ADVANCED CELL TECHNOLOGY, INC.
Form 10-Q
May 09, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED March 31, 2013

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER: 0-50295

ADVANCED CELL TECHNOLOGY, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**87-0656515**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

33 LOCKE DRIVE, MARLBOROUGH, MASSACHUSETTS 01752

(ADDRESS, INCLUDING ZIP CODE, OF PRINCIPAL EXECUTIVE OFFICES)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: **(508) 756-1212**

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 x No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at April 30, 2013:
Common Stock, $0.001 par value per share	2,438,530,433 shares

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$4,111,434	$7,241,852
Grants receivable	254,279	96,425
Deferred royalty fees, current portion	92,435	82,435
Prepaid expenses	326,517	132,044
Total current assets	4,784,665	7,552,756
Property and equipment, net	255,790	175,256
Deferred royalty fees, less current portion	155,857	170,216
Deposits	38,661	29,856
Deferred costs	369,773	568,458
TOTAL ASSETS	$5,604,746	$8,496,542
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$2,439,123	$2,956,743
Accrued expenses	2,611,378	3,210,908
Accrued settlement	–	6,807,891
Convertible promissory notes, current portion net of discounts of $0 and $30,935, respectively	287,785	256,850
Senior secured convertible debentures, current portion, net of discount of $395,455 and $290,000, respectively	2,604,545	2,110,000
Embedded conversion option liabilities, current portion	505,075	460,668
Loss contingency accrual	6,859,607	6,176,787
Deferred revenue, current portion	176,622	224,935
Total current liabilities	15,484,135	22,204,782

Senior secured convertible debentures, less current portion, net of discount of $197,727 and $435,000, respectively	2,802,273	3,165,000
Embedded conversion option liabilities, less current portion	453,000	507,033
Warrant and option derivative liabilities	435,792	972,381
Deferred revenue, less current portion	1,868,106	1,907,574
Total liabilities	21,043,306	28,756,770
Series A-1 redeemable preferred stock, $0.001 par value; 50,000,000 shares authorized, 113 shares issued and outstanding; aggregate liquidation value, net of discounts: $1,641,566 and $1,607,497, respectively	1,641,006	1,598,533
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, Series B; $0.001 par value; 50,000,000 shares authorized, 1,000 shares issued and outstanding	1	1
Preferred stock, Series C; $0.001 par value; 50,000,000 shares authorized, 1,750 and 1,150 shares issued and outstanding	2	2
Common stock, $0.001 par value; 2,750,000,000 shares authorized, 2,387,936,170 and 2,232,720,779 shares issued and outstanding	2,387,937	2,232,721
Additional paid-in capital	301,443,293	289,842,597
Promissory notes receivable, net of discount of $3,359,794 and $3,776,528 respectively	(32,189,828)	(31,622,696)
Accumulated deficit	(288,720,971)	(282,311,386)
Total stockholders' deficit	(17,079,566)	(21,858,761)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$5,604,746	$8,496,542

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

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ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	(Unaudited)
Revenue (License fees and royalties)	$87,781	55,685
Cost of Revenue	34,359	15,609
Gross profit	53,422	40,076
Operating expenses:		
Research and development	2,992,000	2,440,542
General and administrative expenses	2,825,864	3,019,005
Total operating expenses	5,817,864	5,459,547
Loss from operations	(5,764,442)	(5,419,471)
Non-operating income (expense):		
Interest income	1,777	5,077
Interest expense and late fees	(524,189)	(272,324)
Finance gain (cost)	(293,120)	115,827
Adjustments to fair value of derivatives	166,933	(141,599)
Total non-operating expense	(648,599)	(293,019)
Loss before provision for income tax	(6,413,041)	(5,712,490)
Provision for income tax	–	–
Net loss	$(6,413,041)	$(5,712,490)
Weighted average shares outstanding:		
Basic and diluted	2,251,585,598	1,942,293,307
Loss per share:		
Basic and diluted	$(0.00)	$(0.00)

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

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

FOR THE THREE MONTHS ENDED MARCH 31, 2013

	Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-in	Promissory Notes Receivable,	Accu
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	net	Defic
Balance December 31, 2012	1,000	1	1,750	2	2,232,720,779	2,232,721	289,842,597	(31,622,696)	(282,
Issuance of shares for settlements	–	–	–	–	80,357,143	80,357	4,419,643	–	–
Issuance of shares for services	–	–	–	–	3,311,248	3,312	417,643	–	–
Accrued dividends on Series B and C Preferred Stock	–	–	–	–	–	–	563,676	–	(563,
Accretion of note receivable discount on Series B and C Preferred Stock	–	–	–	–	–	–	–	(567,132)	567,1
Stock based compensation	–	–	–	–	–	–	1,018,060	–	–
Issuance of shares of common stock	–	–	–	–	71,547,000	71,547	5,181,674	–	–

Net loss for the three months ended March 31, 2013	–	–	–	–	–	–	–	–		(6,41
Balance, March 31, 2013 (unaudited)	1,000	$1	1,750	$2	2,387,936,170	$2,387,937	$301,443,293	$(32,189,828)		$(288,

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

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ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

