

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2012**

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to _____

Commission File Number: **333-148922**

Amarantus BioSciences, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

26-0690857
(IRS Employer Identification No.)

675 Almanor Ave., Sunnyvale, CA
(Address of principal executive offices)

94085
(Zip Code)

Registrant's telephone number, including area code: **(408) 737-2734**

(Former name, former address and former fiscal year, if changed since last report)

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 (§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.

Large accelerated filer Accelerated filer Non-accelerated filer
 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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 224,259,805 common shares as of November 16, 2012.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our financial statements included in this Form 10-Q are as follows:

- F-1 [Consolidated Balance Sheets as of September 30, 2012 \(unaudited\) and December 31, 2011;](#)
- F-2 [Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and September 30, 2011 and for the period from January 14, 2008 \(Date of Inception\) to September 30, 2012 \(unaudited\);](#)
- F-3 [Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and September 30, 2011 and for the period from January 14, 2008 \(Date of Inception\) to September 30, 2012 \(unaudited\);](#)
- F-4 [Notes to Financial Statements](#)

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2012 are not necessarily indicative of the results that can be expected for the full year.

AMARANTUS BIOSCIENCES, INC.
(A Development Stage Company)
BALANCE SHEETS
AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

	(Unaudited)	
	September 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 580	\$ 870
Prepaid expenses and other current assets	303,810	335,498
Total current assets	304,390	336,368
PROPERTY AND EQUIPMENT - Net	—	18,389
OTHER ASSETS	420,643	—
TOTAL ASSETS	\$ 725,033	\$ 354,757
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,605,264	\$ 2,052,764
Accrued liabilities	153,481	77,208
Related Party liabilities	222,230	222,230
Note Payable	190,440	150,000
Current portion of warrant liability	255,451	281,143
Current portion of derivative liability	30,092	45,180
Current portion of convertible promissory notes	1,158,176	714,261
Total current liabilities	4,615,134	3,542,786
STOCK WARRANT LIABILITY	—	2,788
DERIVATIVE LIABILITY – Net of current portion	—	95,526
CONVERTIBLE PROMISSORY NOTES - Net of current portion	—	63,600
Total liabilities	4,615,134	3,704,700
COMMITMENTS AND CONTINGENCIES (Note 9)	—	—
STOCKHOLDERS' DEFICIT:		
Convertible preferred stock, \$0.001 par value - authorized, 10,000,000 shares, 250,000 shares designated as Series A, par value \$0.001, 250,000 shares issued and outstanding as of September 30, 2012 and none as of December 31, 2011	250	—
Common stock, \$0.001 par value - authorized 250,000,000 shares; issued and outstanding 141,156,196 shares at September 30, 2012 and, 80,836,592 shares at December 31, 2011	141,157	80,937
Additional paid-in capital	5,566,563	3,295,549
Deficit accumulated during the development stage	(9,598,072)	(6,726,429)
Total stockholders' deficit	(3,890,102)	(3,349,943)
TOTAL	\$ 725,033	\$ 354,757

See notes to financial statements.

AMARANTUS BIOSCIENCES, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011, AND
FOR THE PERIOD FROM JANUARY 14, 2008 (DATE OF INCEPTION) TO SEPTEMBER 30, 2012

	(Unaudited) Three Months Ended <u>September 30, 2012</u>	(Unaudited) Three Months Ended <u>September 30, 2011</u>	(Unaudited) Nine Months Ended <u>September 30, 2012</u>	(Unaudited) Nine Months Ended <u>September 30, 2011</u>	(Unaudited) (Date of Inception) to September 30, 2012
NET REVENUES	\$ —	\$ 35,280	\$ —	\$ 213,588	\$ 415,998
OPERATING EXPENSES:					
Research and development	32,837	132,496	466,081	897,982	2,071,868
General and administrative	<u>558,668</u>	<u>360,805</u>	<u>2,423,370</u>	<u>1,336,312</u>	<u>6,867,816</u>
Total costs and expenses	<u>591,505</u>	<u>493,301</u>	<u>2,889,451</u>	<u>2,234,294</u>	<u>8,939,684</u>
INCOME (LOSS) FROM OPERATIONS	<u>(591,505)</u>	<u>(458,022)</u>	<u>(2,889,451)</u>	<u>(2,020,706)</u>	<u>(8,523,688)</u>
INTEREST & OTHER INCOME (EXPENSE)					
Interest Expense	(197,577)	(254,775)	(485,141)	(485,121)	(1,696,316)
Other Income (Expense)	(1,129)	(135,000)	(1,129)	(135,000)	86,556
Change in fair value of warrant & derivatives liabilities	<u>225,832</u>	<u>176,177</u>	<u>504,078</u>	<u>339,359</u>	<u>901,246</u>
Total interest & other income (Expense)	<u>27,126</u>	<u>(213,598)</u>	<u>17,808</u>	<u>(280,762)</u>	<u>(708,514)</u>
NET INCOME / (LOSS)	<u>\$ (564,378)</u>	<u>\$ (671,620)</u>	<u>\$ (2,871,643)</u>	<u>\$ (2,301,468)</u>	<u>\$ (9,232,202)</u>
NET INCOME / (LOSS) PER SHARE, BASIC	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	
COMMON SHARES OUTSTANDING - BASIC	<u>113,190,278</u>	<u>67,016,206</u>	<u>99,478,308</u>	<u>26,944,660</u>	

See notes to financial statements.

AMARANTUS BIOSCIENCES, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (Unaudited), AND
FOR THE PERIOD FROM JANUARY 14, 2008 (DATE OF INCEPTION) TO SEPTEMBER 30, 2012 (Unaudited)

	(Unaudited) Nine Months Ended September 30, 2012	(Unaudited) Nine Months Ended September 30, 2011	(Unaudited) Period From January 14, 2008 (Date of Inception) to September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (2,871,643)	\$ (2,301,468)	\$ (9,232,202)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	7,260	11,152	33,014
Gain (loss) on disposal of equipment	1,129	—	(2,621)
Stock-based compensation	75,178	656,252	1,141,906
Non-cash interest expense related to warrants and derivatives	378,590	447,361	1,141,906
Change in fair value of warrant and derivative liabilities	(504,078)	(339,360)	(896,478)
Gain on settlement of convertible note and warrants	—	—	(137,632)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	30,688	(69,192)	(304,810)
Accounts payable	848,252	709,016	3,054,792
Accrued liabilities	81,791	215,846	199,341
Related party liabilities	—	(65,232)	(143,640)
Net cash used in operating activities	<u>(1,952,832)</u>	<u>(735,624)</u>	<u>(5,531,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	10,000	—	10,000
Purchases of property and equipment	—	(19,421)	(40,392)
Net cash used in investing activities	<u>10,000</u>	<u>(19,421)</u>	<u>(30,392)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	365,690	590,000	1,523,238
Repayment of borrowings	—	—	(100,000)
Proceeds from issuance of common stock	1,326,852	143,712	3,124,792
Proceeds from the issuance of stock options	—	—	200,818
Proceeds from issuance of convertible preferred stock	250,000	(26,186)	790,000
Costs of financings	—	—	(76,187)
Proceeds from sale of warrant	—	—	35
Net cash provided by financing activities	<u>1,942,542</u>	<u>707,526</u>	<u>5,562,696</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(290)	(47,521)	580
CASH AND CASH EQUIVALENTS - Beginning of period	870	47,521	—
CASH AND CASH EQUIVALENTS - End of period	\$ 580	\$ —	\$ 580
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Exchange of convertible promissory notes for preferred stock	\$ —	\$ —	\$ 195,342
Issuance of warrants to investors	\$ —	\$ 23,329	\$ 371,180
Bifurcation of derivatives embedded in convertible			

notes	\$	—	\$	250,622	\$	548,053
Preferred stock warrants reclassified from liabilities to equity	\$	2,032	\$	—	\$	37,110
Issuance of convertible notes in lieu of payment of payable	\$	284,313	\$	21,250	\$	438,090
Dividend to founder for assumption of debts	\$	—	\$	—	\$	365,870

See notes to financial statements.

AMARANTUS BIOSCIENCES, INC.
NOTES TO FINANCIAL STATEMENTS

1. GENERAL

Amarantus BioSciences, Inc. (the “Company”) was incorporated on January 14, 2008 in the state of Delaware. The Company is a development stage biopharmaceutical drug development company dedicated to sourcing high-potential therapeutic platform technologies and aligning their development with complementary clinical-stage compounds to reduce overall enterprise risk. Through September 30, 2012, the Company has been primarily engaged in biotechnology research and development and raising capital.

2. DEVELOPMENT STAGE 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. Accordingly, the Company is considered to be in the development stage as of September 30, 2012, as defined by the Financial Accounting Standard Board, or FASB, Accounting Standard Codification, or ASC 915. 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. As of September 30, 2012, the Company has been funded by equity and debt financings. Although management believes that the Company will be able to successfully fund its operations, there can be no assurance that the Company will be able to do so or that the Company will ever operate profitably.

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.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), which contemplate continuation of the Company as a going concern. As of September 30, 2012, the Company had cash and cash equivalents of \$580. During the three months ended September 30, 2012, the Company incurred a net loss of \$564,378 and had negative cash flows from operating activities of \$390,245. In addition, the Company had an accumulated deficit of \$9,598,072 at September 30, 2012. 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 or equity financings. Management plans to seek additional debt and/or equity financing for the Company 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 this uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Certain Significant Risks and Uncertainties - The Company participates in a global dynamic highly competitive industry and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position, results of operations, or cash flows: ability to obtain future financing; advances and trends in new technologies and industry standards; regulatory approval and market acceptance of the Company's products; development of the necessary manufacturing capabilities and to obtain adequate resources of necessary materials; development of sales channels; certain strategic relationships; litigation or claims against the Company based on intellectual property, patent, product, regulatory, or other factors; and the Company's ability to attract and retain employees necessary to support its growth.

Concentration of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with domestic financial institutions that are federally insured within statutory limits.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Equipment	3 years
Computer equipment	2 years
Furniture and fixtures	3 years

The Company reviews the carrying value of long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. There have been no such impairments.

Property and equipment at September 30, 2012 and December 31, 2011, consisted of the following:

	September 30, 2012	December 31, 2011
Equipment	\$ —	\$ 34,851
Computer equipment	—	3,179
Furniture and fixtures	—	2,363
	—	40,393
Less accumulated depreciation	—	(22,004)
Property and equipment - net	\$ —	\$ 18,389

	September 30, 2012	September 30, 2011
Depreciation Expense:		
Three months ended	\$ 1,452	\$ 4,132
Inception to Date	33,014	

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Revenue Recognition - The Company recognizes revenue when the earnings process is complete, which under SEC Staff Accounting Bulletin No. 104, Topic No. 13, "Revenue Recognition" ("SAB 104"), is when revenue is realized or realizable and earned, there is persuasive evidence a revenue arrangement exists, delivery of goods or services has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

The Company accounts for milestones related to research and development activities in accordance with the milestone method of revenue recognition of Accounting Standards Codification Topic 605-28, under which consideration contingent on the achievement of a substantive milestone is recognized in its entirety in the period when the milestone is achieved. A milestone is considered to be substantive when it meets all of the following criteria: the milestone is commensurate with either the performance required to achieve the milestone or the enhancement of the value of the delivered items resulting from the performance required to achieve the milestone; the milestone relates solely to past performance; and, the milestone is reasonable relative to all of the deliverables and payment terms within the agreement.

To date, the Company has only received research grant revenue and contract revenue. Research grant revenue and contract revenue is recognized as the Company provides the services stipulated in the underlying agreement based on the time and expenditures incurred, and all milestones required in the agreement have been met. Amounts received in advance of services provided are recorded as deferred revenue and amortized as revenue when the services are provided and the milestones are met. The Company received and recognized total research grant revenue of \$-0- for both the three months ended September 30, 2012 and 2011, respectively, as the Company incurred all of the qualifying expenses and all applicable milestones were met. See Note 5 to the financial statements for further information on the research grant revenue received and recognized to date.

Research and Development Expenditures - Research and development expenses consist of personnel costs, including salaries, benefits and stock-based compensation, materials and supplies, licenses and fees, and overhead allocations consisting of various administrative and facilities related costs. Research and development activities are also separated into three main categories: research, clinical development, and biotechnology development. Research costs typically consist of preclinical and toxicology costs. Clinical development costs include costs for Phase 1 and 2 clinical studies. Biotechnology development costs consist of expenses incurred in connection with product formulation and analysis. The Company charges research and development costs, including clinical study costs, to expense when incurred, consistent with the guidance of FASB ASC 730, Research and Development.

Stock-Based Compensation - Stock-based compensation is measured at the grant date based on the fair value of the award. The fair value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. The expense recognized for the portion of the award that is expected to vest has been reduced by an estimated forfeiture rate. The forfeiture rate is determined at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Expected Term — The expected term of options represents the period that the Company's stock-based awards are expected to be outstanding based on the simplified method provided in Staff Accounting Bulletin No. 110, *Certain Assumptions Used in Valuation Methods*.

Expected Volatility — As the Company has limited stock price history, expected volatility has been estimated based on the volatilities of similar companies that are publicly traded.

Risk-Free Interest Rate — The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

Expected Dividend — The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and, therefore, used an expected dividend yield of zero in the valuation model.

The Company recognizes fair value of stock options granted to nonemployees as stock-based compensation expense over the period in which the related services are received.

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Stock Warrants - Certain warrants to purchase the Company's stock are classified as liabilities in the balance sheets. These warrants are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of other income (expense). Other warrants to purchase the Company's convertible preferred stock are classified as equity in the balance sheet and are not subject to remeasurement.

Derivative Liability - Certain derivatives embedded within convertible promissory notes have been bifurcated and recorded as derivatives in the balance sheets because they are not clearly and closely related. These derivatives are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of other income (expense).

Income Taxes - The Company accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

In evaluating the ability to recover its deferred income tax assets, the Company considers all available positive and negative evidence, including its operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction-by-jurisdiction basis. In the event the Company determines that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, it would make an adjustment to the valuation allowance that would reduce the provision for income taxes. Conversely, in the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made.

The Company recognizes the tax benefit from uncertain tax positions in accordance with GAAP, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a company's tax return.

Fair Value of Financial Instruments -The carrying amount reported in the balance sheets for cash and cash equivalents, accounts payable, and accrued liabilities approximates their value due to the short-term maturities of such instruments.

Net income (loss) per share attributable to Amaranthus common stockholders

Basic net income (loss) per share attributable to Amaranthus common stockholders is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares outstanding for the period. In accordance with FASB ASC 260, because there was a net loss for the period, zero incremental shares were included for diluted earnings per share because the effect would be anti-dilutive.

Recently Adopted Accounting Guidance

Variable Interest Entities. In September 2009, the FASB issued new accounting guidance relating to consolidation of variable interest entities ("VIEs"), which amends the current accounting guidance for determining whether an entity is a VIE and defining the primary beneficiary. This guidance also requires additional disclosures relating to involvement with a VIE. We adopted this guidance during the first quarter of our fiscal 2010. The adoption of this guidance did not have a material effect on our Financial Statements and disclosures.

Fair Value Measurements. In January 2010, the FASB issued new accounting guidance requiring additional disclosures about the different classes of assets and liabilities measured at fair value, valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1 and 2. It also clarified guidance around disaggregation and disclosures of inputs and valuation techniques for Level 2 and Level 3 fair value measurements. The current guidance is effective beginning with the first quarter of our fiscal 2010, except for the new disclosures relating to the Level 3 reconciliation, which was effective for the first quarter of our fiscal 2011. Refer to Note 6 – Fair Value Measurements for our Company's fair value measurements and disclosures.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued updated accounting guidance to amend existing requirements for fair value measurements and disclosures. The guidance expands the disclosure requirements around fair value measurements categorized in Level 3 of the fair value hierarchy and requires disclosure of the level in the fair value hierarchy of items that are not measured at fair value but whose fair value must be disclosed. It also clarifies and expands upon existing requirements for fair value measurements of financial assets and liabilities as well as instruments classified in shareholders' equity. The guidance is effective for annual and interim periods beginning after December 15, 2011. The implementation of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued guidance concerning the presentation of Comprehensive Income in the financial statements. Entities will have the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate, but consecutive statements. The disclosure requirements are effective for annual and interim periods beginning after December 15, 2011 and should be retrospectively applied. The implementation of this guidance is not expected to have any impact on the Company's consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued guidance on annual and interim goodwill impairment tests. An entity may now first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350, Intangibles-Goodwill and Other. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The implementation of this guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

4. AGREEMENT AND PLAN OF MERGER

On May 25, 2011, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Amaranthus Biosciences, Inc., a privately held Delaware corporation (“Amaranthus”), and JKIK Acquisition Corp. (“Acquisition Sub”), our newly formed wholly-owned Delaware subsidiary. In connection with the closing of this merger transaction, Amaranthus merged with and into Acquisition Sub (the “Merger”) on May 25, 2011, with the filing of articles of merger with the Delaware Secretary of State.

