services. Our principal sources of revenue are derived from magnetic resonance imaging (MRI) and positron emission tomography/computed tomography (PET/CT). We provide imaging and therapeutic services primarily to hospitals and other healthcare providers on a shared-service and full-time service basis. We also provide services through a growing number of fixed-site imaging centers, primarily to hospitals or health systems. Our services normally include the use of our imaging systems, technologists to operate the systems, equipment maintenance and upgrades and management of day-to-day shared-service and fixed-site diagnostic imaging operations. We also provide non-scan-based services, which include only the use of our imaging systems under a short-term contract.

We have also leveraged our leadership in MRI and PET/CT to expand into radiation oncology. Our radiation oncology business includes a wide range of services for cancer patients covering initial consultation, preparation for treatment, simulation of treatment, radiation oncology delivery, therapy management and follow-up care. Our services include the use of our linear accelerators, therapists to operate such systems, administrative staff, equipment maintenance and upgrades, and management of day-to-day operations.

For the year ended December 31, 2009, MRI services and PET/CT services generated 47% and 40% of our revenue, respectively. The remaining revenue was comprised of radiation oncology revenue, and other modality diagnostic imaging services revenue, primarily computed tomography (CT), and management contract revenue. At December 31, 2009, our 507 diagnostic imaging and radiation oncology systems included 295 MRI systems and 126 PET or PET/CT systems, and served over 1,000 clients in 45 states. We operated 116 fixed-site imaging centers (three in unconsolidated joint ventures), which constitutes systems installed in hospitals or other medical buildings on hospital campuses, including modular buildings, systems installed inside medical groups offices, and free-standing fixed-site imaging centers, which include systems installed in a medical office building, ambulatory surgical center, or other retail space. We also operated 25 radiation oncology centers and stereotactic radiosurgery facilities (including two radiation oncology centers in unconsolidated joint ventures) as of December 31, 2009.

Approximately 80% of our revenues for the twelve month period ended December 31, 2009 were generated by providing services to hospitals and other healthcare providers, which we refer to as wholesale revenues. Our wholesale revenues are due to us independent of our clients receipt of reimbursement from third-party payors. For shared-service customers, we typically deliver our services for a set number of days per week through exclusive, long-term contracts with hospitals and other healthcare providers. The initial terms of these contracts average approximately three years in length and many contain automatic renewal provisions. The initial terms of our contracts for our fixed-site imaging centers average approximately five to 10 years in length. Our contracts for radiation oncology services average approximately 10 to 20 years in length.

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Our clients, primarily small-to-mid-sized hospitals, contract with us to provide diagnostic imaging and radiation oncology systems and services in order to:

- take advantage of our extensive diagnostic imaging, radiation oncology and project management experience;
- avoid capital investment and financial risk associated with the purchase of their own systems;
- provide access to MRI, PET/CT, radiation oncology and other services for their patients when the demand for these services does not justify the purchase of dedicated, full-time systems;
- benefit from upgraded systems and technology without direct capital expenditures;
- eliminate the need to recruit, train and manage qualified technologists, therapists and oncologists;
- make use of our ancillary services; and
- gain access to services under our regulatory and licensing approvals when they do not have these approvals.

Our Competitive Strengths

We believe we benefit from the following competitive strengths:

- *Our position as a leading national provider of shared-service and fixed-site MRI and PET/CT services, based on annual revenue and number of diagnostic imaging systems deployed.* As of December 31, 2009, we had 295 MRI systems, 126 PET or PET/CT systems, and 86 other diagnostic imaging systems in operation. Our size allows us to achieve operating, sourcing and administrative efficiencies, including (i) the ability to maximize utilization through efficient deployment of our mobile systems and (ii) equipment and medical supply sourcing savings and favorable maintenance contracts from equipment manufacturers and other suppliers;
- *Our ability to expand into radiation oncology using our leading national position in MRI and PET/CT services.* We have relationships with more than 1,000 hospitals and healthcare providers in 45 states throughout the nation. This national footprint has enabled us to leverage our position as a trusted partner to healthcare providers to expand our services beyond diagnostic imaging and into radiation oncology, transforming us into a more complete outsourced service provider to our clients;
- *Our ability to provide comprehensive diagnostic and treatment solutions.* We offer our clients a comprehensive diagnostic imaging and radiation oncology solution, as well as ancillary services, such as marketing support, education, training and billing assistance. In many cases, we provide services under our regulatory and licensing approvals for clients who lack such authority. We believe that a comprehensive service solution is an important factor when potential clients select a diagnostic imaging or radiation oncology provider;
- *Our exclusive, long-term contracts with a diverse client base.* We primarily generate revenues from exclusive, long-term contracts with hospitals and other healthcare providers. These contracts average approximately three years in length for mobile services,

approximately five to 10 years in length for fixed-site arrangements and approximately 10 to 20 years in length for radiation oncology contracts. During the year ended December 30, 2009, no single client accounted for more than 2% of our revenue;

Our reduced reimbursement risk. For the year ended December 31, 2009, we generated approximately 80% of our revenues by billing hospitals and other healthcare providers, which we refer to as wholesale revenues, rather than billing patients or other third-party payors. These payments are due to us regardless of the clients receipt of payment from patients or reimbursement from third-party payors (including commercial payors, Medicare and Medicaid). Importantly, this contrasts with the vast

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majority of the diagnostic imaging and radiation oncology providers, who typically collect directly from patients and third-party payors and are therefore directly exposed to reimbursement cuts and higher experiences of bad debt. With our wholesale model, our exposure to patient bad debt is minimized, as evidenced by our bad debt expense of only 0.5% of revenues for the year ended December 31, 2009. Further, short-term exposure to Medicare reimbursement cuts is limited as approximately 4% of our imaging revenues came from Medicare for the year ended December 31, 2009;

Our generation of stable and significant cash flows and maintenance of attractive margins over a sustained period of time. We attribute our strong cash flows and margins to: (1) comprehensive imaging and treatment solutions, (2) the substantial value proposition for customers, (3) the strength of our customer relationships, (4) the largely wholesale nature of the our revenues and (5) our economies of scale;

Our management experience. Our experienced management team, including our four senior executive officers who average approximately 20 years of industry experience; and

Our advanced MRI, PET/CT and radiation therapy systems. Our technologically advanced imaging systems can perform high quality scans more rapidly and can be used for a wider variety of imaging applications than less advanced systems. Moreover, technological change in this field is gradual and most of our systems can be upgraded with software and hardware enhancements, which should allow us to continue to provide advanced technology without replacing the entire system. Our radiation oncology services utilize the most advanced radiation oncology technology, including image guided radiation therapy (IGRT), intensity modulated radiation therapy (IMRT) and stereotactic radiosurgery systems.

Despite the competitive strengths discussed above, we face a number of challenges in growing our business. We currently have a substantial amount of indebtedness, which places financial and other limitations on our business. Our business is also subject to a number of other risks described in Risk Factors.

Our Services

We provide our outsourcing services on the following bases:

- shared service;
- full-time service; and
- interim and rental services.

Our Strategy

Key components of our strategy include:

- further expanding our presence in growth markets with fixed-site imaging and radiation oncology services;
- improvement of our sales management and sales support infrastructure to improve the pace of new business;
- improved operating efficiency, including reducing our cost structure and improving asset allocation;

focus on patient care and customer service; and

bolster our market positions through strategic acquisitions and de novo expansion activity.

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Our Sponsors

On April 16, 2007, OCM Principal Opportunities Fund IV, L.P., MTS Health Investors II, L.P., and affiliated funds (together, the Oaktree Parties), acquired approximately 49.7% of our outstanding shares of common stock from a fund controlled by an affiliate of Kohlberg Kravis Roberts & Co., L.P. (*KKR*). KKR no longer owns any shares of the Company. OCM Principal Opportunities Fund IV, L.P. is a commingled investment fund managed by Oaktree Capital Management, L.P. (*Oaktree*), a leading alternative asset manager that manages in excess of $67 billion in capital on behalf of institutional and high net worth investors in non-mainstream and alternative investment strategies, including high yield bonds, convertible securities, distressed debt, private equity, mezzanine, real estate, emerging market equities and Japanese equities. Oaktree is headquartered in Los Angeles, California and maintains offices in Beijing, Frankfurt, Hong Kong, London, New York, Paris, Seoul, Shanghai, Singapore, Stamford (Connecticut), Tokyo and, through fund affiliates, Amsterdam and Luxembourg.

MTS Health Investors, LLC (*MTS*), located in New York, New York, is a healthcare private equity firm that makes equity investments in the buyout, recapitalization or growth financing of healthcare operating companies. MTS focuses on businesses that operate in services sectors of the healthcare industry-managed care/health insurance, providers of healthcare services, distributors of medical products and pharmaceuticals, manufacturers of medical products and low-technology devices and providers of outsourced services to the healthcare industry.

We are a Delaware corporation with our principal executive offices located at 100 Bayview Circle, Suite 400, Newport Beach, California 92660. Our telephone number at that location is (949) 242-5300. Our website is located at *www.alliancehealthcareservices-us.com*. The information contained on our website is not a part of this prospectus.

The Exchange Offer

The Exchange Offer	We are offering to exchange the exchange notes for the outstanding private notes that are properly tendered and accepted. You may tender outstanding private notes only in denominations of $2,000 and integral multiples of $1,000 in excess thereof. We will issue the exchange notes on or promptly after the exchange offer expires. As of the date of this prospectus, $190,000,000 aggregate principal amount of private notes are outstanding.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2010, (the 21st business day following commencement of the exchange offer) unless extended, in which case the expiration date will mean the latest date and time to which we extend the exchange offer.
Conditions to the Exchange Offer	The exchange offer is not subject to any condition other than that it not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission (the SEC). The exchange offer is not conditioned upon any minimum principal amount of private notes being tendered for exchange.
Procedures for Tendering Private Notes	If you wish to tender your private notes for exchange notes pursuant to the exchange offer:

You must comply with the Automated Tender Offer Program procedures of The Depository Trust Company (DTC); and

The Bank of New York Mellon Trust Company, N.A., the exchange agent, must receive timely confirmation of a book-entry transfer of the private notes into its account at DTC through DTC s Automated Tender Offer Program pursuant to the procedure for book-entry transfer described herein, along with a properly transmitted agent s message, before the expiration date.

By tendering the private notes pursuant to the exchange offer, you will make the representations to us described under The Exchange Offer Procedures for Tendering.

Acceptance of the Private Notes and Delivery of the Exchange Notes	Subject to the satisfaction or waiver of the conditions to the exchange offer, we will accept for exchange any and all private notes which are validly tendered in the exchange offer and not withdrawn before 5:00 p.m., New York City time, on the expiration date.
Withdrawal Rights	You may withdraw the tender of your private notes at any time before 5:00 p.m., New York City time, on the expiration date, by complying with the procedures for withdrawal described in this prospectus under the heading The Exchange Offer Withdrawal of Tenders.

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Material U.S. Federal Income Tax Consequences	The exchange of notes will not be a taxable event for U.S. federal income tax purposes. For a discussion of the material U.S. federal income tax consequences relating to the notes, see Material U.S. Federal Income Tax Consequences.
Exchange Agent	The Bank of New York Mellon Trust Company, N.A., the trustee under the indenture governing the notes, is serving as the exchange agent (the Exchange Agent).
Consequences of Failure to Exchange	If you do not exchange your private notes for exchange notes, you will continue to be subject to the restrictions on transfer provided in the private notes and in the indenture governing the private notes. In general, the private notes may not be offered or sold, unless registered under the Securities Act of 1933, as amended (the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently plan to register the resale of any private notes under the Securities Act.
Registration Rights Agreement	You are entitled to exchange your private notes for exchange notes with substantially identical terms. This exchange offer satisfies this right. After the exchange offer is completed, you will no longer be entitled to any exchange or registration rights with respect to your private notes.

We explain the exchange offer in greater detail beginning on page 27.

The Exchange Notes

The summary below describes the principal terms of the exchange notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus contains a more detailed description of the terms and conditions of the exchange notes.

The form and terms of the exchange notes are the same as the form and terms of the private notes, except that the exchange notes will be registered under the Securities Act and, therefore, the exchange notes will not be subject to the transfer restrictions, registration rights and provisions providing for an increase in the interest rate applicable to the private notes. The exchange notes will evidence the same debt as the private notes and are governed by the same indenture as the private notes.

Issuer	Alliance HealthCare Services, Inc.
Securities Offered	$190,000,000 aggregate principal amount of 8% Series B Senior Notes due 2016.
Maturity	December 1, 2016.
Interest Rate	8% per year (calculated using a 360-day year).
Interest Payment Dates	June 1 and December 1 of each year, beginning on June 1, 2010.

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Ranking	The exchange notes are unsecured senior obligations of the Company, rank equally in right of payment to all of our existing and future senior indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness. The exchange notes are effectively subordinated in right of payment to our secured indebtedness (including obligations under our credit facility) to the extent of the value securing such indebtedness, and all obligations of each of our existing and future subsidiaries. As of December 31, 2009, we had approximately $667.9 million of indebtedness, approximately $474.8 million of which was secured (excluding $4.5 million of undrawn letters of credit and up to $115.5 million of additional borrowing capacity under the New Revolving Credit Facility) and our subsidiaries had total liabilities, together with guarantees of indebtedness, of approximately $492.3 million (of which $460.0 million represents guarantees of indebtedness under the New Credit Facility). See Selected Consolidated Financial Data, Risk Factors Risks Related to Our Indebtedness.
Optional Redemption	We may redeem the exchange notes, in whole or in part, at any time on or after December 1, 2012 at the redemption prices listed under Description of the Notes Optional Redemption.

We may redeem some or all of the exchange notes at any time prior to December 1, 2012 at a price equal to 100% of the principal amount of the exchange notes plus a make-whole premium as set forth under Description of the Notes Optional Redemption.

Optional Redemption After Equity Offerings	We may redeem up to 35% of the outstanding exchange notes with money that we raise in one or more equity offerings at any time (which may be more than once) prior to December 1, 2012, at a redemption price of 108.0% of the principal amount of the exchange notes plus accrued and unpaid interest and liquidated damages, if any, as long as at least 65% of the aggregate principal amount of exchange notes issued remains outstanding afterwards. See Description of the Notes Optional Redemption.
Change of Control	If a change in control of the Company occurs, we must give holders of the exchange notes the opportunity to sell us their exchange notes at 101% of their face amount, plus accrued interest.

We might not be able to pay you the required price for exchange notes you present to us at the time of a change of control because:

- we might not have enough funds at that time; and
- the terms of our credit facility may prevent us from paying.

See Risk Factors Risks Related to the Notes We may not be able to repurchase notes upon a change of control, which would be an event of default under the indenture.

Asset Sale Proceeds	If we or our subsidiaries engage in asset sales, we generally must either invest the net cash proceeds from such sales in our business within a period of time, prepay certain debt or make an offer to purchase a principal amount of the exchange notes equal to the excess net cash proceeds. The purchase price of the notes will be 100% of their principal amount, plus accrued interest.
Certain Indenture Provisions	The indenture governing the exchange notes contains covenants limiting our (and most or all of our subsidiaries) ability to: pay dividends or make certain other restricted payments or investments; incur additional indebtedness and issue disqualified stock; create liens on assets; merge, consolidate, or sell all or substantially all of our and our restricted subsidiaries assets; enter into certain transactions with affiliates; create restrictions on dividends or other payments by our restricted subsidiaries; and create guarantees of indebtedness by restricted subsidiaries.

These covenants are subject to a number of important limitations and exceptions. See Description of the Notes Certain Covenants.

Use of Proceeds	We will not receive any cash proceeds from the exchange offer.

We explain the exchange notes in greater detail beginning on page 95.

Risk Factors

You should carefully consider all of the information in this prospectus. In particular, for a discussion of some specific factors that you should consider in evaluating an investment in the notes, see Risk Factors beginning on page 10 of this prospectus and Risk Factors beginning on page 23 of our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference herein.

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Summary Consolidated Financial Information

We derived the following summary historical consolidated financial information presented below from our financial statements. The following summary historical consolidated financial information with respect to each year in the three-year period ended December 31, 2009 are derived from our audited consolidated financial statements. The summary historical consolidated financial information provided below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto included and incorporated by reference in this prospectus.

	Year Ended December 31,				
	2005	2006	2007	2008	2009
Consolidated Statements of Operations Data:					
Revenues	$ 430,788	$ 455,775	$ 444,919	$ 495,834	$ 505,513
Costs and expenses:					
Cost of revenues, excluding depreciation and amortization	226,294	244,254	235,471	261,753	270,381
Selling, general and administrative expenses	48,077	53,955	57,049	62,728	67,579
Transaction costs					893
Employment agreement costs	366				
Severances and related costs	826	745	682	636	1,404
Loss on extinguishment of debt				61	14,600
Depreciation expense	82,505	83,397	82,703	87,728	94,918
Amortization expense	3,954	4,933	5,195	8,696	11,000
Interest expense and other, net	34,203	41,078	42,362	48,392	45,894
Other (income) and expense, net	(399)	45	(579)	(872)	(1,178)
Total costs and expenses	395,826	428,407	422,883	469,122	505,491
Income before income taxes, earnings from unconsolidated investees and noncontrolling interest, net of tax	34,962	27,368	22,036	26,712	22
Income tax expense	14,758	12,032	11,644	11,764	308
Earnings from unconsolidated investees	(3,343)	(5,371)	(7,567)	(4,605)	(3,831)
Net income	23,547	20,707	17,959	19,553	3,545
Less: Net income attributable to noncontrolling interest, net of tax	(1,718)	(2,075)	(1,727)	(3,030)	(3,064)
Net income attributable to Alliance HealthCare Services, Inc.	$ 21,829	$ 18,632	$ 16,232	$ 16,523	$ 481
Consolidated Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 13,421	$ 16,440	$ 120,892	$ 73,305	$ 111,884
Total assets	675,342	664,526	849,807	883,723	887,836
Long-term debt, including current maturities	579,582	529,425	670,796	662,562	667,890
Stockholders (deficit) equity	(35,856)	(12,598)	8,079	28,993	34,762
Other Data:					
Cash flows provided by (used in):					
Operating activities	127,838	117,937	119,704	130,124	139,131
Investing activities	(134,437)	(63,520)	(142,515)	(151,324)	(60,452)
Financing activities	(701)	(51,398)	127,263	(26,387)	(40,100)
Capital expenditures	76,460	75,007	65,252	66,204	73,830

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RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained and incorporated by reference in this prospectus before making a decision to tender your private notes in the exchange offer. The risk factors set forth below are generally applicable to the private notes as well as the exchange notes. The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

Risks Related to Our Indebtedness

Our substantial indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.

We are highly leveraged. As of December 31, 2009, we had $667.9 million of outstanding debt, excluding letters of credit, and approximately $115.5 million was available for borrowing under our credit facility. Our substantial indebtedness could have important consequences for our stockholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and acquisitions and for other general corporate purposes;
- increase our vulnerability to economic downturns and competitive pressures in our industry;
- place us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

If there is a default under the agreements governing our material indebtedness, the value of our assets may not be sufficient to repay our creditors.

Our property and equipment, which make up a significant portion of our tangible assets, had a net book value of $340.1 million as of December 31, 2009 and $357.2 million as of December 31, 2008. The book value of these assets should not be relied on as a measure of realizable value for such assets. The realizable value may be lower than such net book value. The value of our assets in the event of liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. A sale of these assets in a bankruptcy or similar proceeding would likely be made under duress, which could reduce the amounts that would be recovered. Furthermore, such a sale could occur when other companies in our industry also are distressed, which might increase the supply of similar assets and therefore reduce the amounts that could be recovered. Our goodwill and other intangible assets had a net book value of $294.4 million as of December 31, 2009. These assets primarily consist of the excess of the acquisition cost over the fair market value of the net assets acquired in purchase transactions, customer contracts and costs to obtain certificates of need. The value of goodwill and other intangible assets will continue to depend significantly upon the success of our business as a going concern and the growth in future cash flows. As a result, in the event of a default under the agreements governing our material indebtedness or any bankruptcy or dissolution of our company, the realizable value of these assets will likely be substantially lower and may be insufficient to satisfy the claims of our creditors.

The financial condition of our assets will likely deteriorate during any period of financial distress preceding a sale of our assets. In addition, much of our assets consist of illiquid assets that may have to be sold at a substantial discount in an insolvency situation. Accordingly, the proceeds of any such sale of our assets may not be sufficient to satisfy, and may be substantially less than, amounts due to our creditors.

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Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more indebtedness, which could increase the risks described above.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of our credit facility and the indenture governing the notes permit us or our subsidiaries to incur additional indebtedness, subject to certain restrictions. Further, our credit facility and the indenture governing the notes allow for the incurrence of indebtedness by our subsidiaries, all of which would be structurally senior to the notes. In addition, as of December 31, 2009, our credit facility permitted additional borrowings of up to approximately $115.5 million subject to the covenants contained in our credit facility, and all of those borrowings would be senior to the notes to the extent of the assets securing our credit facility. If new debt is added to our or our subsidiaries current debt levels, the risks discussed above could intensify.

If we are unable to generate or borrow sufficient cash to make payments on our indebtedness or to refinance our indebtedness on acceptable terms, our financial condition would be materially harmed, our business may fail and you may lose all of your investment.

Our ability to make scheduled payments on or to refinance our obligations with respect to our debt will depend on our financial and operating performance, which will be affected by general economic, financial, competitive, business and other factors beyond our control. As a result of the recent global market and economic conditions, the cost and availability of credit and equity capital have been severely impacted. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If we are unable to meet our debt obligations or fund our other liquidity needs, we may need to restructure or refinance all or a portion of our debt on or before maturity or sell certain of our assets. We cannot assure you that we will be able to restructure or refinance any of our debt on commercially reasonable terms, if at all, which could cause us to default on our debt obligations and impair our liquidity. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

We may not be able to finance future needs or adapt our business plan to changes because of restrictions placed on us by our credit facility, our notes, the indentures governing our notes and instruments governing our other indebtedness.

The indenture governing the notes and our credit facility contain affirmative and negative covenants which restrict, among other things, our ability to:

- incur additional debt;
- sell assets;
- create liens or other encumbrances;
- make certain payments and dividends; or
- merge or consolidate.

All of these restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. A failure to comply with these covenants and restrictions would permit the relevant creditors to declare all amounts borrowed under the relevant borrowing, together with accrued interest and fees, to be immediately due and payable. If the indebtedness under our credit facility or the notes is accelerated, we may not have sufficient assets to repay amounts due under the credit facility, the notes or on other indebtedness then outstanding. If we are not able to refinance our debt, we could become subject to bankruptcy proceedings, and you may lose all or a portion of your investment because the claims of certain of our creditors on our assets are prior to the claims of holders of the notes.

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Increases in interest rates could adversely affect our financial condition.

An increase in prevailing interest rates would have an effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in interest rates. At December 31, 2009, approximately $460.0 million of our debt was at variable interest rates.

Increases in interest rates would also impact the refinancing of our debt. If interest rates are higher when our debt becomes due, we may be forced to borrow at the higher rates. If prevailing interest rates or other factors result in higher interest rates, the increased interest expense would adversely affect our cash flow and our ability to service our debt. As a protection against rising interest rates, we may enter into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts. These agreements, however, carry the risks that the other parties to the agreements may not perform or that the agreements could be unenforceable. We are required under the terms of our credit facility to enter into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts that would have the effect of fixing the rate of a specified percentage of our variable rate debt for periods to be determined.

Risks Related to Our Business

Changes in the rates or methods of third-party reimbursements for diagnostic imaging services could result in reduced demand for our services or create downward pricing pressure, which would result in a decline in our revenues and harm to our financial position.

We derive approximately 20% of our revenues from direct billings to patients and third-party payors such as Medicare, Medicaid or private health insurance companies, and changes in the rates or methods of reimbursement for the services we provide could have a significant negative impact on those revenues. Moreover, our healthcare provider clients on whom we depend for the majority of our revenues generally rely on reimbursement from third-party payors. If our clients receive decreased reimbursement, this could result in a reduced demand for our services or downward pricing pressures, which could have a material impact on our financial position.

From time to time, changes designed to contain healthcare costs have been implemented, some of which have resulted in decreased reimbursement rates for diagnostic imaging services that impact our retail business. For services for which we bill Medicare directly, we are paid under the Medicare Physician Fee Schedule, which is updated on an annual basis. Under the Medicare statutory formula, payments under the Physician Fee Schedule would have decreased for the past several years if Congress failed to intervene. For example, for 2008, the fee schedule rates were to be reduced by approximately 10.1%. The Medicare, Medicaid and SCHIP Extension Act of 2007 eliminated the 10.1% reduction for 2008 and increased the annual payment rate update by 0.5%. This increase to the annual Medicare Physician Fee Schedule payment update was effective only for Medicare claims with dates of service between January 1, 2008 and June 30, 2008. Beginning July 1, 2008, under MIPPA, the 0.5% increase was continued for the rest of 2008. In addition, MIPPA established a 1.1% increase to the Medicare Physician Fee Schedule payment update for 2009. For 2010, CMS are projecting a rate reduction of 21.2% unless Congress intervenes again to avoid the payment reduction. On December 19, 2009, President Obama signed into law the Department of Defense Appropriations Act, 2010 (H.R. 3326) which includes a zero percent Medicare physician update through February 28, 2010. This was further extended through May 31, 2010 by the Temporary Extension Act of 2010 and the Continuing Extension Act of 2010, signed into law by President Obama on March 2, 2010 and April 15, 2010, respectively. If Congress fails to intervene to prevent the 21.2% rate reduction, the resulting decrease in payment will adversely impact our revenues and results of operations.

MIPPA also modified the methodology by which the budget neutrality formula was applied to the 2009 physician fee schedule payment rates, resulting in an overall reduction in payment rates for services performed by many specialties, including an estimated 3% reduction for radiation oncology and 1% reduction for nuclear medicine. The impact of the payment rates on specific companies depends on their service mix. We estimated slight decreases in rates for our radiation oncology business but cannot predict the full impact the rate reductions

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will have on our future revenues or business. Also with respect to MIPPA, the legislation requires all suppliers that provide the technical component of diagnostic MRI, PET/CT, CT and nuclear medicine to be accredited by an accreditation organization designated by CMS by January 1, 2012. On January 26, 2010, CMS initially approved the following designated accreditation organizations to accredit suppliers furnishing the technical component of all advanced imaging modalities (CT, nuclear medicine, PET and MRI) on or after January 1, 2010: The American College of Radiology (ACR), the Intersocietal Accreditation Commission (IAC) and The Joint Commission. All our facilities are accredited by The Joint Commission.

A number of other legislative changes impact our retail business. For example, the DRA imposed caps on Medicare payment rates for certain imaging services furnished in physicians offices and other non-hospital based settings. The caps impact MRI, PET/CT and certain imaging services performed in conjunction with radiation therapy, including certain IGRT services and diagnostic imaging services used to plan IMRT. Under the cap, payments for specified imaging services cannot exceed the hospital outpatient payment rates for those services. This change applies to services furnished on or after January 1, 2007. The limitation is applicable to the technical components of the diagnostic imaging services only, which is the payment we receive for the services for which we bill directly under the Medicare Physician Fee Schedule. CMS issues on an annual basis the HOPPS rates, which are used to develop the caps. If the technical component of the service established under the Physician Fee Schedule (without including geographic adjustments) exceeds the hospital outpatient payment amount for the service (also without including geographic adjustments), then the payment is to be reduced. In other words, in those instances where the technical component for the particular service is greater for the non-hospital site, the DRA directs that the hospital outpatient payment rate be substituted for the otherwise applicable Physician Fee Schedule payment rate. The implementation of this reimbursement reduction contained in the DRA had a significant effect on our financial condition and results of operations in 2007, whereas the changes in 2008 and 2009 have been limited.

The DRA also codified the reduction in reimbursement for multiple images on contiguous body parts, which was previously announced by CMS. The DRA mandated payment at 100% of the technical component of the higher priced imaging procedure and 50% for the technical component of each additional imaging procedure for multiple images of contiguous body parts within a family of codes performed in the same session. CMS announced that it would phase in this reimbursement reduction over a two-year period. Beginning in 2006, CMS implemented the initial 25% reduction for each additional imaging procedure on contiguous body parts. For services furnished on or after July 1, 2010, the recently enacted Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the PPACA), requires the full 50% reduction to be implemented as mandated by the DRA.

For HOPPS rates, effective January 1, 2009, CMS established three HOPPS imaging families according to modality one for ultrasound, one for CT and CTA, and one for MRI and MRA services. CMS then established five composite Ambulatory Payment Classifications, or APCs, based on these HOPPS imaging families, splitting the families for CT and CTA, and MRI and MRA, into two separate composite APCs each to reflect whether the procedures are performed with or without contrast. CMS will provide a single APC payment when two or more imaging procedures using the same imaging modality are reported on a single date of service. If a with and without contrast procedure are reported together, they are paid at the higher with contrast payment category. The implementation of this new payment methodology did not have a material impact on our consolidated financial position or results of operations.