	Three Months Ended March 31,	
	2013 (Unaudited)	2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(6,413,041)	$(5,712,490)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	17,852	12,091
Amortization of deferred charges	34,359	15,609
Amortization of deferred revenue	(87,781)	(55,685)
Redeemable preferred stock dividend accrual	34,069	31,308
Stock based compensation	1,018,060	1,100,998
Amortization of deferred issuance costs	198,685	200,893
Amortization of discounts	171,157	40,123
Adjustments to fair value of derivatives	(166,933)	141,599
Shares of common stock issued for compensation	420,955	421,642
Non-cash financing costs	(389,700)	(115,827)
Warrant and options issued for consulting services	10,418	29,172
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(382,327)	41,986
Accounts payable and other current liabilities	(2,742,221)	(967,204)
Net cash used in operating activities	(8,276,448)	(4,815,785)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(98,386)	(9,177)
Payment of lease deposits	(8,805)	–
Net cash used in investing activities	(107,191)	(9,177)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of preferred stock	–	2,500,000
Proceeds from issuance of common stock	5,253,221	–
Net cash provided by financing activities	5,253,221	2,500,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,130,418)	(2,324,962)
CASH AND CASH EQUIVALENTS, BEGINNING BALANCE	7,241,852	13,103,007

CASH AND CASH EQUIVALENTS, ENDING BALANCE	$4,111,434	$10,778,045
CASH PAID FOR:		
Interest	$80,000	$–
Income taxes	$–	$–
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Accrued dividends on Series B and C Preferred Stock	$563,676	$447,631
Accretion of note receivable discount on Series B and C Preferred Stock	$567,132	$448,672
Issuance of 80,357,143 and 295,605,268 shares of common stock for accrued settlement	$4,500,000	$35,269,299
Issuance of 26,315,789 shares for $2,500,000 promissory note	$–	$2,500,000
Issuance of 5,263,158 shares for $500,000 promissory note	$–	$500,000

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

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATIONAL MATTERS

The unaudited consolidated financial statements have been prepared by Advanced Cell Technology, Inc., (the "Company"), pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K. The results for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

Organization and Nature of Business

The Company is a life science company, incorporated in the state of Delaware, focused on the emerging field of regenerative medicine. The Company's core business strategy is to develop and ultimately commercialize stem cell derived cell therapies and biologics that will deliver safe and efficacious patient therapies, and which can be manufactured at scale and are reimbursable at attractive levels. The Company is conducting several ongoing clinical trials for treating macular degeneration, and has a preclinical development pipeline focused on products for eye diseases, autoimmune and inflammatory diseases, and wound healing. The Company has no therapeutic products currently available for sale and does not expect to have any therapeutic products commercially available for sale for a period of years, if at all. These factors indicate that the Company's ability to continue its research and development activities is dependent upon the ability of management to obtain additional financing as required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation —The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Principles of Consolidation — The accounts of the Company and its wholly-owned subsidiary Mytogen, Inc. (“Mytogen”) are included in the accompanying consolidated financial statements. All intercompany balances and transactions were eliminated in consolidation.

Segment Reporting —ASC 280, *“Segment Reporting”* requires use of the “management approach” model for segment reporting. The management approach model is based on the way a company’s management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has one operating segment. Disaggregation of the Company’s operating results is impracticable, because the Company’s research and development activities and its assets overlap, and management reviews its business as a single operating segment. Thus, discrete financial information is not available by more than one operating segment.

Use of Estimates — These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, the Company’s management has estimated loss contingencies related to outstanding litigation. In addition, Management has estimated variables used to calculate the Black-Scholes option pricing model used to value derivative instruments as discussed below under “Fair Value Measurements”. Also, management has estimated the expected economic life and value of the Company’s licensed technology, the Company’s net operating loss for tax purposes, share-based payments for compensation to employees, directors, consultants and investment banks, and the useful lives of the Company’s fixed assets and its accounts receivable allowance. Actual results could differ from those estimates.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Cash and Cash Equivalents — Cash equivalents are comprised of certain highly liquid investments with maturities of three months or less when purchased. The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses related to this concentration of risk. As of March 31, 2013 and December 31, 2012, the Company had deposits in excess of federally-insured limits totaling $3,861,173 and $5,147,037, respectively.

Grant Received — From time to time the Company participates in research grants both as an initiator of grants as well as a sub-recipient of grant funds. The Company incurs costs for the grant and is subsequently reimbursed for these expenses by grant receipts. The Company records such receipts as a reduction in research and development costs. For the three months ended March 31, 2013 and 2012, the Company recorded as a reduction in research and development costs, $60,022, and $0, respectively.

Grants Receivable — The Company periodically assesses its grants receivable for collectability on a specific identification basis. If collectability of an account becomes unlikely, the Company records an allowance for that doubtful account. Once the Company has exhausted efforts to collect, management writes off the grants receivable against the allowance it has already created.

Property and Equipment — The Company records its property and equipment at historical cost. The Company expenses maintenance and repairs as incurred. Upon disposition of property and equipment, the gross cost and accumulated depreciation are written off and the difference between the proceeds and the net book value is recorded as a gain or loss on sale of assets. In the case of certain assets acquired under capital leases, the assets are recorded net of imputed interest, based upon the net present value of future payments. Assets under capital lease are pledged as collateral for the related lease.

