

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 000-55016

Amarantus Bioscience Holdings, Inc

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

26-0690857

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

655 Montgomery Street, Suite 900, San Francisco, CA 94111

(Address of principal executive offices)

(415) 688-4484

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

As November 7, 2014, the issuer had a total of 799,653,708 shares of common stock, \$0.001 par value, outstanding.

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PART I. FINANCIAL INFORMATION  
Item 1. Condensed Consolidated Financial Statements (Unaudited)

**Amarantus Bioscience Holdings, Inc.**  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)  
(in thousands, except share and per share data)

	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 680	\$ 1,033
Restricted cash	129	-
Deferred funding fees, net	-	109
Prepaid expenses and other current assets	292	106
<b>Total current assets</b>	<u>1,101</u>	<u>1,248</u>
Property and equipment, net	127	-
Intangible assets, net	1,529	611
<b>Total assets</b>	<u>\$ 2,757</u>	<u>\$ 1,859</u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u></b>		
<b>Current liabilities:</b>		
Accounts payable (includes related parties \$414 and \$490, respectively)	2,276	972
Related party liabilities and accrued interest	251	248
Accrued expenses	302	292
Accrued interest	60	112
Demand promissory note	500	-
8% Senior convertible debentures, net of discount	-	932
Convertible promissory notes	-	124
Derivative liability	-	5,859
<b>Total current liabilities</b>	<u>3,389</u>	<u>8,539</u>
<b>Total liabilities</b>	<u>3,389</u>	<u>8,539</u>
Commitments and contingencies	-	-
Series D convertible preferred stock, \$1,000 stated value; 1,300 shares designated; 1,299.327 issued and outstanding as of December 31, 2013	-	839
<b>Stockholders' equity (deficit)</b>		
Convertible preferred stock, \$0.001 par value — 10,000,000 shares authorized:		
Series A, \$0.001 par value, 250,000 shares designated, -0- shares issued and outstanding as of September 30, 2014 and December 31, 2013	-	-
Series B, \$0.001 par value, 3,000,000 shares designated, -0- shares issued and outstanding as of September 30, 2014 and December 31, 2013	-	-
Series C, \$0.001 par value, 750,000 shares designated, 750,000 shares issued and outstanding as of September 30, 2014 and December 31, 2013	1	1
Series D, \$1,000 stated value; 1,300 shares designated; 1,299.327 issued and outstanding as of September 30, 2014	839	-
Common stock, \$0.001 par value — 2,000,000,000 and 1,000,000 shares authorized as of September 30, 2014 and December 31, 2013, respectively; 786,924,849 and 574,171,945 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	787	574
Additional paid-in capital	38,816	18,938
Accumulated deficit	(41,075)	(27,032)
<b>Total stockholders' equity (deficit)</b>	<u>(632)</u>	<u>(7,519)</u>
<b>Total liabilities and stockholders' equity (deficit)</b>	<u>\$ 2,757</u>	<u>\$ 1,859</u>

See notes to condensed consolidated financial statements.

**Amarantus Bioscience Holdings, Inc**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in thousands, except share and per share data)

	<b>Three Months Ended September 30, 2014</b>	<b>Three Months Ended September 30, 2013 (Restated)</b>	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013 (Restated)</b>
<b>Net sales</b>	\$ —	\$ —	\$ —	\$ —
<b>Operating expense:</b>				
Research and development	1,899	289	4,056	1,427
General and administrative	2,070	390	5,289	2,441
	<u>3,969</u>	<u>679</u>	<u>9,345</u>	<u>3,868</u>
Loss from operations	<u>(3,969)</u>	<u>(679)</u>	<u>(9,345)</u>	<u>(3,868)</u>
<b>Other income (expense):</b>				
Interest expense	(46)	(517)	(756)	(1,658)
Loss on issuance of common stock	(193)	—	(260)	—
Loss on issuance of warrants	—	—	(3,868)	—
Other Income (Expense)	(74)	—	(92)	—
Change in fair value of warrant & derivative liabilities	(117)	(1,844)	356	(3,349)
Total other income (expense)	<u>(430)</u>	<u>(2,361)</u>	<u>(4,620)</u>	<u>(5,007)</u>
Net loss	<u>\$ (4,399)</u>	<u>\$ (3,040)</u>	<u>\$ (13,965)</u>	<u>\$ (8,875)</u>
Preferred stock dividend	26	12	78	12
Net loss attributable to common stockholders	(4,425)	(3,052)	(14,043)	(8,887)
Basic and diluted net (loss) per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Basic and diluted weighted average common shares outstanding	<u>767,657,531</u>	<u>478,883,561</u>	<u>711,302,222</u>	<u>415,163,655</u>

See notes to condensed consolidated financial statements.

**Amarantus Bioscience Holdings, Inc**

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)  
(Unaudited)  
(in thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Deficit Accumulated during the Development Stage	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
<b>Balances as of December 31, 2013</b>	750,000	\$ 1	574,171,945	\$ 574	\$ 18,938	\$ (27,032)	\$ (7,519)
Common stock issued for services	—	—	2,300,000	2	182	—	184
Common stock issued for license	—	—	3,641,002	4	224	—	228
Common stock sold	—	—	4,000,000	4	396	—	400
Deferred funding costs charged to equity upon sale of common stock	—	—	—	—	(400)	—	(400)
Common stock issued for funding fees	—	—	6,000,000	6	510	—	516
Common stock issued upon conversion of 8% senior convertible debentures	—	—	77,405,866	78	3,013	—	3,091
Common stock issued in settlement of convertible promissory notes	—	—	1,095,759	1	10	—	11
Common stock issued for Series D convertible preferred stock dividend	—	—	866,218	1	25	—	26
Loss on issuance of common stock	—	—	—	—	67	—	67
Common stock issued upon exercise of common stock warrants	—	—	60,000,000	60	3,540	—	3,600
Deferred funding costs charged to equity upon exercise of warrants	—	—	—	—	(190)	—	(190)
Loss on issuance of warrants	—	—	—	—	3,867	—	3,867
8% senior convertible debentures converted and associated reclassification of derivative liability	—	—	—	—	3,044	—	3,044
Series D convertible preferred stock 8% dividend accrued at period end	—	—	—	—	—	(26)	(26)
Stock-based compensation expense	—	—	—	—	202	—	202
Net loss	—	—	—	—	—	(5,542)	(5,542)
<b>Balances as of March 31, 2014</b>	750,000	\$ 1	729,680,790	\$ 730	\$ 33,428	\$ (32,600)	\$ 1,559
Common stock issued for services	—	—	4,229,818	4	406	—	410
Common stock issued for license	—	—	1,858,998	2	124	—	126
Common stock sold - LPC	—	—	1,500,000	2	144	—	146
Deferred funding costs charged to equity upon sale of common stock - LPC	—	—	—	—	(118)	—	(118)
Common stock issued as consideration for commitment fee - LPC	—	—	25,463	—	2	—	2
Common stock issued upon conversion of 8% senior convertible debentures	—	—	4,567,534	4	178	—	182
Common stock issued in conversion of convertible promissory notes	—	—	1,062,667	1	20	—	21
Common stock issued for Series D convertible preferred stock dividend	—	—	866,218	1	25	—	26
Common stock issued upon exercise of common stock warrants	—	—	2,777,775	3	164	—	167
8% senior convertible debentures converted and associated reclassification of derivative liability	—	—	—	—	230	—	230
Reclassification of series D convertible preferred stock into stockholders' equity (deficit)	1,299	839	—	—	—	—	839
Series D convertible preferred stock 8% dividend accrued at period end	—	—	—	—	—	(26)	(26)
Stock-based compensation expense	—	—	—	—	274	—	274
Net loss	—	—	—	—	—	(4,025)	(4,025)
<b>Balances as of June 30, 2014</b>	751,299	\$ 840	746,569,263	\$ 747	\$ 34,877	\$ (36,651)	\$ (187)