Regulatory updates to payment rates for which we bill the Medicare program directly are published annually by CMS. For payments under the Physician Fee Schedule for calendar year 2010, CMS changed the way it calculates components of the Medicare Physician Fee Schedule. As part of the changes, CMS reduced payment rates for certain diagnostic services using equipment costing more than $1 million through revisions to usage assumptions from the current 50% usage rate to a 90% usage rate to be phased in over a four-year period. This change applied to MRI and CT scans, but not for radiation therapy and other therapeutic equipment. The PPACA supersedes CMS s regulatory changes and reduces the assumed usage rate for such equipment from CMS s 2010 rate of 90% to a rate of 75%, beginning on January 1, 2011. A decrease in utilization rate generally corresponds to an increase to the payment rate. In addition, the OIG has stated that for 2010, it intends to focus on, among other things, the practice expense components, including the equipment utilization rate, for certain imaging services reimbursed under Medicare Physician Fee Schedule to determine whether Medicare payment reflects the actual expenses incurred and whether the utilization rate reflects current industry practices.

Further with respect to its 2010 regulatory changes to the Medicare Physician Fee Schedule, in addition to the changes to the usage assumptions, CMS s changes to services primarily involving the technical component rather than the physician work component were adjusted downward. The reductions primarily impact radiology and other diagnostic tests, including the services we provide. Some of the changes to the Medicare Physician Fee Schedule are being transitioned over a four year period such that beginning in 2013, CMS will have fully implemented the revised payment rates. For the 2010 transitioned payment, CMS estimated that the impact of its changes (including the change in the usage assumption that has been superseded by PPACA) would result in a 1% reduction in radiation oncology, 5% reduction in radiology, 18% reduction in nuclear medicine and 12% reduction for all suppliers providing the technical component of diagnostic tests generally. These impacts are calculated prior to any application of the projected negative update factor of 21.2% related to MIPPA (which may be implemented in June 2010 unless Congress intervenes) and may impact our future revenues. The PPACA changes to the Medicare Physician Fee Schedule impact only the usage assumptions described above and therefore all other 2010 updates issued by CMS remain in place. If the CMS 2010 reimbursement rates had been in effect for full year 2009, we estimate that our annualized retail revenue related to MRI and radiation oncology would not have been materially impacted. At this time, we estimate that the new usage assumptions for MRI and CT scans under the PPACA, which is to take effect on January 1, 2011, will not have a material impact on our future retail revenues.

In addition to annual updates to the Medicare Physician Fee Schedule, as indicated above, CMS also publishes regulatory changes to the HOPPS on an annual basis. These payments are the amounts received by our hospital clients for hospital outpatient services. For 2008, the national Medicare HOPPS payment rate for nonmyocardial PET and PET/CT scans was $1,057 per scan and the national payment rate for myocardial PET scans was $1,400 per scan. Effective January 1, 2008, CMS also bundled the PET and PET/CT payment for radiopharmaceuticals with the payment for the PET and PET/CT scan. In addition, CMS reduced the 2008 national Medicare HOPPS rate for MRI scans by approximately 3%. The 2008 national Medicare HOPPS payment rates for stereotactic radiosurgery treatment delivery services ranged from $1,057 to $8,055, depending on the level of service. For 2009, the payment rate for nonmyocardial PET and PET/CT scans is $1,037 per scan. For myocardial PET procedures, the 2009 payment rate is $1,157 per scan. For stereotactic radiosurgery treatment delivery services, the 2009 payment rates range from $952 to $7,642, depending on the level of service. On October 30, 2009, CMS released its 2010 national Medicare HOPPS payment rates, which went into effect January 1, 2010. For nonmyocardial PET and PET/CT, the 2010 payment rate is $1,037 per scan. For myocardial PET procedures, the 2010 payment rate is $1,433 per scan. For stereotactic radiosurgery treatment delivery services, the 2010 payment rates range from $963 to $7,344, depending on the level of service.

At this time, we cannot predict the impact the DRA and PET and PET/CT Medicare HOPPS rate reductions will have on our future revenues or business. In addition, we cannot predict the full extent of the PPACA on our business. The legislation substantially changes the way health care is financed by both governmental and private insurers and may negatively impact payment rates for certain imaging services. Nor can we predict at this time whether or the extent to which other proposed changes will be adopted, if any, or how these or future changes will affect the demand for our services. For example, President Obama s budget for fiscal year 2010 includes provisions that may require the use of radiology benefit managers to preauthorize certain imaging services. Future requirements limiting access to or payment for radiology or radiation oncology services may negatively impact our future revenues or business.

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We may experience competition from other medical diagnostic and radiation oncology companies and equipment manufacturers and this competition could adversely affect our revenues and our business.

The market for diagnostic imaging and radiation oncology services and systems is competitive. Our major diagnostic imaging competitors include RadNet, Inc., InSight Health Services Corp., Medquest, Inc., Medical Resources, Inc., Shared Medical Services, Kings Medical Company Inc. and DMS Health Group. Our major radiation oncology competitors include Radiation Therapy Services, Inc., Oncare Medical Corp., Vontage Oncology, Inc., and US Oncology, Inc. In addition to direct competition from other imaging and radiation oncology providers, we compete with independent imaging centers and referring physicians with diagnostic imaging systems in their own offices, as well as with original equipment manufacturers, or OEMs, that aggressively sell or lease imaging systems to healthcare providers for full-time installation. In recent years we have seen an increase in activity by OEMs sale of systems directly to a certain number of our clients. Typically, OEMs target our higher scan volume clients. This increase in activity by OEMs has resulted in overcapacity of systems in the marketplace, especially related to medical groups adding imaging capacity within their practice settings. This has caused an increase in the number of our higher scan volume clients deciding not to renew their contracts. We replace these higher volume scan clients typically with lower volume clients. Our MRI revenues decreased during the year ended December 31, 2009 compared to 2008 due to a decrease in demand. We believe that MRI revenues will continue to decline in future years.

There are many competitors in the imaging sector we find ourselves competing with to gain business. If we are unable to successfully compete, our client base would decline and our business and financial condition would be harmed.

Our revenues may fluctuate or be unpredictable and this may impact our financial results.

The amount and timing of revenues that we may derive from our business will fluctuate based on:

- variations in the rate at which clients renew their contracts;
- the extent to which our mobile shared-service clients become full-time clients;
- changes in the number of days of service we can offer with respect to a given diagnostic imaging system due to equipment malfunctions or the seasonal factors discussed below; and
- the mix of wholesale and retail billing for our services.

In addition, we experience seasonality in the sale of our services. For example, our revenues typically decline from our third fiscal quarter to our fourth fiscal quarter. First and fourth quarter revenues are typically lower than those from the second and third quarters. First quarter revenue can be affected primarily by inclement weather, the results of which are fewer patient scans during the period. Fourth quarter revenue is affected primarily by holiday and client and patient vacation schedules and inclement weather, the results of which are fewer patient scans during the period. As a result, our revenues may vary significantly from quarter to quarter, and our quarterly results may be below market expectations. We also experience fluctuations in revenues generated due to acquisition activity and general economic conditions, including recession or economic slowdown. We may not be able to reduce our expenses, including our debt service obligations, quickly enough to respond to these declines in revenue, which would make our business difficult to operate and would harm our financial results.

We may be unable to renew or maintain our client contracts, which would harm our business and financial results.

Upon expiration of our clients contracts, we are subject to the risk that clients will cease using our imaging services and purchase or lease their own imaging systems or use our competitors imaging systems. During the year ended December 31, 2009, we continued to experience a high rate of contract terminations partially due to stepped up marketing, sales and attractive financing alternatives being offered by original equipment

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manufacturers to our clients. A portion of our clients can execute early termination clauses and discontinue service prior to maturity. As a result, our MRI revenues for 2009 declined compared to 2008 levels due to a decrease in demand and we believe that MRI revenues from our shared-service operations will continue to decline in future periods. If these contracts are not renewed, it could result in a significant negative impact on our business. It is not always possible to immediately obtain replacement clients, and historically many replacement clients have been smaller facilities which have a lower number of scans than lost clients.

Managed care organizations may prevent healthcare providers from using our services which would cause us to lose current and prospective clients.

Healthcare providers participating as providers under managed care plans may be required to refer diagnostic imaging tests to specific imaging service providers depending on the plan in which each covered patient is enrolled. These requirements currently inhibit healthcare providers from using our diagnostic imaging services in some cases. The proliferation of managed care may prevent an increasing number of healthcare providers from using our services in the future which would cause our revenues to decline.

We may be unable to effectively maintain our imaging and radiation oncology systems or generate revenue when our systems are not working.

Timely, effective service is essential to maintaining our reputation and high utilization rates on our imaging and radiation oncology systems. Repairs to one of our systems can take up to two weeks and result in a loss of revenue. Our warranties and maintenance contracts do not fully compensate us for loss of revenue when our systems are not working. The principal components of our operating costs include depreciation, salaries paid to technologists and other clinical staff, drivers, annual system maintenance costs, insurance and transportation costs. Because the majority of these expenses are fixed, a reduction in the number of scans or treatments performed due to out-of-service equipment will result in lower revenues and margins. Repairs of our equipment are performed for us by the equipment manufacturers. These manufacturers may not be able to perform repairs or supply needed parts in a timely manner. Thus, if we experience greater than anticipated system malfunctions or if we are unable to promptly obtain the service necessary to keep our systems functioning effectively, our revenues could decline and our ability to provide services would be harmed.

Our ability to maximize the utilization of our diagnostic imaging equipment may be adversely impacted by harsh weather conditions, which may affect our ability to generate revenue.

Harsh weather conditions can adversely impact our operations and financial condition. To the extent severe weather patterns affect the regions in which we operate, potential patients may find it difficult to travel to our centers and we may have difficulty moving our mobile systems along their scheduled routes. As a result, we would experience a decrease in scan volume during that period. Our equipment utilization, scan volume or revenues could be adversely affected by similar conditions in the future.

Adverse changes in general domestic and worldwide economic conditions and instability and disruption of credit markets could adversely affect our operating results, financial condition, or liquidity.

We are subject to risks arising from adverse changes in general domestic and global economic conditions, including recession or economic slowdown and disruption of credit markets. Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing into 2010. Continued concerns about the systemic impact of potential long-term and wide-spread recession, inflation, energy costs, geopolitical issues, the availability and cost of credit, the United States mortgage market and a declining real estate market in the United States have contributed to increased market volatility and diminished expectations for the United States economy. Added concerns fueled by the United States government financial assistance to certain companies and other federal government s interventions in the United States financial system has led to increased market uncertainty and instability in both United States and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence, increased unemployment, increased tax rates and governmental budget deficits and debt levels have contributed to volatility of unprecedented levels. We believe our MRI and PET/CT scan volumes have been impacted during 2009 and will continue to be impacted in 2010 by rising unemployment rates, the number of under-insured or uninsured patients and other conditions arising from the global economic conditions described above. At this time, it is unclear what impact this might have on our future revenues or business.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers.

Continued turbulence in the United States and international markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. If these market conditions continue, they may limit our ability, and the ability of our customers, to timely replace maturing liabilities, and access the capital markets to meet liquidity needs, resulting in adverse effects on our financial condition and results of operations.

We may not receive payment from some of our healthcare provider customers because of their financial circumstances.

Some of our healthcare provider customers do not have significant financial resources, liquidity or access to capital. If these customers experience financial difficulties they may be unable to pay us for the equipment and services that we provide. We have experienced, and expect to continue to experience, write-offs of accounts receivables from healthcare provider customers that become insolvent, file for bankruptcy or are otherwise unable to pay amounts owed to us. A significant deterioration in general or local economic conditions could have a material adverse affect on the financial health of certain of our healthcare provider customers. As a result, we may have to increase the amounts of accounts receivables that we write-off, which would adversely affect our financial condition and results of operations.

Natural disasters could adversely affect our business and operations.

Our corporate headquarters is located in California and we currently operate in various geographic regions across 45 states, subject to varying risks for natural disaster, including but not limited to, hurricanes, blizzards, floods, earthquakes and tornados. Depending upon their severity, these natural disasters could damage our facilities and systems or prevent potential patients from traveling to our centers. Damage to our equipment or any interruption in our business would adversely affect our financial condition and could result in the loss of the capital invested in the damaged facilities or systems or anticipated future cash flows from those facilities or imaging systems.

Technological change in our industry could reduce the demand for our services and require us to incur significant costs to upgrade our equipment.

We operate in a competitive, capital intensive and high fixed-cost industry. The development of new technologies or refinements of existing ones might make our existing systems technologically or economically obsolete, or reduce the need for our systems. MRI, PET and PET/CT, radiation oncology and other diagnostic imaging systems are currently manufactured by numerous companies. Competition among manufacturers for a greater share of the MRI, PET and PET/CT and other diagnostic imaging systems market has resulted in and likely will continue to result in technological advances in the speed and imaging capacity of these new systems. Consequently, the obsolescence of our systems may be accelerated. Should new technological advances occur, we may not be able to acquire the new or improved systems. In the future, to the extent we are unable to generate sufficient cash from our operations or obtain additional funds through bank financing or the issuance of equity or debt securities, we may be unable to maintain a competitive equipment base. In addition, advancing technology may enable hospitals, physicians or other diagnostic service providers to perform procedures without the assistance of diagnostic service providers such as ourselves. As a result, we may not be able to maintain our competitive position in our targeted regions or expand our business.

High fuel costs would harm our operations.

Fuel costs constitute a significant portion of our mobile operating expenses. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Fuel availability is also affected by demand for home heating oil, diesel, gasoline and other petroleum products, as well as overall economic conditions. Because of the effect of these events on the price and availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. In the event of a fuel supply shortage or further increases in fuel prices, a curtailment of scheduled mobile service could result. There have been significant increases in fuel costs and continued high fuel costs or further increases will harm our financial condition and results of operations.

Because a high percentage of our operating expenses are fixed, a relatively small decrease in revenues could have a significant negative impact on our financial results.

A high percentage of our expenses are fixed, meaning they do not vary significantly with the increase or decrease in revenues. Such expenses include, but are not limited to, debt service and capital lease payments, rent and operating lease payments, salaries, maintenance, insurance and vehicle operation costs. As a result, a relatively small reduction in the prices we charge for our services or procedure volume could have a disproportionate negative effect on our financial results.

We may be subject to professional liability risks, which could be costly and could negatively impact our business and financial results.

We may be subject to professional liability claims. Although there currently are no known hazards associated with any of our scanning or therapy delivery technologies directly related to the physical equipment when used properly, hazards may be discovered in the future. Furthermore, there is a risk of harm to a patient during an MRI if the patient has certain types of metal implants or cardiac pacemakers within his or her body. Although patients are screened to safeguard against this risk, screening may nevertheless fail to identify the hazard. There also is potential risk to patients treated with therapy equipment secondary to inadvertent or excessive over- or under exposure to radiation a topic on which the U.S. House of Representatives Committee on Energy and Commerce Subcommittee on Health held a hearing on February 26, 2010. We maintain professional liability insurance with coverage that we believe is consistent with industry practice and appropriate in light of the risks attendant to our business. However, any claim made against us could be costly to defend against, result in a substantial damage award against us and divert the attention of our management from our operations, which could have an adverse effect on our financial performance.

Loss of key executives and failure to attract qualified managers and sales persons could limit our growth and negatively impact our operations.

We depend upon our management team to a substantial extent. In particular, we depend upon Mr. Viviano, our Chief Executive Officer and Chairman of our Board of Directors for his skills, experience and knowledge of our Company and industry contacts. We do not have key employee insurance policies covering any of our management team. The loss of Mr. Viviano or other members of our management team could have a material adverse effect on our business, results of operations or financial condition.

We require field managers and sales persons with experience in our industry to operate and sell our services for diagnostic imaging and radiation oncology. It is impossible to predict the availability of qualified field

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managers and sales persons or the compensation levels that will be required to hire them. The loss of the services of any member of our senior management or our inability to hire qualified field managers and sales persons at economically reasonable compensation levels could adversely affect our ability to operate and grow our business.

Loss of, and failure to attract, qualified employees, technologists and other clinical staff could limit our growth and negatively impact our operations.

Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense. In particular, there is a very high demand for qualified technologists who are necessary to operate our systems, particularly PET and PET/CT technologists. We may not be able to hire and retain a sufficient number of technologists, therapists, physicists and dosimetrists and we expect that our costs for the salaries and benefits of these employees will continue to increase for the foreseeable future because of the industry s competitive demand for their services. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

Our positron emission tomography and positron emission tomography/computed tomography, or PET and PET/CT services, and some of our other imaging services require the use of radioactive materials, which could subject us to regulation-related costs and delays and potential liabilities for injuries or violations of environmental, health and safety laws.

Our PET and PET/CT services and some of our other imaging services require radioactive materials. While this radioactive material has a short half-life, meaning it quickly breaks down into inert, or non-radioactive substances, storage, use and disposal of these materials present the risk of accidental environmental contamination and physical injury. We are subject to federal, state and local regulations governing storage, handling and disposal of these materials and waste products. In spite of our safety procedures for storing, handling and disposing of these hazardous materials, we cannot completely eliminate the risk of accidental contamination or injury from those hazardous materials. We maintain professional liability insurance with coverage that we believe is consistent with industry practice and appropriate in light of the risks attendant to our business. However, in the event of an accident, we could be held liable for any damages that result, and any liability could exceed the limits or fall outside the coverage of our insurance. We may not be able to maintain insurance on acceptable terms, or at all. We could incur significant costs and the diversion of our management s attention in order to comply with current or future environmental, health and safety laws and regulations.

We may not be able to achieve the expected benefits from future acquisitions, which would adversely affect our financial condition and results.

We have historically relied on acquisitions as a method of expanding our business. In addition, we will consider future acquisitions as opportunities arise. If we do not successfully integrate acquisitions, we may not realize anticipated operating advantages and cost savings. The integration of companies that have previously operated separately involves a number of risks, including:

- demands on management related to the increase in our size after an acquisition;
- the diversion of management s attention from the management of daily operations to the integration of operations;
- difficulties in the assimilation and retention of employees;
- potential adverse effects on operating results; and
- challenges in retaining clients.

We may not be able to maintain the levels of operating efficiency acquired companies have achieved or might achieve separately. Successful integration of each of their operations will depend upon our ability to

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manage those operations and to eliminate redundant and excess costs. Because of difficulties in combining operations, we may not be able to achieve the cost savings and other size-related benefits that we hoped to achieve after these acquisitions, which would harm our financial condition and operating results.

Two of our stockholders and their affiliates beneficially own almost half of our outstanding shares of common stock and have the contractual right to designate members of our board of directors and board committees, and will therefore be able to exert significant influence over us, including with respect to change of control transactions.

As of December 31, 2009, funds managed by Oaktree Capital Management, LLC and MTS Health Investors, LLC (collectively the Oaktree Parties) beneficially owned approximately 47.1% of our outstanding shares of common stock. So long as they beneficially own at least 35% of our outstanding shares of common stock, the Oaktree Parties will have the right to designate three of the members of our board of directors.

As a result of the arrangements described above, the Oaktree Parties have the ability to exert significant influence on our management and operations, as well as matters requiring stockholder approval, including approving mergers, consolidations or sales of all or substantially all of our assets. In addition, beginning in April 2010, provisions of a standstill agreement we entered into with the Oaktree Parties limiting their ability to acquire more than 49.9% of our outstanding common stock will terminate. The interests of the Oaktree Parties may conflict with your interests.

Possible volatility in our stock price could negatively affect us and our stockholders.

The trading price of our common stock on the New York Stock Exchange has fluctuated significantly in the past. During the period from January 1, 2007 through December 31, 2009, the trading price of our common stock fluctuated from a high of $12.03 per share to a low of $4.84 per share. In the past, we have experienced a drop in stock price following an announcement of disappointing earnings or earnings guidance. Any such announcement in the future could lead to a similar drop in stock price. The price of our common stock could also be subject to wide fluctuations in the future as a result of a number of other factors, including the following:

- changes in expectations as to future financial performance or buy/sell recommendations of securities analysts;
- our, or a competitor s, announcement of new products or services, or significant acquisitions, strategic partnerships, joint ventures or capital commitments; and
- the operating and stock price performance of other comparable companies.

In addition, the U.S. securities markets have experienced significant price and volume fluctuations. These fluctuations often have been unrelated to the operating performance of companies in these markets. Broad market and industry factors may lead to volatility in the price of our common stock, regardless of our operating performance. Moreover, our stock has limited trading volume, and this illiquidity may increase the volatility of our stock price.

In the past, following periods of volatility in the market price of an individual company s securities, securities class action litigation often has been instituted against that company. The institution of similar litigation against us could result in substantial costs and a diversion of management s attention and resources, which could negatively affect our business, results of operations or financial condition.

Provisions of the Delaware General Corporation Law and our organizational documents may discourage an acquisition of us.

In the future, we could become the subject of an unsolicited attempted takeover of our Company. Although an unsolicited takeover could be in the best interests of our stockholders, our organizational documents and the

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General Corporation Law of the State of Delaware both contain provisions that will impede the removal of directors and may discourage a third-party from making a proposal to acquire us. For example, the provisions:

- permit the board of directors to increase its own size and fill the resulting vacancies;
- provide for a board composed of three classes of directors with each class serving a staggered three-year term;
- authorize the issuance of additional shares of preferred stock in one or more series without a stockholder vote; and
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors.

Moreover, these provisions can only be amended by the vote of $66^{2}/3\%$ or more of our outstanding shares entitled to vote. Furthermore, we are subject to Section 203 of the Delaware General Corporation Law, which could have the effect of delaying or preventing a change in control.

Risks Related to Government Regulation of Our Business

The regulatory and political framework is uncertain and evolving.

Healthcare laws and regulations may change significantly in the future which could adversely affect our financial condition and results of operations. We continuously monitor these developments and modify our operations from time to time as the legislative and regulatory environment changes.

In March 2010, the President signed one of the most significant health care reform measures in decades. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the PPACA), substantially changes the way health care is financed by both governmental and private insurers, including several payment reforms that establish payments to hospitals and physicians based in part on quality measures, and may significantly impact our industry. The PPACA requires, among other things, payment rates for services using imaging equipment that costs over $1 million to be calculated using revised equipment usage assumptions and reduced payment rates for imaging services paid under the Medicare Part B fee schedule. The current 50% usage assumption rate would be replaced with a 75% usage rate for such equipment for services furnished on or after January 1, 2011. In addition, the PPACA changes the technical component discount on imaging of contiguous body parts during a single imaging session from 25% to 50%, as mandated by the DRA. We are unable to predict what effect the PPACA or other healthcare reform measures that may be adopted in the future will have on our business. The federal government will, however, have greater involvement in the healthcare industry than in prior years, and such greater involvement may adversely affect our financial condition and results of operations.

Complying with federal and state regulations is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

We are directly or indirectly through our clients subject to extensive regulation by both the federal government and the states in which we conduct our business, including the federal Anti-Kickback Law and similar state anti-kickback laws, the Stark Law and similar state laws affecting physician referrals, the federal False Claims Act, the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and similar state laws addressing privacy and security, state unlawful practice of medicine and fee splitting laws, state certificate of need laws, the Medicare and Medicaid statutes and regulations, the Medicare Prescription Drug, Improvement and Modernization Act of 2003, and requirements for handling biohazardous and radioactive materials and wastes.

Both federal and state government agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing investigations of health care companies, as well as their executives and

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managers. These investigations relate to a wide variety of matters, including referral and billing practices. The Office of the Inspector General of the Department of Health and Human Services (DHHS) and the Department of Justice (DOJ) have, from time to time, established national enforcement initiatives that focus on specific billing practices or other suspected areas of abuse. Some of our activities could become the subject of governmental investigations or inquiries.

If our operations are found to be in violation of any of the laws and regulations to which we or our clients are subject, we may be subject to the applicable penalty associated with the violation, including civil and criminal penalties, damages, fines and the curtailment of our operations. Any penalties, damages, fines or curtailment of our operations, individually or in the aggregate, could adversely affect our ability to operate our business and our financial results. Our risk of being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action against us for violation of these laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert management s attention from the operation of our business. For a more detailed discussion of the various state and federal regulations to which we are subject see Business Regulation, Business Reimbursement and Business Environmental, Health and Safety Laws.

Federal and state anti-kickback and anti-self-referral laws may adversely affect our operations and income.

Various federal and state laws govern financial arrangements among health care providers. The federal Anti-Kickback Law prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of Medicare, Medicaid or other federal healthcare program patients, or in return for, or to induce, the purchase, lease or order of items or services that are covered by Medicare, Medicaid or other federal healthcare programs. Further, the recently enacted PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Many state laws also prohibit the solicitation, payment or receipt of remuneration in return for, or to induce, the referral of patients in private as well as government programs. Violation of these laws may result in substantial civil or criminal penalties and/or exclusion from participation in federal or state healthcare programs. We believe that we are operating in compliance with applicable laws and believe that our arrangements with providers would not be found to violate the federal and state anti-kickback laws. However, these laws could be interpreted in a manner that could have an adverse effect on our operations.

The Stark Law prohibits a physician from referring Medicare or Medicaid patients to any entity for certain designated health services (including MRI and other diagnostic imaging services) if the physician has a prohibited financial relationship with that entity, unless an exception applies. In addition, effective January 1, 2010, as a component for satisfying the Stark exception for in-office ancillary services, the PPACA requires physicians who refer a patient for MRI, CT, PET and any other designated health service to inform the patient in writing at the time of the referral that the patient may obtain such services from a person other than the in-office provider, and provide the patient with a written list of suppliers who furnish such services in the area in which the patient resides. Although we believe that our operations do not violate the Stark Law, our activities may be challenged. If a challenge to our activities is successful, it could have an adverse effect on our operations. In addition, legislation may be enacted in the future that further addresses Medicare and Medicaid fraud and abuse or that imposes additional requirements or burdens on us.

A number of states in which our diagnostic imaging centers are located have adopted a form of anti-kickback law and/or Stark Law. The scope of these laws and the interpretations of them vary from state to state and are enforced by state courts and regulatory authorities, each with broad discretion. A determination of liability under the laws described in this risk factor could result in fines and penalties and restrictions on our ability to operate in these jurisdictions.

In addition, under the DRA, states are encouraged to adopt false claims acts, similar to the federal False Claims Act, which establish liability for submission of fraudulent claims to the State Medicaid program and contain qui tam or whistleblower provisions. States enacting such false claims statutes will receive an increased percentage of any recovery from a State Medicaid judgment or settlement. Adoption of new false claims statutes in states where we operate may impose additional requirements or burdens on us.

Healthcare reform legislation and regulations could impact our operations or limit the prices we can charge for our services, which would reduce our revenues and harm our operating results.

In addition to extensive existing government healthcare regulation, there have been and continue to be numerous initiatives at the federal and state levels for reforms affecting the payment for and availability of healthcare services, including proposals that would significantly limit reimbursement under the Medicare and Medicaid programs. Limitations on reimbursement amounts and other cost containment pressures have in the past resulted in a decrease in the revenue we receive for each scan we perform. For example, the PPACA, which was signed into law in March 2010, contains provisions affecting Medicare payment for imaging services. At this time, we cannot predict what effect the PPACA or other healthcare reform measures that may be adopted in the future, if any, will have on the demand for our services or the revenue per procedure that we can collect.

Regulations published in November 2006 by CMS identify 14 supplier standards applicable to independent diagnostic testing facilities, or IDTFs, which include some of our facilities. CMS designed these standards to ensure that minimum quality standards are met to protect Medicare beneficiaries. If an IDTF fails to meet one or more of the standards at the time of enrollment or re-enrollment, then its application will be denied or the agency will revoke an IDTF s billing privileges. These standards went into effect on January 1, 2007, and IDTFs must meet these standards to obtain or retain enrollment in the Medicare program. CMS published additional regulatory provisions in November 2007 and November 2008 that revised the existing IDTF standards and also created several additional standards. These changes went into effect on January 1, 2008 and January 1, 2009, respectively. To the extent that CMS publishes interpretations of these standards that are more restrictive than the standards described in the agency s published rules, our business could be adversely impacted. At this time, we cannot predict the impact that these new standards will have on our business.

The application or repeal of state certificate of need regulations could harm our business and financial results.

Some states require a certificate of need or similar regulatory approval prior to the acquisition of high-cost capital items, including diagnostic imaging systems or provision of diagnostic imaging services by us or our clients. Twenty-one of the 45 states in which we operate require a certificate of need and more states may adopt similar licensure frameworks in the future. In many cases, a limited number of these certificates are available in a given state. If we are unable to obtain the applicable certificate or approval or additional certificates or approvals necessary to expand our operations, these regulations may limit or preclude our operations in the relevant jurisdictions.