The Company provides for depreciation over the assets' estimated useful lives as follows:

Machinery & equipment	4 years
Computer equipment	3 years
Office furniture	4 years
Leasehold improvements	Lesser of lease life or economic life
Capital leases	Lesser of lease life or economic life

Patents — The Company follows ASC 350-30, *"General Intangibles Other than Goodwill,"* in accounting for its patents. ASC 350-30 provides that costs of internally developing, maintaining, or restoring intangible assets that are not specifically identifiable, that have indeterminate lives, or that are inherent in a continuing business and related to an entity as a whole, shall be recognized as an expense when incurred. The Company has expensed as research and development expense all costs associated with developing its patents.

Equity Method Investment — The Company follows ASC 323, *"Investments-Equity Method and Joint Ventures,"* in accounting for its investment in the joint venture. In the event the Company's share of the joint venture's net losses reduces the Company's investment to zero, the Company will discontinue applying the equity method and will not provide for additional losses unless the Company has guaranteed obligations of the joint venture or is otherwise committed to provide further financial support for the joint venture. If the joint venture subsequently reports net income, the Company will resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Deferred Costs — Consist of the following:

(a) Payments, either in cash or share-based, made in connection with the sale of debentures which are amortized using the effective interest method over the lives of the related debentures. These deferred issuance costs are charged to financing costs when and if the related debt instrument is retired or converted early. The weighted average amortization period for deferred debt issuance costs is 48 months.

(b) Payments made to secure commitments under certain financing arrangements. These amounts are recognized in financing costs ratably over the period of the financing arrangements, and are recognized in financing costs immediately if the arrangement is cancelled, forfeited or the utility of the arrangement to the company is otherwise compromised.

(c) Payments made to financial institutions and consulting firms in order to provide financing related services. These costs are being amortized over the terms of the related agreements.

Long-Lived Assets— The Company follows ASC 360-10, *"Property, Plant, and Equipment,"* which established a "primary asset" approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset to be held and used. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. Through March 31, 2013, the Company had not experienced impairment losses on its long-lived assets.

Fair Value Measurements — The Company applies the provisions of ASC 820-10, *"Fair Value Measurements and Disclosures."* ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. For certain financial instruments, including cash and cash equivalents, grants receivable, prepaid expenses, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their relatively short maturities. The carrying amount of senior secured convertible debentures approximates fair value as the interest rate charged on the debentures is based on the prevailing rate. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, *"Distinguishing Liabilities From Equity,"* and ASC 815, *"Derivatives and Hedging."* Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrant and option derivatives are valued using the Black-Scholes model.

The Company uses Level 2 inputs for its valuation methodology for the warrant derivative liabilities and certain embedded conversion option liabilities as their fair values were determined by using the Black-Scholes option pricing model based on various assumptions. The Company's derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives.

The Company uses Level 3 inputs for its valuation methodology for the fair value of the embedded conversion options associated with the senior secured convertible debentures.

The Company estimates the fair value of the embedded conversion option associated with the senior secured convertible debentures using a binomial lattice model, which estimates and compares the present value of the principal and interest payments to the as converted value to determine whether the holder of the notes should convert the notes into the Company's common stock or continue to receive principal and interest payments. The Company uses this methodology to determine the fair value of the notes and corresponding beneficial conversion features because there are no observable inputs available with respect to the fair value.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The binomial lattice model relies on the following Level 3 inputs: (1) expected volatility of our common stock; (2) discount for illiquidity applicable to potentially large blocks of our common stock that may be issued upon conversion of the senior secured convertible debentures, and (3) discount rate for contractual debt principal and interest payments. The fair value of the embedded beneficial conversion feature is estimated as the difference between the fair value of the notes with and without the conversion feature. The fair value of the notes without the conversion feature is determined using one Level 3 input, the discount rate for contractual debt interest and principal payments.

- The expected volatility of the Company’s common stock is estimated from the historical volatility of daily returns in the Company’s common stock price. The Company monitors the volatility of its common stock on a quarterly basis to observe trends that many impact the fair value of the notes.

- The discount for illiquidity is measured using an average-strike option that calculates the discount as the opportunity cost for not being able to sell a large block of the Company’s common stock immediately at prevailing observable market prices. Inputs to the average-strike option model include the expected volatility of the Company’s common stock and time to sell a large block of the Company’s stock as Level 3 inputs and other observable inputs. The time to sell the stock is estimated considering the historical daily trading volume of our common stock and market maker estimates of the amount of shares that can be offered for sale above the normal the daily trading volume without depressing the price of the Company’s common stock. We monitor the trading volume of the Company’s common stock on a quarterly basis to observe trends that many impact the fair value of the notes.

- The discount rate for contractual debt interest and principal payments is estimated considering the security of the payments as stated in the debenture agreements, the Company’s credit standing, and yields to maturity of comparable securities. The Company monitors credit spreads, lending rates for companies that are at a similar stage of development, and the Company’s credit standing on a quarterly basis to observe trends that many impact the fair value of the notes.

The fair value of the senior secured convertible debentures is sensitive to changes in the discount rate for contractual debt principal and interest payments. A decrease in the discount would cause the fair value of the debentures to increase. The discount rate may decrease due to many factors including, decreases in rates of return offered on similar or alternative financial instruments, fluctuations in economic conditions, and improvement in the Company’s credit standing. Our credit standing may improve if the Company raised additional equity capital, grew earnings, or reduced financial obligations.