**Amarantus Bioscience Holdings, Inc**

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT), continued

(Unaudited)

(in thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Deficit Accumulated during the Development Stage	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
<b>Balances as of June 30, 2014</b>	<b>751,299</b>	<b>\$ 840</b>	<b>746,569,263</b>	<b>\$ 747</b>	<b>\$ 34,877</b>	<b>\$ (36,651)</b>	<b>\$ (187)</b>
Common stock issued for services	—	—	737,277	1	53	—	54
Common stock in settlement of convertible promissory notes	—	—	4,880,487	5	102	—	107
Common stock sold - LPC	—	—	9,000,000	9	1,321	—	1,330
Common stock issued as consideration for commitment fee - LPC	—	—	232,785	—	35	—	35
Common stock issued upon conversion of 8% senior convertible debentures	—	—	4,500,009	4	176	—	180
Common stock issued for Series D convertible preferred stock dividend	—	—	866,218	1	25	—	26
Loss on issuance of common stock	—	—	—	—	193	—	193
Common stock issued upon exercise of common stock warrants	—	—	20,138,810	20	1,188	—	1,208
8% senior convertible debentures and convertible notes converted and associated reclassification of derivative liability	—	—	—	—	407	—	407
Series D convertible preferred stock 8% dividend accrued at period end	—	—	—	—	—	(26)	(26)
Stock-based compensation expense	—	—	—	—	439	—	439
Net loss	—	—	—	—	—	(4,392)	(4,392)
<b>Balances as of September 30, 2014</b>	<b>751,299</b>	<b>\$ 840</b>	<b>786,924,849</b>	<b>\$ 787</b>	<b>\$ 38,816</b>	<b>\$ (41,075)</b>	<b>\$ (632)</b>

See notes to condensed consolidated financial statements.

Amarantus Bioscience Holdings, Inc  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(in thousands)

	<u>Nine Months Ended September 30,</u>	
	<u>2014</u>	<u>2013 (Restated)</u>
Cash flows from operating activities		
Net loss	\$ (13,965)	\$ (8,875)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	17	-
Amortization of debt discount	582	937
Amortization of deferred financing fees	145	194
Amortization of intangibles	86	-
Stock issued for services	648	65
Write-off of clinical trial material	500	-
Reserve for investment	25	-
Loss on stock issuance	260	-
Loss on warrant issuance	3,867	-
Non-cash interest expense related to demand promissory note, warrants and derivatives	37	-
Change in fair value of warrants and derivative liability	(356)	3,348
Stock-based compensation expense	914	682
Changes in assets and liabilities:		
Restricted cash	(129)	-
Clinical trial material	(500)	-
Deferred funding fees	116	-
Prepaid expenses and other current assets	(180)	(162)
Accounts payable	947	739
Related party liabilities and accrued interest	3	25
Accrued expenses and accrued interest	57	420
Net cash used in operating activities	<u>(6,926)</u>	<u>(2,627)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(144)	-
Investment	(25)	-
Acquisition of other assets	(600)	(34)
Net cash used by investing activities	<u>(769)</u>	<u>(34)</u>
Cash flows from financing activities		
Proceeds from demand and convertible notes	500	3,823
Repayment of convertible promissory notes and accrued interest	(9)	(301)
Repayment of convertible promissory notes	-	(3)
Proceeds from issuance of common stock	1,876	-
Proceeds from exercise of warrants	4,975	-
Net cash provided by financing activities	<u>7,342</u>	<u>3,519</u>
Net (decrease) increase in cash and cash equivalents	(353)	858
Cash and cash equivalents		
Beginning of period	1,033	157
End of period	<u>\$ 680</u>	<u>\$ 1,105</u>

**Amarantus Bioscience Holdings, Inc**  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued  
(Unaudited)  
(in thousands)

**Nine Months Ended September 30,**

**2014**                      **2013 (Restated)**

**Supplemental schedule of non-cash activities:**

Convertible debentures converted and associated reclassification of derivative liabilities	\$ 8,957	\$ -
Debt discount associated with convertible promissory notes	(1,823)	-
Convertible promissory notes issued for payables and accrued liabilities	(2)	161
Convertible notes payable issued for accounts payables	-	201
Stock issued for deferred funding fees	523	-
Stock subscription	146	-
Intangible asset	(50)	-
Deferred funding fees charged to equity upon sale of common stock	(518)	-
Stock issued to acquire intangible assets	104	79
Reclass of Series D Preferred from mezzanine to equity	839	-
Stock issued to satisfy accounts payable and accrued expenses	22	1,295
Stock issued for convertible promissory notes	11	1,198
Stock issued for notes payable	-	1,350
Stock issued for warrant obligations	-	78
Debt discount for derivative conversion feature	-	2,178
Series D convertible preferred stock 8% dividend accrued at period end	-	(12)

**Supplemental cash flow information**

Interest payments	\$ 1	\$ -
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See notes to condensed consolidated financial statements.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(in thousands, except share and per share data)

**1. GENERAL**

Amarantus Bioscience Holdings, Inc. (the “Company”), is a biotechnology company focused on the development of diagnostics and therapeutics for Alzheimer's disease, Parkinson's disease and ophthalmological disorders. Through September 30, 2014, the Company has been primarily engaged in biotechnology and diagnostics research and development and raising capital to fund its operations.

***Basis of Presentation***

The accompanying unaudited condensed financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission (“SEC”) and on the same basis as the Company prepares its annual audited consolidated financial statements. The condensed consolidated balance sheet as of June 30, 2014, condensed consolidated statements of audited interim financials include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The results for the statement of operations are not necessarily indicative of results to be expected for the year ending December 31, 2014 or for any future interim period. The condensed balance sheet at December 31, 2013 has been derived from audited financial statements; however, it does not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying condensed financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013, and notes thereto included in the Company's annual report on Form 10-K.

***Significant Accounting Policies***

There have been no material changes in the Company's significant accounting policies to those previously disclosed in the Company's annual report on Form 10-K, which was filed with the SEC on April 22, 2014. .

As the Company has not yet commenced any revenue-generating operations, does not have cash flows from operations, and is dependent on debt and equity funding to finance its operations, the Company is considered a development stage company, as defined by FASB. The Company's activities are subject to significant risks and uncertainties, as described in the liquidity and going concern footnote, including failing to secure additional funding to operationalize the Company's current projects and technology before another company develops similar therapeutic platform technologies.