Conversely, states in which we have obtained a certificate of need may repeal existing certificate of need regulations or liberalize exemptions from the regulations. For example, Pennsylvania, Nebraska, New York, Ohio and Tennessee have liberalized exemptions from certificate of need programs. The repeal of certificate of need regulations in states in which we have obtained a certificate of need or a certificate of need exemption would lower barriers to entry for competition in those states and could adversely affect our business.

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If we fail to comply with various licensure, certification and accreditation standards, we may be subject to loss of licensure, certification or accreditation which would adversely affect our operations.

All of the states in which we operate require that the imaging technologists that operate our computed tomography, single photon emission computed tomography and positron emission tomography systems be licensed or certified. Also, each of our retail sites must continue to meet various requirements in order to receive payments from the Medicare program. In addition, we are currently accredited by The Joint Commission, an independent, non-profit organization that accredits various types of healthcare providers such as hospitals, nursing homes and providers of diagnostic imaging services. In the healthcare industry, various types of organizations are accredited to meet certain Medicare certification requirements, expedite third-party payments and fulfill state licensure requirements. Some managed care providers prefer to contract with accredited organizations. Any lapse in our licenses, certifications or accreditations, or those of our technologists, or the failure of any of our retail sites to satisfy the necessary requirements under Medicare could adversely affect our operations and financial results.

Risks Related to the Notes

If you do not exchange your private notes pursuant to this exchange offer, you may not be able to sell your notes.

It may be difficult for you to sell private notes that are not exchanged in the exchange offer. Those private notes may not be offered or sold unless they are registered or there are exemptions from the registration requirements under the Securities Act and applicable state securities laws.

If you do not tender your private notes or if we do not accept some of your private notes, those notes will continue to be subject to the transfer and exchange restrictions in:

- the indenture;
- the legend on the private notes; and
- the offering memorandum relating to the private notes.

The restrictions on transfer of your private notes arise because we issued the private notes pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the private notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold pursuant to an exemption from such requirements. We do not intend to register the private notes under the Securities Act. To the extent private notes are tendered and accepted in the exchange offer, the trading market, if any, for untendered private notes would be adversely affected.

We have restricted access to the cash flows and assets of our subsidiaries which may prevent us from making principal and interest payments on the notes.

Although a substantial portion of our business is conducted through our subsidiaries, none of our subsidiaries will have any obligation, contingent or otherwise, to make any funds available to us for payment of the principal of, and the interest on, the notes. Accordingly, our ability to pay the principal of, and the interest on, the notes is dependent upon the earnings of our subsidiaries and the distribution of funds from our subsidiaries. Furthermore, our subsidiaries will be permitted under the terms of the indenture to incur certain additional indebtedness that may require substantial interest payments. There can be no assurance that our operations, independent of our subsidiaries, will generate sufficient cash flow to support payment of principal of, and interest on, the notes, or that dividends, distributions or loans will be available from our subsidiaries to fund these payments.

The notes are structurally subordinated to the liabilities of our subsidiaries.

None of our subsidiaries has guaranteed our obligations to make payments on the notes. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, their creditors will generally be entitled to payment of their claims from their assets before any assets are made available for a distribution to us for any purpose, including payments on the notes. As a result, the notes are structurally subordinated to the liabilities and guarantees of indebtedness of our subsidiaries, which totaled $492.3 million (of which $460.0 million represents guarantees of our credit facility) outstanding as of December 31, 2009. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, we and our creditors, including the holders of the notes, will have no right to proceed against the assets of our subsidiaries or to cause the liquidation or bankruptcy of these subsidiaries under bankruptcy laws.

Payment of principal and interest on the notes will be effectively subordinated to our secured debt to the extent of the value of the assets securing that debt.

The notes are effectively subordinated to claims of our secured creditors to the extent of the value of the assets securing such claims. As of December 31, 2009, we had $460.0 million of borrowings outstanding under our credit, approximately $4.5 million of letters of credit outstanding and approximately $115.5 million of additional borrowing capacity under our credit facility to which the notes are or would be effectively subordinated to the extent of the value of the assets securing our credit facility. Holders of our secured obligations, including obligations under our credit facility, will have claims that are prior to claims of the holders of the notes with respect to the assets securing those obligations. In the event of a liquidation, dissolution, reorganization, bankruptcy or any similar proceeding, our assets and those of our subsidiaries will be available to pay obligations on the notes and the note guarantees only after holders of our senior secured debt have been paid the value of the assets securing such obligations. Accordingly, there may not be sufficient funds remaining to pay amounts due on all or any of the notes.

We may not be able to repurchase notes upon a change of control, which would be an event of default under the indenture.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all of the outstanding notes. The terms of the notes may not protect you if we undergo a highly leveraged transaction, reorganization, restructuring, merger or similar transaction that may adversely affect you unless the transaction is included in the definition of a change of control. Our credit facility restricts us from repurchasing the notes without the approval of the lenders. In addition, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that other restrictions in our credit facility and the notes will not allow these repurchases. Our failure to repurchase the notes would constitute an event of default under the indenture which would in turn result in an event of default under our credit facility, in which case the lenders under our credit facility could cause all indebtedness under our credit facility to become due and payable.

An active trading market may not develop for the notes.

There is no existing trading market for the notes. We do not intend to apply for listing of the notes, on any securities exchange or for quotation on the Nasdaq National Market.

The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of the notes;
- our performance;
- the market for similar securities;

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- the interest of securities dealers in making a market in the notes; and

- prevailing interest rates.

An active market for the notes may not develop and, if it develops, it may not continue.

If a bankruptcy petition were filed by or against us, you may receive a lesser amount for your claim than you would be entitled to receive under the indenture governing the notes.

If a bankruptcy petition were filed by or against us under the United States Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

- The original issue price for the notes; and

- that portion of the original issue discount that does not constitute unmatured interest for purposes of the United States Bankruptcy Code.

Any original issue discount that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to under the terms of the indenture governing the notes, even if sufficient funds are available.

THE EXCHANGE OFFER

Purpose of the Exchange Offer

We issued $190,000,000 of the private notes on November 19, 2009 to Deutsche Bank Securities Inc., Morgan Stanley & Co. Incorporated and Barclays Capital Inc, the initial purchasers, pursuant to a purchase agreement. The initial purchasers subsequently sold the private notes to qualified institutional buyers, as defined in Rule 144A under the Securities Act, in reliance on Rule 144A, and outside the United States under Regulation S of the Securities Act. As a condition to the sale of the private notes, we entered into a registration rights agreement with the initial purchasers on December 1, 2009. Pursuant to the registration rights agreement, we agreed that we would:

(1) file an exchange offer registration statement with the SEC on or prior to April 30, 2010;

(2) use our commercially reasonable efforts to have the exchange offer registration statement declared effective by the SEC on or prior to July 29, 2010;

(3) keep the exchange offer open for a period of not less than the minimum period required under applicable law, but in no event for less than 20 business days; and

(4) use our commercially reasonable efforts to consummate the exchange offer on the earliest practicable date after the exchange offer registration statement has become effective, but in no event later than August 28, 2010.

Upon the effectiveness of the exchange offer registration statement, we will offer the exchange notes in exchange for the private notes. A copy of the registration rights agreement is filed as an exhibit to the registration statement of which this prospectus forms a part.

Resale of the Exchange Notes

Based upon an interpretation by the staff of the SEC contained in no-action letters issued to third parties, we believe that you may exchange private notes for exchange notes in the ordinary course of business. For further information on the SEC s position, see *Exxon Capital Holdings Corporation*, available May 13, 1988, *Morgan Stanley & Co. Incorporated*, available June 5, 1991 and *Shearman & Sterling*, available July 2, 1993, and other interpretive letters to similar effect. You will be allowed to resell exchange notes to the public without further registration under the Securities Act and without delivering to purchasers of the exchange notes a prospectus that satisfies the requirements of Section 10 of the Securities Act so long as you do not participate, do not intend to participate, and have no arrangement with any person to participate, in a distribution of the exchange notes. However, the foregoing does not apply to you if you are: a broker-dealer who purchased the private notes directly from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act; or you are an affiliate of ours within the meaning of Rule 405 under the Securities Act.

In addition, if you are a broker-dealer, or you acquire exchange notes in the exchange offer for the purpose of distributing or participating in the distribution of the exchange notes, you cannot rely on the position of the staff of the SEC contained in the no-action letters mentioned above and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, unless an exemption from registration is otherwise available.

Each broker-dealer that receives exchange notes for its own account in exchange for private notes, which the broker- dealer acquired as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. By delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. A broker-dealer may use this prospectus, as it may be amended or supplemented from time to time, in connection with resales of exchange notes received in exchange for private notes which the broker-dealer acquired as a result of market-making or other trading activities.

Terms of the Exchange Offer

Upon the terms and subject to the conditions described in this prospectus, we will accept any and all private notes validly tendered and not withdrawn before the expiration date. We will issue $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of outstanding private notes surrendered pursuant to the exchange offer. You may tender private notes only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The form and terms of the exchange notes are the same as the form and terms of the private notes except that:

- we will register the exchange notes under the Securities Act and, therefore, the exchange notes will not bear legends restricting their transfer; and

- holders of the exchange notes will not be entitled to any of the rights of holders of private notes under the registration rights agreement, which rights will generally terminate upon the completion of the exchange offer.

The exchange notes will evidence the same debt as the private notes and will be issued under the same indenture, so the exchange notes and the private notes will be treated as a single class of debt securities under the indenture.

As of the date of this prospectus, $190,000,000 in aggregate principal amount of the private notes are outstanding and registered in the name of Cede & Co., as nominee for The Depository Trust Company, or DTC. Only registered holders of the private notes, or their legal representative or attorney-in-fact, as reflected on the records of the trustee under the indenture, may participate in the exchange offer. We will not set a fixed record date for determining registered holders of the private notes entitled to participate in the exchange offer.

You do not have any appraisal or dissenters rights under the indenture in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement and the applicable requirements of the Securities Act, the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations of the SEC.

We will be deemed to have accepted validly tendered private notes when, as and if we had given oral or written notice of acceptance to the Exchange Agent. The Exchange Agent will act as your agent for the purposes of receiving the exchange notes from us.

If you tender private notes in the exchange offer you will not be required to pay brokerage commissions or fees or transfer taxes with respect to the exchange of private notes pursuant to the exchange offer. We will pay all charges and expenses, other than the applicable taxes described below under Fees and Expenses, in connection with the exchange offer.

Expiration Date; Extensions; Amendments

The term expiration date will mean 5:00 p.m., New York City time on , 2010, unless we, in our sole discretion, extend the exchange offer, in which case the term expiration date will mean the latest date and time to which we extend the exchange offer.

To extend the exchange offer, we will notify the Exchange Agent and each registered holder of any extension in writing by a press release or other public announcement before 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. The notice of extension will disclose the aggregate principal amount of the private notes that have been tendered as of the date of such notice.

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We reserve the right, in our reasonable discretion:

- to delay accepting any private notes due to an extension of the exchange offer; or
- if any conditions listed below under Conditions are not satisfied, to terminate the exchange offer

in each case by giving written notice of the delay, extension or termination to the Exchange Agent and by press release or public announcement.

We will follow any delay in acceptance, extension or termination as promptly as practicable by written notice to the registered holders by a press release or other public announcement. If we amend the exchange offer in a manner we determine constitutes a material change, we will promptly disclose the amendment in a prospectus supplement that we will distribute to the registered holders. We will also extend the exchange offer for a period of five to ten business days, depending upon the significance of the amendment and the manner of disclosure, if the exchange offer would otherwise expire during the five to ten business day period.

Interest on the Exchange Notes

The exchange notes will bear interest at the same rate and on the same terms as the private notes. Consequently, the exchange notes will bear interest at a rate equal to 8.00% per annum (calculated using a 360-day year). Interest will be payable semi-annually on each June 1 and December 1.

You will receive interest on , 2010 from the date of initial issuance of the exchange notes, plus an amount equal to the accrued interest on the private notes from , to the date of exchange. We will deem the right to receive any interest accrued on the private notes waived by you if we accept your private notes for exchange.

Procedures for Tendering

If you are a DTC, Euroclear or Clearstream participant that has private notes which are credited to your DTC, Euroclear or Clearstream account by book-entry and which are held of record by DTC s nominee, you may tender your private notes by book-entry transfer as if you were the record holder. Because of this, references herein to registered or record holders include DTC, Euroclear and Clearstream participants with private notes credited to their accounts. If you are not a DTC, Euroclear or Clearstream participant, you may tender your private notes by book-entry transfer by contacting your broker, dealer or other nominee or by opening an account with a DTC, Euroclear or Clearstream participant, as the case may be.

To tender private notes in the exchange offer, you must:

- comply with DTC s Automated Tender Offer Program (ATOP) procedures described below; and
- the Exchange Agent must receive a timely confirmation of a book-entry transfer of the private notes into its account at DTC through ATOP pursuant to the procedure for book-entry transfer described below, along with a properly transmitted agent s message, before the expiration date.

Participants in DTC s ATOP program must electronically transmit their acceptance of the exchange by causing DTC to transfer the private notes to the Exchange Agent in accordance with DTC s ATOP procedures for transfer. DTC will then send an agent s message to the Exchange Agent. With respect to the exchange of the private notes, the term agent s message means a message transmitted by DTC, received by the Exchange Agent and forming part of the book-entry confirmation, which states that:

- DTC has received an express acknowledgment from a participant in its ATOP that is tendering private notes that are the subject of the book-entry confirmation;

the participant has received and agrees to be bound by the terms and subject to the conditions set forth in this prospectus; and

the Company may enforce the agreement against such participant.

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Participants in Euroclear s or Clearstream s book-entry transfer facility system must electronically transmit their acceptance of the exchange to Euroclear or Clearstream. The receipt of such electronic acceptance instruction by Euroclear or Clearstream will be acknowledged in accordance with the standard practices of such book-entry transfer facility and will result in the blocking of such private notes in that book-entry transfer facility. By blocking such private notes in the relevant book-entry transfer facility, each holder of private notes will be deemed to consent to have the relevant book-entry transfer facility provide details concerning such holder s identity to the Exchange Agent. The receipt of an electronic instruction by Euroclear or Clearstream shall mean:

Euroclear or Clearstream, as applicable, has received an express acknowledgment from a participant in Euroclear or Clearstream, as the case may be, that such participant is tendering private notes that are the subject of the book-entry confirmation;

the participant has received and agrees to be bound by the terms and subject to the conditions set forth in this prospectus; and

the Company may enforce the agreement against such participant.

Your tender, if not properly withdrawn before the expiration date, will constitute an agreement between you and us in accordance with the terms and subject to the conditions described in this prospectus.

DTC, Euroclear and Clearstream are collectively referred to herein as the book-entry transfer facilities and, individually as a book-entry transfer facility.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered private notes, which determination will be final and binding. We reserve the absolute right to reject any and all private notes not properly tendered or any private notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to particular private notes. Our interpretation of the terms and conditions of the exchange offer will be final and binding on all parties. Unless waived, you must cure any defects or irregularities in connection with tenders of private notes within the time we determine. Although we intend to notify you of defects or irregularities with respect to tenders of private notes, neither we, the Exchange Agent nor any other person will incur any liability for failure to give you that notification. Unless waived, we will not deem tenders of private notes to have been made until you cure the defects or irregularities.

While we have no present plan to acquire any private notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any private notes that are not tendered in the exchange offer, we reserve the right in our sole discretion to purchase or make offers for any private notes that remain outstanding after the expiration date. We also reserve the right to terminate the exchange offer, as described below under Conditions, and, to the extent permitted by applicable law, purchase private notes in the open market, in privately negotiated transactions or otherwise. The terms of any of those purchases or offers could differ from the terms of the exchange offer.

If you wish to tender private notes in exchange for exchange notes in the exchange offer, we will require you to represent that:

the private notes are, at the time of acceptance, and will continue to be, until exchanged in this offer, held by you;

you acknowledge that all authority conferred or agreed to be conferred pursuant to these representations, warranties and undertakings and every obligation of yours shall be binding upon your successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, your death or incapacity (if an individual) or dissolution (if an entity);

you will, upon request, execute and deliver any documents deemed by the Company or the Exchange Agent to be necessary or desirable to complete the exchange of the private notes that are the subject of the electronic acceptance instruction;

you have full power and authority to tender, exchange, assign and transfer the private notes that are the subject of the electronic acceptance instruction and that when such notes are accepted for exchange by the Company, the notes will be transferred by you with full title guarantee free from all liens, restrictions, charges and encumbrances and not subject to any adverse claim or right, together with all rights attached thereto;

you are not an affiliate of ours;

you will acquire any exchange notes in the ordinary course of your business;

you satisfy specific requirements of your state s security regulations;

you do not have an arrangement or understanding with any person to participate in the distribution of the exchange notes;

neither you nor any person or entity receiving the related exchange notes is an affiliate of Alliance HealthCare Services, Inc. as that term is defined under Rule 405 of the Securities Act; and

you are not acting on behalf of any person or entity who could not truthfully make these statements at the time of completion of the exchange offer, you are not engaged in, and do not intend to engage in, a distribution of the exchange notes.

You will be deemed to make such representations by tendering private notes in the exchange offer. In addition, in connection with the resale of exchange notes, any participating broker-dealer who acquired the private notes for its own account as a result of market-making or other trading activities acknowledges that it must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the exchange notes, other than a resale of an unsold allotment from the original sale of the notes, with this prospectus.

Return of Notes

If we do not accept any tendered private notes for any reason described in the terms and conditions of the exchange offer or if you withdraw or submit private notes for a greater principal amount than you desire to exchange, we will return the unaccepted, withdrawn or non-exchanged notes without expense to you as promptly as practicable by crediting the private notes to your account maintained with DTC as promptly as practicable.

Book Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the private notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus, and any financial institution that is a participant in DTC s system may make book-entry delivery of private notes by causing DTC to transfer the private notes into the Exchange Agent s account at DTC in accordance with DTC s procedures for transfer.

In all cases, we will issue exchange notes for private notes that we have accepted for exchange under the exchange offer only after the Exchange Agent timely receives:

- a confirmation of book-entry transfer of your private notes into the Exchange Agent s account at DTC; and
- a properly transmitted agent s message.

If we do not accept any tendered private notes for any reason set forth in the terms of the exchange offer, we will credit the non-exchanged private notes to your account maintained at DTC.

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Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw tenders of private notes at any time before 5:00 p.m., New York City time, on the expiration date.

To withdraw a tender of private notes in the exchange offer, the holder must cause to be transmitted to the Exchange Agent an agent s message, on or before 5:00 p.m., New York City time, on the expiration date. In addition, the Exchange Agent must receive a timely confirmation of book-entry transfer of the private notes out of the Exchange Agent s account at DTC under the procedure for book-entry transfer described herein, on or before 5:00 p.m., New York City time, on the expiration date.

We will determine in our sole discretion all questions as to the validity, form and eligibility of the notices, and our determination will be final and binding on all parties. We will not deem any properly withdrawn private notes to have been validly tendered for purposes of the exchange offer, and we will not issue exchange notes with respect to those private notes, unless you validly retender the withdrawn private notes. You may retender properly withdrawn private notes by following the procedures described above under Procedures for Tendering at any time before 5:00 p.m., New York City time, on the expiration date.

Conditions

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange the exchange notes for, any private notes, and may terminate the exchange offer as provided in this prospectus before the acceptance of the private notes, if, in our reasonable judgment, the exchange offer violates applicable law, rules or regulations or an applicable interpretation of the staff of the SEC.

If we determine in our reasonable discretion that any of these conditions are not satisfied, we may

- refuse to accept any private notes and return all tendered private notes to you;

- extend the exchange offer and retain all private notes tendered before the exchange offer expires, subject, however, to your rights to withdraw the private notes; or

- waive the unsatisfied conditions with respect to the exchange offer and accept all properly tendered private notes that have not been withdrawn.

If the waiver constitutes a material change to the exchange offer, we will promptly disclose the waiver by means of a prospectus supplement that we will distribute to the registered holders of the private notes, and we will extend the exchange offer for a period of five to 10 business days, depending upon the significance of the waiver and the manner of disclosure to the registered holders, if the exchange offer would otherwise expire during the five to 10 business day period.

Termination of Rights

All of your rights under the registration rights agreement will terminate upon consummation of the exchange offer except with respect to our continuing obligations:

- to indemnify you and parties related to you against liabilities, including liabilities under the Securities Act; and

- to provide, upon your request, the information required by Rule 144A(d)(4) under the Securities Act to permit resales of the notes pursuant to Rule 144A.

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Shelf Registration

If:

(1) we are not permitted to consummate the exchange offer because the exchange offer is not permitted by applicable law or applicable interpretation of the Staff of the SEC; or

(2) any holder of transfer restricted securities notifies us within twenty (20) business days following consummation of the exchange offer that:

(A) the holder is not permitted by law or SEC policy to participate in the exchange offer,

(B) the holder is not permitted to resell the exchange notes acquired by it in the exchange offer to the public without delivering a prospectus and this prospectus is not available for resales by the holder, or

(C) the holder is a broker-dealer and holds notes acquired directly from us or any of our affiliates,

we will file with the SEC a shelf registration statement to cover resales of the private notes by the holders thereof who satisfy certain conditions relating to the provision of information in connection with the shelf registration statement.

For purposes of the preceding, transfer restricted securities means each private note until:

(1) the date on which such note has been exchanged by a person other than a broker-dealer for an exchange note in the exchange offer and entitled to be resold to the public by the holder thereof without complying with the prospectus delivery requirements of the Securities Act;

(2) following the exchange by a broker-dealer in the exchange offer of a private note for an exchange note, the date on which such exchange note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the exchange offer registration statement;

(3) the date on which such private note has been registered under the Securities Act and disposed of in accordance with the shelf registration statement; or

(4) the date on which such private note is distributed to the public pursuant to Rule 144 under the Securities Act.

Liquidated Damages

If:

(1) we fail to file any of the registration statements required by the registration rights agreement on or before the date specified for such filing;

(2) any of such registration statements is not declared effective by the SEC on or prior to the date specified for such effectiveness;

(3) the exchange offer has not been consummated on or prior to the date specified for such consummation; or

(4) the shelf registration statement or the exchange offer registration statement is declared effective but ceases to be effective or fails to be usable for its intended purpose without being succeeded within two (2) business days by a post-effective amendment to such registration statement that cures such failure and that is itself declared effective within two (2) business days of filing such post-effective amendment to such registration statement (each such event referred to in clauses (1) through (4) above, a registration default);

then we will pay to each holder of the transfer restricted securities affected thereby liquidated damages. Liquidated damages shall accrue at an annual rate of 0.25% of the aggregate principal amount of transfer restricted securities on the date of such registration default, payable in cash semi-annually in arrears on each interest payment date, commencing on the date of such registration default. All accrued liquidated damages will be paid to the holders entitled thereto, in the manner provided for the payment of interest in the indenture, on each interest payment date, as more fully set forth in the indenture and the notes. Notwithstanding the fact that any securities for which liquidated damages are due cease to be transfer restricted securities, all obligations of the Company to pay liquidated damages with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

Exchange Agent

We have appointed The Bank of New York Mellon Trust Company, N.A. as Exchange Agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus to the Exchange Agent addressed as follows:

The Bank of New York Mellon

Corporate Trust Operations

Reorganization Unit

101 Barclay Street 7 East

New York, N.Y. 10286

Attn: Mrs. Diane Amoroso

Telephone: (212)-815-2742

Fax: (212)-298-1915

Delivery to an address other than the one stated above or transmission via a facsimile number other than the one stated above will not constitute a valid delivery.

Fees and Expenses

We will bear the expenses of soliciting tenders. We are making the principal solicitation by mail; however, our officers and regular employees may make additional solicitations by facsimile, telephone or in person.

We have not retained any dealer manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We will, however, pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses.

We will pay the cash expenses incurred in connection with the exchange offer which we estimate to be approximately $250,000. These expenses include registration fees, fees and expenses of the Exchange Agent and the trustee, accounting and legal fees and printing costs, among others.

We will pay all transfer taxes, if any, applicable to the exchange of notes pursuant to the exchange offer. If, however, a transfer tax is imposed for any reason other than the exchange of the private notes pursuant to the exchange offer, then you must pay the amount of the transfer taxes.

Consequence of Failures to Exchange

Participation in the exchange offer is voluntary. We urge you to consult your financial and tax advisors in making your decisions on what action to take. Private notes that are not exchanged for exchange notes pursuant to the exchange offer will remain restricted securities. Accordingly, those private notes may be resold only:

to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A;

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- in a transaction meeting the requirements of Rule 144 under the Securities Act;
- outside the United States to a foreign person in a transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act;
- in accordance with another exemption from the registration requirements of the Securities Act and based upon an opinion of counsel if we so request;
- to us; or
- pursuant to an effective registration statement.

In each case, the private notes may be resold only in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction.

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USE OF PROCEEDS

The exchange offer is intended to satisfy an obligation under the registration rights agreement. We will not receive any cash proceeds from the exchange offer.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2009. You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations, Selected Consolidated Financial Data and our financial statements and the related notes included elsewhere or incorporated by reference in this prospectus.

	As of December 31, 2009 Actual (in thousands)
Cash and cash equivalents	$ 111,884
Long-term debt, including current portion:	
New credit facility(1)	$ 460,000
Revolving credit facility(2)	
8% senior notes due 2016 offered in the private offering(3)	190,000
$7^1/_4$% senior subordinated notes due 2012(4)	5,582
Equipment debt	23,878
Total long-term debt	679,460
Stockholders equity:	
Preferred stock, $0.01 par value: 1,000,000 shares authorized and no shares issued and outstanding	
Common stock, $0.01 par value: 100,000,000 shares authorized, 51,865,133 shares issued and outstanding, actual and as adjusted	516
Less: treasury stock, at cost 386,703 shares	(2,333)
Additional paid-in capital	10,652
Accumulated comprehensive loss	(2,392)
Retained Earnings	21,477
Total stockholders equity attributable to Alliance HealthCare Services, Inc.	27,920
Noncontrolling interest	6,842
Total stockholders equity	34,762
Total capitalization	$ 714,222

(1) Excludes the effect of approximately $9.1 million of original issue discount.
(2) We have up to $120.0 million available for borrowing under the New Revolving Credit Facility, which is undrawn as of the December 31, 2009, except to support undrawn letters of credit of $4.5 million.
(3) Excludes the effect of approximately $2.5 million of original issue discount. The notes offered hereby replace the private notes in the same amount.
(4) Balance was redeemed at par, together with accrued interest to the redemption date, in January 2010.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data shown below has been taken or derived from the audited consolidated financial statements of the Company and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere herein or incorporated by reference in this prospectus herein (in thousands, except per share data).

	Year Ended December 31,				
	2005	2006	2007	2008	2009
Consolidated Statements of Operations Data:					
Revenues	$ 430,788	$ 455,775	$ 444,919	$ 495,834	$ 505,513
Costs and expenses:					
Cost of revenues, excluding depreciation and amortization	226,294	244,254	235,471	261,753	270,381
Selling, general and administrative expenses	48,077	53,955	57,049	62,728	67,579
Transaction costs					893
Employment agreement costs	366				
Severances and related costs	826	745	682	636	1,404
Loss on extinguishment of debt				61	14,600
Depreciation expense	82,505	83,397	82,703	87,728	94,918
Amortization expense					
Total	14,000,000	$2.05	11,747,926		

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Recent Sales Of Unregistered Securities.

Except as set forth below, we have had no sales of unregistered securities during the year ended December 31, 2013 and December 31, 2012, that have not been reported on Form 8-K or Form 10-Q. Unless otherwise noted, the issuances noted below are all considered exempt from registration by reason of Section 4(2) of the Securities Act of 1933, as amended.

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Subsequent to Fiscal Year End

Through April 24, 2014, a total of 1,058,838,813 shares of common stock were issued for various conversions of debt.

ITEM 6. SELECTED FINANCIAL DATA

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Fiscal Year Ended December 31, 2013 Compared to Fiscal Year Ended December 31, 2012

Revenue

Revenue for the year ended December 31, 2013 and 2012 was $0 and $534,972, respectively. Revenues in 2012 were attributable to fees from cases processed by licensees which were primarily related party revenue of $514,000 earned in accordance with the Regen Medical technology license and administrative services agreement dated April 16, 2012. We intend to engage in a multi-pronged approach with respect to the utilization and commercialization of our proprietary process that will involve entering into technology licensing agreements and related service agreements with physicians, physician practice groups, hospitals and ambulatory service centers located in the United States. We will also be seeking to enter into technology licensing agreements that cover a particular international territory or country. In addition, we will also be seeking to establish “Centers of Excellence” in conjunction with physicians under an arrangement whereby we are appointed the exclusive managing agent for the professional corporation in exchange for the grant of a license to the professional corporation to utilize our proprietary process. Depending upon the arrangement involved, we will be collecting some combination of fees from licensing, processing, service, and management, as well as up-front territorial licensing fees.