Because the debentures are convertible into shares of the Company’s common stock, the fair value of the debentures is sensitive to changes in the value, volatility and trading volume of the Company’s common stock as these are primary factors affecting the value of the debenture holder’s conversion option. An increase in stock price and trading volume may improve the ability of the debenture holders to sell large blocks of the Company’s common stock and increase the likelihood of the debenture holders converting the notes into shares of the Company’s common stock. A reduction in the volatility of the Company’s common stock may also increase the likelihood of the debenture holders converting the debentures into shares of the Company’s common stock. Each of these factors may decrease the illiquidity discount estimated for potentially large blocks of the Company’s common stock, which may increase the value of the note conversion option and fair value. An improvement in the Company’s credit standing and increase in the Company’s stock price and trading volume may occur concurrently.

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ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

At March 31, 2013, the Company identified the following assets and liabilities that are required to be presented on the balance sheet at fair value:

Description	Fair Value As of March 31, 2013	Fair Value Measurements at March 31, 2013 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Warrant and option derivative liabilities	$435,792	$–	$435,792	$–
Embedded conversion option liabilities	958,075	–	52,075	906,000
Total	$1,393,867	$–	$487,867	$906,000

The following table reconciles the change in fair value for measurements categorized within Level 3 of the fair value hierarchy:

	Embedded Conversion Option Liabilities
Balance at December 31, 2012	$ 845,000
Total gains or (losses) for the period included in earnings	61,000
Balance at March 31, 2013	$ 906,000

Gains and losses included in earnings for the three months ended March 31, 2013 are reported as follows:

	Adjustment to Fair Value of Derivatives
Total losses included in earnings	$ 61,000

The following table provides quantitative information about measurements categorized within Level 3 of the fair value hierarchy:

Description	Fair Value at March 31, 2013	Valuation Technique	Unobservable Input	Value
Embedded conversion option liability	906,000	Binomial Lattice Model	Expected volatility of the Company's common stock	71.1%
			Discount for illiquidity of large blocks of the Company's common stock	5.4% to 36.6%
			Discount rate for contractual debt principal and interest payments	20.0%

For the three months ended March 31, 2013, and 2012 the Company recognized a gain (loss) of $166,933 and ($141,599), respectively, for the changes in the valuation of derivative liabilities.

The Company did not identify any non-recurring assets and liabilities that were recorded at fair value during the periods presented.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

***Revenue Recognition and Deferred Revenue* —** The Company's revenues are primarily generated from license and research agreements with collaborators. Licensing revenue is recognized on a straight-line basis over the shorter of the life of the license or the estimated economic life of the patents related to the license.

License fee revenue begins to be recognized in the first full month following the effective date of the license agreement. Deferred revenue represents the portion of the license and other payments received that has not been earned. Costs associated with the license revenue are deferred and recognized over the same term as the revenue. Reimbursements of research expense pursuant to grants are recorded in the period during which collection of the reimbursement becomes assured, because the reimbursements are subject to approval.

In some cases, the Company is entitled to receive royalty payments from licensees. In such cases, the Company recognizes the royalties when they are earned and collectability of those royalty payments is reasonably assured.

In connection with its license agreements, the Company recorded $87,781 and $55,685 in license fee revenue for the three months ended March 31, 2013 and 2012, respectively, in its consolidated statements of operations, and the remainder of the license fees have been accrued in deferred revenue at March 31, 2013 and December 31, 2012, respectively.

Research and Development Costs — Research and development costs consist of expenditures for the research and development of patents and technology, which cannot be capitalized. The Company's research and development costs consist mainly of payroll and payroll related expenses, research supplies and research grants. Reimbursements of research expense pursuant to grants are recorded in the period during which collection of the reimbursement becomes assured, because the reimbursements are subject to approval. Research and development costs are expensed as incurred.

Share-Based Compensation — The Company records stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation." ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. There were 106,649,967 options outstanding as of March 31, 2013.

Income Taxes — Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Applicable interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of operations.

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Net Loss Per Share — Earnings per share is calculated in accordance with the ASC 260-10, *"Earnings Per Share."* Basic earnings-per-share is based upon the weighted average number of common shares outstanding. Diluted earnings-per-share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

At March 31, 2013 and 2012, approximately 207,503,505 and 88,419,000 potentially dilutive shares, respectively, were excluded from the shares used to calculate diluted earnings per share as their inclusion would be anti-dilutive.

Concentrations and Other Risks — Currently, the Company's revenues are concentrated on a small number of customers. The following table shows the Company's concentrations of its revenue for those customers comprising greater than 10% of total license revenue for the three months ended March 31, 2013 and 2012.

	Three Months Ended March 31,	
	2013	2012
International Stem Cell Corporation	43%	*
CHA Biotech and SCRMI	37%	58%
Lifeline	12%	29%
Embryone Sciences	*	12%

*License revenue earned during the period was less than 10% of total license revenue.

Other risks include the uncertainty of the regulatory environment and the effect of future regulations on the Company's business activities. As the Company is a biotechnology research and development company, there is also the attendant risk that someone could commence legal proceedings over the Company's discoveries. Acts of God could also adversely affect the Company's business.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, "*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*." This ASU requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. In January 2013, this guidance was amended by ASU 2013-01, "*Clarifying the Scope of Disclosure about Offsetting Assets and Liabilities,*" which limits the scope of ASU No. 2011-11 to certain derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. This guidance is effective for annual and interim reporting periods beginning on or after January 1, 2013. The adoption of this standard did not have a material impact on its consolidated results of operations, financial condition, or liquidity.