In June 2014, as discussed below the Financial Accounting Standards Board issued new guidance that removed all incremental financial reporting requirements from U.S. GAAP for development stage entities. The Company early adopted this new guidance effective June 30, 2014, as a result of which all inception-to-date financial information and disclosures have been omitted from this report.

***Recently Issued Accounting Pronouncements***

Accounting Standards Update No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation* removes all incremental financial reporting requirements for development stage entities, including the removal of reporting of the cumulative results of operations and cash flows for the period from inception to the end of the current period. The update is effective for the first annual period beginning after December 15, 2014. Early adoption is permitted, and the Company has decided to adopt this change effective with its form 10-Q filing for the period ending June 30, 2014.

Accounting Standard Update No. 2014-12, *Compensation – stock* requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition that affects vesting, rather than a condition that affects the grant-date fair value. The effective date will be for fiscal years, and interim periods within those years, beginning after December 15, 2015 for all entities. Early adoption is permitted. The Company is considering the effect of this FASB issuance, on the financial statements, and has decided not to early adopt at this time.

Accounting Standard Update No. ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

## 2. LIQUIDITY AND GOING CONCERN

The Company's activities since inception have consisted principally of acquiring product and technology rights, raising capital, and performing research and development. Successful completion of the Company's development programs and, ultimately, the attainment of profitable operations are dependent on future events, including, among other things, its ability to access potential markets; secure financing, develop a customer base; attract, retain and motivate qualified personnel; and develop strategic alliances. From inception, the Company has been funded by a combination of equity and debt financings.

The Company expects to continue to incur substantial losses over the next several years during its development phase. To fully execute its business plan, the Company will need to complete certain research and development activities and clinical studies. Further, the Company's product candidates will require regulatory approval prior to commercialization. These activities may span many years and require substantial expenditures to complete and may ultimately be unsuccessful. Any delays in completing these activities could adversely impact the Company. The Company plans to meet its capital requirements primarily through issuances of debt and equity securities and, in the longer term, revenue from product sales.

As of September 30, 2014, the Company had cash and cash equivalents of approximately \$680. Historically, the Company has net losses and negative cash flows from operations. The Company believes its current capital resources are not sufficient to support its operations. Management intends to continue its research efforts and to finance operations of the Company through debt and/or equity financings. Management plans to seek additional debt and/or equity financing through private or public offerings or through a business combination or strategic partnership. There can be no assurance that the Company will be successful in obtaining additional financing on favorable terms, or at all. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

## 3. RESTATEMENT OF PRIOR QUARTERS

In the fourth quarter of 2013, we discovered that some of the amounts we had previously reported in prior quarters had not been recorded correctly. The adjustments to correct for accounting differences were made in the fourth quarter of 2013 and are primarily related to our accounting for convertible note obligations.

The following table sets forth the effects of the restatement on affected items within our previously reported Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2013.

	<b>Three Months Ended September 30, 2013</b>		<b>Nine Months Ended September 30, 2013</b>	
	<b>As Reported</b>	<b>As Restated</b>	<b>As Reported</b>	<b>As Restated</b>
Operating loss	\$ (679)	\$ (679)	\$ (3,868)	\$ (3,868)
Non-operating income (loss)	(1,347)	(2,361)	(1,916)	(5,007)
Net loss	(2,026)	(3,040)	(5,784)	(8,875)
Net loss per common share, basic and diluted	(0.00)	(0.01)	(0.01)	(0.02)

#### 4. BALANCE SHEET DETAILS

##### Accrued expenses:

	As of	
	September 30, 2014	December 31, 2013
Accrued compensation and related benefits	\$ 276	\$ 266
Series D convertible preferred dividend payable	26	26
Total	<u>\$ 302</u>	<u>\$ 292</u>

##### Related party liabilities:

	As of	
	September 30, 2014	December 31, 2013
Promissory note – 2% interest	\$ 222	\$ 222
Accrued interest	29	26
Total	<u>\$ 251</u>	<u>\$ 248</u>

The above promissory note is due March 5, 2015. At the option of the Company, the note and the accrued interest owed can be converted into common stock of the Company based on the closing price of the Company's common stock on the day of the conversion. The conversion price of the note and accrued interest on the promissory note as of September 30, 2014 was \$0.0915 and would convert to approximately 2,743,000 shares.

#### 5. FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, by level within the fair value hierarchy, are as follows:

##### Fair Value Measurements at September 30, 2014

	Level 1	Level 2	Level 3	Total
Derivative Liability	\$ —	\$ —	\$ —	\$ —

##### Fair Value Measurements at December 31, 2013

	Level 1	Level 2	Level 3	Total
Derivative Liability	\$ —	\$ —	\$ 5,859	\$ 5,859

For certain convertible note obligations, the Company is required to measure and record a related derivative liability, representing the estimated fair value of any embedded conversion options. The following table provides a summary of changes in the fair value of the Company's Level 3 financial liabilities from December 31, 2013 to September 30, 2014:

	Derivative Liability
December 31, 2013	\$ 5,859
Conversion of 8% senior convertible debentures to common stock <sup>(1)</sup>	(4,784)
Change in fair value	(666)
March 31, 2014	409
Conversion of 8% senior convertible debentures to common stock <sup>(2)</sup>	(277)
Change in fair value	193
June 30, 2014	325
Conversion of 8% senior convertible debentures to common stock <sup>(3)</sup>	(442)
Change in fair value	117
September 30, 2014	<u>\$ 0</u>

(1) The \$4,784 was offset against the debt discount of \$1,693 for a net amount of \$3,091 included in the statement of equity as result of the conversions of the convertible debt.



- (2) The \$277 was offset against the debt discount of \$47 for a net amount of \$230 included in the statement of equity as result of the conversions of the convertible debt.
- (3) The \$442 was offset against the debt discount of \$36 for a net amount of \$406 included in the statement of equity as result of the conversions of the convertible debt.

The weighted average Black-Scholes inputs associated with the conversion of 8% senior convertible debentures is as follows:

	For the Three Months Ended,			Total
	March 31, 2014	June 30, 2014	September 30, 2014	
Number of shares issued (000 omitted)	77,406	4,567	5,042	87,015
Debenture principal	\$ 2,995	\$ 174	\$ 202	\$ 3,371
Fair value of debenture at conversion	\$ 4,784	\$ 277	\$ 442	\$ 5,503
Exercise Price	\$ 0.04	\$ 0.04	\$ 0.04	
Volatility	134%	90%	95%	
Risk-free Rate	0.07%	0.04%	0.02%	
Contractual Life	0.6	0.25	0.12	
Dividend Yield	0%	0%	0%	

The weighted average Black-Scholes inputs associated with the valuation of 8% senior convertible debentures is as follows:

	As of		
	March 31, 2014	June 30, 2014	September 30, 2014 (1)
Exercise Price	\$ 0.04	\$ 0.04	\$ N/A
Volatility	133%	86%	N/A%
Risk-free Rate	0.07%	0.04%	N/A%
Contractual Life	0.4	0.3	N/A
Dividend Yield	0%	0%	N/A%