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License fees will generally be payable upon signing of a license agreement and will be recognized as revenue ratably over the appropriate period of time to which the revenue item relates.

Cost of goods sold and Gross Margin

Cost of goods sold were $0 and $434,852 for the years ended December 31, 2013 and 2012, respectively. These costs were primarily salaries and related costs attributable to the Regen technology license and administrative services agreement and the cost of supplies for cases processed in our tissue processing center in New York.

Gross margin were $0 and $100,090 for the years ended December 31, 2013 and 2012, respectively. In the future, in addition to the cost of equipment sold directly to licensees, the cost of goods sold effecting gross margins will include costs for the supplies sold to licensees for the processing of each tissue processing case and the direct sales costs associated with license fees received.

Operating expenses

Research and development expenses were $441,913 and $291,889 for the years ended December 31, 2013 and 2012, respectively. The principal component of research development costs consists services as the attending physician in patient cases, for lab technicians, and for nursing staff employed by Dr. Victor's medical practice included as part of the ongoing research of our technologies and processes.

The Company continues to increase the research and development staff in the current year period and applicable laboratory supplies and disposables. The principal component of research development costs consists of fees payable to the Chief Executive Officer, who is a principal shareholder of the Company, for services as the attending physician in patient cases, for lab technicians, and for nursing staff employed by Dr. Victor's medical practice included as part of the ongoing research of our technologies and processes. Payment of these fees will be contingent upon the Company either generating $2.0 million in revenues or completing an equity offering of the Company's common stock or other securities equal to or greater than $5.0 million, whichever occurs first. The fees payable to Dr. Victor for these cases range from $5,000 to $10,000 per case.

Sales and marketing expenses were $39,614 and $263,927 for the years ended December 31, 2013 and 2012, respectively. Sales and marketing expenses consist of costs associated with the development of our brochure and informational materials, our website, an informational video and travel expenses to attend professional meetings, as well as commissions on sales.

General and administrative expenses were $3,652,443 and $3,613,210 for the years ended December 31, 2013 and 2012, respectively. The following are the significant components of the general and administrative costs:

Salary Expense
General and administrative is comprised of salary expenses of $526,690 and $988,231 for the years ended December 31, 2013 and 2012, respectively. Included in the salary expense and related to a significant shareholder as a result of this individual serving in the capacity of our Chief Executive Officer was $275,000 for each years ending December 31, 2013 and 2012. In addition, we incurred salary expenses totaling $180,000 and $205,000 for the years ending December 31, 2013 and 2012, respectively, to the spouse of our Chief Executive Officer and majority shareholder.

Loss of Accounts Receivable
The Company and Regen Medical entered into a termination and general release agreement, effective December 31, 2012, pursuant to which the Company and Regen Medical agreed the Company shall forgive the $514,000 owed to the Company by Regen Medical under the Regen Medical Agreement in exchange for the exclusive right to certain open

label data and other data which the Company would like to have the rights to use as empirical data or evidence of the efficacy of the Company's proprietary process. The Company expensed a loss of accounts receivable of $514,000 for the year-end December 31, 2012.

Rent and office administrative expenses

Included in general and administrative expenses are $759,978 and $467,803 of rent and office administrative costs for the years ended December 31, 2013 and 2012, respectively. Rent in the prior year included $150,000 for our previous office facilities and administrative office services provided by a company owned by our chief executive officer and majority shareholder and approximately $318,000 for the office space located at 460 Park Avenue. Rent in the current year includes rent for the office space located at 460 Park Avenue as well as an adjustment of $246,223 in rent expense related to the deferred rent liability that was booked to conform with GAAP.

Professional fees
For the years end December 31, 2013 and 2012, we have incurred approximately $980,085 and $1,070,703 in legal and professional fees primarily related the FDA compliance, public company costs and financing transactions.

Depreciation
Depreciation expense is included in general and administrative costs and amounted to $405,702 and $221,428 for the years ended December 31, 2013 and 2012, respectively.

Employee Stock Based Compensation. During the years ended December 31, 2013 and 2012, we incurred employee stock based compensation expenses of $1,386,765 and $2,333,922, respectively, for incentive stock options and common stock issued to employees. The incentive stock options were valued using the Black Scholes method.

Non-Employee Stock Based Compensation. During the years ended December 31, 2013 and 2012, non-employee stock based compensation of $0 and $8,298,732 were incurred as non-cash charges, respectively. Non-employee stock based compensation is comprised of the following:

· During the year ended December 31, 2013 the Company issued 0 shares of common stock shares for medical advisory and professional services valued at $0 compared to 5,455,668 shares valued at $5,713,038 during the year ended December 31, 2012.
· During the year ended December 31, 2013, the Company issued 0 warrants and 0 non-employee stock options for consulting and profession services valued at $0 and $0, respectively, compared to 1,684,200 warrants and 150,000 non-employee stock options valued at $2,720,764 and $34,930 during the year ended December 31, 2012.

The value of the warrants and non-employee stock options were determined using the Black Scholes method, the details of which are more fully explained within the notes to the financial statements.

Changes in Fair Value of Derivative Liability

The Company has issued various instruments (as detailed below) which are accounted for as derivative liabilities and are valued at fair value at the date of issuance and at each balance sheet date. The change in value of these instruments is recorded as a charge (or as income). During the years ended December 31, 2013 and 2012, the Company recorded an expense in the amount of $2,787,770 and income in the amount of $13,804,271, respectively, relating to the change in value of all its derivative liabilities.

The instruments with derivative properties are as follows:

Convertible Debt - Derivative Liabilities

In May 2011, IntelliCell completed a convertible debt offering aggregating $1,385,000. The units offered consist of a $50,000 subordinated convertible debenture payable one year from the date of issue with interest at a rate of 6% and convertible, at the option of the holder, into the Company's common stock at an initial conversion price of $1.72 per share. Each unit also included a detachable five (5) year warrant to purchase 57,143 shares of IntelliCell's common stock at an exercise price of $1.72 per share. The proceeds from the issuance of convertible debt securities with detachable warrants were allocated between the warrants and the debt security. The discount is being amortized over the life of the debt. As of December 31, 2011, the Company recorded an original issue discount of $288,564 related to the value of the warrants that will be amortized as interest expense over the initial one year term of the convertible debentures. As of December 31, 2011, the Company has recognized $216,422 of interest expense as a result of such amortization.

The Company accounted for the conversion features underlying the convertible debentures an issued in accordance with GAAP, as the conversion feature embedded in the convertible debentures could result in the debentures being converted to a variable number of the Company's common shares. The Company determined the value of the derivate conversion features of these debentures issued during the year ended December 31, 2011 at the relevant commitment dates to be $32,209 utilizing a Black-Scholes valuation model. The change in fair value of the liability for the conversion feature resulted in a reduction to income of $583,837 and a reduction to income of $3,893,821 for year ended December 31, 2013 and 2012, respectively, which is included in the accompanying financial statements. The fair value of the derivative conversion features was determined to be $3,683 and $587,520 at December 31, 2013 and 2012, respectively.

The Company accounted for the detachable warrants included with the convertible debentures as liabilities in accordance with GAAP, as the warrants are subject to anti-dilution protection and could result in them being converted to a variable number of the Company's common shares. The Company determined the value of the derivate feature of the warrants issued during year ended December 31, 2011 at the relevant commitment dates to be $332,401 utilizing a Black-Scholes valuation model. The change in fair value of the liability for the warrants resulted in a reduction to income of $382,296 and a charge to income of $9,921,400, respectively for year ended December 31, 2013 and 2012, respectively, which is included in the accompanying financial statements. The fair value of the derivative conversion features was determined to be $6,254 and $388,550 at December 31, 2013 and 2012, respectively.

As discussed, as a result of the Company's Merger, and the effect of recapitalization, the exercise price of the convertible debentures and warrants was decreased from $1.72 to $.88. The subordinated convertible debentures are convertible into an aggregate of 1,561,443 shares of common stock and warrants to purchase an aggregate of 3,071,542 shares of common stock.

Common Stock Offering - Derivative Liabilities

In February 2012, the Company entered into securities purchase agreements with accredited investors, pursuant to which the Company sold (i) an aggregate of 2,600,000 shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), (ii) class A warrants to purchase an aggregate of 5,200,000 shares of Common Stock (the "Class A Warrants"), and (iii) class B warrants to purchase an aggregate of 5,200,000 shares of Common Stock (the "Class B Warrants" and together with the Class A Warrants, the "Warrants"), for aggregate gross cash proceeds of $2,627,649, which consisted of $2,100,000 of cash and the exchange and cancelation of a promissory note (bearing principal and interest totaling $527,549) and a warrant ("Exchange Agreement").

The Class A Warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of $2.00, subject to adjustment. The Class B Warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of $3.75, subject to adjustment. The exercise price of the Warrants were subject to anti-dilution protection if shares or share-indexed financing instruments were sold at less than the stated conversion prices.

Therefore, the associated conversion feature requires liability classification under GAAP which is carried at their fair value to be reevaluated each reporting period. We estimate their fair value as a common stock equivalent, enhanced by the forward elements (coupon, puts, and calls), because that technique embodies all of the assumptions (including credit risk, interest risk, stock price volatility and conversion behavior estimates) that are necessary to determine the fair value of this type of financial instrument.

We determined the value of the derivative conversion features of these debentures issued at the relevant commitment dates to be $19,036,312 utilizing a Black-Scholes valuation model.

Between September 5, 2012 and October 11, 2012, the February 2012 investors (including the investor that exchanged and cancelled his outstanding promissory note) agreed to certain amendments to their securities purchase agreement and exchange their respective Warrants for (i) an aggregate of 6,100,000 shares of the Company's Common Stock (ii) a new series A warrant to purchase an aggregate of 6,100,000 shares of Common Stock at an exercise price of seventy-five cents ($0.75) per share and (iii) a new series B warrant to purchase an aggregate of 6,100,000 shares of Common Stock at an exercise price of seventy-five cents ($0.75) per share.

As of December 31, 2013 and 2012, the Company had 100,000 Class A and 100,000 Class B warrants outstanding, these warrants were not exchanged and retained their anti-dilutive properties. The value of the derivative liability associated with the conversion feature of these warrants were $481 and $10,950 for the years ended December 31, 2013 and 2012, respectively.

Loss before income tax and Net Loss

Loss before income tax for the years ended December 31, 2013 and 2012 was $11,140,817 and $4,151,891, respectively, which includes a charge for the non-cash change in fair value of derivative liabilities and other expense of $2,787,770 for the year ended December 31, 2013 and a reduction of charges for the non-cash change in fair value of derivative liabilities of $13,804,271 for the year end December 31, 2012. Furthermore, loss before income tax for the year ended December 31, 2013 and 2012 included non-cash expense for Employee Stock Compensation of $1,386,765 and $2,333,922, non-cash expense for Non-Employee Stock Based Compensation of $0 and $8,298,732, and stock based financing costs of $305,112 and $3,041,660, respectively, as discussed above. As we are just beginning to implement our business strategy we anticipate that we will continue to have operating losses for the next several calendar quarters until such time as we have been able to establish a sufficient number of licensees generating licensing, processing, service, and management fees to us, as well as up-front territorial licensing fees, sufficient to cover our operating costs.

Liquidity and Capital Resources

We had a working capital deficit as of December 31, 2013 of $9,278,941, compared to a working capital deficit at December 31, 2012 of $6,687,734.

Our cash and cash equivalents as December 31, 2013 was $0, compared to cash balances at December 31, 2012 of $10,159. We are in the early stages of the implementation of our business strategy and anticipate we will require additional cash to fund our operations for the next twelve months inclusive of costs associated with attracting, training and acquiring laboratory equipment for licensees, costs associated with the conducting of clinical research needed to establish and protect the therapeutic benefits of our technologies, costs associated with the development and marketing and promotional and educational materials relative to our services and costs associated with building out the infrastructure necessary to manage and control our business. In the near term, we plan to utilize our existing limited cash balances and proceeds from licensing, processing, service, and management fees to us, as well as up-front territorial licensing fees, and additional debt and equity based financings to maintain our operations.

Based on our current cash and cash equivalents levels and expected cash flow from operations, we believe our current cash position is not sufficient to fund our cash requirements during the next twelve months, including operations and capital expenditures. We intend to license our proprietary technology and services or obtain equity and/or debt financing to support our current and proposed operations and capital expenditures. We cannot assure that continued funding will be available. There can be no assurance, however, that any such opportunities may arise, or that any such acquisitions may be consummated. Additional financing may not be available on satisfactory terms when required. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. We currently have no firm commitments for any additional capital. There is no guarantee that we will be successful in raising the funds required. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

Net cash from operating activities

Net cash used in operating activities was $1,159,641 and $1,064,556 for the year ended December 31, 2013 and 2012, respectively. Cash was used primarily to fund our operating losses exclusive of non-cash expenditures such as stock compensation for services and changes in the fair value of our derivative liabilities. For the year ended December 31, 2013, operating activities were impacted by increases in our accounts payable of $1,608,004, and $2,137,266 in increases in loss on conversion of accounts payable to common stock.

Net cash from investing activities

Net cash provided by (used in) investing activities was $219,158 and $(2,747,072) for the year ended December 31, 2013 and 2012, respectively, which includes a write-off of $12,240 in office furniture in the year ended December 31, 2013 and $929,457 for the purchase of office furniture and equipment and lab equipment for the year ended December 31, 2012. Additionally, there was a write-off of $275,000 and additional costs of $1,532,181 for Construction-in-progress costs for the lease build-out in our new corporate and operations facility, respectively, in the years ended December 31, 2013 and 2012. Furthermore, $93,175 and $285,434 of net advances were due from Regen Medical, and the Company had an increase in restricted cash for the security deposit on their lease of $124,547 and $0, respectively during the years ended December 31, 2013 and 2012.

Net cash from financing activities

Net cash provided by financing activities was $930,324 and $3,711,593 for the year ended December 31, 2013 and 2012, respectively, consisting of $0 and $2,766,050 of net proceeds received from the sale of our common stock, $0 and $230,000 of gross proceeds from our Series D preferred stock offering, and $416,000 and $0 of gross proceeds from our convertible note offering, respectively. Additionally, the Company received net related party advances from Dr. Victor in the amount of $414,324 and $113,976, convertible debentures of $100,000 and $0, and notes payable of a net $0 and $601,567 for the year end December 31, 2013 and 2012, respectively.

Intellicell Convertible Promissory Notes

In accordance with the provisions of the Intellicell Notes, we notified the holders of their right to have the Intellicell Notes repaid upon completion of our recent equity financing (pursuant to which we received aggregate gross proceeds of $2,627,549, which consisted of $2,100,000 of cash and the exchange and cancelation of a promissory note (bearing principal and interest totaling $527,549) and a warrant), or to convert their Intellicell Notes into shares of our common stock. As of the date of this Annual Report on Form 10-K, holders of Intellicell Notes in the principal amount of $469,215 have converted their Intellicell Notes into shares of our common stock. On May 17, 2012, the holder of an aggregate of $500,000 principal amount of IntelliCell Notes informed the Company that it is in default and demanded repayment under the IntelliCell Notes. Pursuant to the terms of the IntelliCell Notes, upon the occurrence, after the expiration of a cure period of fifteen (15) days with respect to monetary defaults, following the receipt by the Company of written notice from a holder of a default in the payment of any installment of principal or interest, or any part thereof, when due, a holder, at its election may accelerate the unpaid balance of the principal and all accrued interest due under this Note and declare the same payable at once without further notice or demand. Upon an event of default under the IntelliCell Notes, the holders of the IntelliCell Notes shall be entitled to, among other things (i) the principal amount of the IntelliCell Notes along with any interest accrued but unpaid thereon and (ii) costs and expenses in connection with the collection and enforcement under the IntelliCell Notes, including reasonable attorneys' fees. As a result of the notice of default, as of the date hereof, the IntelliCell Notes in the aggregate principal amount of $1,360,000 are immediately due and payable. The Company is currently working with its investors on making arrangements to honor its obligations under the IntelliCell Notes, however, there can be no assurance that any such arrangements will ever materialize or be permissible or sufficient to cover any or all of the obligations under the IntelliCell Notes.

TCA Global MasterFund, L.P. Convertible Note

On June 7, 2012, the Company issued the Convertible Promissory Note (the "Note") in favor of TCA Global Master Fund, L.P. ("TCA") in exchange for gross proceeds of $500,000. The maturity date of the Convertible Note is June 7, 2013, and the Convertible Note bears interest at a rate of twelve percent (12%) per annum. The Convertible Note is convertible into shares of the Company's common stock, par value $0.001 per share (the "Common Stock") at a price equal to ninety-five percent (95%) of the average of the lowest daily volume weighted average price of the Common Stock during the five (5) trading days immediately prior to the date of conversion. The Convertible Note may be prepaid in whole or in part at the Company's option without penalty.

Committed Equity Facility Agreement

On June 7, 2012, the Company entered into the Equity Agreement with TCA. Pursuant to the terms of the Equity Agreement, for a period of twenty-four months commencing on the effective date of the Registration Statement (as defined herein), TCA shall commit to purchase up to $2,000,000 of the Company's common stock, par value $0.001 per share (the "Shares"), pursuant to Advances (as defined below), covering the Registrable Securities (as defined below). The purchase price of the Shares under the Equity Agreement is equal to ninety-five percent (95%) of the lowest daily volume weighted average price of the Company's common stock during the five (5) consecutive trading days after the Company delivers to TCA an Advance notice in writing requiring TCA to advance funds (an "Advance") to the Company, subject to the terms of the Equity Agreement.

The "Registrable Securities" include (i) the Shares; and (ii) any securities issued or issuable with respect to the Shares by way of exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise.

As further consideration for TCA entering into and structuring the Equity Facility, the Company paid TCA a fee by issuing to TCA that number of shares of the Company's common stock that equal $110,000.

TCA Default Notice

On August 8, 2013, a Summons and Complaint (the “Complaint”) was filed along with a Motion for a Temporary Restraining Order (the “Motion”) before the Supreme Court of the State of New York, County of New York (the “Court”) under the caption Intellicell Biosciences, Inc. v Ironridge Global IV, LTD., and TCA Global Credit Master Fund, LP, Index No. 652800/13. The Motion sought to restrain the sale of the Company’s assets.

As previously reported, on July 15, 2013, while the Company was finalizing an amendment and waiver to that certain Convertible Promissory Note (the “Note”) issued by the Company in favor of TCA Global Credit Master Fund, LP (“TCA”) on June 7, 2012 in the principal amount of $500,000, the Company was advised that Ironridge Global IV, LTD (“Ironridge”), led by Mr. John C. Kirkland, Esq., purportedly purchased the Note from TCA. The Complaint and Motion alleged that Ironridge and TCA each served the Company with a Notice of Foreclosure and Sale, both claiming to be the “Secured Party” of the same assets.

Given that Ironridge and TCA asserted that they would sell the secured assets of the Company at auction on August 12, 2013, the Motion sought to temporarily restrain both parties from so doing. On August 12, 2013, Justice Sherwood, Justice of the Supreme Court, New York County, issued a written Order granting the relief requested, thereby restraining any sale of assets (the “Temporary Restraining Order”).

On August 26, 2013, despite the Company’s best efforts to amicably resolve the dispute related to the Note, a subsequent hearing on the Motion was held, at which time the Company voluntarily brought with it to Court: (i) a certified check in the amount of $535,833.33 constituting payment of all principal and interest owed under the Note; and (ii) a stock certificate constituting the facility fee shares owed to the Secured Party pursuant to that certain Equity Facility Agreement. Since TCA admitted in prior court filings that it has no remaining interest in the that certain Note and Equity Facility Agreement, both the check and the stock certificate were tendered to Ironridge in open court, and counsel for Ironridge confirmed receipt thereof to Justice Oing directly. The company's attorneys argued in court that, with the exception of possible attorney’s fees owed, the Company's obligations under the transaction documents have now been satisfied in full.

In addition, the Court found Ironridge’s jurisdictional argument to be unavailing and held that the case shall remain in New York and directed all parties to file submissions with the Court on September 10, 2013, indicating why any other monies are or are not owed under those certain transaction documents. Judge Oing further directed that the Temporary Restraining Order restraining the sale of the Company’s assets shall remain in place indefinitely until further order of the Court and that the auction shall not be rescheduled and that Ironridge shall not make, post or distribute any further advertisements, internet postings, blogs or otherwise in relation thereto. Finally, Judge Oing held that the balance of the $680,000 that was being held in escrow be immediately released.

Ludlow Capital Convertible Promissory Note

On April 30, 2013, the Company issued a Convertible Promissory Note to Ludlow Capital, LLC, for $15,000 in professional services. The terms of the Convertible Promissory Note require repayment immediately and bear a 0% interest rate. The Convertible Promissory Note is convertible into shares of the Company’s common stock, par value $0.001 per share (the "Common Stock") at a price that shall be 10% below the closing bid upon notice of conversion. The Convertible Promissory Note is currently due and payable.

Steven Victor Convertible Promissory Note

On October 1, 2013, the Company issued a $1,000,000 convertible promissory note to Steven Victor to memorialize $585,794 of accrued salary and $414,206 of personal loans due to Steven Victor. The convertible promissory note is payable on demand and bears an annual 12% simple interest rate. The convertible promissory note is convertible into shares of the Company's common stock, par value, $0.001 per share (the "Common Stock") at a price equal to the average five trading day closing bid price during the five days immediately prior to the conversion date multiplied by two.

On October 11, 2013, the Company was advised that the convertible promissory note was assigned to Redwood Management, LLC.

Anna Rhodes Convertible Promissory Note

On October 1, 2013, the Company issued a $389,711 convertible promissory note to Anna Rhodes to memorialize $229,464 of accrued salary and $160,247 of personal loans due to Anna Rhodes. The convertible promissory note is payable on demand and bears an annual 12% simple interest rate. The convertible promissory note is convertible into shares of the Company's common stock, par value, $0.001 per share (the "Common Stock") at a price equal to the average five trading day closing bid price during the five days immediately prior to the conversion date multiplied by two.

On October 11, 2013, the Company was advised that the convertible promissory note was assigned to Redwood Management, LLC.

WHC Capital Convertible Promissory Note

On November 15, 2013, the Company issued a 75,000 convertible promissory note to WHC Capital. The Company received $66,000 in cash and $9,000 was recorded as an other receivable on the balance sheet. The terms of the convertible promissory note require repayment on November 15, 2014 and bears an interest rate of 12% per annum. The convertible promissory note is convertible into shares of the Company's common stock, par value, $0.001 per share (the "Common Stock") at a price equal to 48% of the lowest intra-day trading price for the Company's common stock during the fifteen trading days immediately preceding the conversion date.

During November and December 2013, $39,617 of the principal of the convertible promissory note was converted to 49,920 shares of common stock.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

Contractual Obligation and Commitments

The following table is a summary of contractual cash obligations for the periods indicated that existed as of December 31, 2013, and is based on information appearing in the notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

	Total	Less than 1 Year	1-2 Years	3-5 Years	More than 5 Years
Current Debt Obligations	$	$ 4,733,319	$	$	$
Current Operating Lease Obligations					

Total obligations	$	$ 4,733,319	$	$	$

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not hold any derivative instruments and do not engage in any hedging activities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The full text of our audited consolidated financial statements as of December 31, 2013 and December 31, 2012, begins on page F-1 of this Annual Report on Form 10-K .

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

We do not have any changes in or disagreements with accountants on accounting and financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures include, without limitation, means controls and other procedures that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, because of our limited resources and limited number of employees, management concluded that our disclosure controls and procedures were ineffective as of December 31, 2013.

Management has identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment. Management believes that these material weaknesses are due to the small size of our accounting staff. The small size of our accounting staff may prevent adequate controls in the future, such as segregation of duties, due to the cost/benefit of such remediation.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of external legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.

These control deficiencies could result in a misstatement of account balances that would result in a reasonable possibility that a material misstatement to our consolidated financial statements may not be prevented or detected on a timely basis. In light of this material weakness, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the fiscal year ended December 31, 2013 included in this Annual Report on Form 10-K were fairly stated in accordance with US GAAP. Accordingly, management believes that despite our material weaknesses, our consolidated financial statements for the quarter ended December 31, 2013 are fairly stated, in all material respects, in accordance with US GAAP.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, which consists of our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on criteria established in the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), as supplemented by the COSO publication Internal Control over Financial Reporting – Guidance for Smaller Public Companies . Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 31, 2013 for the deficiencies set forth above.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to such attestation pursuant to rules of the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

Limitations on Effectiveness of Controls and Procedures

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting have come to management's attention during our last fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive Officers and Directors

The names, ages and positions of our directors and executive officers as of May 9, 2014, are as follows:

Name	Age	Position
Steven A. Victor, M.D.	62	Chairman of the Board of Directors, Chief Executive Officer, President, Secretary and Treasurer
Leonard Mazur	68	Interim Chief Operating Officer and Director
Michael Hershman	69	Director
Myron Holubiak	67	Director
Sam Khashman	45	Director

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Officers are elected annually by the board of directors and serve at the discretion of the board.

Background of Executive Officers and Directors

The principal occupations for the past five years (and, in some instances, for prior years) of each of our directors and executive officers are as follows:

STEVEN A. VICTOR M.D. was appointed as our chief executive officer, president, secretary, treasurer and director on June 3, 2011. Dr. Victor is a practicing celebrity dermatologist with over 20 years of experience. Author of the book "Ageless Beauty – A Dermatologist's Guide to Looking Younger Without Plastic Surgery", Guest Appearances on 20/20, Good Morning America, The Today Show, etc., along with features in nationally published fashion/style magazines. Dr. Victor is renowned in the field of Dermatology, pioneering some of the most effective and interesting treatments in skin rejuvenation today. He has lectured around the world, consulted for numerous cosmetic companies, featured in numerous magazines and featured in various Television and News segments. Dr. Victor has developed numerous successful consumer products for distribution through the Cosmeceuticals and Prescription skin care channels. Medicis (MRX/NYSE), a specialty pharmaceutical company that develops and markets products for the treatment of dermatological, aesthetic, and podiatric conditions, was initially launched successfully with 6 Rx products of Dr. Victor's including Benzashave, a patented product. Dr Victor launched the one of the first acne infomercials in 1992 and developed the products for the Cher Skin Care infomercial. Dr. Victor has held numerous teaching appointments and holds a Bachelor of Arts degree from New York University and a received his M.D. degree from New York College. Dr. Victor was selected to serve as a director due to his deep familiarity with our business, the regenerative medical industry, our proprietary process and his extensive entrepreneurial background.

LEONARD L. MAZUR was appointed to our Board of Directors on June 3, 2011 and interim chief operating officer on February 14, 2013. Mr. Mazur since January 2008 is the co-founder and Vice Chairman of Akrimax Pharmaceuticals, LLC, a privately held pharmaceutical company specializing in producing cardiovascular and general pharmaceutical drugs Between January 2005 to May 2012 he served as Co-Founder and Chief Operating Officer of Triax Pharmaceuticals LLC, a specialty pharmaceutical company producing prescription dermatological drugs.. Prior to joining Triax, he was the founder and, from 1995 to 2005, Chief Executive Officer of Genesis Pharmaceutical, Inc., a dermatological products company that marketed its products through dermatologists' offices. In addition, Mr. Mazur has extensive sales, marketing and business development experience from his tenures at Medicis Pharmaceutical Corporation, as executive vice president, ICN Pharmaceuticals, Inc., Knoll Pharma (a division of BASF), and Cooper

Laboratories, Inc. Mr. Mazur is a member of the Board of Trustees of Manor and is a recipient of the Ellis Island Medal of Honor. Mr. Mazur has marketing and entrepreneurial experience in the pharmaceutical industry, and his experiences with pharmaceutical products make him a valuable member of our Board of Directors.

MICHAEL HERSHMAN was appointed as a director on November 19, 2012.Mr. Hershman has been president and chief executive officer of The Fairfax Group LLC, an investigative, security and crises management firm, since founding the company in 1983. Mr. Hershman is an internationally recognized expert on matters relating to transparency, accountability, governance, litigation and security. Over the years, Mr. Hershman has served as a senior staff investigator for the Senate Watergate Committee, as chief investigator for a joint Presidential and Congressional commission, reviewing state and federal laws on wiretapping and electronic surveillance, as chief investigator for the Federal Election Commission, as deputy staff director for the Subcommittee on International Organizations of the U.S. House of Representatives and as deputy auditor general for the Foreign Assistance Program of the U.S. Agency for International Development. In 1993, Mr. Hershman co-founded Transparency International, the largest independent, not-for-profit coalition promoting transparency and accountability in business and in government. For the past six years he has served Interpol as a member of the International Group of Experts on Corruption, and for the past twelve years, he has sat on the board of the International Anti-Corruption Conference Committee. Mr. Hershman is a member of the board of directors of the U.S. Chamber of Commerce Foundation. Since 2007, Mr. Hershman has been a member of the board of directors and the executive committee of the Center for International Private Enterprise. For the past twelve years Mr. Hershman has been a member of Interpol's International Group of Experts on Corruption and now serves as Vice Chairman. Mr. Hershman is also on the board of the International Anti-Corruption Conference Committee, the Financial Coalition against Child Pornography, which is a project of the National Center for Missing and Exploited Children and he is a member of the Advisory Council of the George Mason University School of Information Technology and Engineering. Mr. Hershman was selected to serve as a director due to his experience as a director of other public companies and his experience with corporate compliance.