3. INVESTMENT IN JOINT VENTURE

On December 1, 2008, the Company and CHA Bio & Diostech Co., Ltd. formed an international joint venture. The new company, Stem Cell & Regenerative Medicine International, Inc. ("SCRMI"), will develop human blood cells and other clinical therapies based on the Company's hemangioblast program, one of the Company's core technologies. Under the terms of the agreement, the Company purchased upfront a 33% interest in the joint venture, and will receive another 7% interest upon fulfilling certain obligations under the agreement over a period of 3 years. The Company's contribution includes (a) the uninterrupted use of a portion of its leased facility at the Company's expense, (b) the uninterrupted use of certain equipment in the leased facility, and (c) the release of certain of the Company's research and science personnel to be employed by the joint venture. In return, for a 60% interest, CHA has agreed to contribute $150,000 cash and to fund all operational costs in order to conduct the hemangioblast program. Effective May 1, 2010, the Company was no longer obligated to provide laboratory space to SCRMI. As of March 31, 2013, the Company holds a 40% interest in the joint venture and CHA Bio & Diostech, Ltd. owns a 60% interest. The two partners to the joint venture are in negotiations on further funding of the joint venture, but there can be no assurances that an agreement will be reached. Any financial statement impact at this time is unclear should an agreement not be reached.

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The Company has agreed to collaborate with the joint venture in securing grants to further research and development of its technology. Additionally, SCRMI has agreed to pay the Company a fee of $500,000 for an exclusive, worldwide license to the Hemangioblast Program. The Company recorded $7,353 and $7,353 in license fee revenue for the three months ended March 31, 2013 and 2012, respectively, in its accompanying consolidated statements of operations, and the balance of unamortized license fee of $373,775 and $381,127 is included in deferred revenue in the accompanying consolidated balance sheets at March 31, 2013 and December 31, 2012, respectively.

On July 15, 2011, the Company and CHA Biotech entered into a binding term sheet, with the expectation of entering into a future definitive agreement, in which the joint venture was realigned around both product development rights and research responsibilities. Under the terms of the binding term sheet, SCRMI exclusively licensed the rights to the Hemangioblast Program to the Company for United States and Canada and expanded the jurisdictional scope of the license to CHA Biotech to include Japan (in addition to South Korea, which was already exclusively licensed to CHA Biotech). As part of the agreement, the scientists at SCRMI involved in the Hemangioblast Program were transferred to the Company, and SCRMI discontinued its research activity and became solely a licensing entity. The Company is obligated to meet a minimal research spending requirement of $6.75 million by July 31, 2014 in order to maintain its exclusive license, up to the point of filing an investigational new drug for a therapeutic product. Intellectual property rights created by the Company in the course of our research are subject to a non-exclusive license to CHA Biotech for Japan and South Korea, and to SCRMI to be sub-licensable under certain circumstances for countries other than the United States, Canada, Japan and South Korea.

The following table is a summary of key financial data for the joint venture as of and for the three months ended March 31, 2013 and 2012:

	March 31, 2013	2012
Current assets	$213,375	183,948
Noncurrent assets	$1,263,514	1,064,553
Current liabilities	$310,267	2,680,193
Noncurrent liabilities	$2,094,639	–
Net revenue	$73,029	73,029
Net income (loss)	$35,564	(45,435)

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Machinery & equipment	$925,788	$907,740
Computer equipment	35,629	32,986
Office furniture	8,759	6,684
Leasehold improvements	215,642	169,572
	1,185,818	1,116,982
Accumulated depreciation	(930,028)	(941,726)
Property and equipment, net	$255,790	$175,256

Depreciation expense for the three months ended March 31, 2013 and 2012 amounted to $17,852 and $12,091, respectively.

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5. ACCRUED SETTLEMENT

CAMOFI Master LDC

CAMOFI Master LDC ("CAMOFI") and CAMZHN Master LDC ("CAMZHN" and together with "CAMOFI", the "CAMOFI Parties") filed a complaint on October 13, 2011. In their complaint, the CAMOFI Parties argued that as a result of the transactions between the Company and JMJ, Gemini Master Fund, Ltd., and Midsummer Investment, Ltd., respectively, the exercise prices in the warrants and debentures previously issued to the CAMOFI Parties should have been reduced. Consequently, the CAMOFI Parties argued that they have been denied the right to receive, in total, at least 130,795,594 shares of the Company's common stock, which has allegedly resulted in losses to the CAMOFI Parties of at least $22,265,951.

On January 11, 2013, the Company entered into a settlement agreement and mutual release (the "Settlement Agreement") with the CAMOFI Parties. Pursuant to the Settlement Agreement, and subject to Court approval, the Company agreed, in exchange for dismissal of the pending lawsuit with prejudice and a mutual release of all claims, (including termination of all outstanding warrants and debentures of the Company held by the CAMOFI Parties), to do the following on the business day following approval by the Court of the settlement or on another day agreed upon by the parties to the settlement (the "Closing"):

- issue to the CAMOFI Parties an aggregate number of shares of the Company's common stock calculated by dividing $4,500,000 by the least of (a) $0.056 per share, (b) the closing price of the common stock on the day immediately prior to the execution of the Settlement Agreement or (c) the volume weighted average price ("VWAP") reported by Bloomberg LP for the 30-day period before such shares of common stock are received (the "Closing Shares"), of which 78.9% of such Closing Shares will be issued to CAMOFI and 21.1% to CAMZHN;
- issue (a) to CAMOFI an Amortizing Senior Secured Convertible Debenture in the principal amount of $4,732,781 and (b) to CAMZHN an Amortizing Senior Secured Convertible Debenture in the original principal amount of $1,267,219 (together, the "Debentures");
- pay $1,577,594 to CAMOFI and $422,406 to CAMZHN; and

- reimburse the CAMOFI Parties for certain of the CAMOFI Parties' costs incurred in connection with the pending lawsuit.