In addition, pursuant to the terms and conditions of the Merger Agreement:

- Each share of Amaranthus common stock and each share of Amaranthus preferred stock issued and outstanding immediately prior to the closing of the Merger was converted into the right to receive a pro-rata portion of a total of 1,820,000 shares of our common stock. As a result, the shareholders of Amaranthus received 1,820,000 newly issued shares of our common stock.
- Our board of directors was reconstituted to consist of Martin D. Cleary, Chairman, together with Dr. John W. Commissiong, Gerald E. Commissiong, Arnold T. Grisham, Robert L. Harris, and Eugene Mancino, who prior to the Merger were the directors of Amaranthus.
- Our sole officer and director immediately prior to the Merger, Richard Douglas, resigned from the board and from all offices.
- Our board appointed Martin D. Cleary as our Chief Executive Officer, Dr. John Commissiong as our Chief Scientific Officer, Gerald E. Commissiong as our Chief Operating Officer, and Marc E. Faerber as our Chief Financial Officer, Treasurer, and Secretary.
- In connection with the Merger, our former sole officer and director immediately prior to the Merger, Richard Douglas, received a transfer of all assets and agreed to assume all liabilities related to our pre-merger business.
- Following the closing of the merger, Mr. Douglas canceled and returned all 10,000,000 shares of his common stock.
- Following the closing of the merger, in a separate transaction, we authorized a forward split of 25 shares for each share of our common stock issued and outstanding at the time of the split.
- Following the closing of the merger, our board of directors and shareholders approved a change in the name of the company to Amaranthus BioSciences, Inc.”
- As a result, following these events, there were 67,000,000 shares of our common stock issued and outstanding.
- In connection with the Merger, we adopted Amaranthus’ 2008 Stock Plan and confirmed all options issued thereunder. In addition, we adopted and assumed certain convertible notes and warrants issued by Amaranthus prior to the Merger.
- Amaranthus provided customary representations and warranties and complied with standard closing conditions, including approval of the Merger by its voting stockholders.

Expenses incurred with the merger were \$26,186 and were recorded as part of Stockholders’ Equity.

The Merger was accounted for as a reverse recapitalization. Reverse recapitalization accounting applies when a non-operating public shell company (Jumpkicks) acquires a private operating company (Amaranthus) and the owners and management of the private operating company have actual or effective voting and operating control of the combined company. A reverse recapitalization is equivalent to the issuance of stock by the private operating company for the net monetary assets of the public shell corporation accompanied by a recapitalization with accounting similar to that resulting from a reverse acquisition, except that no goodwill or other intangible assets are recorded. In the Merger transaction, Jumpkicks qualified as a non-operating public shell company because all pre-merger business assets and liabilities were transferred to and assumed by the sole officer and director of Jumpkicks, prior to the completion of the Merger. The reverse recapitalization accounting is attributable to a long-held position of the staff of the Securities and Exchange Commission as the acquisition of a non-operating public shell company does not qualify as a business for business combination purposes, as described in Accounting Standards Codification Topic 805, Business Combinations.

Complete information regarding the merger was included in our Form 8K/A filed on June 3, 2011.

5. MICHAEL J. FOX FOUNDATION GRANT

In April 2010, the Company was awarded a grant from the Michael J. Fox Foundation for Parkinson's Research ("MJFF"). Pursuant to the MJFF grant, the Company performed research related to comparison and analysis of certain genes in rodent models of Parkinson's disease. The grant provided for the reimbursement of expenses as incurred up to a maximum of \$370,716, payable in two installments with targeted payments in April 2010 and October 2010, and it established two milestones. During the three months ended March 31, 2011, the Company achieved certain milestones and received payment and recorded revenue of \$178,308. To date, through September 30, 2012, the Company has received a total of \$370,716 from the MJFF.

6. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 — Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 — Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The Company's financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011, by level within the fair value hierarchy, are as follows:

Fair Value Measurements at September 30, 2012				
	Level 1	Level 2	Level 3	Total
Warrant Liability			\$ 255,451	\$ 255,451
Derivative Liability			30,092	30,092
Total	\$ —	\$ —	\$ 285,543	\$ 285,543

Fair Value Measurements at December 31, 2011				
	Level 1	Level 2	Level 3	Total
Warrant Liability			\$ 283,931	\$ 283,931
Derivative Liability			140,706	140,706
Total	\$ —	\$ —	\$ 424,637	\$ 424,637

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The following table provides a summary of changes in the fair value of the Company's Level 3 financial liability mentioned above for the year ended December 31, 2011, for the period ended September 30, 2012 and for the period from January 14, 2008 (date of inception) to September 30, 2012:

	Warrant Liability	Derivative Liability	Total
January 14, 2008 (date of inception)	\$ -	\$ -	\$ -
Issuance of warrants	52,665		52,665
Issuance of convertible notes		9,377	9,377
Changes in fair value	(15,960)	(4,402)	(20,362)
December 31, 2008	36,705	4,975	41,680
Changes in fair value	(1,692)	(4,975)	(6,667)
December 31, 2009	35,013	0	35,013
Issuance of warrants	3,680		3,680
Issuance of convertibles notes		281,466	281,466
Reclassification of warrants to equity	(37,110)		(37,110)
Cancellation of warrants	(65,082)		(65,082)
Changes in fair value	67,915	6,081	73,996
December 31, 2010	\$ 4,416	\$ 287,547	\$ 291,963
Issuance of warrants	314,835		314,835
Issuance of convertible notes		257,210	257,210
Changes in fair value	(35,320)	(404,051)	(439,371)
December 31, 2011	\$ 283,931	\$ 140,706	\$ 424,637
Issuance of warrants			
Issuance of convertible notes		369,910	369,910
Changes in fair value	(26,448)	(480,524)	(506,972)
Reclassification of warrants to equity	(2,032)		(2,032)
September 30, 2012	\$ 255,451	\$ 30,092	\$ 285,543

The valuation of the convertible stock warrant liability is discussed in Note 8.

7. ACCRUED LIABILITIES

Accrued liabilities at September 30, 2012 and December 31, 2011, consisted of the following:

	September 30, 2012	December 31, 2011
Accrued compensation and related benefits	\$ 18,746	\$ 18,746
Accrued interest	134,735	58,462
Total	\$ 153,481	\$ 77,208

8. CONVERTIBLE PROMISSORY NOTES AND DERIVATIVE LIABILITY

The Company owes the principal amount of \$230,000 to a total of six (6) investors who were issued Convertible Promissory Notes under the terms of a Convertible Promissory Note Agreement dated December 13, 2010 and amended on March 23, 2011 as follows:

	Principal Amount	Issue Date	Maturity Date
\$	100,000	12-13-10	12-13-12
\$	25,000	4-11-11	4-11-13
\$	35,000	4-15-11	4-15-13
\$	10,000	4-22-11	4-22-13
\$	50,000	4-27-11	4-27-13
\$	10,000	6-6-11	6-6-13

These notes bear interest at a rate of 5% per annum, with all principal and accrued interest payable on the maturity date. Principal and unpaid accrued interest due under these notes shall be automatically converted into our equity securities at the closing of our next equity financing in which the gross proceeds exceed \$1,000,000 (the Next Equity Financing”), based on a conversion price equal to one-third of the price per share of the stock sold to outside investors in the Next Equity Financing. If the Next Equity Financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted at our option into shares of our most recently closed equity financing, based on a conversion price equal to one-third of the price per share of the most recently closed equity financing. On May 30th, 2012, at the request of a majority of the noteholders, the Company modified the conversion terms to allow these notes to convert at a fixed price of \$0.04 at any time, with all other provisions remaining exactly the same.

In addition, we previously owed the principal sum of \$41,537 to Molecular Medicine Research Institute (MMRI”), who was issued a series of Convertible Promissory Notes under the terms of a Note and Warrant Purchase Agreement as follows:

	Principal Amount	Issue Date	Maturity Date	
\$	16,037	11-1-10	11-1-12	Note principal and accrued interest assigned June, 2012
\$	4,250	12-1-10	12-1-12	Note principal and accrued interest assigned June, 2012
\$	4,250	1-1-11	1-1-13	Note principal and accrued interest assigned June, 2012
\$	4,250	2-1-11	2-1-13	
\$	4,250	3-1-11	3-1-13	
\$	4,250	4-1-11	4-1-13	
\$	4,250	5-1-11	5-1-13	

These notes bear interest at a rate of 5% per annum, with all principal and accrued interest payable on demand by the holder on or after the maturity date. Principal and unpaid accrued interest due under these notes shall be converted, at the option of the holder, into our equity securities at the closing of our next equity financing in which the gross proceeds exceed \$1,000,000 (the Next Equity Financing”), based on a conversion price equal to the price per share of the stock sold to outside investors in the Next Equity Financing. If the Next Equity Financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted at our option into a new class of Preferred Stock, with the conversion price per share to be based upon a pre-money valuation of the company at that time of \$2,000,000. These notes also include 20% warrant coverage which expires seven years from the date of the note. In September 2012, \$24,537 of the note principal plus accrued interest was assigned to a new investor. Along with this assignment the warrants associated with these specific notes have been cancelled.

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We are currently party to a Sponsored Research Agreement (“SRA”) with MMRI under which we are provided office and laboratory space, use of research equipment, and other items within MMRI’s research facility in exchange for a monthly Sponsor Research Fee. The notes detailed above, in conjunction with certain warrants to purchase stock, were issued in payment of 50% of the respective monthly fees due under this agreement. In September 2012 we terminated our SRA and entered into a month to month Storage Agreement which provides storage for the frozen cell lines.

In addition, we owe the principal sum of \$12,240 to The Parkinson’s Institute, which was issued a Convertible Promissory Note under the terms of a Note and Warrant Purchase Agreement dated August 25, 2010. This note bears interest at a rate of 5% per annum, with all principal and accrued interest payable on demand by the holder on or after the maturity date of August 25, 2012. Principal and unpaid accrued interest due under this note shall be automatically converted into our equity securities at the closing of our next equity financing in which the gross proceeds exceed \$1,000,000 (the Next Equity Financing”), based on a conversion price equal to the price per share of the stock sold to outside investors in the Next Equity Financing. If the Next Equity Financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted at our option into a new class new class of Preferred Stock, with the conversion price per share to be based upon a pre-money valuation of the company at that time of \$2,000,000. In addition the note holder has warrant coverage equal to 5% of the note principal with a warrant exercise price equal to the next equity financing per share price, and expiration seven years from the date of the note. In September 2012, \$12,240 of the note principal plus accrued interest was assigned to a new investor. Along with this assignment the warrants associated with these notes have been cancelled.

In June, 2012, we entered into a convertible note agreement with an investor for a principal amount of \$39,831. This note bears an interest rate of 12% per annum, compounded monthly, and has a maturity date of June 5, 2013. The note holder has the option to convert the note into common stock at any time, conversion at 55% of the lowest trading price over the prior three trading days from the date of conversion. We have the option to prepay the note at any time in the amount of 150% of the principal and unpaid accrued interest. This note represents the assignment of the Parkinson’s and MMRI notes discussed earlier. In June 2012 the note holder converted \$9,831 into common stock. In August 2012 the note holder assigned their remaining balance, \$30,000, plus accrued interest to a new note holder.

Also, in June 2012, we entered into a convertible note agreement with an investor for a principal amount of \$21,500. This note bears an interest rate of 12% per annum and has a maturity date of January 6, 2013. The note holder has the option to convert the note into common stock at any time, conversion at 55% of the average of the three lowest trading prices over the prior ten trading days from the date of conversion. We have the option to prepay note at any time in the amount of 150% of the principal and unpaid accrued interest within the first ninety days.

In August, 2012, we entered into a convertible note agreement with an investor for a principal amount of \$30,880. This note bears an interest rate of 12% per annum, compounded monthly, and has a maturity date of June 5, 2013. The note holder has the option to convert the note into common stock at any time, conversion at 55% of the lowest trading price over the prior three trading days from the date of conversion. We have the option to prepay the note at any time in the amount of 150% of the principal and unpaid accrued interest. This note is an assignment of a previous note. Also in September, 2012, the note holder converted \$10,805 of the principal into common shares of the Company.

In September, 2012, we entered into a two separate convertible note agreement with an investor for a principal amount of \$30,000 and \$42,000, both the result of prior issued note assignments. These notes bear an interest rate of 12% per annum, and have a maturity date of September 14, 2013 and September 27, 2013, respectively. The note holder has the option to convert the notes into common stock at any time, conversion at 50% of the lowest trading price over the prior twenty trading days from the date of conversion. We have the option to prepay the note at any time in the amount of 125% of the principal and unpaid accrued interest. Also in September, 2012, the note holder converted all of the \$30,000 note principal into common shares of the Company.

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We also owe the principal sum of \$500,000 to a total of ten (10) investors who were issued Secured Convertible Promissory Notes under the terms of a Senior Secured Convertible Promissory Note Agreement dated December 28, 2010, as amended May 20, 2011 as follows:

Principal Amount	Issue Date	Maturity Date	Assigned
\$ 125,000	12-28-10	12-6-11	\$ 42,000 Assigned August 2012
\$ 62,500	12-28-10	12-6-11	
\$ 100,000	4-15-11	12-6-11	
\$ 25,000	4-18-11	12-6-11	
\$ 25,000	5-13-11	12-6-11	
\$ 50,000	5-19-11	12-6-11	
\$ 25,000	5-24-11	12-6-11	
\$ 25,000	5-24-11	12-6-11	
\$ 31,250	6-7-11	12-6-11	
\$ 31,250	6-9-11	12-6-11	

Principal and interest, accrued at the rate of 5% per annum, are due and payable on December 6, 2011, unless earlier converted into equity securities of the company. Principal and unpaid accrued interest shall be converted, at the option of the holder, into equity securities of the company at the closing of our next equity financing in which gross aggregate proceeds to the Company exceed \$1,750,000 and the Company registers its stock for sale pursuant to the Securities and Exchange Act of 1934. The conversion price shall be equal to one-third of the price per share of this financing. If this financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted, at the option of the holders of a majority of the aggregate principal amount of the senior secured convertible promissory notes, into common stock of the Company. These notes were formerly secured by collateral consisting of substantially all assets of the company. Under the May 20, 2011 amendment to the Senior Secured Convertible Promissory Note Agreement, this security interest was terminated. Under the terms of the agreement as amended, we may not incur any indebtedness for borrowed money except pursuant to an agreement that provides that repayment of such indebtedness will be subordinated to repayment of the Notes. In addition, we may not encumber any of our property during such time as the Notes remain due and owing. As provided in the amendment the note holders have warrant coverage equal to 100% of the note principal at an exercise price equal to 100% of that to outside investors in the closing of the next equity financing of \$1,175,000, but not to be less than \$0.60 per share. The warrants expire five years from the date of the next equity financing closing. We are currently in default on these notes. See footnote 9 Commitments and Contingencies for further information.

During the twelve months ended December 31, 2011, the Company issued convertible promissory notes to various investors for aggregate proceeds of \$90,000. Principal and interest on these convertible notes, accrued at the rate of 6% per annum, are due and payable 180 days from the issuance date, unless earlier converted into equity securities of the Company, at the option of the Holder of the promissory note. Conversion of the principal and interest will be at either \$0.10 or \$0.20 per share. In addition, the Company issued warrants to the note holders to purchase a number of shares of capital stock issued to investors at the equivalent of 100% of the principal amount of the notes divided by the respective price per share of the stock which the principal of the note converts into. The warrants expire one year from the date of the note. During the nine month ended September 30, 2012, \$57,000 of these convertible notes converted to Company Common shares and another \$20,000 was assigned to another note holder in September 2012.