MYRON HOLUBIAK was appointed to our Board of Directors on October 23, 2012. Mr. Holubiak is the former President of Roche Laboratories, Inc. He held this position from December 1998 to August 2001. From August 2001 to June 2002, Mr. Holubiak was President, Chief Operating Officer and member of the Board of Directors of iPhysicianNet, Inc., a video detailing company. From July 2002 to April 2007 Mr. Holubiak was President and Chief Operating Officer of HealthSTAR Communications, Inc., a health care marketing communications network of 16 companies. Currently, Mr. Holubiak is the President and a member of the board of directors of 1-800-Doctors, Inc., a medical referral company that provides consumers with access to physicians and hospitals. From April 2004 to July 2008 Mr. Holubiak served on the board of directors of Nastech Pharmaceuticals Company, Inc. (now Marina Biotech, Inc.). Mr. Holubiak is also a member of the board of directors of Venture Biosciences, Inc. Mr. Holubiak is currently the Chairman of the Board of Directors of BioScrip, Inc, which is a specialty pharmaceutical company. Mr. Holubiak was selected to serve as a director due to his deep familiarity with the healthcare industry, his extensive entrepreneurial background and his public company experience.

SAM KHASHMAN founded Technology Partners, Inc. (dba IMAGINE Software) in 2000 and has an extensive background in systems integration, process efficiency, and imaging systems with more than 18 years of experience in executive leadership. He has spent his career implementing and developing national and international markets for various business software solutions, and is recognized in radiology for combining complex processes into single system solutions. Mr. Khashman is also involved in numerous civic organizations and currently serves on the board of the National Chamber Foundation, the public policy think tank of the U.S. Chamber of Commerce in Washington D.C. and the advisory board of InfraGard Nations Capital Members Alliance, Inc.

Significant Employees

None

Advisory Board

We have access to a number of academic and industry advisors with expertise in regenerative medicine. Members of our advisory board meet with our management and key employees on an ad hoc basis to provide advice in their respective areas of expertise and further assist us by periodically reviewing with management our proposed activities. The members of our advisory board include the following doctors and scientific personnel: Dr. James R. Andrews, Dr. Frederic Nicola, Dr. Sydney Coleman, Dr. Eric Richter, Dr. Harold Bafitis, Dr. Lyle Cain, Dr. Benton Emblom. Additional members of our advisory board include Mr. Jack Schneider, a former managing director of Allen & Co, as well as Mr. Stuart Goldfarb, a former director of the Company who was also the former CEO of Atrinsic, Inc. as well as the former President and CEO of Bertelsmann Direct North America (now known as Direct Brands, Inc.). Many of our advisory board members possess insight and significant experience in the emerging market for regenerative medicine, as well as the potential areas of application of our proprietary, patent pending process technology. We further believe that some of these individuals may be instrumental in advancing our research and development programs. Our advisory board members have already made significant contributions to our proposed programs, including providing input on proposed trials and protocols as well as endpoint design. In connection with a member's retention on our advisory board, they enter into advisory agreements that provide for compensation to them, generally in the form of warrants to purchase shares of common stock of the Company, which also contain provisions for confidentiality as well as assignment of invention agreements, subject to the member respective obligations and responsibilities to any institution or institutions at which they are employed.

Advisory Board Consulting Agreement with Dr. James Andrews

On March 11, 2014, the Company executed a Consulting Agreement (the "Consulting Agreement") with Dr. James Andrews, effective March 7, 2014, pursuant to which Dr. Andrews shall serve as Chairman of the Intellicell

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

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

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The Consulting Agreement contains customary representations and warranties, as well as a mutual indemnification provision, an assignment of inventions and patents provision and a confidentiality and trade secrets provision. The foregoing description of the Consulting Agreement does not purport to be complete and is qualified in its entirety by reference to such document, which is attached as Exhibit 10.2 hereto and incorporated herein by reference.

Family Relationships

There are no family relationships between any director, executive officer, or person nominated or chosen by the registrant to become a director or executive officer.

Involvement in Certain Legal Proceedings

To our knowledge, during the past ten years, none of our directors, executive officers, promoters, control persons, or nominees has been a party to:

any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;

being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

being subject of, or a party to, any federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our code of ethics was filed as an exhibit to our 2011 Annual Report on Form 10-K. Investors may also request a copy of the code of ethics, free of charge, by contacting the Company's at 460 Park Avenue, 17th Floor, New York, New York

10021, Attention: Secretary.

Audit Committee

The Audit Committee's responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent registered public accountants, (ii) appointing, replacing and discharging the independent auditors, (iii) pre-approving the professional services provided by the independent auditors, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditors, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditors. The Audit Committee also prepares the Audit Committee report that is required pursuant to the rules of the SEC.

The Audit Committee currently consists of Michael Hershman, chairman of the Audit Committee, and Myron Holubiak. The board of directors has adopted a written charter setting forth the authority and responsibilities of the Audit Committee which is available on our website at www.intellicellbiosciences.com.

Compensation Committee

The Compensation Committee has responsibility for assisting the board of directors in, among other things, evaluating and making recommendations regarding the compensation of the executive officers and directors of our company; assuring that the executive officers are compensated effectively in a manner consistent with our stated compensation strategy; producing an annual report on executive compensation in accordance with the rules and regulations promulgated by the SEC; periodically evaluating the terms and administration of our incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to our directors and executive officers.

Leonard Mazur is the chairman of the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

Mr. Mazur is an officer of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Corporate Governance/Nominating Committee

The Corporate Governance/Nominating Committee has responsibility for assisting the board of directors in, among other things, effecting board organization, membership and function including identifying qualified board nominees; effecting the organization, membership and function of board committees including composition and recommendation of qualified candidates; establishment of and subsequent periodic evaluation of successor planning for the chief executive officer and other executive officers; development and evaluation of criteria for Board membership such as overall qualifications, term limits, age limits and independence; and oversight of compliance with the Corporate Governance Guidelines. The Corporate Governance/Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors. Potential nominees are identified by the Board of Directors based on the criteria, skills and qualifications that have been recognized by the Corporate Governance/Nominating Committee. While our nomination and corporate governance policy does not prescribe specific diversity standards, the Corporate Governance/Nominating Committee and its independent members seek to identify nominees that have a variety of perspectives, professional experience, education, differences in viewpoints and skills, and personal qualities that will result in a well-rounded Board of Directors.

The Corporate Governance/Nominating Committee currently consists of Myron Holubiak, chairman of the Corporate Governance/Nominating Committee, Michael Hershman.

Audit Committee Financial Expert

We do not currently have an “audit committee financial expert” as defined under Item 407(e) of Regulation S-K. The Board is actively seeking to appoint an individual to the Board of Directors and the Audit Committee who would be deemed an audit committee financial expert.

Director Compensation

Directors are expected to timely and fully participate in all regular and special board meetings, and all meetings of committees that they serve on.

For the fiscal year ended 2013, Dr. Steven Victor received 300,000,000 options to purchase our common stock and all other directors received 30,000,000 stock options to purchase our common stock.

Director Independence

Two of our directors, Michael Hershman and Myron Holubiak, are independent directors, pursuant to the NASDAQ definition of independence.

2011 Stock Incentive Plan

The purpose of our 2011 Stock Incentive Plan, as amended (the "2011 Plan") is to enable us to attract, retain and motivate key employees, directors and, on occasion, consultants, by providing them with stock options. Stock options granted under the 2011 Plan may be either incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1986, or non-qualified stock options. Pursuant to the 2011 Plan, stock options to purchase an aggregate of 7,000,000 shares of common stock may be granted under the 2011 Plan.

The 2011 Plan will be administered by the Compensation Committee, or by the board of directors as a whole. The Compensation Committee or the board of directors, if applicable, has the power to determine the terms of any stock options granted under the 2011 Plan, including the exercise price, the number of shares subject to the stock option and conditions of exercise. Stock options granted under the 2011 Plan are generally not transferable, and each stock option is generally exercisable during the lifetime of the optionee only by such optionee. The exercise price of all incentive stock options granted under the 2011 Plan must be at least equal to the fair market value of the shares of common stock on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of our stock, the exercise price of any incentive stock option granted must be equal to at least 110% of the fair market value on the grant date. The term of all incentive stock options under the 2011Plan may not exceed ten years, or five years in the case of 10% owners.

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2012 Stock Incentive Plan

The purpose of our 2012 Stock Incentive Plan, as amended (the “2012 Plan”) is to enable us to attract, retain and motivate key employees, directors and, on occasion, consultants, by providing them with stock options. Stock options granted under the 2012 Plan may be either incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1986, or non-qualified stock options. Pursuant to the 2012 Plan, stock options to purchase an aggregate of 7,000,000 shares of common stock may be granted under the 2011 Plan.

The 2012 Plan will be administered by the Compensation Committee, or by the board of directors as a whole. The Compensation Committee or the board of directors, if applicable, has the power to determine the terms of any stock options granted under the 2012 Plan, including the exercise price, the number of shares subject to the stock option and conditions of exercise. Stock options granted under the 2012 Plan are generally not transferable, and each stock option is generally exercisable during the lifetime of the optionee only by such optionee. The exercise price of all incentive stock options granted under the 2012 Plan must be at least equal to the fair market value of the shares of common stock on the date of the grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of our stock, the exercise price of any incentive stock option granted must be equal to at least 110% of the fair market value on the grant date. The term of all incentive stock options under the 2012 Plan may not exceed ten years, or five years in the case of 10% owners.

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ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The table below sets forth, for the last two fiscal years, the compensation earned by (i) each individual who served as our principal executive officer or principal financial officer during the last fiscal year and (ii) our most highly compensated executive officer, other than those listed in clause (i) above, who were serving as executive officers at the end of the last fiscal year (together, the “Named Executive Officers”). No other executive officer had annual compensation in excess of $100,000 during the last fiscal year.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)(2)	Total ($)
Steven A Victor,	2013	275,000	-	-	$ 15,000	$290,000
Chairman of the Board of Directors						
of the Company, Chief Executive Officer and President	2012	275,000 (1)	-	-	$ 15,000	$290,000

(1) During the fiscal year ended December 31, 2012 and 2013, Dr. Victor was not paid and $275,000 was accrued as compensation for his employment with the Company.
(2) Represents the value of the use of a rental property by Dr. Victor that was paid for by the Company.

Outstanding Equity Awards at Fiscal Year-End

Other than as set forth below, there were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our named executive officers as of December 31, 2013.

Option Award					Stock Award			
Number of Securities Underlying Unexercised	Number of Securities Underlying Unexercised	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised	Option	Option	Number of Shares or Units of Stock That Have	Market Value of Shares or Units of Stock That Have Not	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not	Equity Inventive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not

Name	Options (#) Exercisable	Options (#) Unexercisable	Unearned Options	Exercise Price ($)	Expiration Date	Not Vested	Vested ($)	Vested (#)	Vested ($)
Steven A. Victor	0	0	0	0	0	0	0	0	0

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth information regarding the beneficial ownership of our common stock as of May 9, 2014 and as adjusted to reflect the sale of our common stock offered by this prospectus, by (a) each person who is known by us to beneficially own 5% or more of our common stock, (b) each of our directors and executive officers, and (c) all of our directors and executive officers as a group.

Name of Beneficial Owner (1)	Common Stock Beneficially Owned	Percentage of Common Stock (2)
Dr. Steven Victor(3)	179,277,712	8%
Leonard Mazur	408,528	*%
Michael Hershman	-	-%
Myron Holubiak	-	-%
Sam Hershman		
All Executive Officers and Directors as a group (5 people)	179,686,240	8%
5% Shareholders	-	- %
None		

(*) - Less than 1%.

(1) Except as otherwise below, the address of each beneficial owner is c/o Intellicell Biosciences, Inc, 460 Park Avenue, 17th Floor, New York, New York 10022.

(2) Applicable percentage ownership is based on 2,230,314,377 shares of common stock outstanding as of May 9, 2014, together with securities exercisable or convertible into shares of common stock within 60 days of May 9, 2014, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that are currently exercisable or exercisable within 60 days of May 9, 2014, are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Does not include (i) 7,250,000 shares of common stock underlying the series C preferred stock, (ii) 9,066,667 shares of common stock underlying $1,360,000 of convertible notes (which are convertible at price of $0.15), and (iv) 3,071,542 shares of common stock underlying warrants (which are exercisable at a price of $0.88).

(3) Includes 15,058,000 shares of common stock underlying 15,058 shares of series B preferred stock issued to Dr. Victor in connection with the Merger. Each share of series B preferred stock shall be convertible into 1,000 shares of our common stock. In addition, the holders of the series B preferred stock shall be entitled to notice of stockholders' meeting and to vote as a single class with the holders of the common stock upon any matter submitted to the stockholders for a vote, and shall be entitled to such number of votes as shall equal the product of (a) the number of shares of common stock into which the series B preferred stock is convertible into on the record date of such vote multiplied by (b) ten (10). Also includes 1,745,371 shares of common stock owned by VPI LaserLipo, Inc., a company in which Dr. Victor is an officer and director (and in which he owns less than 1% of the shares). Does not include (i) 33,000,000 shares of common

stock owned by Anna Rhodes, Dr. Victor's wife, or (ii) 281,373 shares of common stock owned by Amy Rhodes, Dr. Victor's sister-in-law, as to which he disclaims beneficial ownership.

(4) Includes (i) 3,109,096 shares of common stock and (ii) 1,000,000 shares of common stock issuable upon exercise of outstanding options to purchase shares of common stock. Anna Rhodes is the wife of Steven Victor, MD, our chief executive officer. As indicated above, Dr. Victor disclaims beneficial ownership over the shares of our common stock held by Anna Rhodes.

(5) As indicated above, VPI LaserLipo, Inc. is a company in which Dr. Victor is an officer and director (and in which he owns less than 1% of the shares). By virtue of his role as an officer and director, Dr Victor may be deemed the control person on VPI LaserLipo, Inc.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company is provided office facilities and related services by a company owned by the Company's CEO, a significant shareholder. The Company has recorded rent and utilities expenses of $759,978 and $467,803, respectively, representing the Company's portion of use for such for year ended December 31, 2013 and 2012, respectively.We have paid or accrued such rent expense since inception. On June 1, 2011, a company owned by Steven Victor, our chief executive officer, entered into a 13 year lease for new office space located at 460 Park Avenue, for which we unconditionally guaranteed any and all obligations owed under the lease to the landlord. In connection with the execution of the lease, we established a restricted cash account in the amount of approximately $650,000 to secure a line of credit to be used as a security deposit under the lease. We estimate we will pay approximately 60% of the approximately monthly lease of $53,000 and utilities per month to sublease office space from the company owned by Dr. Victor. As of the date of this filing herein, the Company has not finalized the sublease agreement.

We have recorded salary expense of $275,000 related to our Steven Victor as a result of this individual serving in the capacity of our Chief Executive Officer since for the year ended December 31, 2013 and salary expenses totaling $205,000 accrued and payable to our Executive Vice President Anna Rhodes who is a related party, a shareholder and the spouse of the majority shareholder.

On April 16, 2012, we entered into a technology license and administrative services agreement with Regen Medical P.C., the medical practice which is owned by, and through which, our Chief Executive Officer, Dr. Steven Victor, engages in the practice of Cosmetic Dermatology. Pursuant to the agreement, we, among other things, (i) granted Regen Medical the non-exclusive and non-assignable license to utilize our proprietary process and technology for its patients, (ii) granted Regen Medical a license to use a laboratory which can be used by Regen Medical for use of the Company's proprietary process and (iii) were appointed as the exclusive manager and administrator of Regen Medical's operations which relate to the implementation of our proprietary process as well as Regen Medical's cosmetic dermatology practice, and (iv) were appointed the sole provider of non-medical managerial, administrative and business functions for Regen Medical's cosmetic dermatology practice. The agreement was effective as of April 16, 2012 and was to continue until April 16, 2017.

On August 26, 2013, the Company and Regen entered into a termination and general release agreement (the "Termination Agreement"), effective December 31, 2012 (the "Effective Date"), pursuant to which the Company and Regen agreed, among other things, that as of the Effective Date, (i) the Company shall forgive the $514,000 owed to the Company by Regen under the Regen Agreement in exchange for the exclusive right to certain open label data and other data which the Company would like to have the rights to use as empirical data or evidence of the efficacy of the Company's proprietary process (the "Clinical Data"), (ii) the parties will take all necessary steps to enter into an agreement for the grant of a license to Regen for the Company's proprietary process as well as a license of the Clinical Data, (iii) the Regen Agreement is terminated in its entirety and shall be deemed null and void and of no further force or effect and (iii) neither Company nor Regen shall have any further rights or obligations under the Regen Agreement. Each party also provided a general release to the other party with respect to the Regen Agreement and all transactions contemplated by the Regen Agreement.

From time to time, we have received advances from certain of our officers to meet short term working capital needs. These advances may not have formal repayment terms or arrangements. As of December 31, 2013, Dr. Steven Victor, our Chief Executive Officer and majority shareholder advanced 414,324 to us for working capital purposes. These advances may not have formal repayment terms or arrangements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following is a summary of fees for professional services rendered by Rosen Seymour Shapps Martin & Company LLP ("RSSM"), our registered independent public accounting firm for the year ended December 31, 2013 and 2012:

Description of services	2013	2012
Audit fees	$123,344.25	$97,000
Audit related fees	$	$
Tax fees	$	$
All other fees	$	$
Total	$123,344.25	$97,000

Audit fees. Audit fees represent fees for professional services performed by RSSM for the audit of our annual financial statements and the review of our quarterly financial statements, as well as services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-related fees. Audit-related fees represent fees for assurance and related services performed by RSSM that are reasonably related to the performance of the audit or review of our financial statements.

Tax Fees. RSSM did not perform any tax compliance services.

All other fees. RSSM did not receive any other audit fees for 2013.

The Board of Directors selects our independent public accountant, establishes procedures for monitoring and submitting information or complaints related to accounting, internal controls or auditing matters, engages outside advisors, and makes decisions related to funding the outside auditory and non-auditory advisors.

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ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as a part of this report or incorporated herein by reference:

(1) Our Consolidated Financial Statements are listed on page F-1 of this Annual Report.
(2) Financial Statement Schedules: None
(3) Exhibits:

The following documents are included as exhibits to this Annual Report:

Exhibit Number	Description
2.1	Share Exchange Agreement dated as of March 17, 2003 by and between i-Track, Inc. and Strategic Communications Partners, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on March 18, 2003 and incorporated herein by reference).
2.2	Merger Agreement, dated as of April 26, 2011, between Media Exchange Group, Inc., Intellicell Acquisition Corp. and Intellicell Biosciences, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2011 and incorporated herein by reference).
2.3	Amended and Restated Merger Agreement, dated as of June 3, 2011, between Media Exchange Group, Inc., Intellicell Acquisition Corp. and Intellicell Biosciences, Inc. (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2011 and incorporated herein by reference).
2.4	Asset Purchase Agreement, dated June 6, 2011, by and between Media Exchange Group, Inc. and Consorteum Holdings, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2011 and incorporated herein by reference).
3.1	Articles of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form SB-2 (File No. 333-49388) filed with the SEC on November 6, 2000 and incorporated herein by reference).
3.2	Certificate of Amendment to the Articles of Incorporation changing the Company's name to China Wireless Communications, Inc., dated March 21, 2003 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 31, 2003 and incorporated herein by reference).
3.3	

	Certificate of Amendment to the Articles of Incorporation, as amended, dated November 22, 2004 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 22, 2004 and incorporated herein by reference).
3.4	Certificate of Amendment to the Articles of Incorporation changing the Company's name to Media Exchange Group, Inc., dated May 17, 2010 (filed as Exhibit 3.4 to the Company's Annual Report on Form 10-K filed with the SEC on April 18, 2012 and incorporated herein by reference).
3.5	Certificate of Designation for the Company's Series B Convertible Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2011 and incorporated herein by reference).
3.6	Certificate of Correction to the Certificate of Designation for the Company's Series B Convertible Preferred Stock. (filed as Exhibit 3.5 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2011 and incorporated herein by reference).
3.7	Certificate of Designation for the Company's Series C Convertible Preferred Stock (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2011 and incorporated herein by reference).
3.8	Certificate of Correction to the Certificate of Designation for the Company's Series C Convertible Preferred Stock (filed as Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2011 and incorporated herein by reference).
3.9	Amendment to the Certificate of Designation for the Company's Series C Convertible Preferred Stock. (filed as Exhibit 3.6 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2011 and incorporated herein by reference).
3.10	Articles of Merger, dated June 27, 2011, changing the Company's name to Intellicell Biosciences, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2011 and incorporated herein by reference).
3.11	Certificate of Designations of Preferences, Rights and Limitations of the series D convertible preferred stock of Intellicell Biosciences, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 27, 2011 and incorporated herein by reference).
3.12	Certificate of Amendment to the Articles of Incorporation, as amended, dated June 1, 2012 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 4, 2012 and incorporated herein by reference).

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3.13	Certificate of Designations of Preferences, Rights and Limitations of the series E convertible preferred stock of Intellicell Biosciences, Inc (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
3.14	Certificate of Amendment to the Articles of Incorporation, as amended, dated November 26, 2013 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2013 and incorporated herein by reference).
3.15	Certificate of Designations, Rights and Preferences of Series E Preferred Stock filed with the Secretary of State of the State of Nevada on January 17, 2014 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on January 23, 2014 and incorporated herein by reference).
3.16	Certificate of Correction of Series E Preferred Stock filed with the Secretary of State of the State of Nevada on January 22, 2014 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on January 23, 2014 and incorporated herein by reference).
3.17	Certificate of Amendment to the Articles of Incorporation, as amended, dated March 7, 2014 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 10, 2014 and incorporated herein for by reference).
3.2	Bylaws (filed as Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (File No. 333-49388) filed with the SEC on November 6, 2000 and incorporated herein by reference).
3.21	Amendment to the Bylaws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 21, 2014 and incorporated herein by reference).
4.1	Form of warrant to purchase common stock issued by to the warrantholders of Intellicell Biosciences, Inc. in June 2011 (filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the SEC on April 18, 2012 and incorporated herein by reference).
4.2	Form of warrant to purchase common stock issued by Intellicell Biosciences, Inc. in the October 2011 private placement (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 27, 2011 and incorporated herein by reference).
4.3	Form of class A warrant to purchase shares of common stock issued by Intellicell Biosciences, Inc. in the February 2012 private placement (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2012 and incorporated herein by reference).
4.4	Form of class B warrant to purchase shares of common stock issued by Intellicell Biosciences, Inc. in the February 2012 private placement (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2012 and incorporated herein by reference).

4.5	Convertible Note, dated June 7, 2012, issued by the Company in favor of TCA (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 8, 2012 and incorporated herein by reference).
4.6	Form of New Series A Warrant issued to the February 2012 Investors (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
4.7	Form of New Series B Warrant issued to the February 2012 Investors (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
4.8	Form of Warrant issued to the November 2012 Investor (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on November 21, 2012 and incorporated herein by reference).
4.9	Note, dated February 20, 2013, by and between the Company and JMJ Financial Note, dated February 20, 2013, by and between the Company and JMJ Financial (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2013 and incorporated herein by reference).
4.10	Amendment to the JMJ Financial Note, effective February 20, 2013 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 26, 2013 and incorporated herein by reference).
10.1	Assignment and Assumption Agreement, dated June 6, 2011, by and between Media Exchange Group, Inc. and Consorteum Holdings, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2011 and incorporated herein by reference).
10.2	Amendment Agreement, dated June 6, 2011, by and between Consorteum Holdings, Inc. and Media Exchange Group, Inc. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2011 and incorporated herein by reference).
10.3	Form of Guaranty for lease dated June 2011 (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on June 17, 2011 and incorporated herein by reference).
10.4	Guaranty, dated June 30, 2011, by Consorteum Holdings, Inc. in favor of Media Exchange Group, Inc. (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2011 and incorporated herein by reference).
10.5	Waiver, dated June 30, 2011, by and between Media Exchange Group, Inc. and Consorteum Holdings, Inc. (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2011 and incorporated herein by reference).
10.6	Letter Agreement, dated July 21, 2011, by and between Intellicell Biosciences, Inc. (f/k/a Media Exchange Group, Inc.) and Consorteum Holdings, Inc. (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on July 26, 2011 and incorporated herein by reference).
10.7	Lab Services License Agreement, dated August 29, 2011 by and between Intellicell Biosciences, Inc. and The PAWS Pet Company, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 2, 2011 and incorporated herein by reference).

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10.8	Non-Exclusive Technology and Trademark License Agreement dated February 2011, by and between Intellicell Biosciences, Inc. and Foursight LLC. (filed as Exhibit 10.5 to the Company's Current Report on From 8-K/A filed with the SEC on October 19, 2011 and incorporated herein by reference).
10.9	Form of securities purchase agreement by and among Intellicell Biosciences, Inc. and the institutional accredited investors in the private placement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 27, 2011 and incorporated herein by reference).
10.10	Form of securities purchase agreement by and among Intellicell Biosciences, Inc. and the non-institutional accredited investors in the private placement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 27, 2011 and incorporated herein by reference).
10.11	Form of registration rights agreement by and among Intellicell Biosciences , Inc. and the investors in the private placement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on October 27, 2011 and incorporated herein by reference).
10.12	Agreement dated November 1, 2010, by and between Intellicell Biosciences, Inc. (f/k/a Regen Biosciences, Inc.) and Thomas E. Young MD, LLC (filed as Exhibit 10.6 to the Company's Current Report on From 8-K/A filed with the SEC on December 9, 2011 and incorporated herein by reference).
10.13	Agreement dated November 15, 2010, by and between Intellicell Biosciences, Inc. (f/k/a Regen Biosciences, Inc.) and R. Craig Saunders (filed as Exhibit 10.7 to the Company's Current Report on From 8-K/A filed with the SEC on December 9, 2011 and incorporated herein by reference).
10.14	Non-Exclusive Technology and Trademark License Agreement dated February 28, 2011, by and between Intellicell Biosciences, Inc. and Dauterive Medical, Inc. (filed as Exhibit 10.8 to the Company's Current Report on From 8-K/A filed with the SEC on December 21, 2011 and incorporated herein by reference).
10.15	Exclusive Canadian National Laboratory Services License Agreement, dated December 15, 2011, by and between Intellicell Biosciences, Inc. and RegenaStem, Inc. (filed as Exhibit 10.4 to the Company's Current Report on From 8-K filed with the SEC on February 3, 2012 and incorporated herein by reference).
10.16	Laboratory Services License Agreement, dated December 16, 2011, by and between Intellicell Biosciences, Inc. and Cell-Innovations Pty Ltd. (filed as Exhibit 10.5 to the Company's Current Report on From 8-K filed with the SEC on February 3, 2012 and incorporated herein by reference).
10.17	

	Form of securities purchase agreement by and among Intellicell Biosciences, Inc. and the investors in the February 2012 private placement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2012 and incorporated herein by reference).
10.18	Form of registration rights agreement by and among Intellicell Biosciences, Inc. and the investors in the February 2012 private placement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 23, 2012 and incorporated herein by reference).
10.19	2011 Incentive Stock Plan (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K filed with the SEC on April 18, 2012 and incorporated herein by reference).
10.20	Laboratory Services License Agreement, dated April 7, 2012, by and between Intellicell Biosciences, Inc. and StemCells21 Co., Ltd. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2012 and incorporated herein by reference).
10.21	Technology License and Administrative Services Agreement, dated April 16, 2012, by and between Intellicell Biosciences, Inc. and Regen Medical, P.C. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 19, 2012 and incorporated herein by reference).
10.22	Equity Agreement, dated June 7, 2012, by and among Intellicell Biosciences, Inc. and TCA (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 13, 2012 and incorporated herein by reference).
10.23	Registration Rights Agreement, dated June 7, 2012, by and among Intellicell Biosciences, Inc. and TCA (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 13, 2012 and incorporated herein by reference).
10.24	Form of subscription agreement by and among Intellicell Biosciences, Inc. and the series E convertible preferred stock investors (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
10.25	Form of Exchange Agreement by and between Intellicell Biosciences, Inc. and the February 2012 Investors (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
10.26	Form of Amendment Agreement by and between Intellicell Biosciences, Inc. and the February 2012 Investors (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).