The Debentures accrue interest at the rate of 8% per annum and mature on June 30, 2015. The Company may pre-pay all or a portion of the amounts due under the Debentures prior to maturity without penalty. Both of the Debentures are convertible at the option of the holder at a price per share of the Company's common stock equal to 80% of the VWAP of the ten consecutive trading days prior to the conversion date (the "Conversion Price"). The Company must make quarterly payments under the Debentures on the last day of each calendar quarter commencing on March 31, 2013 in the amount of $600,000. The quarterly payments may, at the option of the Company and subject to the satisfaction of certain conditions, be paid in shares of the Company's common stock. In such case, the conversion price for such payment will be based on the lesser of (i) the Conversion Price or (ii) 80% of the average of the 10 closing prices immediately prior to the date the quarterly payment is due. To secure its obligations under the Debentures, the Company will grant a security interest in substantially all of the Company's assets, including its intellectual property, to the CAMOFI Parties. The Debentures contain certain covenants customary for debt instruments of its kind. As of March 31, 2013, the Company was in compliance with the covenants in the Debentures.

On January 22, 2013, the Supreme Court of New York approved the issuance of the shares of the Company's common stock that the Company agreed to issue to the CAMOFI Parties pursuant to the Settlement Agreement that was entered into on January 11, 2013. Accordingly, on January 23, 2013, the Company issued an aggregate of 80,357,143 shares to the CAMOFI Parties as required by the Settlement Agreement and in reliance upon the exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended.

Pursuant to the Settlement Agreement, the Company and the CAMOFI Parties entered into a registration rights agreement, which required the Company to register the shares of the Company's common stock into which the Debentures are convertible with the Securities and Exchange Commission. The registration rights agreement provides that the registration statement will be filed within thirty days of the execution of the registration rights agreement and that it becomes effective within sixty days or within 90 days in the event of a full review by the Securities and Exchange Commission. If the Company fails to file the registration statement within the required time period, then the Company will pay, in cash, partial liquidated damages equal to 1.5% of the original principal amount of the Debentures. If the Company fails to pay any partial liquidated damages with seven days after the date payable, the Company will pay interest thereon at a rate of 18% per annum. The Company filed the registration statement on February 21, 2013 which was within the required time period, and the registration statement was declared effective March 19, 2013.

At March 31, 2013 and December 31, 2012, accrued settlements related to the above agreements were $0 and $6,807,891, respectively.

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6. LOSS CONTINGENCY ACCRUAL

The loss contingency accrual is comprised of the following at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Debenture-Warrant Settlement	$223,107	$170,287
SEC Civil Action	3,500,000	3,500,000
Litigation	3,136,500	2,506,500
Total	$6,859,607	$6,176,787

7. CONVERTIBLE PROMISSORY NOTES

2010 JMJ Convertible Promissory Notes

During 2010, the Company issued three convertible promissory notes to JMJ Financial, for a total of $3,000,000 available to receive in cash, for a principal sum of $3,850,000, which included an original issue discount of $850,000. The notes bear a one-time interest charge of 10% on the principal sum. The holder may at its election convert all or part of these notes into shares of the Company's common stock at the conversion rate of the lesser of: (a) $0.10 per share, or (b) 85% of the average of the three lowest trade prices in the 20 trading days prior to the conversion. During 2010, the Company received the entire $3,000,000 on these notes. Of the $3,850,000 borrowed, the Company converted $3,562,215 into 76,465,706 shares of common stock during 2010. The notes matured on March 30, 2013. The Company has not paid the outstanding balance of $287,785 as of March 31, 2013.

As of March 31, 2013 and December 31, 2012, the convertible promissory notes were convertible at the option of the holders into a total of 4,866,851 and 6,129,824 shares, respectively, subject to anti-dilution and other customary adjustments. The fair value of the embedded conversion option was $52,075 and $122,668 as of March 31, 2013 and December 31, 2012, respectively. The decrease in the fair value of this liability was $70,593 and $21,448 during the three months ended March 31, 2013 and 2012, respectively, which was recorded through the statements of operations as an adjustment to fair value of derivatives. The assumptions used in the Black-Scholes option pricing model at

March 31, 2013 are as follows: (1) dividend yield of 0%; (2) expected volatility of 80%, (3) risk-free interest rate of 0.04%, and (4) expected life of 0.001 years.

Interest expense from amortization of debt discounts related to the JMJ Convertible Promissory Notes for the three months ended March 31, 2013 and 2012 was $30,935 and $31,627, respectively.