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Principal Amount	Issue Date	Maturity Date	Converted to Equity	Assigned	Assigned or Conversion Date
\$ 21,000	7-28-11	1-24-12	\$ 21,000		February 2012
\$ 21,000	7-28-11	1-24-12	\$ 21,000		February 2012
\$ 10,000	8-16-11	2-12-12			
\$ 20,000	8-18-11	2-14-12		\$ 20,000	September 2012
\$ 5,000	9-6-11	3-4-12	\$ 5,000		February 2012
\$ 5,000	9-9-11	3-7-12	\$ 5,000		February 2012
\$ 3,000	9-26-11	3-24-12			
\$ 5,000	11-2-11	4-30-12	\$ 5,000		February 2012

During the period October, 2011 through September 30, 2012, the Company issued convertible promissory notes to various investors for aggregate proceeds of \$283,688. Principal and interest on these convertible notes accrue at the rate of 6% per annum, are due and payable 180 days from the issuance date, unless earlier converted into equity securities of the Company, at the option of the Holder of the promissory note. Conversion of the principal and interest will be at either \$0.01 or \$0.165 per share.

Principal Amount	Issue Date	Maturity Date	Converted to Equity	Conversion Date
\$ 5,000	10-27-11	4-24-12	\$ 5,000	February 2012
\$ 10,000	11-23-11	5-21-12		
\$ 30,000	11-30-11	5-28-12	\$ 30,000	February 2012
\$ 10,000	12-8-11	6-5-12	\$ 10,000	February 2012
\$ 5,000	12-14-11	6-11-12	\$ 5,000	February 2012
\$ 5,000	12-30-11	6-27-12	\$ 5,000	February 2012
\$ 3,638	1-5-12	7-3-12		
\$ 100,000	1-17-12	7-15-12		
\$ 7,800	2-8-12	8-6-12		
\$ 3,750	2-21-12	8-19-12	\$ 3,750	February 2012
\$ 25,000	4/2/12	9/29/12	\$ 25,000	April 2012
\$ 5,000	5/18/12	11/14/12		
\$ 13,000	6/6/12	12/3/12		
\$ 5,000	7/10/12	1/6/13		
\$ 50,000	8/23/12	2/19/13		
\$ 5,500	9/4/12	3/3/13		

In March, 2012, \$9,500 of convertible note principle was issued as part of a unit debt instrument which consisted of a return on investment ("ROI") agreement and a convertible promissory note in return for \$10,000. The ROI has a redemption value of \$10,500 due on demand and the convertible promissory note is for \$9,500, non-interest bearing, due September 20, 2012, and is convertible to common shares after six months from the date of the note at a conversion price that is 50% of the lowest trading price over the 20 prior trading dates from the date of conversion notice. In September 2012 the convertible note converted to common stock.

In August, 2012, \$6,066 of convertible note principle was issued as part of a unit debt instrument which consisted of a return on investment ("ROI") agreement and a convertible promissory note in return for \$6,066. The ROI has a redemption value of \$672.44 due on demand and the convertible promissory note is for \$6,066, non-interest bearing, due February 21, 2013, and is convertible to common shares after six months from the date of the note at a conversion price that is 50% of the lowest trading price over the 20 prior trading dates from the date of conversion notice. In September 2012 the convertible note converted to common stock.

During the six months ended June 30, 2012, the Company issued two convertible promissory notes to one investor totaling \$39,325 Principal and interest on these convertible notes accrued at the rate of 12% per annum. The holder of the note can convert the note to common shares of the Company at any at 50% of lowest trading bid price for prior twenty trading days before conversion. Both notes were converted on the same day as the issuance date.

Principal Amount	Issue Date	Maturity Date	Converted to Equity	Conversion Date
\$ 15,000	3/9/12	10-27-12	\$ 15,000	3/9/12
\$ 24,325	5/4/12	11/4/12	\$ 24,250	5/4/12

During the six months ended June 30, 2012, the Company issued four convertible promissory notes to one investor totaling \$91,500. Principal and interest on these convertible notes accrue at the rate of 8% per annum. The holder of the note can convert the note to common shares of the Company any time after the initial 180 days of the note at a conversion price that is a percentage of an average of the market low over for a certain number days over a greater number of prior number of trading days from the date of notice to convert.

Principal Amount	Issue Date	Maturity Date	Converted to Equity	Conversion Date
\$ 37,500	2-7-12	10-27-12	\$ 24,000	August 2012
\$ 17,000	3/19/12	12-21-12	\$ 2,767	September 2012
\$ 13,000	5/3/12	2/7/13		
\$ 24,000	6/13/12	5/13/12		

In January, 2012, a vendor convertible their trade account to convertible promissory notes for the amount due them at the time of the note plus future billings, amounting to \$244,988. These notes accrue interest at 8.5% and have the option to convert to common stock at any time by the note holder, at a conversion price of \$0.11 per share. These notes are payable upon demand.

A number of Company's convertible notes contain embedded derivatives wherein their automatic conversion, which is contingent upon a future equity raise, can accelerate the realization of the expected payout for each note. This feature creates the possibility of a greater than expected return for the note holder and thus a higher than expected liability for the Company. The value of this feature was estimated for each note using the probability expected return method, in which the payout of distinct potential early conversion scenarios was discounted to the present using the expected IRR of the note and compared with the present value of the note if held to maturity. Probabilities were applied to the value of early conversion in each scenario to arrive at a probability weighted value of the early conversion feature.

As of September 30, 2012 and December 31, 2011, the fair value of the derivative liability was \$30,092 and \$140,706, respectively. The changes in fair value for the three month periods ended September 30, 2012 and September 30, 2011 of \$226,429 and \$152,453 respectively, and for the nine month periods ended September 30, 2012 and September 30, 2011 of \$480,524 and \$312,907 respectively, and the period from January 14, 2008 (date of inception) to September 30, 2012 of \$889,742 have been recorded in the accompanying statements of operations as a component of other income (expense).

9. COMMITMENTS AND CONTINGENCIES

Commitments — The Company leases its main office facility and a second facility for research in Sunnyvale, CA under sublease agreements that provide for month-to-month extensions by the Company.

Rent expense for the three months ended September 30, 2012 and September 30, 2011 was \$11,036 and \$30,336, respectively, and for the nine months ended September 30, 2012 and September 30, 2011 rent expense was \$27,950 and \$91,825, respectively. For the period from January 14, 2008 (date of inception) to September 30, 2012, rent expense was \$280,169

Effective November 1, 2011 the Company entered into a consulting agreement where the consultant is to receive a stock option for common stock of 500,000 shares, fully vested, to be priced upon the Board of Directors approving such grant.

Contingencies — From time to time, the Company may become involved in litigation. On January 6, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract, Specific Performance and Common Counts) against the Company by a former consultant to the Company, Peter Freeman v. Amaranthus BioSciences, Inc. In August, 2012, the company reached a settlement with Mr. Freeman whereby he will receive payment of \$44,000, in monthly installments of \$5,000 until fully paid.

On April 17, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract, Account Stated, and Reasonable Value) against the Company by Trinet HR, a former payroll services provider to the Company, Trinet HR v. Amarnatus Biosciences, Inc. The suite of for a total of \$12,196 for services previously provided to the Company.

On August 8, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract) against the Company by On Assignment Staffing Services, Inc., a temporary staffing agency, for outstanding debts of \$36,414 allegedly due On Assignment Staffing Services, Inc.

In addition the Company is in default on payment of certain Convertible Notes that were due as of December 6, 2011 and is also late with regard to making payments to various trade account vendors for goods and services received, of which some accounts are currently with collection agencies and could possibly result in lawsuits with the Company.

The Company agreed to compensate certain vendors for services rendered contingent upon the occurrence of future financings as follows:

Future financing with proceeds of at least	
\$ 1,000,000	\$ 50,000
1,250,000	20,000
1,500,000	26,000
2,000,000	50,000
5,000,000	50,000
6,000,000	20,000
Total	<u>\$ 216,000</u>

The Company incurred various obligations related to the original acquisition of its intellectual property around the time the Company was founded. These transactions are described more fully below in Note 16, including a reference to contingent obligations reflected in the financial statements.

10. COMMON STOCK

The Company's Certificate of Incorporation, as amended, authorizes the Company to issue 250,000,000 shares of \$0.001 par value common stock. Common stockholders are entitled to dividends when and if declared by the Board of Directors. The holder of each share of common stock is entitled to one vote. As of September 30, 2012, no dividends had been declared.

Common stock that the Company had reserved for issuance at September 30, 2012, is as follows:

Exercise and conversion of common stock warrants	\$ 1,743,056
Stock options outstanding	1,829,030
Stock options available for future grants under the 2008 Stock Plan	<u>1,535,876</u>
Total shares of common stock reserved	<u>\$ 5,107,962</u>

As of September 30, 2012 the Company had outstanding \$1,311,800 of convertible note principal. These convertible notes, along with related accrued interest, convert upon the Next Equity Financing or at the option of the note holder. These notes convert at various rates ranging from established conversion prices to variable discounted prices calculated as an average or the lowest trading prices over a certain number or prior trading days. Some notes have warrants that range from

\$17,000 of convertible debt principal have interest at 5% and warrants equivalent to 20% of the principal balance, respectively, and convert upon the next equity financing.

\$500,000 of convertible note principal and related accrued interest convert at two-thirds the price per share of the Next Equity Financing and have warrants equivalent to 100% of the principal balance

\$230,000 of convertible note principle and related accrued interest convert at \$0.04 per share.

\$283,688 of convertible note principal having interest at 6%, can convert at prices ranging from \$0.002 to \$0.165 per share at anytime at the option of the note holder, and have no warrants. As of September 30, 2012, \$83,750 of the principal of this \$283,688 convertible debt has converted to common shares.

\$90,000 of convertible note principal having interest at 6%, can convert at \$0.10 or \$0.20 per share at anytime at the option of the note holder and warrants equivalent to 100%. As of September 30, 2012, \$57,000 of the principal of this \$90,000 convertible debt has converted to common shares.

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\$244,988 of convertible note principal, having an interest rate of 8.5%, no warrants, can convert at \$0.11 per share at anytime at the option of the note holder.

\$91,500 of convertible note principal, having and interest rate of 8%, no warrants, can convert at 50-55% of the average of the two-three lowest trading days of the prior 10-60 trading days, there is a 180 day waiting period before the holder has the option to convert to common shares. As of September 30, 2012, \$26,767 has converted to common stock.

\$9,500 of convertible note principle was issued as part of a unit debt instrument which consisted of a return on investment (“ROI”) agreement and a convertible promissory note in return for \$10,000. The ROI has a redemption value of \$10,500 due on demand and the convertible promissory note is for \$9,500, non-interest bearing, due September 20, 2012, and is convertible to common shares after six months from the date of the note at a conversion price that is 50% of the lowest trading price over the 20 prior trading dates from the date of conversion notice. The common share effect of the convertible debt is not included in the above schedule since the number of shares will not be determinable until the Next Equity Financing. (See Note 8). This convertible note converted to common shares in September 2012.

\$30,000 of convertible note principal, having interest of 12% per annum, compounded monthly, can convert any time at the option of the note holder, conversion at 55% of the lowest trading price over the prior three trading days from the date of conversion. As of September, 2012 this note has been assigned.

\$21,500 of convertible note principal, having interest of 12% per annum, can convert anytime at the option of the note holder, can convert at 55% of the average of the three lowest trading prices over the prior ten trading days from the date of conversion.

\$30,880 of convertible note principal, having interest of 12% per annum, compounded monthly, can convert any time at the option of the note holder, conversion at 55% of the lowest trading price over the prior three trading days from the date of conversion. As of September, 2012 this note has been assigned. Also in September, 2012, the note holder converted \$10,805 of the principal into common shares of the Company.

\$72,000 of convertible notes principal, having interest of 12% per annum, compounded monthly, can convert any time at the option of the note holder, conversion at 50% of the lowest trading price over the prior twenty trading days from the date of conversion. As of September, 2012 this note has been assigned. Also in September, 2012, the note holder converted all of the \$30,000 note principal into common shares of the Company.

The common share effect of the warrants related to the following convertible debt has been included in the above schedule.

During the nine months ended September 30, 2012 the Company issued \$1,746,497 worth of common stock, \$1,272,412 to various consultants for services, it paid \$54,442 of trade accounts payable with shares of common stock in settlement of the trade debt and it paid \$419,643 to acquire rights to certain technology.

11. STOCK OPTION PLAN

The Company's Board of Directors has approved the 2008 Stock Plan (the "Plan"). Under the Plan, the Board of Directors may grant up to 10,742,127 shares 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 generally have a contractual life of 10 years and vest over periods ranging from being fully vested as of the grant dates to four years.

	Shares Available for Grant	Outstanding Options		
		Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term
Balance - January 14, 2008 (date of inception)				
Shares added to the plan	6,085,136			
Balance - December 31, 2008	6,085,136			
Balance - December 31, 2009	6,085,136			
Shares added to the plan	4,656,991		0.01	
Options granted (weighted average fair values of \$0.0237)	(3,206,494)	3,206,494	0.01	9.2
Balance - December 31, 2010	7,535,633	3,206,494	0.01	9.2
Shares added to the plan				
Options granted (weighted average fair value of \$0.0237)				
Employee	(4,610,422)	4,610,422	0.01	
Non-Employee	(3,601,407)	3,601,407	0.01	
Cancelled Shares	2,212,071	(2,212,071)	0.01	
Options exercised		(7,532,454)	0.01	
Balance - December 31, 2011	1,535,875	1,673,797		
Options vested-				
September 30, 2012	6,899,011			
Options vested and expected to vest-				
September 30, 2012	7,951,362			

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Stock-based compensation expense for the three and nine month periods ended September 30, 2012 and September 30, 2011, and the period from January 14, 2008 (date of inception) to September 30, 2011, is classified in the statements of operations as follows:

	Three	Three	Nine	Nine	Period From January 14, 2008 Date of Inception to September 30, 2012
	Months Ended	Months Ended	Months Ended	Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	
Research and development	\$ 17,931	\$ 33,438	\$ 24,857	\$ 492,717	\$ 567,348
General and administrative	38,187	12,871	50,321	106,428	189,258
Total	<u>\$ 56,118</u>	<u>\$ 46,309</u>	<u>\$ 75,178</u>	<u>\$ 599,145</u>	<u>\$ 756,606</u>

At September 30, 2012, there was a total of \$18,044 of unrecognized compensation cost, net of estimated forfeitures, related to non-vested stock option awards, which is expected to be recognized over a weighted-average period of approximately 2.0 years.

The fair value of the Company's stock-based awards during the year ended December 31, 2011, and the period from January 14, 2008 (date of inception) to September 30, 2012, was estimated using the following weighted-average assumptions:

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Period From January 14, 2008 (Date of Inception) to September 30, 2012
Weighted-average volatility	71.0%	71.0%	71.0%
Expected term (in years)	5	5	5
Expected dividends	None	None	None
Risk-free interest rate	0.72%	1.76%	1.76%

12. SEGMENT REPORTING

The Company operates in one reportable segment. The Company's Chief Executive Officer, who is considered to be the chief operating decision maker, manages the Company's operations as a whole and reviews financial information presented on this basis, for purposes of evaluating financial performance and allocating resources.

13. RELATED-PARTY TRANSACTIONS

The Company was co-founded in 2008 by Mr. Gerald Commissiong and Dr. John Commissiong under the original name of CNS Protein Therapeutics, Inc. ("CNS"), and changed its name to Amarantus BioSciences, Inc. in 2010. Dr. Commissiong is currently the Chief Scientific Officer, a member of the Board of Directors (appointed in March 2011) and majority shareholder of the Company. Mr. Gerald Commissiong is currently the Chief Operating Officer, a member of the Board of Directors, and a significant shareholder of the Company. Dr. Commissiong also founded Neurotrophics, Inc., a Canadian company, in 2003. In 2007, Neurotrophics established an agreement with EMS Development Group to acquire the intellectual property rights to a protein compound, mesencephalic astrocyte-derived neurotrophic factor ("MANF"), from Prescient Neuropharma Co. MANF was discovered by Dr. Commissiong while working for Prescient in 2002, as a drug candidate with promising therapeutic properties for treatment of syndromes such Parkinson's Disease.

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EMS received \$59,000 in 2007 in funding from Neurotrophics to purchase the MANF intellectual property rights. Prior to this payment, Neurotrophics received a total of \$100,000 in investments from certain outside parties. The same investors provided \$100,000 in funding to CNS in 2008, and CNS renegotiated and assumed the \$100,000 convertible note investment made into Neurotrophics. The investors directed Neurotrophics and EMS to assign the MANF intellectual property rights to CNS and CNS agreed to assume certain other liabilities related to the technology transfer. CNS will compensate these creditors on a future date mutually agreeable between the parties. In addition, CNS agreed to compensate EMS for its assistance in acquiring the rights to MANF by making installment payments in an aggregate amount of \$95,000.