10.27	Form of Amendment Agreement by and between Intellicell Biosciences, Inc. and the Series D Preferred Stock Investors (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
10.28	Intellectual Property License Agreement, dated July 20, 2012, by and between Lasersculpt, Inc. and Intellicell Biosciences, Inc (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on October 24, 2012 and incorporated herein by reference).
10.29	Form of Exchange Agreement for the Series E Preferred Stock Investors (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 8, 2012 and incorporated herein by reference).
10.30	Form of subscription agreement by and among Intellicell Biosciences, Inc. and the November 2012 Investor (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 21, 2012 and incorporated herein by reference).
10.31	Stipulation of Settlement between the Company and Hanover, dated May 14, 2013 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 24, 2013 and incorporated herein by reference).
10.32	Order Approving Fairness, Terms and Conditions of Exchange and Issuance Pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended, dated May 21, 2013 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on May 24, 2013 and incorporated herein by reference).

10.33	Agreement by and between the Company and Corcon (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 6, 2013 and incorporated herein by reference).
10.34	Settlement Agreement by and between the Company and Bluming (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 6, 2013 and incorporated herein by reference).
10.35	Securities Purchase Agreement, dated March 11, 2014, by and between the Company and the Investor (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.36	Secured Convertible Debenture, dated March 11, 2014, by and between the Company and the Investor (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.37	Warrant No. SVFC-1-1, dated March 11, 2014, issued by the Company to the Investor (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.38	Guaranty Agreement, dated March 11, 2014, by and among the Company, Intellicell NY, ICBS, Tech-Stem, and the Investor (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.39	Security Agreement, dated March 11, 2104, by and among the Company, Intellicell NY, ICBS, Tech-Stem, and the Investor (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.40	Intellectual Property Security Agreement, dated March 11, 2014, by and among the Company, Intellicell NY, ICBS, Tech-Stem, and the Investor (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.41	Pledge Agreement, dated March 11, 2014, by and among the Company, Intellicell NY, ICBS, Tech-Stem, and the Investor (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2014 and incorporated herein by reference)
10.42	Laboratory Services and License Agreement, dated effective March 7, 2014, by and between the Company and The Andrews Research and Education Foundation, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 12, 2014 and incorporated herein by reference)
10.43	Consulting Agreement, dated effective March 7, 2014 by and between the Company and Dr. James Andrews (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 12, 2014 and incorporated herein by reference)
14	Code of Ethics (filed as Exhibit 14 to the Company's Annual Report on Form 10-K filed with the SEC on April 18, 2012 and incorporated herein by reference).

16.1	Letter from Sherb & Co., Inc., dated August 11, 2011 (filed as Exhibit 16.1 to the Company's Current Report on Form 8-K filed with the SEC on August 18, 2011 and incorporated herein by reference)
17	Letter of Resignation from John Pavia, dated April 12, 2013 (filed as Exhibit 99.1 to the Company Current Report on Form 8-K filed with the SEC on April 24, 2013.
21.1	List of Subsidiaries (filed as Exhibit 21.1 to the Company's Annual Report on Form 10-K filed with the SEC on April 18, 2012 and incorporated herein by reference).
31.1	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).*
31.2	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).*
32.1	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
99.1	Press Release dated Janaury 29, 2014 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2014 and incorporated herein by reference).
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTELLICELL BIOSCIENCES, INC.

Date: May 9, 2014	By:	/s/ Steven A. Victor Name: Steven A. Victor Title: Chief Executive Officer (Principal Executive Officer and Principal Financial Officer), and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Steven A. Victor Steven A. Victor	Chief Executive Officer, and Director (Principal Executive Officer, Principal Financial and Accounting Officer)	May 9, 2014
/s/Leonard Mazur Leonard Mazur	Director	May 9, 2014
/s/ Michael Hershman Michael Hershman	Director	May 9, 2014
/s/ Myron Holubiak Myron Holubiak	Director	May 9, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Board of Directors of
IntelliCell BioSciences, Inc. and Subsidiary:

We have audited the accompanying consolidated financial statement of IntelliCell BioSciences, Inc. and Subsidiary, which comprise the balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders' deficiency, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IntelliCell BioSciences, Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Rosen Seymour Shapss Martin & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
May 9, 2014

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Intellicell BioSciences, Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS
AS OF December 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash	$-	$10,159
Other current assets	9,000	-
Total Current Assets	9,000	10,159
Property and equipment, net	2,670,499	2,797,045
Financing fees, net	8,712	92,750
Restricted cash for security deposit	525,453	650,000
TOTAL ASSETS	$3,213,664	$3,549,954
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Convertible debentures	$840,900	$1,360,000
Notes payable	341,100	236,600
Accounts payable and accrued expenses	2,609,257	2,162,268
Accrued interest	388,302	106,287
License fee payable	922,500	1,222,500
Deferred rent liability	372,378	-
Convertible promissory notes	3,505,883	699,167
Accrued liabilities, related party, net	307,621	911,071
Total Current Liabilities	9,287,941	6,697,893
Derivative liabilities	3,774,790	987,020
TOTAL LIABILITIES	13,062,731	7,684,913
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Series B convertible preferred stock, $0.01 par value, 21,000 shares authorized, 15,057 and 15,057 issued and outstanding at December 31, 2013 and 2012, respectively	151	151
	73	73

Series C convertible preferred stock, $0.01 par value, 13,000 shares authorized, 7,250 and 7,250 issued and outstanding at December 31, 2013 and 2012, respectively		
Series D convertible preferred stock, $0.01 par value, 500,000 shares authorized, 56,500 and 56,500 issued and outstanding at December 31, 2013 and 2012, respectively	565	565
Common stock, $0.0001 par value, 1,500,000,000 and 500,000,000 shares authorized, 922,722,023 and 58,545,053 issued and outstanding at December 31, 2013 and 2012, respectively	92,272	5,854
Additional paid in capital	38,961,322	33,621,031
Accumulated deficit	(48,903,450)	(37,762,633)
TOTAL STOCKHOLDERS' DEFICIT	(9,849,067)	(4,134,959)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$3,213,664	$3,549,954

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

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Intellicell BioSciences, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
NET REVENUES:		
Revenues	$ -	$ 20,942
Revenues - related party	-	514,000
TOTAL NET REVENUES	-	534,942
COST OF GOODS SOLD:		
Cost of goods sold	-	434,852
TOTAL COST OF GOODS SOLD	-	434,852
GROSS PROFIT	-	100,090
OPERATING EXPENSES:		
Research and development	441,913	291,889
Sales and marketing	39,614	263,927
General and administrative	3,652,443	3,613,210
Employee stock based compensation	1,386,765	2,333,922
Non-employee stock based compensation	-	8,298,732
TOTAL OPERATING EXPENSES	5,520,735	14,801,680
LOSS FROM OPERATIONS	(5,520,735)	(14,701,590)
OTHER INCOME (EXPENSE):		
Loss on conversion of debt to equity	(2,137,266)	-
Interest expense	(389,934)	(212,912)
Financing costs	(305,112)	(3,041,660)
Change in fair value of derivative liabilities	(2,787,770)	13,804,271
TOTAL OTHER INCOME (EXPENSE)	(5,620,082)	10,549,699
LOSS BEFORE PROVISION FOR INCOME TAXES	(11,140,817)	(4,151,891)
Provision for income taxes	-	-
NET LOSS	$ (11,140,817)	$ (4,151,891)
LOSS PER SHARE:		
Basic and diluted	$ (0.07)	$ (0.13)
WEIGHTED AVERAGE SHARES OUTSTANDING:		

Basic and diluted	153,636,036	32,338,788

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

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Intellicell BioSciences Inc. and Subsidiary

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	Convertible Series B Preferred Stock		Convertible Series C Preferred Stock		Convertible Series D Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balances, December 31, 2011	18,280	$ 183	10,823	$ 109	42,000	$ 420	21,034,938	$ 2,103	$ 15,868,148	$ (33,610,742)	$ (1
Proceeds from sales of common stock at $1.00 per share, net of fees							2,100,000	210	2,044,040		
Conversion of note payable and accrued interest to common stock							687,500	69	902,479		
Stock issued for the conversion of convertible debentures and accrued interest							118,794	12	103,636		
Conversion of Series B Preferred to common stock	(3,223)	(32)					3,222,362	322	(290)		
Conversion of Series C Preferred to common stock			(3,573)	(36)			3,572,500	357	(321)		
Issuance of Series D Preferred shares, net of fees					14,500	145		-	229,855		
Issuance of shares in private							4,999,996	500	721,300		

placement with a unit investment of $.15 per share											
Issuance of additional shares for anti-dilution							16,128,295	1,613	2,740,197		
Stock issued to employees							750,000	75	120,175		
Stock-based compensation related to employee stock options									2,213,672		
Stock-based compensation related to non-employee stock options									34,930		
Compensation expense related to the issuance of warrants									2,720,764		
Stock issued for professional services at fair market value							5,930,668	593	5,922,446		
Net loss for the year ended December 31, 2012										(4,151,891)	(
Balances, December 31, 2012	15,057	151	7,250	73	56,500	565	58,545,053	5,854	33,621,031	(37,762,633)	(
	-	-	-	-	-	-		-		-	
Stock-based compensation expense related to employee stock options	-	-	-	-	-	-	-	-	1,386,764	-	
Stock issued for	-	-	-	-	-	-	5,000,000	500	89,500	-	

professional services at fair market value										
Stock issued for the payment of accounts payable	-	-	-	-	-	-	101,775,988	10,178	2,629,029	-
Stock issued for the payment of financing fees	-	-	-	-	-	-	19,000,000	1,900	24,700	-
Stock issued for the payment of related party payables	-	-	-	-	-	-	207,691,000	20,769	269,998	-
Stock issued in settlement of facility fee due to Ironridge	-	-	-	-	-	-	4,959,613	496	91,416	-
Conversion of convertible debenture principal into common stock	-	-	-	-	-	-	128,694,835	12,869	176,231	-
Conversion of convertible promissory note principal into common stock	-	-	-	-	-	-	397,486,725	39,749	607,610	-
Write off of common stock recorded but never issued	-	-	-	-	-	-	(431,191)	(43)	43	-
Overpayment of preferred stock charged off to additional paid in capital	-	-	-	-	-	-	-	-	65,000	-

Net loss for the year ended December 31, 2013	-	-	-	-	-	-				(11,140,817)	(1
Balances, December 31, 2013	15,057	$ 151	7,250	$ 73	56,500	$ 565	922,722,023	$ 92,272	$ 38,961,322	$ (48,903,450)	$ (

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

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Intellicell BioSciences, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (11,140,817)	$ (4,151,891)
Adjustment to reconcile change in net loss to net cash used in operating activities:		
Common stock issued for consulting services	90,000	-
Non-employee stock compensation issued for services in excess of proceeds	-	8,468,732
Employee stock compensation	1,386,764	2,333,922
Loss on uncollectable accounts receivable	-	514,000
Loss on conversion of accounts payable to common stock	2,137,266	-
Depreciation expense	405,702	221,428
Amortization of financing costs	84,038	129,850
Stock based financing costs	118,512	2,741,810
Interest from original issue discount on convertible debentures	-	121,660
Change in fair value of derivative liabilities	2,787,770	(13,804,271)
Promissory notes issued for services rendered	99,000	-
Convertible promissory notes issued for services rendered	265,000	-
Liquidated damages added to principal of converible promissory note	25,000	-
Changes in operating assets and liabilities:		
Accounts receivable	-	(514,000)
Accounts payable and accrued expenses	1,608,004	1,775,489
Accrued interest	389,934	-
Deferred income	-	720,000
Deferred rent	372,378	-
Accrued liabilities, related party	211,808	378,715
NET CASH USED IN OPERATING ACTIVITIES	(1,159,641)	(1,064,556)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances to related party	373,767	(285,434)
Purchase of property and equipment	(279,156)	(2,461,638)
Restricted cash for security deposit	124,547	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	219,158	(2,747,072)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible debentures	100,000	-
Proceeds from issuance of notes payable, net	-	601,567
Proceeds from issuance of convertible promissory note	416,000	-
Proceeds from related party advances	414,324	113,976
Proceeds from sale of Series D convertible preferred stock, net of fees	-	230,000

Proceeds from sale of common stock		-		2,766,050
NET CASH PROVIDED BY FINANCING ACTIVITIES		930,324		3,711,593
Net decrease in cash		(10,159)		(100,035)
Cash, beginning of year		10,159		110,194
Cash, end of year	$	-	$	10,159
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$	-	$	20,000
NON-CASH ACTIVITIES:				
Common stock issued for loss on conversion to accounts payable	$	2,137,266	$	-
Conversion of accounts payable and accrued expenses to common stock	$	501,940	$	-
Monies owed on Convertible Promissory Note	$	9,000	$	-
Promissory notes issued in lieu of accounts payable	$	5,500	$	-
Conversion of principal of convertible debentures to common stock	$	189,100	$	103,648
Conversion of principal of convertible promissory notes to common stock	$	647,359	$	-
Issuance of convertible promissory notes in lieu of accrued salaries, related parties and advances, related parties	$	1,389,711	$	-
Issuance of common stock for related party liabilities and advances to related parties	$	290,767	$	-
Issuance of convertible promissory notes in lieu of advances to related parties	$	125,000	$	-
Issuance of convertible promissory notes in lieu of accounts payable	$	386,445	$	-
Assignment of debt from convertible debentures to convertible promissory notes	$	730,000	$	-
Interest converted into principal convertible promissory notes	$	107,919	$	-
Conversion of license fees payable to convertible debentures	$	300,000	$	-
Overpayment of preferred stock charged off to additional paid in capital	$	65,000	$	-
Write off of common stock recorded yet never issued	$	43	$	-
Shares issued in conjunction with the stock exchange agreement	$	-	$	1,037,000
Conversion of note payable and accrued interest to common stock and warrants	$	-	$	902,548
Conversion of note payable and accrued interest to common stock	$	-	$	103,648

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

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IntelliCell BioSciences Inc. and Subsidiary
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Formation

IntelliCell Biosciences Inc., a New York corporation, was formed under the name Regen Biosciences, Inc. on August 13, 2010 as a pioneering regenerative medicine company to develop and commercialize regenerative medical technologies in large markets with unmet clinical needs. On February 17, 2011, Regen Biosciences, Inc. changed its name to IntelliCell BioSciences Inc. ("IntelliCell"). To date, IntelliCell has developed proprietary technologies that allow for the efficient and reproducible separation of stromal vascular fraction (branded "IntelliCell™") containing adipose stem cells that can be performed in tissue processing centers and in doctors' offices.

In conjunction with the formation of IntelliCell (formerly Regen Biosciences, Inc.), a shareholder contributed, as part of his initial capital contribution, one hundred percent (100%) of the outstanding stock of Tech Stem Inc., a New York corporation ("Tech Stem") originally formed on May 24, 2010. Tech Stem's business is the sourcing, sales and distribution of laboratory equipment and supplies utilized in tissue processing related to IntelliCell's technologies.

Reverse Merger

On April 27, 2011, IntelliCell and Media Exchange Group, Inc. ("MEG") entered into an Agreement and Plan of Merger which was amended on June 3, 2011 (the "Merger Agreement"). Under the terms of the Merger Agreement, a subsidiary of MEG ("Merger Sub") merged into IntelliCell. The Merger Sub ceased to exist as a corporation and IntelliCell continued as the surviving corporate entity. As a result of the merger, MEG's former shareholders acquired majority of IntelliCell's outstanding common stock and all of IntelliCell's Series B preferred stock. The recapitalized IntelliCell Biosciences, Inc. is hereafter referred to as "IntelliCell" or the "Company". As consideration for the Merger, the holders of the an aggregate of 7,975,768 shares of IntelliCell's common stock exchanged their shares of common stock for an aggregate of 15,476,978 shares of the Company's common stock and Dr. Steven Victor, the principal shareholder of IntelliCell and Chief Executive Officer ("CEO"), exchanged an aggregate of 10,575,482 shares of IntelliCell's common stock for an aggregate of 20,521 shares of the Company's series B preferred stock. Each share of series B preferred stock is convertible into 1,000 shares of the Company's common stock. In addition, the holders of the series B preferred stock are entitled to notice of stockholders' meetings and to vote as a single class with the holders of the Common Stock on any matter submitted to the stockholders for a vote, and are entitled to the number of votes equal the product of (a) the number of shares of Common Stock into which the series B preferred stock is convertible into on the record date of the vote multiplied by (b) ten (10). The closing of the Merger took place on June 3, 2011 (the "Closing Date").

Prior to the consummation of the Merger, the Company entered into agreements the holders of an aggregate of $1,619,606 of indebtedness to the Company, comprised of accrued compensation in the amount of $1,201,551, promissory notes in the principal amount of $263,707 plus accrued interest of $9,398 less unamortized debt discounts of $83,264 and accrued expenses totaling $228,414 in exchange for the issuance of an aggregate of 12,123 shares of series C preferred stock. Each share of series C preferred stock shall be convertible into 1,000 shares of the Company's common stock. Certain holders of the Company's series C preferred stock have contractually agreed to restrict their ability to convert the series C preferred stock such that the number of shares of the Company common stock held by each of holder and its affiliates after such conversion shall not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

Furthermore, prior to the consummation of the Merger, the Company entered into agreements with the holders of an aggregate of $250,000 of accrued compensation, pursuant to which such persons agreed to forgive all amounts owed to the Company.

2. Going Concern

The financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in an accumulated deficit of $48,903,450 and a working capital deficit of $9,253,941 as of December 31, 2013, respectively. Further losses are anticipated in the continued development of its business, raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with existing cash on hand and a private placement of common stock or other debt or equity securities. There can be no assurance that we will be able to obtain further financing, do so on reasonable terms, or do so on terms that would not substantially dilute our current stockholders' equity interests in us. If we are unable to raise additional funds on a timely basis, or at all, we probably will not be able to continue as a going concern.

3. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of IntelliCell and those of Tech Stem Inc., the Company's wholly owned subsidiary (collectively the "Company"). All significant inter-company transactions and balances have been eliminated.

Management's Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Management's estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the periods they are determined to be necessary.

Fair Value of Financial Instruments

GAAP requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal, or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs that may be used to measure fair value:

Level 1 – Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Share Based Expenses

GAAP prescribes that accounting and reporting standards for all stock-based payment awards to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if:

a) the option to settle by issuing equity instruments lacks commercial substance, or

b) the present obligation is implied because of an entity's past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

With respect to stock-based compensation issued to non-employees and consultants GAAP requires that the amount of share-based payment transactions be based on the fair value of whichever is more reliably measurable:

a) the goods or services received or

b) the equity instruments issued.

The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

Revenue Recognition

The Company licenses independent third parties to use the Company’s technology in order to enable them to establish tissue processing centers in major metropolitan markets, as well as establishing centers it will operate. Each center will utilize the Company’s proprietary technology in conjunction with a suite of laboratory equipment selected by the Company that will enable the lab to process adipose tissue into stromal vascular fraction containing adipose stem cells using the Company’s technology and protocols. In certain centers, the Company will maintain ownership of the laboratory equipment and in other cases the laboratory equipment will be sold to an independent party. These license fees are payable upon signing of a license agreement and are recognized as revenue ratably over the license.

The Company has also entered into agreements with independent sales representative organizations that will market the centers services to physicians in the geographic area. Fees for tissue processing cases from such physicians will be collected by the Company and recognized upon performance of the laboratory analysis. Sales of equipment by Tech Stem are recognized when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured.

Concentrations

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. This potentially subjects the Company to a concentration of credit risk; however the Company believes the risk is negligible. The Company's carrying amount of deposits in financial institutions did not exceed federally insured limits December 31, 2013.

Certain Risks and Uncertainties

The Company has a limited operating history and its prospects are subject to the risks and uncertainties frequently encountered by companies in the early stages of development and commercialization, especially those companies in rapidly evolving and technologically advanced industries such as the biotech / medical device field. The future viability of the Company largely depends on its ability to complete development of new products and processes and maintain and/or receive regulatory approval for those products and processes. No assurance can be given that the Company's new processes and products will be successfully developed, regulatory approvals will be maintained or granted, or acceptance of these processes and products by the medical and patient communities will be achieved.

Accounts Receivable

The Company extends credit to customers without requiring collateral. The Company provides for doubtful accounts based on management's evaluations of the collectability of accounts receivable. Management's evaluation is based on the Company's historical collection experience and a review of past-due amounts. Based on management's evaluation of collectability, the Company did not require an allowance for doubtful accounts as of December 31, 2013 and 2012, respectively. The Company determines accounts receivable to be delinquent when collection is past due under the agreed upon terms. Accounts receivable are written off when it is determined that amounts are uncollectible.

Equipment

Equipment is recorded at cost. Depreciation and amortization are computed for financial reporting purposes utilizing the straight-line method over the estimated useful lives of the related asset or, for leasehold improvements, the shorter of the lease term or estimated useful life.

Maintenance and repairs are charged to expense as incurred. Costs of renewals and betterments are capitalized.

Research and Development Costs

Research and development ("R&D") expenses include supplies, salaries, benefits, and other headcount related costs, clinical trial and related clinical manufacturing costs, contract and other outside service and facilities and overhead costs. The Company expenses the costs associated with research and development activities when incurred.

Income Taxes

The Company accounts for income taxes using the liability method. The liability method requires recognition of future tax benefits, measured by enacted rates, attributable to deductible temporary differences between financial statement and income tax bases of assets and liabilities to the extent that realization of such benefits is "more likely than not." The Company's temporary differences between financial statement and income tax reporting relate primarily to receivable reserves, depreciation expense, and operating loss carryforwards. This standard also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

GAAP requires that, in applying the liability method, the financial statement effects of an uncertain tax position be recognized based on the outcome that is more likely than not to occur. Under this criterion the most likely resolution of an uncertain tax position should be analyzed base on technical merits and on the outcome that will likely be sustained under examination.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss for the period by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is calculated by dividing loss for the period by the weighted-average number of common shares outstanding during the period, increased by potentially dilutive common shares ("dilutive securities") that were outstanding during the period. Dilutive securities include stock options and warrants granted and convertible debt. The Company's loss attributable to common stockholders, along with the dilutive effect of potentially issuable common stock due to outstanding options warrants and convertible securities cause the normal computation of diluted loss per share to be smaller than the basic loss per share; thereby yielding a result that is counterintuitive. Consequently, the diluted loss per share amount presented does not differ from basic loss per share due to this "anti-dilutive" effect.

Reclassifications

Certain prior year amounts were reclassified to conform with current year presentation.

4. Property and Equipment

The Company's property and equipment at December 31, 2013 and 2012 consists of the following:

	2013	2012
Lab equipment	$206,089	$203,204
Leasehold Improvements	2,226,181	1,954,181
Furniture & Fixtures	463,769	459,498
Computer Equipment	416,816	416,816
	3,312,855	3,033,699
Less accumulated depreciation	642,356	236,654
Property and Equipment, net	$2,670,499	$2,797,045

Depreciation expense for the year ended December 31, 2013 and 2012 was $405,702 and $221,428, respectively and is included in general and administrative expenses on the Company's statement of operations.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at December 31, 2013 and 2012 are as follows:

	2013	2012
Accounts payable	$2,020,974	$1,376,790
Accrued expenses and liabilities	154,040	466,811
Accrued payroll	434,243	273,667
Other	-	45,000
Total	$2,609,257	$2,162,268

6. License Fees Payable

During the years ended December 31, 2013 and 2012, the Company executed various license agreements and collected an aggregate of $1,222,500 in license fees for six centers which had not yet commenced operations as of December 31, 2013. Consequently, recognition of such revenue had been deferred pending commencement of operations. The Company was unable to perform its obligations in regards to the licensing agreements and, accordingly, the agreements were cancelled. The Company has classified the amounts to be returned to the former licensees as Licensee Fees Payable on the consolidated balance sheet.

In 2013, the Company converted three different license fees outstanding into convertible debentures totaling $300,000, bringing the total balance as of December 31, 2013 to $922,500.

7. Notes Payable

Consorteum Notes Payable

In conjunction with the Merger, the Company assumed notes payable in the principal amount of $2,463,652 plus accrued interest of $369,898.

Following completion of the Merger, the Company entered into an asset purchase agreement (the "Consorteum Purchase Agreement") with Consorteum Holdings, Inc. ("Consorteum"), an unrelated company, pursuant to which the Company agreed to sell, transfer and assign to Consorteum all of the Company's rights, title and interests to, and agreements relating to, its digital trading card business and platform in exchange for Consorteum assuming an aggregate principal amount of $1,864,152 of indebtedness of the Company (the "Consorteum Notes"). Such rights include, but are not limited to, the Company's name, phone number and listing, reputation, relationships and other intangible assets (including its rights to any intellectual property or proprietary technology), as well as the company's rights under certain licensing agreements ("Digital Trading Assets").

Also on June 6, 2011, the Company and Consorteum entered into an amendment agreement (the "Amendment Agreement") to the Consorteum Purchase Agreement pursuant to which the parties agreed, among other things, that the obligations of the Parties to consummate the transactions contemplated by the Purchase Agreement are subject to (i) the approval of the Board of Directors of each of the parties, and (ii) the completion of the assignment of the Assumed Liabilities (including receipt of all the necessary consents of the holders of all outstanding indebtedness of the Buyer).

On June 30, 2011, the Company and Consorteum agreed to waive the requirement that the conditions precedent set forth in the Consorteum Purchase Agreement as amended be satisfied on or before closing and each party agreed that as of the date of the Consorteum Purchase Agreement, Consorteum would assume an aggregate of $1,477,052 of principal indebtedness plus accrued interest from the Company totaling $250,695 less unamortized note discounts of $9,890. Upon completion of the requirements of the Consorteum Purchase Agreement and the Amendment Agreement, the note holders who consented to the assumption of their obligations by Consorteum received shares of Consorteum common stock in satisfaction of their notes. Included in the notes assumed by Consorteum were notes payable to former officers and directors of the Company prior to the Merger totaling $450,000 in principal plus accrued interest of $74,935. Notwithstanding the foregoing, Consorteum agreed to provide the Company a guarantee, whereby Consorteum agrees to unconditionally and irrevocably guarantee to the Company the prompt and complete payment, as and when due and payable (whether at stated maturity or by required prepayment, acceleration, demand or otherwise), of any remaining notes payable for which the Company had not received the necessary consent as of the date of the waiver. As a result of the foregoing, the transactions contemplated by the Consorteum Purchase Agreement closed on June 30, 2011.

Upon completion of the Consorteum Purchase Agreement, the Company had notes payable totaling $986,600 that were not assumed in the agreement.

During the period ending June 30, 2012, $375,000 of the principal balance of the Consorteum Notes and accrued interest of $152,549 was converted to common stock and warrants as part of the February 2012 private placement. Furthermore, in the year ended December 31, 2012, another $375,000 of the principal balance of the Consorteum Notes was converted to common stock and warrants.

As of December 31, 2013 and 2012, the principal balance of the Consorteum Notes amounted to $236,600 and accrued interest amounted to $55,688 and $41,768, respectively. These Consorteum Notes are currently in default.

Frank Note

On August 26, 2012, the Company entered into a secured promissory note (the “Frank Note”) with Fredrick Frank (the “August 2012 Lender”) pursuant to which the August 2012 Lender loaned the Company $200,000 that was due and payable on October 31, 2012 in accordance with the terms of the Frank Note (the “Maturity Date”). The Frank Note is secured by 500,000 shares of the Company’s common stock. On November 6 2012, the Company and the August 2012 Lender agreed to extend the Frank Note until November 30, 2012. Fredrick Frank is an advisor of the Company.

In August 2013 the Company was advised that the Frank Note and accrued interest of $18,696 was assigned to Redwood as part of Redwood Deal #1.

JJK Notes Payable

On May 29, 2013 and June 26, 2013, the Company issued promissory notes in the amount of $50,000 and $75,000, respectively, for advances from JJK, LLC (the “JJK Notes”). The terms of the JJK Notes required repayment in 30 days and an annual interest rate of 10%. The notes are currently due and payable.

In August 2013 the Company was advised that the JJK Notes and accrued interest of $28,442 were assigned to Redwood as part of Redwood Deal #4 (see Note 10).

May Davis Partners Note Payable

On September 4, 2013, the Company issued a promissory note in the amount of $75,000, for $75,000 cash, of which $72,000 went to pay accrued expenses for accounting fees and $3,000 were expensed as legal fees, to May Davis Partners (the “May Davis Note”). The terms of the May Davis Note require repayment in 21 days and 10% compounded interest effective upon the maturity date of September 25, 2013. The May Davis Note is currently due and payable.

As of December 31, 2013, the principal balance of the May Davis Note amounted to $75,000, plus accrued interest of $2,210.

Sichenzia Ross Notes Payable

On September 16, 2013, the Company issued a promissory note in the amount of $386,445 to Sichenzia Ross Friedman Ference LP, for outstanding legal fees due (the “Sichenzia Note”). The terms of the Sichenzia Note require repayment by December 31, 2013, and annual simple interest of 10%.