- (1) All convertible debentures were converted as of September 30, 2014

## 6. NET LOSS PER SHARE

The following table sets forth the computation of the basic and diluted net loss per share attributable to the Company's common stockholders for the periods indicated:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2014	2013 (Restated)	2014	2013 (Restated)
<b>Numerator</b>				
Net loss	\$ (4,399)	\$ (3,040)	\$ (13,965)	\$ (8,875)
Preferred stock dividend	26	12	78	12
Net loss attributable to common stockholders	\$ (4,425)	\$ (3,052)	\$ (14,043)	\$ (8,887)
<b>Denominator</b>				
Weighted average shares outstanding during the period:				
Common stock - basic	767,657,531	478,883,561	711,302,222	415,163,655
Common shares equivalents	—	—	—	—
Common stock - diluted	767,657,531	478,883,561	711,302,222	415,163,655
Net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)

Potentially dilutive securities excluded from the computation of basic and dilutive net loss per share are as follows:

	<b>As of September 30,</b>	
	<b>2014</b>	<b>2013</b>
Outstanding time-based common stock options <sup>(1)</sup>	23,344,000	8,352,000
Outstanding performance-based and market-based common stock options <sup>(1)</sup>	4,000,000	—
Outstanding time-based preferred stock options <sup>(1)</sup>	2,488,000	2,488,000
Warrants <sup>(1)</sup>	46,637,000	84,553,000
Related party liability <sup>(1)</sup>	2,743,000	3,918,000
Convertible promissory note <sup>(1)</sup>	4,725,000	31,545,000
Convertible preferred stock – Series C <sup>(1)</sup>	750,000	750,000
Convertible preferred stock – Series D <sup>(1)</sup>	43,111,000	43,111,000

(1) The impact of time-based, performance-based and market-based stock options, time-based restricted stock units, warrants, the convertible notes, the 8% senior convertible debentures, and the convertible preferred stock on earnings per share is anti-dilutive in a period of loss from continuing operations.

## 7. INTANGIBLE ASSETS

The following table summarizes our intangible assets:

	<b>As of</b>	
	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Intangible assets:		
Intellectual properties	\$ 1,685	\$ 681
Accumulated amortization	(156)	(70)
Total intangible assets net	<u>\$ 1,529</u>	<u>\$ 611</u>

These intellectual properties costs will be amortized over the expected remaining useful lives. As of September 30, 2014, amortization expense for the next five years is expected to be as follows:

2014 (three months)	\$ 33
2015	128
2016	128
2017	128
2018	128
thereafter	984
Total	<u>\$ 1,529</u>

## 8. 8% SENIOR CONVERTIBLE DEBENTURES

The following table summarizes the Company's outstanding 8% convertible promissory note obligations:

Issue Date	Maturity Date	Stated Interest Rate	Conversion Terms	Principal Balance Outstanding	
				September 30, 2014	December 31, 2013
10/2/2013	10/2/2014	8.0%	Variable conversion price currently at \$0.04	\$ -	\$ 1,789
9/6/2013	9/6/2014	8.0%	Variable conversion price, currently at \$0.04	-	1,544
<b>Sub total</b>				-	<b>3,333</b>
Discount				-	(2,401)
<b>Current portion of 8% convertible promissory notes, net</b>				<b>\$ -</b>	<b>\$ 932</b>

During the nine months ended September 30, 2014 approximately \$3,458 consisting of approximately \$3,333 of debentures and approximately \$125 of accrued interest of the 8% senior convertible debentures were converted into 86,473,409 shares of common stock of the Company. Additionally, \$1,823 of the 8% senior convertible debentures related debt discount was reclassified from liability to additional paid in capital.

## 9. CONVERTIBLE PROMISSORY NOTES

The following table summarizes the Company's outstanding convertible promissory note obligations:

Issue Date	Maturity Date	Stated Interest Rate	Conversion Terms	Principal Balance Outstanding	
				September 30, 2014	December 31, 2013
6/5/2013	12/2/2013	6.0%	Fixed at \$0.02	-	20
11/4/2012	5/3/2013	6.0%	Fixed at \$0.01	-	10
8/23/2012	2/19/2013	6.0%	Fixed at \$0.015	-	50
11/2012	On Demand	None	Refundable excess payment	-	1
6/6/2011	6/6/2013	5.0%	Variable at \$0.04	-	10
4/11/2011	4/11/2013	5.0%	Variable at \$0.04	-	25
5/1/2011	5/1/2013	5.0%	Fixed at \$0.10	-	4
4/1/2011	4/1/2013	5.0%	Fixed at \$0.10	-	4
<b>Total convertible promissory notes</b>				<b>\$ -</b>	<b>\$ 124</b>

*Convertible notes converted to common stock or paid*

During the nine months ended September 30, 2014 an aggregate of approximately \$115 in notes and \$14 in accrued interest were converted into approximately 6,938,000 shares of common stock.

During the nine months ended September 30, 2014 an aggregate of approximately \$9 in notes and \$1 in accrued interest were paid in full to the note holders

## 10. DEMAND PROMISSORY NOTE

On February 14, 2014, the Company executed a Demand Promissory Note payable to Dominion Capital, LLC in the amount of \$500 at an annual interest rate of 12% compounded monthly until the note is repaid. On March 12, 2014, the Company elected to extend the maturity of the Note from March 14, 2014 to August 14, 2014. On August 14, 2014 the note holder agreed to extend the due date thirty days for a consideration of \$10 in cash to September 15, 2014. On September 12 2014 the note holder agreed to extend the due date thirty days for a consideration of \$10 in common stock of the Company to October 15, 2014. On October 12 2014 the note holder agreed to extend the due date thirty days for a consideration of \$10 in common stock of the Company to November 15, 2014.

## 11. COMMITMENTS AND CONTINGENCIES

### Commitments:

#### Lease Arrangements —

The Company leases its main office facility and laboratory space in two separate locations in San Francisco. During the three months ended September 30, 2014 the Company entered into a lease agreement and occupied office space at 655 Montgomery Street. The lease has a term which runs from August 2014 through November 2016 and provides for an initial monthly rental payment of \$11,996. Future minimum payments under this lease are:

2014	(three months)	\$	62
2015			146
2016			139
	Total	\$	<u>347</u>

The lease for the other research and development facility at 953 Indiana Street San Francisco, CA is a month-to-month lease at \$6 per month commencing November 1, 2014.

Rent expense for the three months ended September 30, 2014 and 2013 was \$57 and \$2 respectively, and for the nine months ended September 30, 2014 and 2013 was \$120 and \$14 respectively.

#### Research Agreements —

The Company and PGI Drug Discovery, LLC (“PGI”) entered into a services agreement on January 10, 2014 pursuant to which PGI will provide certain services to the Company related to PGI’s proprietary analytical systems (refer to Note 7. INTANGIBLE ASSETS). The Company agreed to a payment commitment of \$450 at a minimum annual rate of \$150, for each of three years, to be paid each calendar quarter in equal installments. The Services Agreement is for a term of the later of 3 years or the completion of any study plan accepted by the parties under the services agreement.

Pursuant to the December 12, 2013 license agreement between the Company and the University of Massachusetts, the Company is required to pay an annual license maintenance fee of \$15 as long as the agreement remains in effect and the related patents remain valid. The Company is also obligated to reimburse the University for all patent costs incurred that are related to the licensed patents for the duration of the license agreement term.