The technology transfer transaction created a contingent liability for the Company. Legal counsel to the Company has advised that transfers of assets out of the usual course of business, referred to under applicable Canadian law as "bulk sales", must comply with certain rules in order to avoid a potential voiding of the sale or transfer, making the purchaser liable to unpaid trade creditors, or creating an encumbrance on the assets transferred or sold. The transfer of the MANF rights by Neurotrophics to CNS may impose such obligations on CNS, as a purchaser. Counsel further advised that upon payment in full of all of the Neurotrophics debts outstanding as of March 5, 2008, no action can be successfully maintained to void or set aside the transfer of the MANF rights to CNS, and thus to the Company.

To remedy this contingent liability, CNS agreed to compensate Neurotrophics to repay its creditors on a future date mutually agreeable between the parties, and agreed to assume debts owed to John Commissiong and Gerald Commissiong by Neurotrophics.

The Company has recorded a total of \$287,462 and \$222,230 as of December 2010 and 2011, respectively in obligations reflecting this liability in its financial statements. The Company recorded the assumption of the Neurotrophics debts as a dividend distribution in 2008.

In February 2011, the Company and Neurotrophics agreed to enter into two agreements regarding compensation for the March 5, 2008 transfer of the rights to MANF and issued notes in the amounts of \$222,083 and \$59,319, in favor of Neurotrophics and John and Gerald Commissiong, respectively. These notes bear interest at the rate of 2% per annum, and have maturity dates of March 5, 2015 and December 30, 2015, respectively. The loans may be repaid at the Company's option on or before the maturity dates in the form of common stock of the Company at the then fair market value.

In October 2010, the Company entered into an agreement with the founders, Gerald Commissiong and John Commissiong, where they will receive a 2.5% (1.25% each for Gerald Commissiong and John Commissiong) Royalty from the gross commercial revenue of patents derived from the Company's proprietary PhenoGuard platform technology, including patents associated with the MANF Protein and related Gene.

The Company obtained the services of its Chairman Martin D. Cleary through a consulting agreement. During the years ended December 31, 2010, 2011, and the period from January 14, 2008 (date of inception) to December 31, 2011, consulting services of \$200,000, \$200,000, and \$479,166, respectively are included in the statement of operations. This agreement also includes a change of control clause whereby the Company shall pay Mr. Cleary a bonus of 5% of the gross proceeds to the Company resulting from the change of control. Upon his election and in his sole discretion, and in lieu of the change of control bonus, the Company shall issue to him shares of the Company's common stock equal to 2.5% of the Company's fully diluted capitalization as of the date of termination of the agreement.

In March 2012, a former and an existing Board of Director member converted a Convertible Promissory Note in the amount of \$21,000, each plus accrued interest. This resulted in 217,280 shares of Common Stock to each party.

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On August 23, 2012 we entered into a Convertible Promissory Note (the "Note") with PENSICO Trust Co. FBO Robert L. Harris. Mr. Harris is currently a member of our board of directors and has lent us the principal sum of \$50,000 under the terms of the Note. The Note accrues interest at a rate of six percent (6%) per annum and is due and payable within 180 days unless extended by agreement of the parties. The Note may be prepaid without penalty. The Note may be converted in whole or in part, at the election of the holder, into shares of our common stock at a price of \$0.015 per share. The conversion price will be adjusted proportionately in the event of any split, reorganization, or reclassification of our common stock. In the event of our default, the Note will bear interest at the rate of twelve percent (12%) per annum.

Effective July 31, 2012, Martin D. Cleary resigned from his position as director and the Chairman of our Board of Directors. Also effective July 31, 2012, Eugene Mancino resigned from his position as a director. There was no known disagreement with Mr. Cleary or Mr. Mancino on any matter relating to the Company's operations, policies, or practices.

In July, 2012, the Board of Directors designated 2,500,000 shares of the 10,000,000 shares of authorized Preferred Stock as Series B Convertible Preferred Stock ("Series B"). The Series B stock have a par value of \$0.001 per share, have no liquidation rights or rights to a dividend, has a conversion feature of fifty shares of Common stock for each share of Series B, Series B cannot convert to Common until the second annual anniversary of the designation of the Series B Preferred, or a change in control occurs (defined as a 50% change in the voting power of the outstanding shares occurs). The holders of Series B shall be entitled to vote along with the Common Shares, at the same rate as if the Series B shares have been fully converted into Common Shares. In July, 2012 the Board of Directors granted 1,248,250 options to purchase Series B stock to certain officers and directors in consideration for services performed from inception to May 26, 2011 for which no consideration was paid. The Series B shall grant the Company a repurchase option exercisable within 90 days of the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or disability). In addition, the Series B is subject to the following vesting schedule: 25% vests immediately upon issuance, and the balance of the shares shall vest at the rate of one thirty-sixth (1/36) of the amount of shares based upon each year being a 12 month period, so that the shares will be vesting pro rata. For example, if 48,000 Series B shares are granted, 12,000 Series B shares shall vest immediately and 1,000 shares shall vest on a monthly basis for 36 months.

Further in July, 2012, the Board of Directors adopted a new stock plan, the Management, Employee, Advisor and Director Preferred Stock Option Plan – 2012 Series B Convertible Preferred Stock Plan. The purposes of this 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 the Company's business.

14. SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date its financial statements were available for issuance. The Company determined that the financial statements were available for issuance on November 17, 2012.

On January 16, 2012 the Company entered into a License Agreement with Power3 Medical Products, Inc ("Power3") to license the NuroPro diagnostic test for Parkinson's disease to Amarantus BioSciences (the "License"). As part of the License, Amarantus was granted an option to acquire the Parkinson's Intellectual Property, and a right of first refusal to acquire the entire diagnostic platform for neurodegenerative diseases (collectively the "IP"). This license may have been granted at a time when Power3 did not have the authority to grant a license in some of its intellectual property (IP). On March 15th, 2012 Power3 filed for bankruptcy and the Receiver sold Power3's IP in receivership to NeoGenomics, Inc. Although this sale may be subject to the avoidance powers of the Chapter 7 Trustee, at this time NeoGenomics has title to certain IP. Amarantus has put NeoGenomics on notice of the licensing agreement entered into with Power3 in order to provide equitable defenses in the event NeoGenomics makes an infringement claim against Amarantus. Amarantus is currently reviewing its legal options with respect to material misrepresentations made by the Executive Officers of Power3 at the time of the Licensing Agreement. Amarantus has also initiated discussions with NeoGenomics to acquire the IP related to the assignment made by the Receiver and expects those discussions to continue throughout the Power3's bankruptcy process. At this point the Company does not know how long the bankruptcy process may take. In August, 2012, the Company learned that the IP now belongs to the bankruptcy estate, and the Trustee has provided notice to the Patent and Trademark Office of the change in ownership. Further the Trustee willing to work with Amarantus with complying with Power 3's original agreement with Amarantus, and has put forth a proposal which the Company in reviewing. In November 2012, the Company responded to the Trustee's proposal and is currently waiting for a formal reply from the Trustee.

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In November, 2012 the Board of Directors granted 1,250,000 options to purchase Series B stock to certain officers and directors in consideration for services performed from May 27, 2011 to June 30, 2012 for which no consideration was paid. The Series B shall grant the Company a repurchase option exercisable within 90 days of the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including death or disability). In addition, the Series B is subject to the following vesting schedule: 25% vests immediately upon issuance, and the balance of the shares shall vest at the rate of one thirty-sixth (1/36) of the amount of shares based upon each year being a 12 month period, so that the shares will be vesting pro rata. For example, if 48,000 Series B shares are granted, 12,000 Series B shares shall vest immediately and 1,000 shares shall vest on a monthly basis for 36 months.

The Company issued a Convertible Promissory Note to Joseph Rubinfeld, co-founder of Amgen, in the principle amount of \$10,000. The Note bears interest at the rate of six percent (6%) per annum until paid in full and can convert into shares of the Company's common stock at a price of \$0.01 per share.

The Company issued a Convertible Promissory Note to an undisclosed high-net worth individual investor in the principle amount of \$50,000. The Note bears interest at the rate of six percent (6%) per annum until paid in full and can convert into shares of the Company's common stock at a price of \$0.05 per share, subject to certain provisions met by the Company. Certain uses of proceeds were required with the funding.

In November 2012, the Company issued a Convertible Promissory Note to an Dominion Capital, LLC (the "Investor") in the principal amount of \$600,000. The Note bears interest at the rate of ten percent (10%) per annum until paid in full and can convert into shares of the Company's common stock at a price of \$0.10 per share, subject to certain provisions met by the Company. The note is not convertible into common shares for 6 months, and the Company has the option to pay the note in cash at its discretion at any time. Monies will be paid to the Company in four separate tranches of \$150,000 over a 6 week period, subject to certain milestones. The Investor agreed to "no shorting" provisions.

In November 2012, the Company entered into another unrelated equity financing arrangement with Ironridge Global IV Ltd, a long-only institutional fund (the "Fund") that assists public companies in financing operations and expansion. The Company settled over \$500,000 in accounts payable, which the fund had acquired from various creditors of the Company, in exchange for shares of common stock. The transaction substantially reduced the Company's liabilities, including a portion of its outstanding accounts payable balance. Fund investor agreed to "no shorting" provisions.

In July 2012, the Company became aware of the escalation of a patent dispute, in the form of a formal hearing with the European brought forth by Hermo Pharma, Oy ("Hermo") based in Helsinki, Finland. Hermo had had sought to invalidate the Company's European Union composition of matter patents ("European Patents") based upon what the Company believed to be frivolous grounds. At a hearing held November 6th, 2012 the Opposition Division of the European Patent Office upheld the Company's European Patents relating to neurotrophic factor MANF, following opposition by rival Hermo. The Opposition Division held that the Opponent's arguments did not prejudice the maintenance of the European Patents as originally granted, with broad claims covering MANF and its derivatives. Hermo had not contested the validity of the European Patents on the basis of novelty or inventive step, but had objected to the broad scope of the claims. However, after due consideration of comprehensive legal and technical oral submissions from both sides, the Opposition Division rejected Hermo's arguments and upheld the European Patents claims without restriction.

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At a meeting held November 13th, 2012, the Board of Directors approved an increase in the authorized common shares of the corporation from 250,000,000 to 1,000,000,000. This increase was ratified by a written majority of voting of the common shares of the corporation in order to position the corporation for long-term growth. In conjunction with this decision, the Board and majority shareholders also approved relocating the Company's state of incorporation from Delaware to Nevada primarily due to certain tax considerations for the corporation going forward.

At a meeting held November 13th, 2012, the Board of Directors approved an increase in the 2008 Stock Option plan from 18,242,127 common shares to 50,000,000 common shares. The Company intends to be extremely diligent in issuing common shares under this Option Plan, with the primary purpose to incentivize and reward employees, significant consultants and advisors who will be contributing to the future success of the Company.

On November 16th, 2012, the Company became aware of a lawsuit filed by Alpha Capital Ansalt ("Alpha") in Federal court related to Alpha's April 24th, 2012 assignment of a non-convertible promissory note in the principle amount of \$150,000 dated October 4th, 2011 from Dr. Samuel Herschkowitz, a former advisor to the Company. It is the Company's understanding that Alpha paid \$165,000 to acquire the note from Dr. Herschkowitz and that in the Assignment and Escrow Agreement dated April 24th, Dr. Herschkowitz assigned the note to Alpha free and clear of all liens, mortgages, pledges, security interests, encumbrances or charges of any kind or description and upon consummation of the transaction, good title in the Note shall vest in Alpha, free of all liens and other charges. On November 8th, 2012 the Company repaid \$10,000 against the principle of the note by way of wire transfer. The Company intends to defend the corporation against this lawsuit and is reviewing legal options with counsel.

In January, 2012, the Company entered into a consulting agreement with MD Global Partners, LLC ("MD Global") related to certain broker-dealer advisory and consulting services for the Company. The Company worked with MD Global with the purpose of improving shareholder value and issued to MD Global 250,000 of Series A Preferred stock in consideration for services. The Company is currently negotiating a settlement of the Series A Preferred.

Effective November 14th, 2012, we appointed VStock Transfer as our transfer agent.

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 BioSciences, Inc. is a California-based development-stage biotechnology company founded in January 2008. We focus on developing our intellectual property and proprietary technology to develop drug candidates to treat human disease. We own the intellectual property rights to a therapeutic protein known as Mesencephalic-Astrocyte-derived Neurotrophic Factor (MANF").

MANF is a protein that corrects protein misfolding. Protein misfolding is one of the major causes of apoptosis (cell death). This property provides a compelling rationale for the research and development of MANF-based products as therapeutics for human disease. Our lead MANF product development effort is centered on a therapy for Parkinson's disease.

We also own an inventory of 88 cell lines that we refer to as PhenoGuard Cell Lines. MANF was the first therapeutic protein discovered from a PhenoGuard Cell Line. We believe that we may identify additional therapeutic proteins from its inventory of PhenoGuard Cell Lines.

Principal Products

Our philosophy is to acquire in-license, discover and develop biologics with the potential to address critically important biological pathways involved in human disease. Since our inception, we have been focused on developing MANF as a therapeutic for Parkinson's disease, and other apoptosis-related disorders. Our business plans are focused in these specific areas:

- Development of MANF to treat Parkinson's disease
- Development of MANF to treat other apoptosis-related disorders
- Exploration of our PhenoGuard Cell Lines for therapeutic protein discovery
- Evaluation of external drug candidates for potential in-licensure or acquisition

MANF: Overview

We own the intellectual property rights to a novel therapeutic protein called MANF acquired from EMS Development Group in 2008. MANF is a novel, endogenous, evolutionally conserved and widely expressed secreted human protein. We believe that MANF is the first of a new class of therapeutic proteins that are secreted in response to stressful physiological conditions in the body. MANF is believed to have mechanisms of action that are fundamentally different from other therapeutic proteins; MANF decreases the activity of apoptosis-causing enzymes, corrects protein misfolding and increases neurotransmitter release.

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MANF: Development Plan

We will focus on developing MANF as a therapeutic protein for Parkinson's disease with the intention of gaining Investigational New Drug Status with the FDA in order to initiate human clinical studies in the United States. We will gather further information on additional MANF applications and will evaluate product development programs as data becomes available.

For the next 12 months, we will focus our product development efforts on the completion of experiments in non-human primate models of Parkinson's disease. This will provide the experimental rationale for moving forward into human clinical studies for the treatment of Parkinson's disease.

Parkinson's Disease Overview

Parkinson's disease (PD) is a severe neurological disorder characterized by tremor, muscle rigidity, and an inability to walk with a steady gait. PD was first reported by James Parkinson in 1817. It is currently widely accepted that PD is primarily associated with the degeneration of a specific set of dopaminergic (DA) neurons in the human brain located in the midbrain. According to the NIH, symptoms begin to appear when 60-80% of these DA neurons have become dysfunctional or have died. Humans have roughly 1 million of these critical DA neurons in the midbrain that play a vital role in controlling motor functions such as walking, stability and overall muscle control. DA neurons release the neurotransmitter dopamine, which plays a critical role in motor function. When a person is diagnosed with PD, roughly 600,000 to 800,000 of these DA neurons have already degenerated or have died. The remaining DA neurons continue to degenerate as PD progresses until such a time when there aren't enough DA neurons left for the body to function. PD progresses at different rates in different patients. Ultimately, every patient becomes incapable of functioning independently at a certain point in the progression of his or her PD. According to the NIH, it is estimated that at least 500,000 people are afflicted with this disorder in the United States. PD generally affects patients later in life, with an average onset age of 60. NIH estimates the total cost to the nation exceeds \$6 billion annually.

Parkinson's Disease Market

According to a 2008 report generated by DataMonitor, there are over 1.5 million PD in the United States, Western Europe and Japan. It is widely accepted that with the increasing trend towards a longer lifespan coupled with the baby-boomer population approaching retirement, the incidence of Parkinson's disease is likely to double by in the next 20 years.

Deep Brain Stimulation

Deep brain stimulation (DBS) is a surgical procedure used to treat the symptoms associated with Parkinson's disease. At present, the procedure is used only for patients whose symptoms cannot be adequately controlled with medications. DBS uses a surgically implanted, battery-operated medical device called a neurostimulator, which is similar to a heart pacemaker and approximately the size of a stopwatch, to deliver electrical stimulation to targeted areas in the brain that control movement.