In September 2013 the Company was advised that the Sichenzia Notes were assigned to Redwood as part of Redwood Deal #3 (see Note 10).

MD Global Partners, LLC Notes Payable

On October 11, 2013 and November 6, 2013, the Company issued promissory notes in the amount of $15,000 and $4,000, respectively for compensation due to MD Global Partners for services of raising capital for the Company (the “MD Global Notes”). The terms of the MD Global Notes require repayment on demand and 10% interest compounded annually. The MD Global Notes are currently due and payable.

As of December 31, 2013, the principal balance of the MD Global Notes was $19,000 plus accrued interest of $394.

Highland Capital Notes Payable

On December 11, 2013 and December 20, 2013, the Company issued promissory notes to Highland Capital (the "Highland Notes") in the amount of $5,500 for money owed to a stock transfer agent and $5,000 for legal expenses owed, respectively. The Highland Notes are due June 25, 2014 and July 1, 2014, respectively. The interest rate on the Highland Notes is not specified. The Highland Notes are currently due and payable.

As of December 31, 2013, the principal balance of the Highland Notes were $10,500.

As of December 31, 2013 and 2012, the principal balance of the Company's notes payable were as follows:

	2013	2012
Consorteum notes payable	$236,600	$236,600
May Davis Notes	75,000	-
MD Global Notes	19,000	-
Highland Notes	10,500	-
Total	$341,100	$236,600

8. Related Party Transactions

Rent

The Company is provided office facilities and related services by a company owned by the Company's CEO, a significant shareholder. The Company has recorded rent and utilities expenses of $759,978 and $467,803, respectively, representing the Company's portion of use for such for year ended December 31, 2013 and 2012, respectively.

Officer Salary

The Company has recorded a salary expense of $275,000 and $275,000 for the years ended December 31, 2013 and 2012, respectively, related to the Company's CEO and a salary expense totaling approximately $205,000 and $205,000 for the years ended December 31, 2013 and 2012, respectively, recorded for the Company's Executive Vice President, a shareholder and the spouse of the Company's CEO.

During the year ended December 31, 2013, the Company converted $585,794 of the CEO's accrued salary, and $229,464 of the Executive Vice President's accrued salary into convertible notes payable.

Officer Advance

From time to time, the Company has received advances from certain of its officers to meet short term working capital needs. These advances may not have formal repayment terms or arrangements.

Advances received for working capital purposes amounted to $176,940 and $103,366 as of December 31, 2013 and 2012, respectively. These advances do not have formal repayment terms or arrangements.

Regen Agreement

On April 16, 2012, the Company entered into a technology license and administrative services agreement (the "Agreement") with Regen Medical P.C., the medical practice which is owned by, and through which, our CEO, Dr. Steven Victor, engages in the practice of Cosmetic Dermatology ("Regen Medical"). Pursuant to the Agreement, the Company, among other things, (i) granted Regen Medical the non-exclusive and non-assignable license to utilize the Company's proprietary process and technology for its patients, (ii) granted Regen Medical a license to use a laboratory which can be used by Regen Medical for use of the Company's proprietary process and (iii) was appointed as the exclusive manager and administrator of Regen Medical's operations which relates to the implementation of the Company's proprietary process as well as Regen Medical's cosmetic dermatology practice, and (iv) was appointed the sole provider of non-medical managerial, administrative and business functions for Regen Medical's cosmetic dermatology practice. The Agreement became effective as of April 16, 2012 and shall continue until April 16, 2017. Thereafter, the Agreement is to be automatically renewed for successive five year periods unless either party notifies the other in writing of its intention not to renew the Agreement. Such a notice is to be given at least 12 months but no more than 15 months prior to the expiration of the then current term. Either party may terminate the Agreement, for among other things, the failure to cure a material breach of the agreement within 30 days after receipt of written notice or in the event any state or federal laws or regulations, now existing or enacted or promulgated after the effective date, are interpreted in such a manner as to indicate that the structure of the agreement may be in violation of any such laws or regulations.

In consideration for the services to be provided under the Agreement, Regen Medical is to pay the Company (i) an annual administrative fee of $600,000, payable in equal monthly installments during the term of the term of the agreement (subject to an annual increase of up to a maximum of ten percent (10%) beginning on the second anniversary of the effective date), (ii) an annual technology license fee of $120,000, payable in equal monthly installments during the term of the term of the agreement, for the use of our proprietary process (including the laboratory and the laboratory technician) and (iii) a processing fee of $1,000 for each tissue processing case that utilizes our proprietary process. The Company is also entitled to a an annual performance fee during the term of either (i) $150,000, in the event total income to Regen Medical exceeds $5,500,000 or (ii) $200,000, in the event that total income to Regen Medical exceeds $7,000,000. In addition, beginning on October 16, 2013 and on each six month anniversary thereafter during the term, the Company is entitled to a share of Regen Medical's Savings (as defined below), minus its share of any Loss (as defined below"), based upon an agreed upon base burden percentage for Regen Medical (the "Base Burden Percentage"). The Base Burden Percentage is to be calculated by dividing (a) the aggregate actual costs of Regen Medical paid by the Company during the period ending on December 31, 2011 by (b) the aggregate revenue of Regen Medical collected by the Company during the period ending on December 31, 2011; provided , however , that the Base Burden Percentage shall be recalculated on January 1, 2013 and every 12 months thereafter during the term by dividing (i) the aggregate actual costs for the Regen Medical paid by the Company during the preceding three six-month periods by (ii) the aggregate Savings or Loss is to be calculated by subtracting (a) the aggregate actual costs for the Regen Medical paid by the Company during the preceding Period from (b) an amount equal to (I) the Base Burden Percentage multiplied by (ii) the aggregate revenue of the Regen Medical collected by the Company during the preceding Period (the "Burden Amount"). If the Burden Amount exceeds the Period Actual Costs (the "Savings") or the Period Actual Costs exceed the Burden Amount (the "Loss"), Regen Medical and the Company shall share such Savings or Loss 65% for the account of the Regen Medical and 35% for the account of the Company. The Company recognized revenue of $0 and $514,000 for the year ended December 31, 2013 and 2012, respectively, under the agreements.

On August 26, 2013, the Company and Regen Medical entered into a termination and general release agreement (the "Termination Agreement"), effective December 31, 2012 (the "Effective Date"), pursuant to which the Company and Regen Medical agreed, among other things, that as of the Effective Date, (i) the Company shall forgive the $514,000 owed to the Company by Regen Medical under the Regen Medical Agreement in exchange for the exclusive right to certain open label data and other data which the Company would like to have the rights to use as empirical data or evidence of the efficacy of the Company's proprietary process (the "Clinical Data"), (ii) the parties will take all necessary steps to enter into an agreement for the grant of a license to Regen Medical for the Company's proprietary process as well as a license of the Clinical Data, (iii) the Regen Medical Agreement is terminated in its entirety and shall be deemed null and void and of no further force or effect and (iii) neither Company nor Regen Medical shall have any further rights or obligations under the Regen Medical Agreement. Each party also provided a general release to the other party with respect to the Regen Medical Agreement and all transactions contemplated by the Regen Medical Agreement.

Research and Development

Research and development costs for the years ended December 31, 2013 and 2012 was $441,913 and $291,889 respectively, including fees accrued and payable to Regen Medical for services as the attending physician in fifteen (15) patient cases included as part of the Company's ongoing research of its technologies and processes in the amount of $287,000 and $0 for the years ended December 31, 2013 and 2012, respectively. No fees were accrued for the years ended December 31, 2013 and 2012.

As of December 31, 2013 and 2012, accrued research fees totaled $361,000 for both years.

LMazur Associates JV Loan

On September 1, 2012, the Company entered into a secured promissory note (the “Note”) with LMazur Associates JV (the “Agent”), as agent for LMazur Associates JV, and JJK LLC (collectively, the “Lender”) pursuant to which the Lender loaned the Company $100,000 that was due and payable on October 1, 2012 in accordance with the terms of the Note (the “Maturity Date”). LMazur Associates JV is an entity controlled by Leonard Mazur, a director of the Company. The Note bore interest at a rate of 10% per annum, which was payable on the Maturity Date. The Company’s obligations under the Note were guaranteed by Dr. Steven Victor, the Company’s CEO. In addition, the Company, Dr. Victor and the Lender entered into a pledge and security Agreement pursuant to which the Note was secured by all of Dr. Victor’s shares of series B preferred stock of the Company. The Note, and all accrued and unpaid interest thereon, was paid in full on October 1, 2012.

As of December 31, 2013 and 2012, the following related party amounts were due from (to) the Company:

	12/31/2013	12/31/2012
Regen Medical advances, net of accrued research fees due of $287,000 and $0 as of December 31, 2013 and 2012, respectively	$(93,174)	$(285,434)
Advances to Dr. Steven Victor, CEO	(530,534)	(21,508)
Credit card payables	176,940	103,366
Accrued research fees	361,000	361,000
Accrued payroll	393,389	753,647
Totals	$307,621	$911,071

9. Convertible Debentures

May 2011 Convertible Debenture Offering

In May 2011, IntelliCell completed a convertible debt offering aggregating $1,385,000. The units offered consist of a $50,000 subordinated convertible debenture payable one year from the date of issue with interest at a rate of 6% and convertible, at the option of the holder, into the Company's common stock at an initial conversion price of $1.72 per share (the "May 2011 Debentures"). Each unit also included a detachable five (5) year warrant to purchase 57,143 shares of IntelliCell's common stock at an exercise price of $1.72 per share. The proceeds from the issuance of convertible debt securities with detachable warrants were allocated between the warrants and the debt security. The discount is being amortized over the life of the debt. As of December 31, 2011, the Company recorded an original issue discount of $288,564 related to the value of the warrants that will be amortized as interest expense over the initial one year term of the May 2011 Debentures.

As a result of the Company's Merger, and the effect of recapitalization, the exercise price of the May 2011 Debentures and warrants was decreased from $1.72 to $.88. The subordinated convertible debentures are convertible into an aggregate of 1,561,443 shares of common stock and warrants to purchase an aggregate of 3,071,542 shares of common stock.

On May 17, 2012, the holder of an aggregate of $500,000 principal amount of IntelliCell Notes informed the Company that it is in default and demanded repayment under the IntelliCell Notes. Pursuant to the terms of the IntelliCell Notes, upon the occurrence, after the expiration of a cure period of fifteen (15) days with respect to monetary defaults, following the receipt by the Company of written notice from a holder of a default in the payment of any installment of principal or interest, or any part thereof, when due, a holder, at its election may accelerate the unpaid balance of the principal and all accrued interest due under this Note and declare the same payable at once without further notice or demand. Upon an event of default under the IntelliCell Notes, the holders of the IntelliCell Notes shall be entitled to, among other things (i) the principal amount of the IntelliCell Notes along with any interest accrued but unpaid thereon and (ii) costs and expenses in connection with the collection and enforcement under the IntelliCell Notes, including reasonable attorneys' fees. As a result of the notice of default, the IntelliCell Notes in the aggregate principal amount of $1,360,000 are immediately due and payable. The Company is currently working with its investors on making arrangements to honor its obligations under the IntelliCell Notes, however, there can be no assurance that any such arrangements will ever materialize or be permissible or sufficient to cover any or all of the obligations under the IntelliCell Notes. In conjunction with the agreement arrangements with the note holders, $77,744 of accrued interest was converted to 89,358 shares of the Company's common stock in May 2012. Furthermore, a $25,000 convertible debenture and related accrued interest of $904 was converted to 29,436 shares of common stock during the year ended December 31, 2012.

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During the year ended December 31, 2013, Redwood Management, LLC ("Redwood") assumed $1,030,000 of the May 2011 Debentures, which included $600,000 of principal and $60,781 of accrued interest as part of Redwood Deal #1, and $430,000 as part of Redwood Deal #2 (see Note 10).

As of December 31, 2013, the May 2011 Debentures had a principal balance totaling $330,000 and accrued interest of $31,816. The May 2011 Debentures are currently in default.

Hudson Street, LLC Convertible Debentures

On October 7, 2013, Hudson Street LLC ("Hudson"), assumed a total of $300,000 of convertible notes from Redwood as part of their total convertible debentures. On October 31, 2013, the Company issued a secured convertible debenture with Hudson for $100,000 (combined, the "Hudson Debentures"). Under the terms of the agreement, Hudson has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the Hudson Debentures require repayment on the date of the note and bears a 10% simple annual interest rate. The Hudson Debentures are convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

In the last quarter of 2013, $189,100 of the principal balance of the Hudson Debentures were converted to 128,694,835 shares of common stock.

As of December 31, 2013, the Hudson Debentures had a principal balance totaling $210,900 and accrued interest of $4,527.

License Fee Conversion

On January 1, 2013, the Company issued three separate secured convertible debentures totaling $300,000 to convert license fees due certain third parties. Bill Hess, POBD Holding Co. was issued a convertible debenture for $80,000. Patty Dixon, Allwin Scientific Corp. was issued a convertible debenture for $60,000. Brian Kozer, MD was issued a convertible debenture for $160,000. The terms of these convertible debentures were the same: a maturity date of January 1, 2014, 10% simple interest calculated on a 360 day year, and a conversion rate equal to 48.5% of the average of the three lowest traded prices (not the same day) of the common Stock, determined on the then current trading market for the Common Stock for 20 trading days immediately preceding the Conversion Date as quoted by Bloomberg, LP

As of December 31, 2013, the three convertible debentures memorializing license fees due totaled $300,000 and had accrued interest of $30,000. These debentures are currently in default.

The Company accounted for the conversion features underlying the convertible debentures and issued in accordance with GAAP, as the conversion feature embedded in the convertible debentures could result in the debentures being converted to a variable number of the Company's common shares. The Company determined the value of the derivate conversion features of these debentures at the relevant commitment dates to total $819,372 utilizing a Black-Scholes valuation model. The change in fair value of the liability for the conversion feature of all convertible debentures resulted in a net increase in expense of $891,653, and a net reduction to income of $4,382,432 for years ended December 31, 2013 and 2012, respectively. The fair value of the derivative conversion features for the debentures was determined to be $1,479,173 and $587,520 at December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the principal balance of the Company's convertible debentures were as follows:

	12/31/2013	12/31/2012
May 2011 convertible debentures	$330,000	$1,360,000
Hudson convertible debentures	210,900	-
Hess convertible debentures	80,000	-
Dixon convertible debentures	60,000	-
Kozer convertible debentures	160,000	-
	$840,900	$1,360,000

The Company accounted for the detachable warrants included with the convertible debentures as liabilities in accordance with GAAP, as the warrants are subject to anti-dilution protection and could result in them being converted to a variable number of the Company's common shares. The Company determined the value of the derivate feature of the warrants at the relevant commitment dates to total $332,401 utilizing a Black-Scholes valuation model. The change in fair value of the liability for the warrants resulted in a reduction to income of $382,296 and $9,921,400 for the years ended December 31, 2013 and 2012, respectively. The fair value of the derivative conversion features for the warrants was determined to be $6,735 and $388,550 at December 31, 2013 and 2012, respectively.

10. Convertible Notes Payable

TCA Convertible Promissory Note

On June 7, 2012, the Company issued a convertible promissory note to TCA Global Master Fund, L.P. ("TCA") for $500,000 (the "TCA Note"). The maturity date of the TCA Note is June 7, 2013, and the Convertible Note bears interest at a rate of twelve percent (12%) per annum. The TCA Note is convertible into shares of the Company's common stock at a price equal to ninety-five percent (95%) of the average of the lowest daily volume weighted average price of the common stock during the five (5) trading days immediately prior to the date of conversion. The TCA Note may be prepaid in whole or in part at the Company's option without penalty.

Pursuant to the terms of the Equity Agreement, for a period of twenty-four months commencing on the effective date of a registration statement, TCA is to commit to purchase up to $2,000,000 of the Company's common stock, pursuant to Advances, covering the Registerable Securities. The purchase price of the Shares under the Equity Agreement is equal to ninety-five percent (95%) of the lowest daily volume weighted average price of the Company's common stock during the five (5) consecutive trading days after the Company delivers to TCA an Advance notice in writing requiring TCA to advance funds (an "Advance") to the Company, subject to the terms of the Equity Agreement.

As further consideration for TCA entering into and structuring the Equity Facility, on June 14, 2012, the Company paid TCA a fee by issuing 275,000 shares of its common stock that equal to $110,000.

In July 2013, the Company was advised that the TCA Note was sold to Ironridge Global IV, Ltd.

As of December 31, 2013 and 2012, the TCA Note had a principal balance of $500,000 for both years, and accrued interest of $15,000 and $75,000, respectively.

Ludlow Capital Convertible Promissory Note

On April 30, 2013, the Company issued a convertible promissory note to Ludlow Capital, LLC, for $15,000 in professional services (the "Ludlow Note"). The terms of the Ludlow Note require repayment immediately and bear a 0% interest rate. The Ludlow Note is convertible into shares of the Company's common stock at a price that shall be 10% below the closing bid upon notice of conversion. The Ludlow Note is currently due and payable.

Steven Victor Convertible Promissory Note

On October 1, 2013, the Company issued a $1,000,000 convertible promissory note to Dr. Steven Victor, the Company's CEO, to convert $585,794 of accrued salary and $414,206 of personal loans due to Dr. Steven Victor (the "Victor Note"). The Victor Note is payable on demand and bears an annual 12% simple interest rate. The Victor Note is convertible into shares of the Company's common stock at a price equal to the average five trading day closing bid price during the five days immediately prior to the conversion date multiplied by one and a half.

On October 1, 2013, the Company was advised that the Victor Note was assigned to Redwood as part of Redwood Deal #5.

Anna Rhodes Convertible Promissory Note

On October 1, 2013, the Company issued a $389,711 convertible promissory note to Anna Rhodes, the Company's Executive Vice President, to convert $229,464 of accrued salary and $160,247 of personal loans due to Anna Rhodes (the "Rhodes Note"). The Rhodes Note is payable on demand and bears an annual 12% simple interest rate. The Rhodes Note is convertible into shares of the Company's common stock at a price equal to the average five trading day closing bid price during the five days immediately prior to the conversion date multiplied by one and a half.

On October 1, 2013, the Company was advised that the Rhodes Note was assigned to Redwood as part of Redwood Deal #5.

WHC Capital Convertible Promissory Notes

On November 11, 2013, WHC Capital, LLC ("WHC") assumed $100,000 of convertible notes from Redwood as part of their total convertible notes. On November 15, 2013, the Company issued a $75,000 convertible promissory note to WHC (combined, the "WHC Notes"). The Company received $66,000 in cash and $9,000 was recorded as othe current assets on the balance sheet. The terms of the WHC Notes require repayment on November 15, 2014 and bears an interest rate of 12% per annum. The WHC Notes are convertible into shares of the Company's common stock at a price equal to 48% of the lowest intra-day trading price for the Company's common stock during the fifteen trading days immediately preceding the conversion date.

During November and December 2013, $39,617 of the principal of the WHC Notes was converted into 49,920,000 shares of the Company's common stock.

As of December 31, 2013, the WHCs Note had a principal balance of $135,383, and accrued interest of $2,582.

Crowning Capital Convertible Promissory Note

On January 10, 2013, the Company entered into a promissory note with Crowning Capital, LLC (the “Crowning Note”) pursuant to which Crowning Capital performed services in the amount of $250,000. The promissory note has a due date of July 31, 2013, and 0% interest rate. The note is currently due and payable.

During December 2013, $98,845 of the principal of the Crowning Note was converted into 92,476,326 shares of the Company’s common stock.

As of December 31, 2013, the Crowning Note had a principal balance of $151,155.

JMJ Financial Promissory Note

On February 20, 2013 (the "Effective Date"), the Company entered into promissory note, as amended (the “JMJ Note”) with JMJ Financial (“JMJ”), pursuant to which JMJ agreed to lend the Company up to an aggregate principal amount of $500,000 (the “Principal Sum”) for an aggregate purchase price of $450,000. JMJ provided $100,000 to the Company on the Effective Date. The JMJ Note matures one year from the date of each payment by JMJ to the Company (the “Maturity Date”).

The Company may repay the JMJ Note at any time on or before the 90th day after the Effective Date, after which the Company may not make further payments on the Note prior to the Maturity Date without written approval from the Investor. If the Company repays the JMJ Note on or before the 90th day after the Effective Date, the interest rate under the JMJ Note shall be zero percent (0%). If the Company does not repay the JMJ Note on or before the 90th day after the Effective Date, a one-time interest payment of 12% shall be applied to the Principal Sum.

JMJ may convert, beginning on the six month anniversary of the Effective Date, the outstanding principal and accrued interest on the Note into shares of the Company’s common stock at a conversion price per share equal to the lesser of (i) $0.16 or (ii) 60% of the lowest trade price in the 25 trading days prior to the date of conversion (the “Conversion Price”). The Conversion Price will be subject to adjustment for, among other things, the Company’s failure to be DTC eligible and only being Xclearing deposit eligible.

The Company shall include on the next registration statement the Company files with Securities and Exchange Commission (or on the subsequent registration statement if such registration statement is withdrawn) all shares issuable upon conversion of the JMJ Note. Failure to include such securities on the next registration statement will result in liquidated damages of 25% of the outstanding principal balance of the Note, but not less than $25,000, being immediately due and payable to JMJ at its election in the form of cash or added to the Principal Sum of the JMJ Note.

JMJ has contractually agreed to restrict its ability to convert the JMJ Note such that the number of shares of the Company common stock held by the Investor and its affiliates after such conversion does not exceed 4.99% of the Company’s then issued and outstanding shares of common stock.

So long as the JMJ Note is outstanding, upon any issuance by the Company or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to JMJ in the JMJ Note, then the Company shall notify the Borrower of such additional or more favorable term and such term, at JMJ’s option, shall become a part of the transaction documents with JMJ.

In October and November 2013, $71,670 of the principal balance of the JMJ Note were converted into 32,500,000 shares of the Company’s common stock.

As of December 31, 2013, the principal balance of the JMJ Note was $28,330, and accrued interest was $24,444.

Redwood Deal #1

On August 5, 2013, Redwood assumed $600,000 of principal and $60,781 of accrued interest, which was converted to principal, from two debenture holders from the May 2011 Offering, and $199,167 of principal and $18,697 of accrued interest, which was converted to principal, from the Frank Note as part of Redwood Deal #1. The terms of the assumed debt remained the same.

On October 7, 2013, Redwood assigned a total of $300,000 in principal debt from Redwood Deal #1 to Hudson.

On November 11, 2013, Redwood assigned a $100,000 in principal debt from Redwood Deal #1 to WHC.

In October and November 2013, Redwood converted a total of $323,400 in principal from the outstanding debt in Redwood Deal #1 into 102,010,399 shares of the Company’s common stock.

As of December 31, 2013, the principal balance of Redwood Deal #1 was $155,204, and accrued interest was $50,297.

Redwood Deal #2

On August 5, 2013, Redwood assumed $430,000 of total principal from seven debenture holders from the May 2011 Offering as part of Redwood Deal #2. The terms of the assumed debt remained the same.

In November and December 2013, Redwood converted a total of $113,787 in principal from the outstanding debt in Redwood Deal #2 into 120,580,000 shares of the Company’s common stock.

As of December 31, 2013, the principal balance of Redwood Deal #2 was $316,213, and accrued interest was $41,044.

Redwood Deal #3

On September 16, 2013, Redwood assumed $386,445 of total principal from the Sichenzia Note as part of Redwood Deal #3. The terms of the assumed debt remained the same.

As of December 31, 2013, the principal balance of Redwood Deal #3 was $386,445, and accrued interest was $11,271.

Redwood Deal #4

On August 5, 2013, the Company issued a convertible promissory note to Redwood for $250,000 as part of Redwood Deal #4. The Company received $125,000 cash, of which $15,000 is being amortized as financing fees over the term of the convertible promissory note, on August 7, 2013 as a partial payment for the convertible promissory note. The remaining $125,000 was paid in October 2013. The terms of the convertible promissory note require repayment in one year and bears a 12% simple annual interest rate. The convertible promissory note is convertible into shares of the Company’s common stock at a price that shall be the lesser of $0.05 per share or 48% of the average of the lowest traded price of the Common Stock as quoted by Bloomberg, L.P. on any three trading days during the twenty trading days immediately preceding the conversion date. The convertible promissory note may be prepaid in whole or in part at the Company’s option without penalty.

On October 23, 2013, Redwood assumed $125,000 of principal and $28,442 of accrued interest, which was converted to principal, from the JJK Notes as part of Redwood Deal #4. The terms of the assumed debt remained the same.

As of December 31, 2013, the principal balance of Redwood Deal #4 was $403,442, and accrued interest was $17,336 The related amortizable financing fees had a balance of $8,712 as of December 31, 2013, of which $6,288 were expensed as financing fees on the statement of operations.

Redwood Deal #5

On October 1, 2013, Redwood assumed $389,711 of total principal from the Rhodes Note, and $1,000,000 of total principal from the Victor Note, as part of Redwood Deal #5. The terms of the assumed debt remained the same.

As of December 31, 2013, the principal balance of Redwood Deal #5 was $1,389,711, and accrued interest was $41,691.

As of December 31, 2013 and December 31, 2012, the Company's convertible notes payable and accrued interest was as follows:

	2013	2012
TCA Note	$500,000	$500,000
Ludlow Note	15,000	-
WHC Notes	135,383	-
Crowning Note	151,155	-
JMJ Note	53,330	-
Redwood Deal #1	155,204	199,167
Redwood Deal #2	316,213	-
Redwood Deal #3	386,445	-
Redwood Deal #4	403,442	-
Redwood Deal #5	1,389,711	-
Total	$3,505,883	$699,167

11. Derivative Liabilities

The Company has issued various financial instruments to investors that contain full ratchet anti-dilution provisions. GAAP provides guidance on determining what types of financial instruments or embedded features in a financial instrument would cause the financial instrument to be classified as a liability instead of equity. Under the evaluation criteria, the Company concluded that the financial instruments that contained full ratchet anti-dilution provisions are to be treated as derivative liabilities. GAAP requires that the fair value of these liabilities be re-measured at the end of every reporting period with the change in value over the period reported in the statement of operations. These instruments were valued using pricing models which incorporate the Company's stock price, volatility, U.S. risk free rate, dividend rate and estimated life.

The following table sets forth the Company's estimate of the fair value of the financial instruments that are classified as liabilities as of December 31:

	2013				2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative Liabilities	$ -	$ -	$ 3,774,790	$ 3,774,790	$ -	$ -	$ 987,020	$ 987,020

The following table sets forth a summary of changes in fair value of our derivative liabilities for the years ended December 31:

	2013	2012
Beginning balance	$ 987,020	$ 14,791,291
Fair value of financial instruments at issue date		19,036,312
Fair value of embedded conversion feature at issue date	-	-
Change in fair value of financial instruments included in the statement of operations	3,180,535	(28,946,762)
Change in fair value of embedded conversion features included in the statement of operations	(392,765)	(3,893,821)
	$ 3,774,790	$ 987,020

The following tables set forth a description of the financial instruments classified as derivate liabilities as of December 31, 2013 and 2012 and the assumption used to value the instruments.

Convertible Debt

The derivative liabilities related to the embedded conversion feature and the outstanding warrants were valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	2013		2012	
	Embedded Detachable Warrants	Embedded Conversion Features	Embedded Detachable Warrants	Embedded Conversion Feature
Risk free interest rate	1.750%	0.13%	3.00%	3.00%
Expected volatility (peer group)	316.09%	316.09%	105.09%	105.09%
Expected life (in years)	2.25	0.58-1.0	3.25	0.50
Expected dividend yield	-	-	-	-
Number outstanding	3,071,542	1,592,259,716	3,071,542	9,066,667
Fair value at issue date	$ 263,146	$ 2,481,128	$ 263,146	$ 25,418
Accumulated change in derivative liability as of the year ended December 31	$ (256,892)	$ (1,286,927)	$ 125,104	$ 562,102
Fair value at December 31	$ 6,254	$ 3,768,055	$ 388,250	$ 587,520

Private Placement Offering

The derivative liabilities related to the warrants issued as part of the private placement offering were valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	2013	2012
Risk free interest rate	1.75%	3.00%
Expected volatility (peer group)	316.09%	105.09%
Expected life (in years)	3.25	4.25
Expected dividend yield	-	-
Number outstanding	200,000	200,000
Fair value at issue date	$ 19,036,312	$ 19,036,312
Accumulated change in derivative liability as of the year ended December 31	$ (19,035,831)	$ (19,025,362)
Fair value at December 31	$ 481	$ 10,950

12. Income Taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse

A reconciliation of tax expense computed at the statutory federal tax rate income (loss) from operations before income taxes to the actual income tax expense is as follows:

	2013	2012

Tax provision (benefits) computed at the statutory rate	$ (4,405,000)	$ (1,637,000)
Nondeductible expense	-	-
	(4,405,000)	(1,637,000)
Increase in valuation allowance for deferred tax assets	4,405,000	1,637,000
Income tax expense benefit	$ --	$ --

Deferred income taxes include the net tax effects of net operating loss (NOL) carryforwards and the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	2013	2012
Stock based compensation	$ 1,387,000	$ 2,122,000
Warrant	-	5,357,000
Fair Value of Derivative Liability	2,441,000	276,000
Net operating loss carryover	10,000,000	6,757,000
Charitable contributions	-	8,000
Total defered tax assets	13,828,000	14,520,000
Valuation allowance	(13,828,000)	(14,520,000)
Net deferred tax assets	$ --	$ --

The Company has provided a valuation reserve against the full amount of the net deferred tax assets, because in the opinion of management, it is more likely than not that these tax assets will not be realized.