The Company and The Washington University (“WashU”) entered into a sponsored research agreement whereby the Company is required to pay a total amount of \$120 for an employee of WashU to perform certain research utilizing a proprietary compound of the Company’s subject to certain terms and restrictions as further described in the Agreement.

On August 5, 2014, the Company entered into a sponsored research agreement (the “Research Agreement”) with the Buck Institute for Research on Aging pursuant to which Dr. Heinrich Jasper shall perform certain research utilizing Mesencephalic-Astrocyte-derived Neurotrophic Factor (“MANF”), subject to certain terms and restrictions as further described in the Research Agreement.

Pursuant to the Agreement, the Company shall provide financial support for the research plan, including four quarterly payments of \$75, based upon the budget agreed to among the parties as set forth in the Agreement.

On October 1 2014, the Company entered into a sponsored research agreement (the “Agreement”) with the University of Miami on the use of MANF in retinal disorders. The agreement calls for three equal payments of \$52 on October 30, 2014, April 1, 2015 and upon receipt of the final written report.



### **Service Agreements —**

On August 26, 2014 the “Company entered into a master services agreement (the “MSA”) with ICON Clinical Research Limited (“ICON”) pursuant to which the Company retained ICON to provide the Company with certain central laboratory services in connection with certain research studies. The services ordered will be set forth in work orders which will consist of a statement of work, a budget and a payment schedule. The agreement is for a term of four years unless terminated in accordance with its terms. The agreement calls for a Study Set-Up Fee of \$85, and miscellaneous costs of \$23, for a total commitment of \$108

### **Technical Acquisition —**

Pursuant to the MDx Purchase Agreement and contingent upon (i) the Company entering into a direct licensing agreement with the University of Leipzig (“Leipzig”) pursuant to which Leipzig would grant the Company a direct license to certain assets now licensed to MDx by Leipzig, and (ii) MDx terminating the license agreement it currently holds with Leipzig with the Company’s prior written consent, the Company has agreed to issue to MDx 6,500,000 shares of the Company’s common stock and will provide MDx with piggy-back registration rights as it relates to such shares.

### **Contingencies:**

#### *PGI*

On January 10, 2014, the Company entered into a license agreement (“PGI License Agreement”) with PGI Drug Discovery, LLC (“PGI”). Pursuant to the terms of the agreement, the Company agreed to pay PGI up to an aggregate of \$4,000 in development milestones through NDA submission. Milestone based payments payable by the Company under the PGI License Agreement are as follows: (i) \$1,000 upon successful completion of the first Phase 2b clinical study, and (ii) \$3,000 upon submission of a New Drug Application with the United States Food and Drug Administration or a comparable submission outside of the United States.

#### *LPC*

Pursuant to the LPC Purchase Agreement (discussed in Note 13 – Common Stock Private Placements), the Company may be required to issue up to 3,500,000 shares of common stock to LPC on a pro rata basis if and when the Company utilizes funding available under the agreement.

#### *MDX*

Pursuant to the MDx Purchase Agreement and contingent upon (i) the Company entering into a direct licensing agreement with the University of Leipzig (“Leipzig”) pursuant to which Leipzig would grant the Company a direct license to certain assets now licensed to MDx by Leipzig, and (ii) MDx terminating the license agreement it currently holds with Leipzig with the Company’s prior written consent, the Company has agreed to issue to MDx 6,500,000 shares of the Company’s common stock and will provide MDx with piggy-back registration rights as it relates to such shares.

#### *UofM*

Pursuant to the December 12, 2013 license agreement between the Company and the University of Massachusetts (“UofM”), the Company is obligated to pay UofM certain amounts in the event certain events occur or milestones are achieved. Milestones to be paid under the agreement are as follows: (i) \$50 upon first human dosing, (ii) \$75 upon initiation of first Phase 2 clinical trial, (iii) \$100 upon initiation of first Phase 3 clinical trial, and (iv) \$500 upon first product approval in the United States. Following commercial launch, the Company is required to pay a royalty to the university equal to 2% of net sales, as defined under the agreement, subject to certain royalty minimums ranging from \$125 to \$500 per year. The Company is also obligated to pay to the university 10% of any sub-license income generated under the agreement.

## 12. COMMON STOCK WARRANTS

### Stock Warrants

On March 7, 2014, the Company accepted elections by warrant holders to exercise certain warrants in the aggregate amount of 60,000,000 shares of common stock for gross proceeds of \$3,600. Pursuant to the offer to exercise dated February 13, 2014 as supplemented on March 6, 2014, the holders of outstanding warrants to purchase shares of common stock of the Company at a price of \$0.06 (the "Original Warrants") were offered the opportunity to exercise their Original Warrants and receive warrants (the "New Warrants") to purchase three (3) shares of common stock of the Company for every four (4) Original Warrants exercised. The New Warrants are exercisable at any time at a price of \$0.12 for a term of five (5) years. The New Warrants are callable by the Company if the Volume Weighted Average Price (VWAP) of the Company's common stock for each of 20 consecutive trading days exceeds \$0.18 and certain equity conditions are met. The Company may also call the New Warrants if the closing price of the Company's common stock exceeds \$0.18 on the date that is the earlier of the receipt by the Company of an approval letter for listing of the Company's common stock on an exchange or actual listing of the common stock on an exchange. The holders of the New Warrants have piggy-back registration rights. Upon the closing of the offer to exercise the Company issued New Warrants to purchase 45,000,000 shares of common stock of the Company.

In the three months ended September 30, 2014, warrant holders exercised 20,138,810 warrants to purchase 20,138,810 shares of the Company's common stock at the exercise price of \$.06 per share for a total amount of approximately \$1,208.

In accordance with ASC 815-40-25-10 the Company determined that the appropriate accounting treatment of the New Warrants is to determine the fair value of the warrant and to record the fair value of the warrant as a loss upon Issuance of Warrants in the Other income (expense) section of the statement of operations along with a credit to Additional paid-In capital. The fair value was determined to be approximately \$3,867, using the Black-Scholes model, which management believes approximates the fair value using the binomial lattice model with the following weighted average assumptions at issuance:

Annualized volatility <sup>(1)</sup>	305%
Contractual term	5.0
Risk-free investment rate	1.65%
Dividend yield	0.0%

(1) - The Company has three years of trading history that was utilized in computing the annualized volatility as of the date of issuance.

The following table summarizes the Company's warrant activity for the nine months ended September 30, 2014.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
<b>Outstanding warrants as of December 31, 2013</b>	<b>84,553,306</b>	<b>0.06</b>	<b>2.2</b>
Exercised	(82,916,584)	0.06	2.2
Issued	45,000,000	0.12	4.7
<b>Outstanding warrants as of September 30, 2014</b>	<b>46,636,722</b>	<b>0.10</b>	<b>4.3</b>

## 13. COMMON STOCK PRIVATE PLACEMENTS

On March 7, 2014, the Company entered into an equity financing agreement ("LPC Purchase Agreement") with Lincoln Park Capital Fund LLC ("LPC") whereby LPC is obligated to purchase up to \$20,000 of the Company's common stock from time to time over a 30 month period, as directed by the Company and subject to certain requirements, restrictions and limitations. Under the LPC Purchase Agreement, the per share purchase price will be the lesser of (1) the lowest sale price of common stock on the purchase date and (2) the average of the three lowest closing purchase prices during the 10 consecutive business days prior to the purchase date. However, LPC is not obligated to purchase shares from the Company on any date that the closing price of the common stock is below \$0.04, subject to adjustment upon the occurrence of certain stock related events. The Company may also request that LPC purchase shares under an accelerated purchase notice whereby the per share purchase price will be the lower of (i) 94% of a volume weighted average price calculation as determined under the LPC Purchase Agreement or (ii) the closing price of the common stock on the accelerated purchase date.