Unlike previous surgeries for PD, DBS minimizes tissue damage by focusing on neural pathways. Instead the procedure blocks electrical signals from targeted areas in the brain. Thus, if newer, more promising treatments develop in the future, the DBS procedure can be reversed. Stimulation from the neurostimulator is adjustable without further surgical intervention. Although most patients still need to take medication after undergoing DBS, many patients experience considerable reduction of their PD symptoms and are able to greatly reduce their medications. The amount of reduction varies from patient to patient but can be considerably reduced in most patients.

Competition: Disease-modifying Treatment in Development

There are several disease-modifying treatments under development seeking to address the key unmet medical need in Parkinson's disease treatment.

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- A. MedGenesis licensed GDNF protein rights from Amgen in January 2010. GDNF is a promising disease-modifying therapy for Parkinson's Disease.
- B. Ceregene reported Phase II data in 2010 of their neurturin gene therapy, showing improvement in Parkinson's symptoms (UPDRS) at 18 months vs. placebo. Genzyme licensed ex-US rights to this product. Ceregene is currently planning an additional Phase II study.
- C. Amsterdam Molecular has a preclinical GDNF gene therapy program under an exclusive license from Amgen for GDNF in gene therapy.

MANF is belongs to this category of therapies. Effective disease modifying treatments that become commercially available would dramatically affect the PD market, shifting the market from symptomatic drugs in favor of new disease modifying treatments and potentially growing the overall market

Manufacture of GMP quality MANF

We will outsource the manufacturing of the MANF Parkinson's Disease product to a Contract Manufacturing Organization ("CMO"), with special capabilities to manufacture biological drug candidates for submission and clinical testing under Food & Drug Administration ("FDA") guidelines.

Distribution & Marketing

We intend to develop its drug candidates and utilize its deep industry connections to effect partnering transactions with biopharmaceutical drug companies seeking to strategically fortify pipelines and fund the costly clinical development required to achieve successful commercialization. As such, we do not anticipate selling products directly into the marketplace; rather we will effect partnering transaction which will give us a distribution and marketing partner to sell our products into the marketplace, allowing us to focus on the research and product development which represent our core competencies.

Regulatory Compliance

Drug Development and distribution in the biotechnology and pharmaceutical industries in the United States is heavily regulated by the FDA. These regulations and policies relate to the safety and efficacy of drug candidates being developed for the US market. These regulations and policies are continually being updated to reflect the current state of the art in our understanding of science and human biology. The Affordable Healthcare for America Act passed in 2010 is an example of how the landscape in the healthcare and biotechnology space is continually evolving and subject to significant political influence.

The FDA imposed requirements represent a critical component to the overall development plan for Amaranthus' drug development candidates. Management will use all resources available to it to ensure that the Company develops its drug candidates in compliance with all applicable laws and regulations.

Intellectual Property

1. EU MANF Composition of Matter Patent
2. US MANF Composition of Matter Patent Application
3. US MANF Method of Use Patent Application
4. EU MANF Method of Use Patent Application
5. Japanese Method of Use Patent Application
6. Canadian Method of Use Patent Application
7. Chinese MANF Method of Use Patent Application
8. Indian MANF Method of Use Patent Application
9. Brazilian MANF Method of Use Patent Application
10. PCT Neurodegenerative disorders Method of Use Patent Application

Personnel

We currently have three (3) employees/consultants. Our current internal departments include Business Development, Finance, Research & Development and Administration. We are led by a management team that includes an engineer, a scientist, a finance executive and a business executive. We intend to expand our management team as operations ramp up to include additional technical staff required to achieve our business objectives.

Expected Changes In Number of Employees, Plant, and Equipment

We do not currently plan to purchase specific additional physical plant and significant equipment within the immediate future. We do not currently have specific plans to change the number of our employees during the next twelve months.

Results of Operations For Amaranus Biosciences, Inc. For The Three Months Ended September 30, 2012 and September 30, 2011

During the three months ended September 30, 2012, Amaranus generated no revenue and incurred \$591,504 in operating expenses, resulting in a loss from operations of \$591,504. Operating expenses consisted of research and development costs of \$32,837 and general and administrative expenses of \$558,668. During the three months ended September 30, 2012, Amaranus incurred interest expense of \$197,577 and other income of \$225,832 related to a change in fair value of warrant and derivative liabilities. Amaranus' net loss for the three months September 30, 2012 was \$564,378. Stock based compensation accounted for \$56,118 of the \$564,378 net loss for the three months ended September 30, 2012.

During the three months ended September 30, 2011, Amaranus generated revenue of \$35,280 and incurred \$493,301 in operating expenses, resulting in a loss from operations of \$458,022. Operating expenses consisted of research and development costs of \$132,496 and general and administrative expenses of \$360,805. During the three months ended September 30, 2011, Amaranus incurred interest expense of \$254,775 and other income of \$176,177 related to a change in fair value of warrant and derivative liabilities. Amaranus' net loss for the three months September 30, 2011 was \$671,620. Stock compensation of \$46,310 was included in the \$671,620 of net loss for the three months ended September 30, 2011.

Results of Operations For Amaranus Biosciences, Inc. For The Nine Months Ended September 30, 2011 and September 30, 2010

During the nine months ended September 30, 2012, Amaranus generated no revenue and incurred \$2,889,451 in operating expenses, resulting in a loss from operations of \$2,889,451. Operating expenses consisted of research and development costs of \$466,081 and general and administrative expenses of \$2,423,370. During the nine months ended September 30, 2012, Amaranus incurred interest expense of \$485,141 and other income of \$504,078 related to a change in fair value of warrant and derivative liabilities. Amaranus' net loss for the nine months September 30, 2012 was \$2,871,643. Stock compensation accounted for \$75,178 of the \$2,871,643 net loss for the nine months ended September 30, 2012.

During the nine months ended September 30, 2011, Amaranus generated \$213,588 of revenue and incurred \$2,234,294 in operating expenses, resulting in a loss from operations of \$2,020,706. Operating expenses consisted of research and development costs of \$897,982 and general and administrative expenses of \$1,336,312. During the nine months ended September 30, 2011, Amaranus incurred interest expense of \$485,121, other income of \$339,359 related to a change in fair value of warrant and derivative liabilities. Amaranus' net loss for the nine months September 30, 2011 was \$2,301,468. Stock compensation accounted for \$599,145 of the \$2,301,468 net loss for the nine months ended September 30, 2011.

Inflation adjustments have had no material impact on the Company.

Off-balance-sheet arrangements.

Pursuant to the terms of certain contractual agreements, we have agreed to compensate certain vendors for services rendered contingent upon the occurrence of future financings. These transactions are described more fully under Liquidity and Capital Resources, below, and in Note 12 to our financial statements. These obligations are not reflected in our accounts and represent an off balance sheet liability contingent upon achieving the respective funding levels specified in the relevant agreements.

Liquidity and Capital Resources

As of September 30, 2012, we had current assets in the amount of \$304,390 consisting of \$580 in cash and cash equivalents and \$303,810 in prepaid expenses and other current assets. As of September 30, 2012, we had current liabilities in the amount of \$4,615,135, consisting of \$2,605,264 in accounts payable, \$153,481 in accrued liabilities, \$222,230 in related party liabilities, \$190,440 in notes payable, \$255,451 in current portion of warrant liability, \$30,092 in the current portion of derivative liabilities, and \$1,158,176 in the current portion of convertible promissory notes. As of September 30, 2012, we had a working capital deficit in the amount of \$4,310,745.

The Company owes the principal amount of \$230,000 to a total of six (6) investors who were issued Convertible Promissory Notes under the terms of a Convertible Promissory Note Agreement dated December 13, 2010 and amended on March 23, 2011 as follows:

	Principal Amount	Issue Date	Maturity Date
\$	100,000	12-13-10	12-13-12
\$	25,000	4-11-11	4-11-13
\$	35,000	4-15-11	4-15-13
\$	10,000	4-22-11	4-22-13
\$	50,000	4-27-11	4-27-13
\$	10,000	6-6-11	6-6-13

These notes bear interest at a rate of 5% per annum, with all principal and accrued interest payable on the maturity date. Principal and unpaid accrued interest due under these notes shall be automatically converted into our equity securities at the closing of our next equity financing in which the gross proceeds exceed \$1,000,000 (the Next Equity Financing”), based on a conversion price equal to one-third of the price per share of the stock sold to outside investors in the Next Equity Financing. If the Next Equity Financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted at our option into shares of our most recently closed equity financing, based on a conversion price equal to one-third of the price per share of the most recently closed equity financing.

In addition, we previously owed the principal sum of \$41,537 to Molecular Medicine Research Institute (MMRI”), who was issued a series of Convertible Promissory Notes under the terms of a Note and Warrant Purchase Agreement as follows:

	Principal Amount	Issue Date	Maturity Date	
\$	16,037	11-1-10	11-1-12	Note principal and accrued interest assigned June, 2012
\$	4,250	12-1-10	12-1-12	Note principal and accrued interest assigned June, 2012
\$	4,250	1-1-11	1-1-13	Note principal and accrued interest assigned June, 2012
\$	4,250	2-1-11	2-1-13	
\$	4,250	3-1-11	3-1-13	
\$	4,250	4-1-11	4-1-13	
\$	4,250	5-1-11	5-1-13	

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These notes bear interest at a rate of 5% per annum, with all principal and accrued interest payable on demand by the holder on or after the maturity date. Principal and unpaid accrued interest due under these notes shall be converted, at the option of the holder, into our equity securities at the closing of our next equity financing in which the gross proceeds exceed \$1,000,000 (the Next Equity Financing”), based on a conversion price equal to the price per share of the stock sold to outside investors in the Next Equity Financing. If the Next Equity Financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted at our option into a new class of Preferred Stock, with the conversion price per share to be based upon a pre-money valuation of the company at that time of \$2,000,000. These notes also include 20% warrant coverage which expires seven years from the date of the note. In September 2012, \$24,537 of the note principal plus accrued interest was assigned to a new investor. Along with this assignment the warrants associated with these specific notes have been cancelled.

We are currently party to a Sponsored Research Agreement (“SRA”) with MMRI under which we are provided office and laboratory space, use of research equipment, and other items within MMRI’s research facility in exchange for a monthly Sponsor Research Fee. The notes detailed above, in conjunction with certain warrants to purchase stock, were issued in payment of 50% of the respective monthly fees due under this agreement. In September 2012 we terminated our SRA and entered into a month to month Storage Agreement which provides storage for the frozen cell lines.

In addition, we owe the principal sum of \$12,240 to The Parkinson’s Institute, which was issued a Convertible Promissory Note under the terms of a Note and Warrant Purchase Agreement dated August 25, 2010. This note bears interest at a rate of 5% per annum, with all principal and accrued interest payable on demand by the holder on or after the maturity date of August 25, 2012. Principal and unpaid accrued interest due under this note shall be automatically converted into our equity securities at the closing of our next equity financing in which the gross proceeds exceed \$1,000,000 (the Next Equity Financing”), based on a conversion price equal to the price per share of the stock sold to outside investors in the Next Equity Financing. If the Next Equity Financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted at our option into a new class new class of Preferred Stock, with the conversion price per share to be based upon a pre-money valuation of the company at that time of \$2,000,000. In addition the note holder has warrant coverage equal to 5% of the note principal with a warrant exercise price equal to the next equity financing per share price, and expiration seven years from the date of the note. In September 2012, \$12,240 of the note principal plus accrued interest was assigned to a new investor. Along with this assignment the warrants associated with these notes have been cancelled.

In June, 2012, we entered into a convertible note agreement with an investor for a principal amount of \$39,831. This note bears an interest rate of 12% per annum, compounded monthly, and has a maturity date of June 5, 2013. The note holder has the option to convert the note into common stock at any time, conversion at 55% of the lowest trading price over the prior three trading days from the date of conversion. We have the option to prepay the note at any time in the amount of 150% of the principal and unpaid accrued interest. This note represents the assignment of the Parkinson’s and MMRI notes discussed earlier. In June 2012 the note holder converted \$9,831 into common stock. In August 2012 the note holder assigned their remaining balance, \$30,000, plus accrued interest to a new note holder.

Also, in June 2012, we entered into a convertible note agreement with an investor for a principal amount of \$21,500. This note bears an interest rate of 12% per annum and has a maturity date of January 6, 2013. The note holder has the option to convert the note into common stock at any time, conversion at 55% of the average of the three lowest trading prices over the prior ten trading days from the date of conversion. We have the option to prepay note at any time in the amount of 150% of the principal and unpaid accrued interest within the first ninety days.

In August, 2012, we entered into a convertible note agreement with an investor for a principal amount of \$30,880. This note bears an interest rate of 12% per annum, compounded monthly, and has a maturity date of June 5, 2013. The note holder has the option to convert the note into common stock at any time, conversion at 55% of the lowest trading price over the prior three trading days from the date of conversion. We have the option to prepay the note at any time in the amount of 150% of the principal and unpaid accrued interest. This note is an assignment of a previous note. Also in September, 2012, the note holder converted \$10,805 of the principal into common shares of the Company.

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In September, 2012, we entered into a two separate convertible note agreement with an investor for a principal amount of \$30,000 and \$42,000, both the result of prior issued note assignments. These note bear an interest rate of 12% per annum, and have a maturity date of September 14, 2013 and September 27, 2013, respectively. The note holder has the option to convert the notes into common stock at any time, conversion at 50% of the lowest trading price over the prior twenty trading days from the date of conversion. We have the option to prepay the note at any time in the amount of 125% of the principal and unpaid accrued interest. Also in September, 2012, the note holder converted all of the \$30,000 note principal into common shares of the Company.

We also owe the principal sum of \$500,000 to a total of ten (10) investors who were issued Secured Convertible Promissory Notes under the terms of a Senior Secured Convertible Promissory Note Agreement dated December 28, 2010, as amended May 20, 2011 as follows:

Principal Amount	Issue Date	Maturity Date	Assigned
\$ 125,000	12-28-10	12-6-11	\$ 42,000 Assigned August 2012
\$ 62,500	12-28-10	12-6-11	\$
\$ 100,000	4-15-11	12-6-11	\$
\$ 25,000	4-18-11	12-6-11	\$
\$ 25,000	5-13-11	12-6-11	\$
\$ 50,000	5-19-11	12-6-11	\$
\$ 25,000	5-24-11	12-6-11	\$
\$ 25,000	5-24-11	12-6-11	\$
\$ 31,250	6-7-11	12-6-11	\$
\$ 31,250	6-9-11	12-6-11	\$

Principal and interest, accrued at the rate of 5% per annum, are due and payable on December 6, 2011, unless earlier converted into equity securities of the company. Principal and unpaid accrued interest shall be converted, at the option of the holder, into equity securities of the company at the closing of our next equity financing in which gross aggregate proceeds to the Company exceed \$1,750,000 and the Company registers its stock for sale pursuant to the Securities and Exchange Act of 1934. The conversion price shall be equal to one-third of the price per share of this financing. If this financing does not occur on or before the maturity date, the principal and unpaid accrued interest can be converted, at the option of the holders of a majority of the aggregate principal amount of the senior secured convertible promissory notes, into common stock of the Company. These notes were formerly secured by collateral consisting of substantially all assets of the company. Under the May 20, 2011 amendment to the Senior Secured Convertible Promissory Note Agreement, this security interest was terminated. Under the terms of the agreement as amended, we may not incur any indebtedness for borrowed money except pursuant to an agreement that provides that repayment of such indebtedness will be subordinated to repayment of the Notes. In addition, we may not encumber any of our property during such time as the Notes remain due and owing. As provided in the amendment the note holders have warrant coverage equal to 100% of the note principal at an exercise price equal to 100% of that to outside investors in the closing of the next equity financing of \$1,175,000, but not to be less than \$0.60 per share. The warrants expire five years from the date of the next equity financing closing. We are currently in default on these notes. See footnote 9 Commitments and Contingencies for further information.

During the twelve months ended December 31, 2011, the Company issued convertible promissory notes to various investors for aggregate proceeds of \$90,000. Principal and interest on these convertible notes, accrued at the rate of 6% per annum, are due and payable 180 days from the issuance date, unless earlier converted into equity securities of the Company, at the option of the Holder of the promissory note. Conversion of the principal and interest will be at either \$0.10 or \$0.20 per share. In addition, the Company issued warrants to the note holders to purchase a number of shares of capital stock issued to investors at the equivalent of 100% of the principal amount of the notes divided by the respective price per share of the stock which the principal of the note converts into. The warrants expire one year from the date of the note. During the nine months ended September 30, 2012, \$57,000 of these convertible notes converted to Company Common shares and another \$20,000 was assigned to another note holder in September 2012.