Senior Secured Convertible Debentures

The Debentures issued to the CAMOFI Parties pursuant to the Settlement Agreement have an effective date of December 31, 2012, accrue interest at the rate of 8% per annum and mature on June 30, 2015. The Company may pre-pay all or a portion of the amounts due under the Debentures prior to maturity without penalty. Both of the Debentures are convertible at the option of the holder at a price per share of common stock equal to 80% of VWAP of the ten consecutive trading days prior to the conversion date. The Company must make quarterly payments under the Debentures on the last day of each calendar quarter commencing on March 31, 2013 in the amount of $600,000. The quarterly payments may, at the option of the Company and subject to the satisfaction of certain conditions, be paid in shares of Common Stock. In such case, the conversion price for such payment will be based on the lesser of (i) the conversion price as defined in the agreement or (ii) 80% of the average of the 10 closing prices immediately prior to the date the quarterly payment is due. The payment due on March 31, 2013, was paid in cash on April 1, 2013. To secure its obligations under the Debentures, the Company granted a security interest in substantially all of the Company’s assets, including its intellectual property, to the CAMOFI Parties. The Debentures contain certain covenants customary for debt instruments of its kind. At March 31, 2013, the Company was in compliance with the covenants of the Debentures.

The Company determined that the Debentures contained an embedded beneficial conversion feature as the Debentures are convertible at a price per share of common stock equal to 80% of VWAP of the ten consecutive trading days prior to the conversion date. The embedded beneficial conversion feature was modeled using a binomial lattice model, and the calculated value at March 31, 2013 and December 31, 2012 was 906,000 and $845,000, respectively. The Company recorded a loss of $61,000 for the change in the fair value of the embedded conversion option liability for the three months ended March 31, 2013.

The Company recorded a debt discount of $725,000 which will be amortized over the life of the note using the effective interest rate of 16.79%. For the three months ended March 31, 2013, the Company amortized $131,818 of the debt discount and recorded it as interest expense. The unamortized discount at March 31, 2013 and December 31, 2012 was $593,182 and $725,000, respectively.

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8. Series A-1 REDEEMABLE Convertible Preferred Stock

On March 3, 2009, the Company entered into a $5 million credit facility with a life sciences fund. Under the terms of the agreement, the Company may draw down funds, as needed, from the investor through the issuance of Series A-1 redeemable convertible preferred stock, par value $.001, at a basis of 1 share of Series A-1 redeemable convertible preferred stock for every $10,000 invested. The preferred stock pays dividends, in kind of preferred stock, at an annual rate of 10%, matures in four years from the initial drawdown date, and is convertible into common stock at $0.75 per share at the option of the holder.

However, in the event the closing price of the common stock during the 5 trading days following the notice to convert falls below 75% of the average of the closing bid price in the 5 trading days prior to the closing date, the investor may, at its option, and without penalty, decline to purchase the applicable put shares on the closing date.

The Company is required to keep available out of its authorized but unissued shares of common stock, such number of shares sufficient to effect a conversion of all then outstanding shares of the Series A-1 redeemable convertible preferred stock.

The Series A-1 redeemable convertible preferred stock has been classified within the mezzanine section between liabilities and equity in the consolidated balance sheets because it is considered conditionally redeemable. The embedded conversion option has been recorded as a derivative liability in the Company’s consolidated balance sheets, and changes in the fair value each reporting period are reported in adjustments to fair value of derivatives in the consolidated statements of operations.

The outstanding balance at March 31, 2013 and December 31, 2012 was $1,130,165, and is convertible into 1,506,887 shares of the Company’s common stock. The Company values the conversion option initially when each draw takes place (see section entitled “Conversion Option” in this footnote below). As of March 31, 2013, the Company has drawn $3,418,166 of the $5,000,000 commitment.

The following table summarizes the Series A-1 redeemable convertible preferred stock outstanding at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Principal due	$1,130,165	$1,130,165
Accrued dividend	511,401	477,332
Debt discount	(560)	(8,964)
	$1,641,006	$1,598,533
Non-current portion	$1,641,006	$1,598,533
Aggregate liquidation value*	$1,641,566	$1,607,497

* Represents the sum of principal due and accrued dividends.

The dividends are accrued at a rate of 10% per annum, and the Company records the accrual as interest expense in its consolidated statements of operations in the period incurred. The Company recorded accrued dividends on the Series A-1 redeemable convertible preferred stock of $34,069 and $31,308 for the three months ended March 31, 2013 and 2012, respectively, which is recorded as interest expense in the consolidated statements of operations.

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Redemption Rights

Upon the earlier of (i) the fourth anniversary of the issuance date, and (ii) the occurrence of a major transaction, each holder shall have the right, to require the Company to redeem all or a portion of such holder's share of Series A-1 redeemable convertible preferred stock, at a price per share equal to the Series A-1 liquidation value. The Company has the option to pay the redemption price in cash or in shares of its common stock. The Company shall have the right to redeem all or a portion of the shares of Series A-1 redeemable convertible preferred stock, at any time at a price per share of Series A-1 redeemable preferred stock equal to 100% of the Series A-1 liquidation value.

Termination and Liquidation Rights

The Company may terminate this agreement and its right to initiate future draw-downs by providing 30 days advanced written notice to the investor, subject to certain limitations.

Upon any liquidation, dissolution or winding up of the Company, the holders of the Series A-1 redeemable convertible preferred stock shall first be entitled to be paid out of the assets of the Company available for distribution (subject to certain limitations) to its stockholders an amount with respect to each share of Series A-1 redeemable convertible preferred stock equal to $10,000, plus any accrued by unpaid dividends.