In consideration for entering into the LPC Purchase Agreement, the Company agreed to issue 9,500,000 shares of common stock to LPC, 6,000,000 of which were issued upon entering into the agreement and 3,500,000 of which are contingently issuable on a pro rata basis as the Company utilizes the financing arrangement. The agreement will automatically terminate upon the earliest of 30 months or upon full utilization of the purchase commitment.

Pursuant to the LPC Purchase Agreement, in the three months ended March 31, 2014 the Company sold an initial 4,000,000 shares to LPC for an aggregate gross purchase price of \$400. The fair value of the 6,000,000 shares provided to LPC was approximately \$516 and was treated as a deferred funding fee. \$400 was considered a placement fee against the \$400 raised pursuant to execution of the LPC Purchase Agreement. The remaining \$116 of deferred funding fees will be offset against future capital raises.

Also pursuant to the agreement, during the three months ended September 30, 2014, the Company sold an additional 9,000,000 shares for approximately \$1,330 and issued an additional 232,785 commitment fee shares valued at \$35 to LPC. The \$35 commitment fee was charged to additional paid in capital in the three months ended September 30, 2014.

#### 14. STOCK OPTION PLANS

##### *2008 Stock Plan*

Under the Company's 2008 Stock Plan (the "Plan"), the Company may grant up to 46,119,832, of incentive stock options, nonqualified stock options, or stock awards to eligible persons, including employees, nonemployees, and members of the Board of Directors, consultants, and other independent advisors who provide services to the Company. In general, options are granted with an exercise price equal to the fair value of the underlying common stock on the date of the grant. Options granted typically have a contractual life of 10 years and vest over periods ranging from being fully vested as of the grant date to four years.

The following table is a summary of activity under the Plan:

	Common Stock options outstanding	Weighted Average Exercise Price	Outstanding Options Common Weighted Average Remaining Contractual Term
Balance – December 31, 2013	6,941,288	0.05	9.0
Options granted (weighted-average fair value of \$0.08)			
Employee	12,700,000	0.09	9.5
Non-Employee	3,301,323	0.08	9.5
Options cancelled	(1,000,000)	0.08	—
Options Exercised	—	—	—
Balance –September 30, 2014	<u>21,942,611</u>	0.08	9.1
Options vested as of September 30, 2014	<u>13,496,489</u>		

The 12,700,000 shares granted to employees include 8,000,000 shares granted to Robert Farrell, the Company's Chief Financial Officer, 4,000,000 of which are time-based and vest 25 percent upon grant and 1/36 per month thereafter during continued service; 2,000,000 of which are performance-based and vest upon continued service and achievement of a specific goal; and 2,000,000 of which are market-based and vest upon continued service and the Company's achievement of certain stock price targets. All of the 8,000,000 shares are at an exercise price of \$0.0775 and were granted on March 31, 2014.

During the nine months ended September 30, 2014, the company granted 2,301,323 net options (granted 3,301,323 less cancelled 1,000,000) to non-employees, resulting in an approximate expense of \$93.

#### 2014 Stock Plan

On August 6, 2014, the Company adopted the 2014 Stock Plan (the “2014 Plan”), which was approved by the Company’s stockholder at the Company’s Annual Meeting on September 22, 2014. Under the 2014 Plan, the Company may grant up to 153,380,168 common shares in the form of incentive stock options, nonqualified stock options or stock awards to eligible persons, including employees, nonemployees, members of the Board of Directors, consultants, and other independent advisors who provide services to the Company. In general, options are granted with an exercise price equal to the fair value of the underlying common stock on the date of the grant. Options granted typically have a contractual life of 10 years and vest over periods ranging from being fully vested as of the grant date to four years.

	<b>Common Stock options outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Outstanding Options Common Weighted Average Remaining Contractual Term</b>
Balance – December 31, 2013	-	-	-
Options granted (weighted-average fair value of \$0.09)			
Employee	5,400,000	0.09	10.0
Non-Employee	—	—	—
Options cancelled	—	—	—
Options Exercised	—	—	—
Balance –September 30, 2014	<u>5,400,000</u>	0.09	10.0
Options vested as of September 30, 2014	<u>84,791</u>		

#### 2012 Preferred Stock Plan

In July 2012, our Board of Directors adopted the Management, Employee, Advisor and Director Preferred Stock Option Plan – 2012 Series B Convertible Preferred Stock Plan (“Preferred Stock Plan”). The purposes of the Preferred Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to management, employees, advisors and directors and to promote the success of our business. Options granted under the Preferred Stock Plan currently vest over two or three years and cannot be converted into common shares or sold for two years from the date of the designation of the Series B Preferred shares. Each share of Series B Preferred stock converts into fifty shares of common stock. The following table is a summary of activity under the Preferred Stock Plan:

	Preferred Stock Options Outstanding	Weighted Average Exercise Price	Outstanding Preferred Options Weighted Average Remaining Contractual Term
Balance – December 31, 2013	2,287,500	0.47	8.5
Options granted (weighted-average fair value of \$1.61)			
Employee	200,000	2.21	9.3
Non-Employee	—	—	—
Options cancelled	—	—	—
Balance – September 30, 2014	<u>2,487,500</u>	<u>0.61</u>	<u>8.1</u>
Preferred options vested as of September 30, 2014	<u>1,818,099</u>		

Stock-based compensation expense for all plans is classified in the statements of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Research and development	\$ 124	\$ 64	\$ 311	\$ 366
General and administrative	315	20	603	316
Total	<u>\$ 439</u>	<u>\$ 84</u>	<u>\$ 914</u>	<u>\$ 682</u>

At September 30, 2014, there was a total of approximately \$1,620 of unrecognized compensation cost, net of estimated forfeitures of zero, as the Company has not experienced any forfeitures to date, related to non-vested stock option awards, which is expected to be recognized over a weighted-average period of approximately 2.5 years.

The fair value of the Company's stock-based awards during the nine months ended September 30, 2014 and 2013 were estimated using the Black-Scholes option-pricing model with the following approximate assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Weighted-average volatility	289%	*%	300%	108%
Weighted-average expected term	5.6	*	5.44	5
Expected dividends	0%	*%	0%	0%
Risk-free investment rate	1.89%	*%	1.90%	0.5%

\* There were no options granted in the three months ended September 30, 2013

## 15. SERIES D PREFERRED STOCK

On June 30, 2014, with the approval of the holder of the Company's Series D Preferred Stock, the Company filed an amendment to the Certificate of Designation of the Series D Preferred Stock to amend the terms of its Series D preferred stock to remove the feature by which stockholder could require redemption of the stock at cost. Accordingly, since the Series D Preferred Stock now contains mainly equity-like features, the Company changed the classification of the stock on its balance sheet from temporary equity to permanent equity within stockholders' equity (deficit) as of June 30, 2014.