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Principal Amount	Issue Date	Maturity Date	Converted to Equity	Assigned	Assigned or Conversion Date
\$ 21,000	7-28-11	1-24-12	\$ 21,000	\$	February 2012
\$ 21,000	7-28-11	1-24-12	\$ 21,000	\$	February 2012
\$ 10,000	8-16-11	2-12-12	\$	\$	
\$ 20,000	8-18-11	2-14-12		\$ 20,000	September 2012
\$ 5,000	9-6-11	3-4-12	\$ 5,000	\$	February 2012
\$ 5,000	9-9-11	3-7-12	\$ 5,000	\$	February 2012
\$ 3,000	9-26-11	3-24-12	\$	\$	
\$ 5,000	11-2-11	4-30-12	\$ 5,000	\$	February 2012

During the period October, 2011 through September 30, 2012, the Company issued convertible promissory notes to various investors for aggregate proceeds of \$283,688. Principal and interest on these convertible notes accrue at the rate of 6% per annum, are due and payable 180 days from the issuance date, unless earlier converted into equity securities of the Company, at the option of the Holder of the promissory note. Conversion of the principal and interest will be at either \$0.01 or \$0.165 per share.

Principal Amount	Issue Date	Maturity Date	Converted to Equity	Conversion Date
\$ 5,000	10-27-11	4-24-12	\$ 5,000	February 2012
\$ 10,000	11-23-11	5-21-12		
\$ 30,000	11-30-11	5-28-12	\$ 30,000	February 2012
\$ 10,000	12-8-11	6-5-12	\$ 10,000	February 2012
\$ 5,000	12-14-11	6-11-12	\$ 5,000	February 2012
\$ 5,000	12-30-11	6-27-12	\$ 5,000	February 2012
\$ 3,638	1-5-12	7-3-12		
\$ 100,000	1-17-12	7-15-12		
\$ 7,800	2-8-12	8-6-12		
\$ 3,750	2-21-12	8-19-12	\$ 3,750	February 2012
\$ 25,000	4/2/12	9/29/12	\$ 25,000	April 2012
\$ 5,000	5/18/12	11/14/12	\$	
\$ 13,000	6/6/12	12/3/12		
\$ 5,000	7/10/12	1/6/13		
\$ 50,000	8/23/12	2/19/13		
\$ 5,500	9/4/12	3/3/13		

In March, 2012, \$9,500 of convertible note principle was issued as part of a unit debt instrument which consisted of a return on investment ("ROI") agreement and a convertible promissory note in return for \$10,000. The ROI has a redemption value of \$10,500 due on demand and the convertible promissory note is for \$9,500, non-interest bearing, due September 20, 2012, and is convertible to common shares after six months from the date of the note at a conversion price that is 50% of the lowest trading price over the 20 prior trading dates from the date of conversion notice. In September 2012 the convertible note converted to common stock.

In August, 2012, \$6,066 of convertible note principle was issued as part of a unit debt instrument which consisted of a return on investment ("ROI") agreement and a convertible promissory note in return for \$6,066. The ROI has a redemption value of \$672.44 due on demand and the convertible promissory note is for \$6,066, non-interest bearing, due February 21, 2013, and is convertible to common shares after six months from the date of the note at a conversion price that is 50% of the lowest trading price over the 20 prior trading dates from the date of conversion notice. In September 2012 the convertible note converted to common stock.

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During the six months ended June 30, 2012, the Company issued two convertible promissory notes to one investor totaling \$39,325 Principal and interest on these convertible notes accrued at the rate of 12% per annum. The holder of the note can convert the note to common shares of the Company at any at 50% of lowest trading bid price for prior twenty trading days before conversion. Both notes were converted to on the same day as the issuance date.

Principal		Issue Date	Maturity Date	Converted to Equity		Conversion Date
Amount						
\$	15,000	3/9/12	10-27-12	\$	15,000	3/9/12
\$	24,325	5/4/12	11/4/12	\$	24,250	5/4/12

During the six months ended June 30, 2012, the Company issued four convertible promissory notes to one investor totaling \$91,500. Principal and interest on these convertible notes accrue at the rate of 8% per annum. The holder of the note can convert the note to common shares of the Company any time after the initial 180 days of the note at a conversion price that is a percentage of an average of the market low over for a certain number days over a greater number of prior number of trading days from the date of notice to convert.

Principal		Issue Date	Maturity Date	Converted to Equity		Conversion Date
Amount						
\$	37,500	2-7-12	10-27-12	\$	24,000	August 2012
					2,767	September 2012
\$	17,000	3/19/12	12-21-12	\$		
\$	13,000	5/3/12	2/7/13	\$		
\$	24,000	6/13/12	5/13/12	\$		

In January, 2012, a vendor convertible their trade account to convertible promissory notes for the amount due them at the time of the note plus future billings, amounting to \$244,988. These notes accrue interest at 8.5% and have the option to convert to common stock at any time by the note holder, at a conversion price of \$0.11 per share. These notes are payable upon demand.

A number of Company's convertible notes contain embedded derivatives wherein their automatic conversion, which is contingent upon a future equity raise, can accelerate the realization of the expected payout for each note. This feature creates the possibility of a greater than expected return for the note holder and thus a higher than expected liability for the Company. The value of this feature was estimated for each note using the probability expected return method, in which the payout of distinct potential early conversion scenarios was discounted to the present using the expected IRR of the note and compared with the present value of the note if held to maturity. Probabilities were applied to the value of early conversion in each scenario to arrive at a probability weighted value of the early conversion feature.

As of September 30, 2012 and December 31, 2011, the fair value of the derivative liability was \$30,092 and \$140,706, respectively. The changes in fair value for the three month periods ended September 30, 2012 and September 30, 2011 of \$226,429 and \$152,453 respectively, and for the nine month periods ended September 30, 2012 and September 30, 2011 of \$480,524 and \$312,907 respectively, and the period from January 14, 2008 (date of inception) to September 30, 2012 of \$889,742 have been recorded in the accompanying statements of operations as a component of other income (expense).

In connection with certain liabilities incurred in connection with our June 5, 2008 acquisition of the intellectual property rights to the MANF protein compound, we have an outstanding Promissory Note issued as follows:

Note Payable To:	Amount	Due Date
Neurotrophics, Inc.	\$ 222,083	3-5-15

This note bears interest at the rate of 2% per annum.

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On April 24, 2012 the note that existed between Dr. Samuel Herschkowitz and the Company was assigned to Alpha Capital Anstalt.

Note Payable To:	Amount	Due Date
Alpha Capital Anstalt	\$ 150,000	4-1-12

The balance due under the Note bears interest at the rate of twenty percent (20%) per year.

November 14, 2012, the Company issued a Convertible Promissory Note to an undisclosed institutional investor (the “Investor”) in the principal amount of \$600,000. The Note bears interest at the rate of ten percent (10%) per annum until paid in full and can convert into shares of the Company’s common stock at a price of \$0.10 per share, subject to certain provisions met by the Company. The note is not convertible into common shares for 6 months, and the Company has the option to pay the note in cash at its discretion at any time. Monies will be paid to the Company in four separate tranches of \$150,000 over a 6 week period, subject to certain milestones. The Investor agreed to “no shorting” provisions.

Also on November 14, 2012, the Company entered into an another unrelated equity financing arrangement with a separate long-only institutional fund (the “Fund”) that assists public companies in financing operations and expansion. The Company settled over \$500,000 in accounts payable, which the fund had acquired from various creditors of the Company, in exchange for shares of common stock. The transaction substantially reduced the Company’s liabilities, including a portion of its outstanding accounts payable balance. Fund investor agreed to “no shorting” provisions.

We will need to raise significant financing in order to continue to operate and execute our business plan. It will cost roughly \$1,000,000 to complete our next major milestone. Additionally, we will need ongoing operating capital to retain employees, pay creditors and ongoing expenses, as well as execute non-core aspects of our business plan, which management believes will yield significant value to its shareholders.

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 equity fundraising or shareholders loans. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. 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 its disposal to raise sufficient capital to run its operations on a go forward basis.

We were founded in 2008 to advance novel therapies for human disease. We were seeking to raise capital from new investors when the financial-collapse of 2008 resulted in a prolonged depression. This financial collapse dramatically altered the financing environment for biotechnology companies seeking to access the capital markets to obtain financing to advance their research and development activities. The trend of difficult access to the capital markets has continued through to the current fundraising environment and has been evidenced by reduced pricing and lower capital raises in many biotechnology-related initial public offerings.

We have been successful in raising convertible note financing from various individual investors over the last several months. This is an encouraging trend that we expect to continue as we continue operations. We will use commercially-reasonable efforts going forward to raise equity financing and other financing instruments to raise sufficient capital to continue operations and meet our major milestones.

Off Balance Sheet Arrangements

Pursuant to the terms of certain contractual agreements, we have agreed to compensate certain vendors for services rendered contingent upon the occurrence of future financings. These transactions are described more fully under Liquidity and Capital Resources, below, and in Note 9 to our financial statements. These obligations are not reflected in our accounts and represent an off balance sheet liability contingent upon achieving the respective funding levels specified in the relevant agreements.

Going Concern

We are a development stage company engaged in biotechnology research and development. We have suffered recurring losses from operations since inception, have a working capital deficit, and have generated negative cash flow from operations. For these reasons, our auditors have raised a substantial doubt about our ability to continue as a going concern.

Critical Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Certain Significant Risks and Uncertainties - The Company participates in a global dynamic highly competitive industry and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position, results of operations, or cash flows: ability to obtain future financing; advances and trends in new technologies and industry standards; regulatory approval and market acceptance of the Company's products; development of the necessary manufacturing capabilities and to obtain adequate resources of necessary materials; development of sales channels; certain strategic relationships; litigation or claims against the Company based on intellectual property, patent, product, regulatory, or other factors; and the Company's ability to attract and retain employees necessary to support its growth.

Concentration of Credit Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with domestic financial institutions that are federally insured within statutory limits.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Equipment	3 years
Computer equipment	2 years
Furniture and fixtures	3 years

The Company reviews the carrying value of long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. There have been no such impairments.

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Revenue Recognition - The Company recognizes revenue when the earnings process is complete, which under SEC Staff Accounting Bulletin No. 104, Topic No. 13, "Revenue Recognition" ("SAB 104"), is when revenue is realized or realizable and earned, there is persuasive evidence a revenue arrangement exists, delivery of goods or services has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

The Company accounts for milestones related to research and development activities in accordance with the milestone method of revenue recognition of Accounting Standards Codification Topic 605-28, under which consideration contingent on the achievement of a substantive milestone is recognized in its entirety in the period when the milestone is achieved. A milestone is considered to be substantive when it meets all of the following criteria: the milestone is commensurate with either the performance required to achieve the milestone or the enhancement of the value of the delivered items resulting from the performance required to achieve the milestone; the milestone relates solely to past performance; and, the milestone is reasonable relative to all of the deliverables and payment terms within the agreement.

Research and Development Expenditures - Research and development expenses consist of personnel costs, including salaries, benefits and stock-based compensation, materials and supplies, licenses and fees, and overhead allocations consisting of various administrative and facilities related costs. Research and development activities are also separated into three main categories: research, clinical development, and biotechnology development. Research costs typically consist of preclinical and toxicology costs. Clinical development costs include costs for Phase 1 and 2 clinical studies. Biotechnology development costs consist of expenses incurred in connection with product formulation and analysis. The Company charges research and development costs, including clinical study costs, to expense when incurred, consistent with the guidance of FASB ASC 730, Research and Development.

Stock-Based Compensation - Stock-based compensation is measured at the grant date based on the fair value of the award. The fair value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. The expense recognized for the portion of the award that is expected to vest has been reduced by an estimated forfeiture rate. The forfeiture rate is determined at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Expected Term — The expected term of options represents the period that the Company's stock-based awards are expected to be outstanding based on the simplified method provided in Staff Accounting Bulletin No. 110, *Certain Assumptions Used in Valuation Methods*.

Expected Volatility — As the Company has limited stock price history, expected volatility has been estimated based on the volatilities of similar companies that are publicly traded.

Risk-Free Interest Rate — The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

Expected Dividend — The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and, therefore, used an expected dividend yield of zero in the valuation model.

The Company recognizes fair value of stock options granted to nonemployees as stock-based compensation expense over the period in which the related services are received.

Stock Warrants - Certain warrants to purchase the Company's stock are classified as liabilities in the balance sheets. These warrants are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of other income (expense). Other warrants to purchase the Company's convertible preferred stock are classified as equity in the balance sheet and are not subject to remeasurement.

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Derivative Liability - Certain derivatives embedded within convertible promissory notes have been bifurcated and recorded as derivatives in the balance sheets because they are not clearly and closely related. These derivatives are subject to remeasurement at each balance sheet date, and any change in fair value is recognized as a component of other income (expense).

Income Taxes - The Company accounts for income taxes using the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

In evaluating the ability to recover its deferred income tax assets, the Company considers all available positive and negative evidence, including its operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction-by-jurisdiction basis. In the event the Company determines that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, it would make an adjustment to the valuation allowance that would reduce the provision for income taxes. Conversely, in the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made.

The Company recognizes the tax benefit from uncertain tax positions in accordance with GAAP, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a company's tax return.

Fair Value of Financial Instruments -The carrying amount reported in the balance sheets for cash and cash equivalents, accounts payable, and accrued liabilities approximates their value due to the short-term maturities of such instruments.

Net income (loss) per share attributable to Amaratius common stockholders

Basic net income (loss) per share attributable to Amaratius common stockholders is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares outstanding for the period. In accordance with FASB ASC 260, because there was a net loss for the period, zero incremental shares were included for diluted earnings per share because the effect would be antidilutive.

Recently Issued Accounting Pronouncements

Our management has considered all recent accounting pronouncements issued since the last audit of our financial statements. Our management believes that these recent pronouncements will not have a material effect on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4. 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 December 31, 2012. This evaluation was carried out under the supervision and with the participation of Gerald Commissiong, our Chief Executive Officer, and Marc E. Faerber, our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2012, our disclosure controls and procedures were ineffective as of the end of the period covered, 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. As of December 31, 2012, we did not have sufficient funds to hire another employee. There have been no changes in our internal controls over financial reporting during the quarter ended December 31, 2012.

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

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. 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 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 internal 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, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On January 6, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract, Specific Performance and Common Counts) against the Company by a former consultant to the Company, Peter Freeman v. Amarantus Biosciences, Inc. The Company intends to defend ourselves vigorously. The Company is unable to predict the likelihood of an unfavorable outcome or estimate its potential liability, if any, and no provision has been made in its financial statements for this matter. In August, 2012, the company reached a settlement with Mr. Freeman whereby he will receive payment of \$44,000 in monthly installments of \$5,000 until fully paid.

On August 8, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract) against the Company by On Assignment Staffing Services, Inc., a temporary staffing agency, for outstanding debts of \$36,414 allegedly due On Assignment Staffing Services, Inc.

In addition the Company is in default on payment of certain Convertible Notes that were due as of December 6, 2011 and is also late with regard to making payments to various trade account vendors for goods and services received, of which some accounts are currently with collection agencies and could possibly result in lawsuits with the Company.

Power3 Medical Products, Inc. ("Power3") entered into a License Agreement with Amarantus BioSciences, Inc. ("our", "us", or "we") on January 16, 2012 to, among other things, license the NuroPro diagnostic test for Parkinson's disease to us (the "Agreement"). As part of the Agreement, we were granted an option to acquire certain intellectual property, and a right of first refusal to acquire certain intellectual property (collectively the "IP"). We recently found out the Agreement was entered into at a time when Power3 may not have had the authority to enter into the Agreement.

On June 26th, 2012, we became aware of a previously undisclosed legal dispute between Power3 and NeoGenomics, Inc. ("NeoGenomics") where certain intellectual property assets of Power3 were placed into receivership in September 2011 in the State of Texas as a result of an unpaid note to NeoGenomics. On June 15, 2012 Power3 filed for Chapter 7 bankruptcy. However, on June 7th, 2012, the receiver sold, among other things, Power3's IP to NeoGenomics. Although this sale may be considered a preference in the Power3 Bankruptcy, at this time NeoGenomics may have title to certain intellectual property of Power3.