The Company's NOL and tax credit carryovers may be significantly limited under the Internal Revenue Code (IRC). NOL and tax credit carryovers are limited under Section 382 when there is a significant "ownership change" as defined in the IRC. During 2011 and in prior years, the Company may have experienced such ownership changes, which could impose such limitations.

The limitation imposed by the IRC would place an annual limitation on the amount of NOL and tax credit carryovers that can be utilized. When the Company completes the necessary studies, the amount of NOL carryovers available may be reduced significantly. However, since the valuation allowance fully reserves for all available carryovers, the effect of the reduction would be offset by a reduction in the valuation allowance.

The Company files income tax returns in the U.S. federal jurisdiction, and the State of New York.

13. Capital Stock

The principal features of the Company's capital stock are as follows:

Series B Preferred Stock

As of December 31, 2013 and, 2012, the Company has designated 21,000 shares of preferred stock as Series B preferred stock, with a par value of $.01 per share, of which 15,058 shares of preferred stock are issued and outstanding. Each share of series B preferred stock shall be convertible into 1,000 shares of the Company's common stock. In addition, the holders of the series B preferred stock shall be entitled to notice of stockholders' meeting and to vote as a single class with the holders of the Common Stock upon any matter submitted to the stockholders for a vote, and shall be entitled to such number of votes as shall equal the product of (a) the number of shares of Common Stock into which the series B preferred stock is convertible into on the record date of such vote multiplied by (b) ten (10).

Series C Preferred Stock

As of December 31, 2013 and 2012, the Company has designated 13,000 shares of preferred stock as Series C preferred stock, with a par value of $.01 per share, of which 7,250 shares of preferred stock are issued and outstanding. Each share of Series C preferred stock shall be convertible into 1,000 shares of the Company's common stock. . In addition, the holders of the series B preferred stock shall be entitled to notice of stockholders' meeting and to vote as a single class with the holders of the Common Stock upon any matter submitted to the stockholders for a vote, and shall be entitled to such number of votes as shall equal to the number of shares of Common Stock into which the series B preferred stock is convertible into on the record date.

Certain holders of the Company's Series C preferred stock have contractually agreed to restrict their ability to convert the Series C preferred stock such that the number of shares of the Company common stock held by each of holder and its affiliates after such conversion shall not exceed 4.99% of the Company's then issued and outstanding shares of common stock.

Series D Preferred Stock

As of December 31, 2013 and 2012, the Company has designated 500,000 shares of preferred stock as Series D preferred stock, with a par value of $.01 per share, of which 56,500 shares of preferred stock are issued and outstanding. Each share of series D convertible preferred stock is convertible at any time at an initial conversion price equal to $2.00 per share, subject to adjustment under certain circumstances. As long as the series D preferred stock is outstanding, the conversion price of the series D convertible preferred stock in effect shall be reduced by $0.05 for every 180 day period a share of series D preferred stock is held by the investor. The series D convertible preferred stock automatically converts into shares of the Company's common stock after three years. Each share of Series D convertible preferred stock was issued with a warrant to purchase 10 shares of the Company's common stock. The warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of $2.00, subject to adjustment under certain circumstances. The exercise price of the warrants and the conversion price of the series D convertible preferred stock are subject to full ratchet and anti-dilution adjustment for subsequent lower price issuances by the Company, as well as customary adjustments provisions for stock splits, stock dividends, recapitalizations and the like. However, no adjustment made shall cause the exercise price of the series D convertible preferred stock and warrants to be less than $1.00. The holders of Series D preferred stock have no voting rights.

Common Stock

The Company has authorized 3,500,000,000 shares of common stock, with a par value of $.0001 per share. As of December 31, 2013 and 2012, the Company had 922,722,023 and 58,445,053 shares of common stock issued and outstanding, respectively.

During the years ended December 31, 2013 and 2012, the Company issued the following equity instruments:

- During the years ended December 31, 2012 and 2011, the Company entered into a securities purchase agreement with various investors pursuant to which the Company sold an aggregate of 14,500 and 42,000 shares, respectively, of series D convertible preferred stock and warrants to purchase 145,000 and 420,000, respectively, of the Company's common stock, for aggregate gross proceeds of $290,000 and $840,000, respectively. In connection with the offering, the Company paid professional fees of $60,000 and issued a placement agent 15,000 warrants to purchase shares of common stock in the year ended December 31, 2012. The warrants issued to the placement agent may be exercised on a cashless basis

- In February 2012, the Company entered into securities purchase agreements with accredited investors pursuant to which the Company sold (i) an aggregate of 2,600,000 shares of the Company's common stock, par value $0.001 per share (the "Common Stock"), (ii) class A warrants to purchase an aggregate of 5,200,000 shares of Common Stock (the "Class A Warrants"), and (iii) class B warrants to purchase an aggregate of 5,200,000 shares of Common Stock (the "Class B Warrants" and together with the Class A Warrants, the "Warrants"), for aggregate gross cash proceeds of $2,627,649, which consisted of $2,100,000 of cash and the exchange and cancelation of a promissory note (bearing principal and interest totaling $527,549) and a warrant ("Exchange Agreement"). In connection with the private placement, we paid placement agent fees and professional fees of $55,750 and issued the placement agent 27,500 warrants to purchase shares of common stock. The warrants issued to the placement agent may be exercised on a cashless basis.

- The Class A Warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of $2.00, subject to adjustment. The Class B Warrants are exercisable for a period of five years from the date of issuance at an initial exercise price of $3.75, subject to adjustment. The exercise price of the Warrants are subject to anti-dilution adjustment for subsequent lower price issuances by the Company, as well as customary adjustments provisions for stock splits, stock dividends, recapitalizations and the like. The investors may exercise the Warrants on a cashless basis anytime after the six month anniversary of the initial exercise date of the Warrants if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement. In the event the investors exercise the Warrants on a cashless basis, we will not receive any proceeds.

- Between September 5, 2012 and October 11, 2012, the February 2012 investors (including the investor that exchanged and cancelled his outstanding promissory note) agreed to certain amendments to their securities purchase agreement and exchange their respective Warrants for (i) an aggregate of 6,100,000 shares of the Company's Common Stock (ii) a new series A warrant to purchase an aggregate of 6,100,000 shares of Common Stock at an exercise price of seventy-five cents ($0.75) per share and (iii) a new series B warrant to purchase an aggregate of 6,100,000 shares of Common Stock at an exercise price of seventy-five cents ($0.75) per share.

- The Company issued 16,128,295 shares of common stock to the holders of its February 2012 investors in connection with the anti-dilution features present in the instruments.

- During the year ended December 31, 2012, the Company issued 118,794 shares of its common stock in exchange for the conversions of convertible debentures and accrued interest of $103,648.

  - During the year ended December 31, 2012, two of the Company's notes payable and the related accrued interest, totaling $902,548, were converted into an aggregate of 687,500 shares of common stock of the Company based on an agreed upon conversion price ranging from $1.31-$2.00 per share.

- During the year ended December 31, 2012, the Company issued 750,000 shares of its common stock to employees. The Company recognized the fair market value of $120,250 as an expense.

- During the year ended December 31, 2012, the Company issued 5,930,668 shares of its common stock for professional and advisory services, financing costs and license fees. The Company recognized the fair market value of $5,923,039 as an expense as of the date of issue.

- From September through December 2012, the Company entered into securities purchase agreements,, pursuant to which the Company sold 2,499,998 units, each unit consisting of two (2) shares of the Company's common stock, par value $0.001 per share and a warrant to purchase a share of common stock for aggregate gross proceeds of $750,000. The Warrant is exercisable for a period of five years from the date of issuance at an initial exercise price of $0.45, subject to adjustment. The exercise price of the Warrant is subject to customary adjustments for stock splits, stock dividends, recapitalizations and the like. In connection with the private placement, the Company paid placement agent fees and professional fees of $28,200.

- In May 2013, pursuant to the terms of the Hanover Holdings Settlement Agreement approved by the court order, on May 23, 2013, the Company issued and delivered to Hanover Holdings, Inc. 8,500,000 Settlement Shares of the Company's common stock. The matter is further discussed in litigation section of Note 15, "Commitments".

- In June 2013, the Company issued Hanover Holdings, Inc. an additional 9,850,000 shares of common stock for additional Settlement Agreement shares.

- In July 2013, the Company issued Hanover Holdings, Inc. an additional 21,316,171 shares of common stock for additional Settlement Agreement shares.

- In August 2013, the Company issued Hanover Holdings, Inc. an additional 12,300,000 shares of common stock for additional Settlement Agreement shares.

- In August 2013, the Company issued Ironridge Global IV, Ltd. 4,959,613 shares of common stock as payment for a facility fee per their litigation settlement.

- In September 2013, the Company issued Hanover Holdings, Inc. an additional 6,800,000 shares of common stock for additional Settlement Agreement shares.

- In October 2013, the Company issued Hanover Holdings, Inc. an additional 10,000,000 shares of common stock for additional Settlement Agreement shares.

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In October 2013, the Company issued to Highland Capital Fund. 5,000,000 shares of common stock for consulting services valued at $90,000.

- In October 2013, the Company issued a total of 83,035,917 shares of common stock for debt conversions.

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- In November 2013, the Company issued a total of 112,583,243 shares of common stock for debt conversions.

- In December 2013, the Company issued Hanover Holdings, Inc. an additional 33,009,817 shares of common stock for additional Settlement Agreement shares. This was the final issuance of shares to Hanover per the Settlement Agreement.

- In December 2013, the Company issued JJK, LLC 19,000,000 shares of common stock for JJK, LLC granting extensions to their outstanding notes during 2013.

- In December 2013, the Company issued Dr. Steven Victor and Anna Phodes 177,691,000 and 30,000,000 shares of common stock, respectively, for conversion of their related party debt.

- In December 2013, the Company issued a total of 330,562,400 shares of common stock for debt conversions.

14. Stock Options and Warrants

Employee Stock Options

The following table summarizes the changes in the options outstanding at December 31, 2013, and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Exercise Price
$ 0.01 - 0.25	1,775,000	$ 0.15	8.57	1,762,500	$ 0.15
4.00	2,347,926	4.00	7.99	1,879,173	4.00
	4,122,926		8.24	3,641,673	

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A summary of the Company's stock awards for options as of December 31, 2013 and changes for the year ended December 31, 2013 is presented below:

	Stock Options	Weighted Average Exercise Price
Outstanding, December 31, 2012	4,747,926	$ 1.48
Granted	--	--
Exercised	--	--
Expired/Cancelled	(625,000)	
Outstanding, December 31, 2013	4,122,926	$ 2.34
Exercisable, December 31, 2013	3,641,673	$ 2.14

The weighted-average fair value of stock options granted to employees during the year ended December 31, 2013 and December 31, 2012, respectively, and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes-Merton ("Black-Scholes") option pricing model are as follows:

	December 31, 2013	December 31, 2012
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	--	0.31 to 1.71%
Expected stock price volatility	--	105%
Expected dividend payout	--	-
Expected option life (in years)	--	3.0 to 10.0
Expected forfeiture rate	--	0%
Fair value per share of options granted	$ --	$ 0.17

The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company has no historical experience with which to establish a basis for determining an expected life of these awards. Therefore, the Company only gave consideration to the contractual terms and did not consider the vesting schedules, exercise patterns and pre-vesting and post-vesting forfeitures significant to the expected life of the option award.

We estimate the volatility of our common stock based on the calculated historical volatility of similar entities in industry, in size and in financial leverage whose share prices are publicly available. We base the risk-free interest rate used in the Black-Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. We have not paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes-Merton option valuation model.

There were no options exercised during the years ended December 31, 2013 or 2012.

Total stock-based compensation expense in connection with options granted to employees recognized in the consolidated statement of operations for the years ended December 31, 2013 and 2012 was $0 and $2,213,672, respectively, net of tax effect. Total stock-based compensation expense in connection with options granted to non-employees recognized in the consolidated statement of operations for the years ended December 31, 2013 and

2012 was $0 and $34,930, respectively, net of tax effect. Additionally, none of the options outstanding and unvested as of December 31, 2013 had any intrinsic value.

Warrants

The following table summarizes the changes in the warrants outstanding at December 31, 2013, and the related prices for the shares of the Company’s common stock issued to non-employees of the Company. These warrants were issued in lieu of cash compensation for services performed or financing expenses and in connection with the private placements and merger.

Range of Exercise Prices		Number Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number Exercisable		Weighted Average Exercise Price
$	0.33	3,071,542	$	0.33	2.36	3,071,542	$	0.33
$	.045	2,566,664	$	0.45	3.90	2,566,664	$	0.45
$	0.75 - 0.86	11,580,000	$	0.75	3.10	11,580,000	$	0.75
$	1.00	42,500	$	1.00	2.98	42,500	$	1.00
$	1.58	45,000	$	1.58	8.25	45,000	$	1.58
$	2.00	2,529,200	$	2.00	3.09	2,529,200	$	2.00
$	2.45 - 2.60	800,000	$	2.51	3.01	800,000	$	2.51
$	3.00	750,000	$	3.00	2.95	750,000	$	3.00
$	3.20	350,000	$	3.20	2.92	350,000	$	3.20
$	3.75	100,000	$	3.75	3.14	100,000	$	3.75
		21,834,906			3.09	21,834,906		

A summary of the Company's stock awards for warrants as of December 31, 2013 and changes for the year ended December 31, 2013 is presented below:

	Warrants		Weighted Average Exercise Price
Outstanding, January 1, 2013	22,284,906	$	1.00
Granted	—		—
Exercised	—		—
Expired/Cancelled	(450,000)		—
Outstanding, December 31, 2013	21,834,906		1.00
Exercisable, December 31, 2013	21,834,906		1.00

The Company issued 0 and 1,684,000 compensatory warrants to non-employees during the years ended December 31, 2013 and 2012, respectively. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model with the following weighted average assumptions used for the grants, respectively; dividend yield of zero percent for all periods; expected volatility is 105%; risk-free interest rate from a range of .10% to 2.23%; expected lives ranging from one years to ten years. Total non-employee stock-based compensation expense in connection with warrants recognized in the consolidated statement of operations for the years ended December 31, 2013 and 2012 was $0 and $2,720,764, respectively, net of tax effect.

15. Loss per Share

The following table presents the computations of basic and dilutive loss per share:

	2013	2012
Net Income (Loss)	$ (11,140,817)	$ (4,151,891)
Net income (loss) per share:		
Net income (loss) per share – basic	$ (0.07)	$ (0.13)
Net income (loss) per share – diluted	$ (0.07)	$ (0.13)
Weighted average common shares outstanding – basic	153,636,036	32,338,788
Weighted average common shares outstanding – diluted	153,636,036	32,338,788

For the year ended December 31, 2013 and 2012 common stock equivalents totaling 5,396,636,857 and 43,931,682 related to warrants, convertible debt and preferred stock were excluded from the calculation of the diluted net loss per share as their effect would have been antidilutive.

16. Commitments

On June 1, 2011, a company owned by Dr. Steven Victor, the Company's CEO, entered into a 13 year lease for new office space, for which the Company unconditionally guaranteed any and all obligations owed under the lease to the landlord. In connection with the execution of the lease, the Company established a restricted cash account in the amount of approximately $650,000 to secure a line of credit to be used as a security deposit under the lease.

The lease commenced on June 1, 2012 and expire on May 31, 2025. Upon commencement, the aggregate minimum annual lease payments under operating leases are as follows:

2014	$ 646,062
2015	665,555
2016	679,479
2017	679,479
2018	679,479
Thereafter	5,440,474
Total	$ 8,790,528

17. Subsequent Events

The Company has evaluated its subsequent events through May 8, 2014, the date the financial statements were available to be issued. Except as disclosed below, there were no additional significant subsequent events requiring disclosure.

Material Modification to Rights of Security Holders

On January 17, 2014, Intellicell Biosciences, Inc. (the "Corporation") filed a certificate of designations, rights and preferences (the "Certificate of Designation") with the Secretary of State of the State of Nevada pursuant to which the Corporation set forth the designation, powers, rights, privileges, preferences and restrictions of the Series E Preferred Stock. On January 22, 2014 the Corporation filed a certificate of correction (the "Certificate of Correction") with the Secretary of State of Nevada to change the name of the designation from "Series E Preferred Stock" to "Series F Preferred Stock." Among other things, each one (1) share of the Series F Preferred Stock shall have voting rights equal to (x) 0.019607 multiplied by the total issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote (the "Numerator"), divided by (y) 0.49, minus (z) the Numerator. For purposes of illustration only, if the total issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series F Preferred shall be equal to 102,036 (0.019607 x 5,000,000) / 0.49) – (0.019607 x 5,000,000) = 102,036).

The foregoing description of the Series F Preferred Stock does not purport to be complete and is subject to, and qualified in its entirety by, the Certificate of Designation and the Certificate of Correction, copies of which are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and incorporated herein by reference.

Amendment to Articles of Incorporation

On March 7, 2014, Intellicell Biosciences, Inc. (the "Company") filed an amendment to the Company's articles of incorporation with the Secretary of State of the State of Nevada (the "Amendment"), to increase the Company's authorized common stock from one billion five hundred million (1,500,000,000) shares of common stock to three billion five hundred million (3,500,000,000) shares of common stock. The Amendment also changed the par value of the Company’s authorized common stock from $0.001 per share to $0.0001 per share.

Entry into a Material Definitive Agreement

On March 11, 2014 (the "Effective Date"), Intellicell Biosciences, Inc., a Nevada corporation (the "Company"), entered into a Securities Purchase Agreement (the "SPA") to issue and sell a secured convertible debenture (the "Debenture") to YA Global Investments, L.P., a Cayman Islands exempted company (the "Investor"), in the principal amount of $2,100,000. In addition to the Debenture, the Company also agreed to issue a warrant to the Investor entitling the Investor to purchase up to 400,000,000 shares of the Company's common stock at an exercise price of $0.005 per share (the "Warrant"). The Company's issuance of the securities to the Investor pursuant to the SPA is exempt from registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated under the Securities Act.

The Debenture shall mature on or before March 11, 2015 (the "Maturity Date") and shall accrue interest at an annual rate equal to 7.5%. Such interest shall be paid on the Maturity Date (or sooner as provided in the Debenture), in cash or, in shares of Common Stock in accordance with the terms of the Debenture at the applicable Conversion Price (as defined in the Debenture). At any time, and at its sole option, the Investor shall be entitled to convert a portion or all amounts of principal and interest due and outstanding under the Debenture into shares of common stock at a price equal to 48.5% of the average of the three (3) lowest prices per share of reported trades (not on the same day) of the common stock on the OTC Markets or on the exchange which the common stock is then listed as quoted by Bloomberg, LP during the twenty (20) trading days preceding the conversion date.

Unless the Investor provides sixty-five (65) days prior written notice to the Company, the Company shall not effect any conversion, and the Investor shall not have the right to convert any portion of the Debenture to the extent that after giving effect to such conversion, the Investor (together with any affiliate of the Investor) would beneficially own more than 9.99% of the then issued and outstanding shares of common stock.

The obligations under the Debenture are guaranteed by that certain Guaranty Agreement (the "Guaranty Agreement") and secured by that certain (i) Security Agreement (the "Security Agreement"), (ii) Intellectual Property Security Agreement (the "Intellectual Property Security Agreement") and (iii) Pledge Agreement (the "Pledge Agreement"), the aforementioned agreements being dated the Effective Date, and each by and among the Company, Intellicell Biosciences, Inc., a New York corporation ("Intellicell NY"), ICBS Research Corp., a New York corporation ("ICBS"), Tech-Stem, Inc., a New York corporation ("Tech-Stem") and the Investor.

In connection with the SPA, the Company also entered into lockup agreements dated the Effective Date by and between the Company and its officers and directors in the form attached as Exhibit C to the SPA, that certain Escrow Agreement dated the Effective Date, by and among the Company, the Investor, and escrow agent named therein pursuant to the terms of the SPA , and that certain Escrow Agreement dated the Effective Date, by and among the Company, MD Global Partners, LLC, and the escrow agent named therein pursuant to the terms of the SPA.

Laboratory Services and License Agreement

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

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

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

Except for when performed for research purposes, AREF shall pay to the Company a fee equal to $2,500 per Tissue Processing (as such term is defined in the License Agreement) case processed. The parties to the License Agreement have mutually agreed not to disclose any Confidential Information (as such term is defined in the License Agreement), whether verbal or written, conveyed to them prior to, during or subsequent to the term of the License Agreement.

Consulting Agreement

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

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

Issuance of Convertible Debentures

On January 31, 2014, the Company issued a secured convertible debenture with The Roth Firm for $196,612 to memorialize outstanding accounts payable. Under the terms of the agreement, The Roth Firm has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company’s common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the Common Stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with Mintz et al for $25,382 to memorialize outstanding accounts payable. Under the terms of the agreement, Mintz et al has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company’s common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with Biologic Consulting Group for $93,005.93 to memorialize outstanding accounts payable. Under the terms of the agreement, Biologic Consulting Group has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with The Roth Firm for $196,612 to memorialize outstanding accounts payable. Under the terms of the agreement, The Roth Firm has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with University of Florida, Department of Materials Sciences & Engineering for $33,781 to memorialize outstanding accounts payable. Under the terms of the agreement, University of Florida, Department of Materials Sciences & Engineering has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with Hunton & Williams, LLP for $187,106.57 to memorialize outstanding accounts payable. Under the terms of the agreement, Hunton & Williams, LLP has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with Lucoksky Brookman, LLP for $124,812.45 to memorialize outstanding accounts payable. Under the terms of the agreement, Lucoksky Brookman, LLP has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

On January 31, 2014, the Company issued a secured convertible debenture with Buchanan Ingersoll & Rooney for $525,583 to memorialize outstanding accounts payable. Under the terms of the agreement Buchanan Ingersoll & Rooney has the rights of first refusal for a period of eighteen months from the issuance of the debenture on any issuance or sale of capital stock that the Company issues to raise additional capital. The terms of the convertible debenture require repayment on the date of the note and bears a 10% simple annual interest rate. The convertible debenture is convertible into shares of the Company's common stock at a price equal to 48.5% of the average 3 lowest trades (not on the same day) of the common stock of the 20 trading days immediately preceding the conversion date as quoted by Bloomberg, LP.

TCA Default Notice

On July 15, 2013, while the Company was finalizing an amendment and waiver to that certain Convertible Promissory Note (the "Note") issued by the Company in favor of TCA Global Credit Master Fund, LP ("TCA") on June 7, 2012 in the principal amount of $500,000, the Company was advised that Ironridge Global IV, LTD ("Ironridge"), led by Mr. John C. Kirkland, Esq., purportedly purchased the Note from TCA. The Complaint and Motion alleged that Ironridge and TCA each served the Company with a Notice of Foreclosure and Sale, both claiming to be the "Secured Party" of the same assets.

On August 8, 2013, a Summons and Complaint (the "Complaint") was filed along with a Motion for a Temporary Restraining Order (the "Motion") before the Supreme Court of the State of New York, County of New York (the "Court") under the caption Intellicell Biosciences, Inc. v Ironridge Global IV, LTD., and TCA Global Credit Master Fund, LP, Index No. 652800/13. The Motion sought to restrain the sale of the Company's assets.

Given that Ironridge and TCA asserted that they would sell the secured assets of the Company at auction on August 12, 2013, the Motion sought to temporarily restrain both parties from so doing. On August 12, 2013, Justice Sherwood, Justice of the Supreme Court, New York County, issued a written Order granting the relief requested, thereby restraining any sale of assets (the "Temporary Restraining Order").

On August 26, 2013, despite the Company's best efforts to amicably resolve the dispute related to the Note, a subsequent hearing on the Motion was held, at which time the Company voluntarily brought with it to Court: (i) a certified check in the amount of $535,833.33 constituting payment of all principal and interest owed under the Note; and (ii) a stock certificate constituting the facility fee shares owed to the Secured Party pursuant to that certain Equity Facility Agreement. Since TCA admitted in prior court filings that it has no remaining interest in the that certain Note and Equity Facility Agreement, both the check and the stock certificate were tendered to Ironridge in open court, and counsel for Ironridge confirmed receipt thereof to Justice Oing directly. The company's attorneys argued in court that with the exception of possible attorney's fees owed, the Company's obligations under the transaction documents have now been satisfied in full.

In addition, the Court found Ironridge's jurisdictional argument to be unavailing and held that the case shall remain in New York and directed all parties to file submissions with the Court on September 10, 2013, indicating why any other monies are or are not owed under those certain transaction documents. Judge Oing further directed that the Temporary Restraining Order restraining the sale of the Company's assets shall remain in place indefinitely until further order of the Court and that the auction shall not be rescheduled and that Ironridge shall not make, post or distribute any further advertisements, internet postings, blogs or otherwise in relation thereto. Finally, Judge Oing held that the balance of the $680,000 that was being held in escrow be immediately released.

The Company intends to vigorously defend itself against Ironridge and Kirklands's improper attempts to seize the Company's assets for not giving into Kirkland's improper threats and demands. The Company will take all legal action necessary to protect the interests of the Company and its shareholders. The Company is also arranging for all outstanding principal and interest under the Note to be paid as soon as possible.

Additional litigations

On March 17, 2014, Dean E. Miller, as representative shareholder, on behalf of the nominal defendant Intellicell Biosciences, Inc., filed a shareholder's derivative action against Steven Victor, MD, in his capacity as Chairman - CEO and individually, Anna Rhodes as former Executive Vice President and individually, Leonard L. Mazur as interim Chief Operating Officer and individually, Myron Holubiak as a Director and individually, Michael Hershman, as Chairman of the Board of Directors and individually, Stuart Goldfarb as a former Director and individually, Victor Dermatology & Rejuvenation, P.C., Victor Cosmeceuticals, Inc., Lasersculpt, Inc., and the Doe Entities 1-5, as defendants, and Intellicell Biosciences, Inc., as nominal-defendant. The complaint, which was filed on the aforementioned date with the United States District Court Southern District of New York, alleges that the Company has failed to comply with US Food and Drug Administration and United States Patent and Trade Office regulations. The allegations in the complaint include, but are not limited to, allegations involving fraud, negligence, false reporting, and mismanagement of laboratory facilities. Pursuant to the complaint, the amount in controversy exceeds $75,000. Furthermore, the complaint as filed lists the following counts: 1. Against the individual defendants for breach of their fiduciary duties in connection with their management of the Company; 2. Against the individual defendants for breach of fiduciary duty in connection with disseminating false information; 3. Against the individual defendants for breach of fiduciary duty for failing to design and implement adequate internal controls; 4. Request for injunctive relief; 5. Imposition of constructive trust/accounting; and 6. Appointment of referee injunctive relief. The Company believes that such allegations and claims are without merit and intends to vigorously defend such allegations and claims. Because the inquiry is in its initial stages, the Company is not currently able to predict the probability of a favorable or unfavorable outcome, or the amount of any possible loss in the event of an unfavorable outcome. Consequently, no material provision or liability has been recorded for such allegations and claims as of December 31, 2013. However, management is confident in its defenses to such allegations and claims.

On March 11, 2014, Steven A. Victor ("Dr. Victor"), Intellicell Biosciences, Inc., a Nevada corporation, Intellicell Biosciences Inc., a New York corporation, and Regen Medical P.C., a New York corporation filed a complaint against Jonathan Schwartz ("Schwarz"), Joseph P. Salvani ("Salvani") and Douglas R. Dollinger ("Dollinger"), in the Supreme Court of the State of New York, County of New York. Schwartz and Salvani, both shareholders of the Company, are represented by Dollinger in his capacity as legal counsel. Pursuant to the complaint, the plaintiffs' first cause of action alleges that the defendants conspired together and acted in concert, to defame Dr. Victor and the Company in an effort to take control of the Company and to reap large profits by dumping their shares thereafter. Furthermore, the plaintiffs' second cause of action alleges that Salvani made false statements to a potential investor, resulting in damages amounting to $250,000. The plaintiffs seek compensatory damages, together with punitive damages and interest in connection with the first cause of action, and compensatory damages in the amount of $250,000.00, together with punitive damages and interest, in connection with the second cause of action.

Through April 24, 2014, a total of 1,058,838,813 shares of common stock were issued for various conversions of debt.

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