## 16. SUBSEQUENT EVENTS

### Common Stock Private Placement

In the period between October 1 2014 and November 3, 2014 2014, the Company exercised its rights under the LPC Purchase Agreement to sell 11,514,120 shares to LPC for a total of \$885. As required by the agreement, the Company issued 154,855 commitment fee shares valued at \$12 to LPC, which will be charged to additional paid in capital.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Statements**

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements." These forward-looking statements generally are identified by the words believes," project," expects," anticipates," estimates," intends," strategy," plan," may," will," would," will be," will continue," will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements

### **Overview**

Amarantus Bioscience Holdings, Inc. is a California-based development-stage biopharmaceutical company founded in January 2008. We focus on developing our intellectual property and proprietary technologies to develop drug and diagnostic product candidates to treat human disease. We own or have exclusive licenses to various product candidates in the biopharmaceutical and diagnostic areas of the healthcare industry, with a specific focus on bringing these candidates to market in the areas of Alzheimer's disease, Parkinson's disease, Retinal Degenerative disorders, and other ailments of the human body, with a particular focus on the nervous system. Our business model is to develop our product candidates through various de-risking milestones that we believe will be accretive to shareholder value and strategically partner with biopharmaceutical companies, diagnostic companies, investors, private foundations and other key stakeholders in the specific sub-sector of the healthcare industry in which we are developing our products in order to achieve regulatory approval in key jurisdictions and thereafter successfully market and distribute our products.

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements.” These forward-looking statements generally are identified by the words believes,” project,” expects,” anticipates,” estimates,” intends,” strategy,” plan,” may,” will,” would,” will be,” will continue,” will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, The Company’s philosophy is to acquire in-license, discover and develop drug candidates and diagnostics with the potential to address critically important biological pathways involved in human disease.

#### *LymPro Test* ®

The Lymphocyte Proliferation Test (“LymPro Test ®”, or “LymPro”) is a diagnostic blood test for Alzheimer’s disease originally developed by the University of Leipzig in Germany. The test works by evaluating the cell surface marker CD69 on peripheral blood lymphocytes following a mitogenic stimulation. The underlying scientific basis for LymPro is that Alzheimer’s patients have dysfunctional cellular machinery that inappropriately allows mature neurons in the brain to enter the mitotic process (cell division /cell cycle). When this happens the neurons start the cell division process, but cannot complete that process. As a result, a number of cytokines and other genes are upregulated, ultimately leading to cell death by apoptosis. This inappropriate cell division activation process is also present in the lymphocytes of Alzheimer’s patients, as lymphocytes share a similar cellular division machinery with brain neurons. We measure the integrity of this cellular division machinery process by measuring CD69 upregulation in response to the mitogenic stimulation. If CD 69 is upregulated it means that the cellular division machinery process is correct and Alzheimer’s is not present. If CD69 is not upregulated, it means there is a dysfunctional cellular division machinery process, and Alzheimer’s is more likely. To date, data has been published in peer-reviewed publications on LymPro with 160 patients, demonstrating 92% co-positivity and 91% co-negativity with an overall 95% accuracy rating for LymPro.

#### *Eltoprazine*

Eltoprazine is a small molecule drug candidate that is a selective partial agonist on the 5HT1-A and 5HT1-B receptors of the serotonergic system in the brain originally discovered and developed by Solvay Pharmaceuticals (now Abbvie). The serotonergic system has been associated with a wide range of disorders motor and behavioral disorders including aggression, cognition, attention and control. The Company is developing Eltoprazine for the treatment of the primary side effect of current Parkinson’s disease medication Levodopa-Induced Dyskinesia (“PD LID”), as well as Adult Attention Deficit Hyperactivity Disorder (“Adult ADHD”). To date, over 700 patients have been dosed with Eltoprazine at varying doses as high as 30mg; the active dose in both PD LID and Adult ADHD is 5mg. Primary and secondary endpoints have been met for Eltoprazine in Phase 2 trials in PD LID and Adult ADHD

#### *MANF*

Mesencephalic Astrocyte-derived Neurotrophic Factor (“MANF”) is an endogenous, evolutionally conserved and widely expressed protein that was discovered by the Company’s Chief Scientific Officer Dr. John Commissiong. MANF acts on a variety of molecular functions, including as a part of the endoplasmic reticulum stress response (“ER-SR”) system of the unfolded protein response (“UPR”). MANF has demonstrated efficacy as a disease-modifying treatment in various animal models, including Parkinson’s disease, retinitis pigmentosa, cardiac ischemia and stroke. The Company has made a strategic decision to focus the development of MANF in orphan indications and is currently evaluating the most appropriate indication for development based on data currently being assembled internally, by contract research organizations and academic collaborators.

## *Other*

Exploration of the Company's PhenoGuard platform for neurotrophic factor discovery and discovery and evaluation of external drug candidates for potential in-licensure or acquisition.

For the next 12 months, the Company intends to focus primarily on the commercialization of LymPro, the further clinical development of Eltoprazine, and the preclinical development of MANF.

### **The Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013**

During the three months ended September 30, 2014 and 2013, we generated no revenue.

Research and development costs for the three months ended September 30, 2014 increased \$1,610 to \$1,899 from \$289 for the three months ended September 30, 2013 and reflects an extensive amount of pre-clinical and clinical work as the Company advances the development of its.

General and administrative expenses for the three months ended September 30, 2014 increased \$1,680 to \$2,070 from \$390 for the three months ended September 30, 2013 primarily due an increase in employee compensation related expenses, increases in legal patent and audit related expenses, and increased business development expenses.

Other income (expense) for the three months ended September 30, 2014 decreased \$1,931 to a loss of \$430 from a loss of \$2,361 for the three months ended September 30, 2013. Interest expense decreased \$471 to \$46 from \$517 for the three months ended September 30, 2013 primarily due to debt conversion to equity, and change in fair value of warrants and derivatives liabilities decreased \$1,727 to \$117 from \$1,844.

Net loss for the three months ended September 30, 2014 was \$4,399 as compared to a net loss of \$3,040 for the three months ended September 30, 2013. Stock based compensation from grants under the 2008 Stock Plan, the 2014 Stock Plan and the 2012 Series B Convertible Preferred Stock Option Plan accounted for \$439 of the \$4,399 net loss for the three months ended September 30, 2014 and \$84 of the \$3,040 net loss for the three months ended September 30, 2013.

### **The Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013**

During the nine months ended September 30, 2014 and 2013, we generated no revenue.

Research and development costs for the nine months ended September 30, 2014 increased by \$ 2,629 to \$4,056 from \$1,427 for the nine months ended September 30, 2013 primarily due extensive amount of pre-clinical and clinical work as the company advances the development of its products and the expensing of the clinical materials.