On April 12, 2012 our representatives appeared at bankruptcy related meeting of creditors of Power3. Ira Goldknopf, the President of Power3, testified for Power3. In the meeting it was discussed, among other things, that (i) Power3 had not transferred any of our stock, other than providing \$25,000 worth of our stock to its attorney; (ii) that another entity may own a portion of the IP; (iii) NeoGenomics was not a secured creditor when they credit bid their claim in the receivership; and (iv) the status of the license and ownership of the IP is still in question.

In August, 2012, the Company learned that the IP now belongs to the bankruptcy estate, and the Trustee has provided notice to the Patent and Trademark Office of the change in ownership. Further the Trustee willing to work with Amarantus with complying with Power 3's original agreement with Amarantus, and has put forth a proposal which the Company is reviewing. In November 2012, the Company responded to the Trustee's proposal and is currently waiting for a formal reply from the Trustee.

We are continuing to review our legal options with respect to the material misrepresentations made by the officers of Power3 and our rights in the IP.

On April 17, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract, Account Stated, and Reasonable Value) against the Company by Trinet HR, a former payroll services provider to the Company, Trinet HR v. Amarantus Biosciences, Inc. The suite of for a total of \$12,196 for services previously provided to the Company.

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On August 8, 2012 the Company was served a summons regarding the filing of a lawsuit (Complaint for Breach of Contract) against the Company by On Assignment Staffing Services, Inc., a temporary staffing agency, for outstanding debts of \$36,414 allegedly due On Assignment Staffing Services, Inc.

In July 2012, the Company became aware of the escalation of a patent dispute, in the form of a formal hearing with the European Union brought forth by Hermo Pharma, Oy (“Hermo”) based in Helsinki, Finland. Hermo had sought to invalidate the Company’s European composition of matter patents (“European Patents”) based upon what the Company believed to be frivolous grounds. At a hearing held November 6th, 2012 the Opposition Division of the European Patent Office upheld the Company’s European Patents relating to neurotrophic factor MANF, following opposition by rival Hermo . The Opposition Division held that the Opponent’s arguments did not prejudice the maintenance of the European Patents as originally granted, with broad claims covering MANF and its derivatives. Hermo had not contested the validity of the European Patents on the basis of novelty or inventive step, but had objected to the broad scope of the claims. However, after due consideration of comprehensive legal and technical oral submissions from both sides, the Opposition Division rejected Hermo’s arguments and upheld the European Patents claims without restriction.

On November 16th, 2012, the Company became aware of a lawsuit filed by Alpha Capital Ansalt (“Alpha”) in Federal court related to Alpha’s April 24th, 2012 assignment of a non-convertible promissory note in the principle amount of \$150,000 dated October 4th, 2011 from Dr. Samuel Herschkowitz, a former advisor to the Company. It is the Company’s understanding that Alpha paid \$165,000 to acquire the note from Dr. Herschkowitz and that in the Assignment and Escrow Agreement dated April 24th, Dr. Herschkowitz assigned the note to Alpha free and clear of all liens, mortgages, pledges, security interests, encumbrances or charges of any kind or description and upon consummation of the transaction, good title in the Note shall vest in Alpha, free of all liens and other charges. On November 8th, 2012 the Company repaid \$10,000 against the principle of the note by way of wire transfer. The Company intends to defend the corporation against this lawsuit and is reviewing legal options with counsel.

In January, 2012, the Company entered into a consulting agreement with MD Global Partners, LLC (“MD Global”) related to certain broker-dealer advisory and consulting services for the Company. The Company worked with MD Global with the purpose of improving shareholder value and issued to MD Global 250,000 of Series A Preferred stock in consideration for services. The Company is currently negotiating the settlement of the Series A Preferred.

Item 1A: Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

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

None

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

We issued a Convertible Promissory Note to Dominion Capital, LLC (the “Investor”) in the principal amount of \$600,000. The Note bears interest at the rate of ten percent (10%) per annum until paid in full and can convert into shares of our common stock at a price of \$0.10 per share, subject to our meeting certain provisions. The note is not convertible into common shares for 6 months, and we have the option to pay the note in cash at our discretion at any time. Monies will be paid to us in four separate tranches of \$150,000 over a 6 week period, subject to certain milestones. The Investor agreed to “no shorting” provisions.

We entered into another unrelated equity financing arrangement with Ironridge Global IV Ltd (the “Ironridge”) that assists public companies in financing operations and expansion. We settled over \$511,310 in accounts payable, which the fund had acquired from various creditors of the Company, in exchange 23 million shares of the Company’s common stock. The settlement, which was approved by the Court, provided for issuance of that number of Company common shares that would equal the debt amount plus eight (8%), plus attorney fees divided by eighty (80%) of the closing price of the Company’s common stock on the day prior to the Court’s approval of the Settlement Agreement. If the number of shares required to be issued pursuant to the settlement calculation is more or less than 23 million shares, Ironridge must return shares or be entitled to receive more shares. Ironridge agreed to “no shorting” provisions.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1	Convertible Promissory Note issued to Dominion Capital, LLC
10.2	Stipulation and Order with Ironridge Global IV, Ltd.
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 and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 BioSciences, Inc.

Date: November 19, 2012

By: /s/ Gerald E. Commissiong
Gerald E. Commissiong
Title: **Chief Executive Officer and Director**

By: /s/ Marc E. Faerber
Marc E. Faerber
Title: **Chief Financial Officer**

NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$600,000.00
Purchase Price: \$600,000.00

Issue Date: NOVEMBER 14, 2012

CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, AMARANTUS BIOSCIENCES, INC., a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of DOMINION CAPITAL LLC, or registered assigns (the "Holder") the sum of SIX HUNDRED THOUSAND dollars (\$600,000.00), pursuant to the terms set forth in the Amortization Schedule (Appendix A) to be completely repaid on June 3, 2013 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at a guaranteed rate of ten percent (10%) (the "Interest Rate") from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth in Section 2.9 hereof. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of fifteen percent (15%) per annum from the due date thereof until the same is paid ("Default Interest"). All payments due hereunder (to the extent not converted into common stock, (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall apply to this Note:

ARTICLE I. PURCHASE PRICE

1.1 Purchase Price. The Borrower and Holder agree that the Purchase Price for the Note shall be \$600,000.00. Dominion Capital, LLC will fund \$10,000 upon signing; \$140,000 upon successful completion of due diligence "Stage 1"; \$150,000 upon successful completion of due diligence "Stage 2"; \$150,000 upon successful completion of due diligence "Stage 3"; \$150,000 upon successful completion of due diligence "Stage 4".

1.2 Amortization Payments. Starting on MAY 13, 2013 and continuing on each following Monday thereafter, the Borrower shall redeem one-fourth (1/4) of the face amount of this Note (inclusive of interest as indicated) (each, an "Amortization Payment") in accordance with the attached Amortization Schedule (Appendix A.) Each Amortization Payment shall, at the option of the Borrower, be made in cash or, subject to the Borrower complying with the Equity Conditions described in section 1.3, be made in registered Common Stock.

1.3 Equity Conditions. In order to issue shares of Common Stock for an Amortization Payment, the Borrower at the time of such issuance have met the following conditions:

- (a) The Borrower shall be in material compliance with the terms of this Note, the Purchase Agreement, and the Warrants, including, without limitation, the Company shall have timely honored all conversion and exchange requests hereunder;
- (b) The Holder shall be issued shares of registered Common Stock or shares of Common Stock that are freely tradable without restriction;
- (c) There is sufficient Reserved Amount, as such term is defined in the Purchase Agreement;
- (d) If the Company elects to pay interest or an Amortization Payment in shares of Common Stock, then the Company shall deliver a written notice to the Holder of its election to make a payment with shares of Common Stock. Such notice must be received at least ten (10) trading days prior to the applicable interest payment date or Amortization Payment date. Such shares of Common Stock so delivered will be valued at seventy percent (70%) of the average daily VWAP for the five (5) lowest of the ten (10) trading day period ending the day prior to the applicable interest payment date or Amortization Payment date, as applicable.

ARTICLE II. CONVERSION RIGHTS

2.1 Conversion Right. The Holder shall have the right from time to time, and at any time during the period beginning on the date of this Note and ending on the later of (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article IV) pursuant to Section 2.6(a) or Article IV, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non- assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Note or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 2.4 below; provided that the Notice of Conversion is submitted by facsimile (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Borrower's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, provided, however, that the Company shall have the right to pay any or all interest in cash plus (3) at the Borrower's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 2.3 and 2.4(g) hereof.

2.2 Conversion Price.

(a) Calculation of Conversion Price. The conversion price (the “Conversion Price”) shall be the Fixed Conversion Price (as defined herein)(subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower’s securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The “Fixed Conversion Price” shall mean seven cents (\$0.10).

(b) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to purchase 50% or more of the Borrower’s Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the “Announcement Date”), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date (as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in this Section 2.2(b). For purposes hereof, “Adjusted Conversion Price Termination Date” shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 2.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 2.2(b) to become operative.

2.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved five times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Note in effect from time to time) (the “Reserved Amount”). The Reserved Amount shall be increased from time to time in accordance with the Borrower’s obligations pursuant to Section 4(g) of the Purchase Agreement. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Note shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

2.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 2.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by: (i) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (ii) subject to Section 2.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 2.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (but in any event the fifth (5th) business day being hereinafter referred to as the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 2.1 and in this Section 2.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 2.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 2.4(g) are justified.

2.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (a) such shares are sold pursuant to an effective registration statement under the Act or (i) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement). Except as otherwise provided in the Purchase Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulations S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

2.6 Effect of Certain Events.

(a) Effect of Merger, Consolidation, Etc. At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article IV) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article IV) or (ii) be treated pursuant to Section 2.6(b) hereof. "Person" shall mean any individual, corporation, limited liability company, partnership, limited partnership, association, trust or other entity or organization.

(b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Note, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 2.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 2.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) Adjustment Due to Distribution. If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(d) Purchase Rights. If, at any time when the Note is issued and outstanding, the Borrower issues any convertible securities or rights to purchase stock, warrants, securities or other property (the "Purchase Rights") pro rata to the record holders of any class of Common Stock, then the Holder of this Note will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(e) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 2.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder of a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

2.7 Trading Market Limitations. Unless permitted by the applicable rules and regulations of the principal securities market on which the Common Stock is then listed or traded, in no event shall the Borrower issue upon conversion of or otherwise pursuant to this Note and the other Note issued pursuant to the Purchase Agreement more than the maximum number of shares of Common Stock that the Borrower can issue pursuant to any rule of the principal United States securities market on which the Common Stock is then traded (the "Maximum Share Amount"), which shall be 4.99% of the total shares outstanding on the Closing Date (as defined in the Purchase Agreement), subject to equitable adjustment from time to time for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the Common Stock occurring after the date hereof. Once the Maximum Share Amount has been issued, if the Borrower fails to eliminate any prohibitions under applicable law or the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Borrower or any of its securities on the Borrower's ability to issue shares of Common Stock in excess of the Maximum Share Amount, in lieu of any further right to convert this Note, this will be considered an Event of Default under Section 3.3 of the Note.

2.8 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 2.3) for the Borrower's failure to convert this Note.

2.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, so long as the Borrower has not received a Notice of Conversion from the Holder, then at any time during the period beginning on the Issue Date and ending on the date which is ninety (90) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 2.9. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered address and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), the Borrower shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Optional Prepayment Amount") equal to 104%, if prepaid in the first 30 days after the date hereof; 106% if prepaid in 31 to 45 days after the date hereof; or 112% if prepaid in 46 to 90 days after the date hereof, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) Default Interest, if any, on the amounts referred to in clauses (w) plus (y) any amounts owed to the Holder pursuant to Sections 2.3 and 2.(g) hereof. If the Borrower delivers and Optional Prepayment Notice and fails to pay the Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 2.9.

ARTICLE III. CERTAIN COVENANTS

3.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

3.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

3.3 Borrowings. Subject to the provisions of the Purchase Agreement, so long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, create, incur, assume, guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which the Borrower has informed Holder in writing prior to the date hereof, (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business or (c) borrowings, the proceeds of which shall be used to repay this Note.

3.4 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

3.5 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the date hereof and which the Borrower has informed Holder in writing prior to the date hereof, (b) made in the ordinary course of business or (c) not in excess of \$100,000.

ARTICLE IV. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

4.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note or any other sum due and payable hereunder when due on this Note, whether at maturity, upon acceleration or otherwise.

4.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion.

4.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and the Warrants and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

4.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement and the Warrants), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note, the Purchase Agreement, or the Warrants.

4.5 Receiver or Trustee. The Borrower or any subsidiary or affiliate of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

4.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary or affiliate of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

4.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary or affiliate of the Borrower.

4.8 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC QB Markets or an equivalent replacement exchange, NASDAQ CM, the New York Stock Exchange, or the NYSE American Stock Exchange.

4.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

4.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

4.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

4.12 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

4.13 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

4.14 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

4.15 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocable reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Holder and the Borrower.

4.16 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Borrower, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. “Other Agreements” means collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term “Other Agreements” shall not include the related or companion documents to this Note, which are subject to the above default provisions. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

Upon the occurrence and during the continuation of any Event of Default specified in Section 4.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 4.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 4.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note upon a Trading Market Prepayment Event pursuant to Section 2.7 or upon acceleration), 4.3, 4.4, 4.6, 4.8, 4.9, 4.11, 4.12, 4.13, 4.14, and/or 4.15 exercisable through the delivery of written notice to the Borrower by such Holders (the “Default Notice”), and upon the occurrence of an Event of Default specified in the remaining sections of Articles IV (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 2.1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the “Mandatory Prepayment Date”) plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Sections 2.3 and 2.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the “Default Sum”) or (ii) the “parity value” of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the “Conversion Date” for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of such breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date, multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the “Default Amount”) and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE V. MISCELLANEOUS

5.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

5.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

If to the Holder:

5.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Note issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

5.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an “accredited investor” (as defined in Rule 501(a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

5.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys’ fees.

5.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the state and county of New York. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Note or any other Transaction Document (the Purchase Agreement and the Warrants) by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

5.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

5.8 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

5.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 5.9.

5.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this November 14, 2012.

AMARANTUS BIOSCIENCES, INC.

By: /s/ Gerald Commissiong
Gerald Commissiong, CEO

DOMINION CAPITAL, LLC.

By: /s/ Mikhail Gurevich
Mikhail Gurevich

Appendix A
Amortization Schedule

<u>Transaction</u>	<u>Amount</u>	
Principal Price:	\$600,000.00	
Amortization Payments:	<u>Principal plus (Interest)</u>	<u>Timing</u>
First Payment:	\$150,000.00 + (\$15,000.00)	May 13, 2013
Second Payment:	\$150,000.00 + (\$15,000.00)	May 20, 2013
Third Payment:	\$150,000.00 + (\$15,000.00)	May 27, 2013
Fourth Payment:	\$150,000.00 + (\$15,000.00)	June 3, 2013

Exhibit A.

NOTICE OF CONVERSION

The undersigned hereby elects to convert \$_____ principal amount of the Note (defined below) into Shares of Common Stock of AMARANTUS BIOSCIENCES, INC., a Nevada corporation (the "**Borrower**") according to the conditions of the convertible Note of the Borrower dated as of NOVEMBER 12, 2012 (the "**Note**"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("**DWAC Transfer**").

Name of DTC Prime Broker: _____

Account Number: _____

The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below:

[_____]
 EIN #: _____

Date of Conversion:

Conversion Price:

Shares to Be Delivered:

Remaining Principal Balance Due After This Conversion:

Signature

Print Name:

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES
CENTRAL DISTRICT

IRONRIDGE GLOBAL IV, LTD.
Plaintiff.
v.
AMARANTUS BIOSCIENCES INC.,
Defendant.

Case No: BC 493749
Assigned for All Purposes to:
Hon. Maureen Duffy-Lewis
**ORDER FOR
APPROVAL OF STIPULATION FOR
SETTLEMENT OF CLAIMS**
Date: November 9, 2012
Time: 8:30 am
Dept: 38
Trial Date: None Set

The Joint *Ex Parte* Motion for Court Approval of Stipulated Settlement ("Motion"), filed by Plaintiff Ironridge Global IV. Ltd. ("Plaintiff") and Amaranthus Biosciences, Inc. ("Defendant"), came on for hearing on November 9, 2012 at 8:30 am in Department 38 of the above-entitled court, the Honorable Maureen Duffy-Lewis, Judge presiding.

The Court having considered the motion and supporting papers, the oral arguments of counsel, having been presented with a Stipulation for Settlement of Claims ("Stipulation"), and good cause appearing therefor,

IT IS HEREBY ORDERED AS FOLLOWS:

1. The Stipulation, attached hereto as Exhibit A and incorporated herein by reference, is approved in its entirety;
2. Plaintiff owns bona fide outstanding claims against Defendant, and the terms and conditions of the issuance and exchange of such claims for free-trading shares of common stock of Defendant, as set forth in the Stipulation, are approved after a hearing upon the fairness of such terms and conditions at which Plaintiff, the only person to whom it is proposed to issue securities in such exchange, had the right to appear;
3. The above-entitled action is dismissed in its entirety; provided that the Court shall retain jurisdiction to enforce the terms of this Order by a motion under California Code of Civil Procedure Section 664.6.

IT IS SO ORDERED.

DATED: November 9, 2012

/s/ Michael L. Stern
Honorable Michael L. Stern
Judge of the Superior Court

EXHIBIT A
STIPULATION FOR SETTLEMENT OF CLAIMS

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Attorneys for Defendant
AMARANTUS BIOSCIENCES, INC.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES
CENTRAL DISTRICT

IRONRIDGE GLOBAL IV. LTD.,
Plaintiff,
v.
AMARANTUS BIOSCIENCES. INC.
Defendant.

Case No: BC 493749
Assigned for All Purposes to:
Hon. Maureen Duffy Lewis
STIPULATION FOR
SETTLEMENT OF CLAIMS
Date: November 9, 2012
Time: 8:30 a.m.
Dept: 38
Trial Date: None Set

Plaintiff Ironridge Global IV, Ltd. ("Plaintiff") and defendant Amaranthus Biosciences, Inc. ("Defendant"), hereby stipulate to the facts, terms, and conditions contained in the [Proposed] Order Approving Stipulation for Settlement of Claims ("Order") submitted herewith and incorporated herein by this reference, and further stipulate and agree as follows:

1. Plaintiff and Defendant request that the Court enter an order substantially in the form of the concurrently filed proposed Order.
2. Defendant is a Sunnyvale, California based development-stage biotechnology company focused on the discovery and development of therapeutic proteins and biologics for the treatment of Parkinson's disease, traumatic brain injury and other human diseases in the United States, including in Los Angeles, California. Defendant is a public company whose stock is traded under the ticker symbol "AMBS."
3. Plaintiff owns bona fide claims (the "Claims") against Defendant in an aggregate amount of US \$511,310.19 (the "Claim Amount"), plus attorneys' fees. Defendant has not paid the amount due on the Claims. Plaintiff filed the above-captioned collection action, which the parties now seek to settle by this Stipulation and the proposed Order.
4. Defendant desires to settle the Claims in exchange for the issuance to Plaintiff of shares of Defendant's common stock ("Common Stock"). Plaintiff desires to accept such shares in accordance with the terms of this Stipulation, subject to court approval following a hearing as envisioned by Section 25017(f)(3) of the California Corporations Code, and Section 3(a)(10) of the federal Securities Act of 1933, as amended (the "Securities Act").
5. Plaintiff has agreed to the proposed settlement terms and conditions, and believes that they are sufficiently fair such that Plaintiff is willing to enter into this Stipulation. In addition, Defendant's board of directors has considered the proposed transaction and has resolved that its terms and conditions are fair to, and in the best interests of, Defendant and its stockholders. Accordingly, both parties request Court approval of the settlement provided for herein as fair, reasonable and adequate. The parties submit this Stipulation to the Court on ex parte application, and request that the Court enter an Order approving this Stipulation following the hearing thereon.
6. It is the intent and effect of this Stipulation that the Order, when signed, shall end, finally and forever any claim to payment or compensation of any kind or nature that Plaintiff had, now has, or may assert in the future against Defendant arising out of the Claims. In this regard, and subject to compliance with the Order, effective upon the execution of the Order, each party hereby releases and forever discharges the other party, including all of the other party's officers, directors, members, managers, representatives, agents and attorneys, from any and all claims, demands, debts, liabilities, obligations, and causes of action, whether known or unknown, at law or in equity, suspected or unsuspected, fixed or contingent, arising out of, connected with, or incidental to the Claims. Each party further agrees that with respect to the matters released herein, such party expressly waives any and all rights and benefits conferred upon it by the provisions of California Civil Code Section 1542 and any similar law of any state or territory of the United States. California Civil Code Section 1542 provides, in full, as follows: "§1542
General
Release-Claim Extinguished. A general release does not extend to Claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

7. In full and final settlement of the Claims. Defendant will issue and deliver to Plaintiff the sum of 23 million shares of Common Stock (the "Initial Issuance"), subject to the subsequent adjustment, issuances, returns, and ownership limitations set forth below.

8. No later than the first business day following the date that the Court enters the Order, time being of the essence. Defendant shall take or cause to be taken all such necessary action including, without limitation, the execution and delivery of such further instruments and documents, as may be reasonably requested by any party for such purposes or otherwise necessary to complete or perfect the transaction contemplated hereby, including, but not limited to: (a) deliver a copy of the Order to Defendant's transfer agent, (b) cause its legal counsel to issue an opinion to Defendant's transfer agent, in form and substance acceptable to Plaintiff and such transfer agent, that the shares of Common Stock to be issued pursuant to the Order (i) are legally issued, fully paid and non-assessable, (ii) when issued in accordance with the Order will be exempt from the registration requirements under the Securities Act, and (iii) may be issued without restrictive legend and resold by Plaintiff without restriction: (c) transmit via email, facsimile and overnight delivery an irrevocable and unconditional instruction to Defendant's stock transfer agent, in form and substance acceptable to Plaintiff and such transfer agent, to reserve and issue all shares of Common Stock required by the Order: (d) issue the Initial Issuance, as Direct Registration System (DRS) shares to Plaintiff's balance account with The Depository Trust Company (DTC) or through the Fast Automated Securities Transfer (FAST) Program of DTC's Deposit/Withdrawal Agent Commission (DWAC) system, without any restriction on transfer or resale. The date upon which the Initial Issuance is complete and the shares have been received into Plaintiff's account in electronic form and fully cleared for trading shall be referred to as the "Issuance Date."

9. From the date of this Stipulation until that number of consecutive trading days following the Issuance Date required for the aggregate trading volume of the Common Stock to exceed \$5 million (the "Calculation Period"). Plaintiff will retain that number of shares of Common Stock (the "Final Amount") with an aggregate value equal to (a) the sum of the Claim Amount, plus an agent fee of 8% of the Claim Amount, and Plaintiffs and Defendant's attorney fees and expenses, (b) divided by 80% of the following: the closing price of the Common Stock on the date of entry of the Order, not to exceed the arithmetic average of the closing bid prices of any five trading days during the Calculation Period, as reported by the Bloomberg Professional service of Bloomberg LP ("Bloomberg").

10. At any time during the Calculation Period the issued shares are less than any reasonably possible Final Amount. Plaintiff may request that Defendant reserve and issue additional shares of Common Stock (each, an "Additional Issuance") as soon as possible, and in any event within one trading day, time being of the essence of any such request, and the Company's transfer agent, officers, directors and attorneys, including without limitation Gerald E. Commissiong, shall take all actions necessary to do so. For each day after Plaintiff requests issuance that shares are not, for any reason, received into Plaintiffs account in electronic form and fully cleared for trading, the Calculation Period shall be extended by one trading day.

11. Under no circumstances shall Defendant issue to Plaintiff at any one time a number of Shares which, when aggregated with all shares of Common Stock then beneficially owned or controlled by Plaintiff or its affiliates, at such time exceed 9.99% of the total number of shares of Common Stock then outstanding.

12. At the end of the Calculation Period, (a) if the sum of the Initial Issuance and any Additional Issuances is less than the Final Amount, Plaintiff shall issue additional shares of Common Stock to Defendant as soon as possible, up to the Final Amount, and (b) if the sum of the Initial Issuance and any Additional Issuance is greater than the Final Amount, Plaintiff shall promptly return any remaining shares to Defendant or its transfer agent for cancellation, ("Final Adjustment").

13. Defendant hereby represents, warrants and covenants as follows: (a) there are currently 211 million shares of Common Stock of Defendant issued and outstanding, and 39 million authorized, unissued and unreserved shares available for reservation and issuance to Plaintiff; (b) the shares of Common Stock to be issued pursuant to the Order are duly authorized, and when issued will be validly and legally issued, fully paid and non-assessable, free and clear of all liens, encumbrances and preemptive and similar rights to subscribe for or purchase securities; (c) the shares to be issued pursuant to the Order (i) are exempt from registration under the Securities Act, (ii) are issuable without any restrictive legend, and (iii) may be resold by Plaintiff without restriction; (d) Defendant has reserved from its duly authorized capital stock a number of shares of Common Stock equal to thrice the number of shares that could be issued pursuant to the terms of the Order based on the most recent daily VWAP and will, if necessary, increase the number of shares reserved based on the lowest daily VWAP during the Calculation Period; (e) if at any time it appears reasonably possible that there may be insufficient authorized or reserved shares to fully comply with the Order, Defendant shall take all action required to immediately reserve additional shares from authorized shares and, if necessary, promptly take such actions as are required to increase its authorized shares so as to ensure its ability to timely comply with the Order, and may not reserve or issue any shares of Common Stock to any other person unless and until sufficient shares have been reserved for Plaintiff (except to the extent that a person has the right to purchase shares of Common Stock on or before the date of this Stipulation); (f) execution of this Stipulation and performance of the Order by Defendant and Plaintiff will not (i) conflict with, violate, or cause a breach or default under any agreements between Defendant and any creditor, or any affiliate thereof, including but not limited to those related to the account receivables comprising the Claims, or (ii) require any waiver, consent, or other action of Defendant or any creditor, or their respective affiliates, that has not already been obtained in writing; (g) Defendant hereby waives, without limitation, any provision in any agreement related to the account receivables comprising the Claims requiring payments to be applied in a certain order, manner, or fashion, or providing for exclusive jurisdiction in any court other than this Court; (h) Defendant has all necessary power and authority to execute, deliver and perform all of its obligations under this Stipulation; (i) the execution, delivery and performance of this Stipulation by Defendant has been duly authorized by all requisite action on the part of Defendant, including without limitation express approval by its board of directors, (j) this Stipulation has been duly executed and delivered by Defendant, and is fully enforceable against Defendant in accordance with its terms; (k) neither Plaintiff nor any of the creditors from whom Plaintiff acquired the Claims, nor any of their affiliates, (i) is or was an affiliate of Defendant within the last 90 days or (ii) has or will, directly or indirectly, provide any consideration to or invest in any manner in Defendant in exchange or consideration for selling or satisfying the Claims other than pursuant to the Order; (l) neither Defendant nor any of Defendant's affiliates or agents has or will provide Plaintiff with any material non-public information regarding Defendant; (m) Plaintiff has no obligation of confidentiality, and may sell any of its shares of the Company's common stock issued pursuant to the Order at any time, including without limitation throughout the Calculation Period; and (n) with respect to this Stipulation and the transactions contemplated hereby (i) Plaintiff is acting solely in an arm's length capacity, (ii) Plaintiff does not make or has not made any representations or warranties other than those specifically set forth herein, (iii) Plaintiff has not and is not acting as a legal, financial, accounting or tax advisor to Defendant, or agent or fiduciary of Defendant, or in any similar capacity, and (iv) any statement made by Plaintiff or any of Plaintiff's representatives, agents or attorneys is not advice or a recommendation to Defendant.

14. Until at least 180 days after the end of the Calculation Period, neither Plaintiff nor any of its affiliates shall (a) hold any short position in the Common Stock, or (b) engage in or affect, directly or indirectly, any short sale of the Common Stock.

15. For so long as Plaintiff or any of its affiliates holds any shares of Common Stock, neither Plaintiff nor any of its affiliates shall: (a) vote any shares of Common Stock owned or controlled by it, exercise any dissenter's rights, execute or solicit any proxies or seek to advise or influence any person with respect to any voting securities of Defendant; or (b) engage or participate in any actions, plans or proposals that relate to or would result in (i) Plaintiff or any of its affiliates acquiring additional securities of Defendant, alone or together with any other person, which would result in Plaintiff and its affiliates collectively beneficially owning or controlling, or being deemed to beneficially own or control, more than 9.99% of the total outstanding Common Stock or other voting securities of Defendant at any one time, (ii) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving Defendant or any of its subsidiaries, (iii) a sale or transfer of a material amount of assets of Defendant or any of its subsidiaries, (iv) any change in the present board of directors or management of Defendant, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board, (v) any material change in the present capitalization or dividend policy of Defendant, (vi) any other material change in Defendant's business or corporate structure, (vii) changes in Defendant's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of Defendant by any person, (viii) causing a class of securities of Defendant to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (ix) causing a class of equity securities of Defendant to become eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, As amended, or (x) taking any action, intention, plan or arrangement similar to any of those enumerated above. The provisions of this paragraph may not be modified or waived without further order of the Court.

16. Defendant shall indemnify, defend and hold Plaintiff and its affiliates harmless with respect to all claims, actions and proceedings arising out or related to this Stipulation or the Order, including without limitation, any claim or action brought derivatively or by any one or more shareholders or creditors of Defendant.

17. The parties to this Stipulation represent that each of them has been advised as to the terms and legal effect of this Stipulation and the Order provided for herein, and that the settlement and compromise stated herein is final and conclusive forthwith, subject to the conditions stated herein, and each attorney represents that his or her client has freely consented to and authorized this Stipulation after having been so advised.

18. This Stipulation constitutes Defendant's answer to the Complaint in this Action. Each party hereto waives a statement of decision, and the right to appeal from the Order after its entry. Defendant further waives any defense based on the rule against splitting causes of action. There shall be no third party beneficiaries with respect to this Stipulation or the Order. The prevailing party in any motion to enforce the terms of this Stipulation or the Order shall be awarded its reasonable attorney fees, costs and expenses arising out of or relating to such motion. Except as expressly set forth herein, each party shall bear its own attorneys' fees, expenses and costs.

19. Upon entry of the Order approving this Stipulation, the Action shall be dismissed in its entirety without* prejudice, except that the Court shall retain jurisdiction to enforce the terms of the Stipulation and Order by a motion brought by any party under Section 664.6 of the California Code of Civil Procedure.

*with approval of counsel

20. This Stipulation may be executed in counterparts and by facsimile, portable document format (pdf), or other electronic format, each of which shall constitute an original and all of which together shall be deemed together as a single instrument.

IT IS SO STIPULATED:

DATED: November 8, 2012

IRONRIDGE GLOBAL IV. LTD.
By: /s/ Peter Cooper
Peter Cooper
Director

DATED: November 8, 2012

LIBERTAS LAW GROUP
By: /s/ Mark A. Vega
Mark A. Vega
Mona Mahdara Alcala
Attorneys for Plaintiff
IRONRIDGE GLOBAL IV. LTD.

DATED: November 8, 2012

AMARANTUS BIOSCIENCES. INC.
By: /s/ Gerald E. Commissiong
Gerald E. Commissiong
CEO

DATED: November 8, 2012

COLT / WALLERSTEIN LLP
By: /s/ Doug Colt
Doug Colt
Attorneys for Defendants
AMARANTUS BIOSCIENCES. INC.

CERTIFICATIONS

I, Gerald E. Commissiong, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2012 of Amaranthus Biosciences, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer 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 19, 2012

/s/ Gerald E. Commissiong

By: Gerald E. Commissiong

Title: Chief Executive Officer

CERTIFICATIONS

I, Marc E. Faerber, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2012 of Amaranthus Biosciences, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer 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 19, 2012

/s/ Marc E. Faerber

By: Marc E. Faerber

Title: Chief Financial Officer

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

In connection with the quarterly Report of Amaranthus Biosciences, Inc. fka Jumpkicks, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2012 filed with the Securities and Exchange Commission (the "Report"), I, Gerald E. Commissiong, Chief Executive Officer of the Company, and I, Marc E. Faerber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Gerald E. Commissiong
Name: Gerald E. Commissiong
Title: Principal Executive Officer
Date: November 19, 2012

By: /s/ Marc E. Faerber
Name: Marc E. Faerber
Title: Principal Financial Officer and Director
Date: November 19, 2012

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.