General and administrative expenses for the nine months ended September 30, 2014 increased by \$2,848 to \$5,289 from \$2,441 for the nine months ended September 30, 2013 primarily due to an increase in employee compensation related expenses, increases in legal patent and audit related expenses, and increased business development expenses.

Other income (expense) for the nine months ended September 30, 2014 decreased by \$387 to an expense of \$4,620 from an expense of \$5,007 for the nine months ended September 30, 2013. Interest expense decreased \$902 to \$756 from \$1,658 for the nine months ended September 30, 2013 primarily due to lower financing costs on new debt and debt conversion to equity, loss on issuance of warrants increased to \$3,868 from \$0, and change in fair value of warrants and derivatives liabilities expense decreased \$3,705 to \$356 gain from \$3,349 loss.

Net loss for the nine months ended September 30, 2014 was \$13,965 as compared to a net loss of \$8,875 for the nine months ended September 30, 2013. Stock based compensation from grants under the 2008 Stock Plan, the 2014 Stock Plan and the 2012 Series B Convertible Preferred Stock Option Plan accounted for \$914 of the \$13,965 net loss for the nine months ended September 30, 2014 and \$682 of the 8,875 net loss for the nine months ended September 30, 2013.

Inflation adjustments have had no material impact on the Company.



## Liquidity and Capital Resources

As of September 30, 2014, the Company had total current assets of \$1,101 consisting of \$680 in cash and cash equivalents, \$129 in restricted cash, and \$292 in prepaid expenses and other current assets. As of September 30, 2014, the Company had current liabilities in the amount of \$3,389, consisting of:

Accounts payable	\$	2,276
Related party liabilities and accrued interest	\$	251
Accrued expenses	\$	302
Accrued interest	\$	60
Demand promissory note	\$	500

As of September 30, 2014, the Company had a working capital deficit in the amount of \$2,288 compared to a deficit of \$7,291 at December 31, 2013.

The table below sets forth selected cash flow data for the periods presented:

	Nine Months Ended September	
	30,	
	2014	2013
		(restated)
Net cash (used in) operating activities	\$ (6,926)	\$ (2,627)
Net cash (used in) investing activities	(769)	(34)
Net cash provided by financing activities	7,342	3,519
Net increase (decrease) in cash and cash equivalents	\$ (353)	\$ 858

Since inception, the Company has financed cash flow requirements through the issuance of common stock and the exercise warrants and loans. As of November 7, 2014, the Company had \$545 in cash and cash equivalents, which would provide sufficient liquidity for approximately two months. The Company still has an additional \$17,600 of equity capital available under the financing facility with Lincoln Park Capital Fund LLC.

The success of our business plan during the next 12 months and beyond is contingent upon us generating sufficient revenue to cover our costs of operations, or upon us obtaining additional financing. Should our revenues be less than anticipated, or should our expenses be greater than anticipated, then we may seek to obtain business capital through the use of private and public equity fundraising or shareholder loans. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all. Similarly, there can be no assurance that we will be able to generate sufficient revenue to cover the costs of our business operations. We will use all commercially-reasonable efforts at our disposal to raise sufficient capital to run our operations on a go forward basis.

## Off Balance Sheet Arrangements

Not applicable

## Going Concern

We are a company engaged in biotechnology research and development. We have suffered recurring losses from operations since inception; we do not have a positive working capital and have generated negative cash flow from operations. There is substantial doubt about our ability to continue as a going concern.

## Item 4. Controls and Procedures

### *Evaluation of Disclosure Controls and Procedures*

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2014. This evaluation was carried out under the supervision and with the participation of Gerald Commissiong, our Principal Executive Officer, and Robert Farrell, our Principal Financial and Accounting Officer. Based upon that evaluation, our Principal Executive Officer and Principal Financial and Accounting Officer concluded that, as of September 30, 2014, our disclosure controls and procedures were ineffective to ensure that information required to be disclosed by us in the reports that we file or submit 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 our management, including our chief executive officer and chief financial officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The lack of effectiveness of the Company's disclosure controls and procedures as of the end of the period covered, was due to the following material weaknesses which are indicative of many small companies with small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both United States generally accepted accounting principles and Securities and Exchange Commission guidelines. Management anticipates that such disclosure controls and procedures will not be effective until the material weaknesses are remediated. We will be unable to remediate the material weakness in our disclosure controls and procedures until we can hire additional employees. Management will be addressing the internal controls issues in the coming months.



### *Changes in Internal Control Over Financial Reporting*

There was no change to our internal control over financial reporting that occurred during our recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The Company is not currently involved in any litigation that it believes could have a material adverse effect on its financial conditions and result of operations.

### **Item 2. Unregistered Sales of Equity Securities**

On August 9, 2014, the Company issued 347,331 shares of the Company's restricted common stock as payment for services rendered. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(a)(2) promulgated.

On August 15, 2014, the Company issued 389,946 shares of the Company's restricted common stock as payment services rendered... These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4a(2) promulgated.

On September 11, 2014, the Company issued 101,112 shares of the Company's restricted common stock as payment for the extension of the Company's note payable. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4a(2).

On September 16, 2014, the Company issued 3,752,222 shares of the Company's restricted common stock, as payment as payment for the conversion of convertible debt and related accrued interest. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4a(2) .

On September 30, 2014, the Company issued 292,083 shares of the Company's restricted common, as payment as payment for the conversion of convertible debt and related accrued interest. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4a(2) promulgated .

On September 30, 2014, the Company 735,070 shares of the Company's restricted common, as payment as payment for the conversion of convertible debt and related accrued interest. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4a(2) promulgated .

On October 1, 2014, the Company issued 866,218 shares of the Company's restricted common as a dividend payment on the Series D convertible preferred stock. These shares were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4a(2) promulgated.

**Item 3. Defaults upon Senior Securities**

None

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	Certificate of Amendment to the Articles of Incorporation filed with the Secretary of State on October 9, 2014 (Incorporated by reference to the Company's current report on Form 8-K filed on October 9, 2014).
10.1	Employment Letter, entered into by and between Gerald E. Commissiong and Amarantus Bioscience Holdings, Inc. (Incorporated by reference to the Company's current report on Form 8-K filed on October 9, 2014).
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Accounting Office pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements 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.

**Amarantus Bioscience Holdings, Inc.**

Date: November 7, 2014

By: /s/ Gerald E. Commissiong  
Gerald E. Commissiong  
Title: Chief Executive Officer and Director  
(Principal Executive Officer)

By: /s/ Robert E. Farrell  
Robert E. Farrell  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

I, Gerald Commissiong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amarantus BioScience Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2014

/s/ Gerald Commissiong  
Gerald Commissiong  
Chief Executive Officer  
(Principal Executive Officer)

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

I, Robert Farrell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amaranthus BioScience Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2014

/s/ Robert Farrell  
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Robert Farrell  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Gerald Commissiong, the Chief Executive Officer of Amaranthus BioScience Holdings, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2014

/s/ Gerald Commissiong

Gerald Commissiong  
Chief Executive Officer  
(Principal Executive Officer)

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Robert Farrell, the Chief Financial Officer of Amaranthus BioScience Holdings, Inc. (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2014

/s/ Robert Farrell

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Robert Farrell  
Chief Financial Officer  
(Principal Financial Officer)