Conversion Option:

The embedded conversion option was valued at $0 and $33 at March 31, 2013 and December 31, 2012, respectively, at fair value using the Black-Scholes model. The decrease in the fair value of the embedded conversion option liability of $33 and $3,647 for the three months ended March 31, 2013 and 2012, respectively, was recorded through the statements of operations as an adjustment to fair value of derivatives.

The assumptions used in the Black-Scholes model to value the embedded conversion option at March 31, 2013 were as follows: (1) dividend yield of 0%; (2) expected volatility of 80%, (3) risk-free interest rate of 0.04%, and

(4) expected life of 0.02 years.

Commitment fee and expenses

For providing investor relations services in connection with the Series A-1 redeemable convertible preferred stock credit facility, the Company issued a consultant 24,900,000 shares of its common stock on February 9, 2009. The Company valued the issuance of these shares at $4,731,000 based on a closing price of $0.19 on February 9, 2009 and recorded the value of the shares as deferred financing costs on the date they were issued. Beginning on the date of the first draw-down on April 6, 2009 (the loan maturity date is 4 years after the initial draw-down), the Company amortizes these fees over the term of the Series A-1 redeemable convertible preferred stock facility which represents the implied term of the investor relations contract.

The Company also incurred a non-refundable commitment fee to the holder of this convertible preferred stock facility in the amount of $250,000. The initial fee went into delinquency and was modified on October 19, 2009. (See modification section in the footnote below.)

Beginning on the date of the first draw-down on April 6, 2009 (the loan maturity date is 4 years after the initial draw-down), the Company amortizes the deferred issuance costs ratably over the term of the Series A-1 redeemable convertible preferred stock facility.

Interest expense from amortization of the debt discount and deferred costs for the three months ended March 31, 2013 and 2012 was $109,855 and $111,075, respectively.

Modification of Series A-1 Convertible Redeemable Preferred Stock:

On October 19, 2009, the Company entered into two letter agreements with Volation, pursuant to which (i) the Company reduced the conversion price of its existing outstanding Series A-1 redeemable convertible preferred stock issued to Volation to $.10 per share resulting in 22,880,000 shares of Common Stock upon conversion, (ii) the Company issued Volation 2,500,000 shares of its Common Stock at $0.10 per share in payment of an outstanding commitment fee, and (iii) Volation waived the delinquency in non-payment of the $250,000 commitment fee required pursuant to the preferred stock purchase agreement between the Company and Volation. The commitment fee was paid during the year ended December 31, 2010 by reducing the proceeds paid by the Series A-1 Preferred Stock investors by the amount of the commitment fee.

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9. SERIES B PREFERRED STOCK

On November 2, 2009 ("Series B Effective Date"), the Company entered into a preferred stock purchase agreement with Optimus Life Sciences Capital Partners, LLC ("Optimus"). Pursuant to the purchase agreement, the Company agreed to sell, and Optimus agreed to purchase, in one or more purchases from time to time at the Company's sole discretion, (i) up to 1,000 shares of Series B preferred stock at a purchase price of $10,000 per share, for an aggregate purchase price of up to $10,000,000, and (ii) five-year warrants to purchase shares of the Company's common stock with an aggregate exercise price equal to 135% of the purchase price paid by the Investor, at an exercise price per share as follows:

- On the sixth (6th) trading day following the Tranche Notice Date (as defined in the purchase agreement), the exercise price of the Optimus warrant shall be adjusted to equal the VWAP for the 5 trading days beginning on and including the Tranche Notice Date (as so adjusted, the "Adjusted Exercise Price"); and

- If the Adjusted Exercise Price results in additional warrant shares being issuable to the holder, such additional shares shall be delivered to the holder within one trading day following the adjustment date. If the Adjusted Exercise Price results in less warrant shares being issuable to the holder, the excess warrant shares shall be returned by the holder to the Company within one trading day following on the adjustment date.

During 2010, the Company delivered tranche notices to Optimus for delivery of a total of 1,000 shares under the Series B preferred stock for funding in the amount of $10,000,000 ($9,485,000 in cash proceeds, $500,000 of commitment fee applied, and $15,000 in legal fees).

During 2010, in connection with the funding, the Company issued 95,870,362 shares of its common stock upon exercise of the same number of warrants, which were granted simultaneously with the Company's tranche notices. During 2010, the Company received secured promissory notes in the amount of $13,500,000 to settle the warrant exercise.

Dividends

Commencing on the date of the issuance of any shares of Series B preferred stock, holders of Series B preferred stock will be entitled to receive dividends on each outstanding share of Series B preferred stock, which will accrue in shares of Series B preferred stock at a rate equal to 10% per annum from the issuance date compounded annually. Accrued dividends will be payable upon redemption of the Series B preferred stock. Accrued dividends were $2,642,722 and $2,352,321 at March 31, 2013 and December 31, 2012, respectively.

Redemption Rights

Upon or after the fourth anniversary of the initial issuance date, the Company will have the right, at the Company's option, to redeem all or a portion of the shares of the Series B preferred stock, at a price per share equal to 100% of the Series B liquidation value. The preferred stock may be redeemed at the Company's option, commencing 4 years from the issuance date at a price per share of (a) $10,000 per share plus accrued but unpaid dividends (the "Series B Liquidation Value"), or, at a price per share of : (x) 127% of the Series B Liquidation Value if redeemed on or after the first anniversary but prior to the second anniversary of the initial issuance date, (y) 118% of the Series B Liquidation Value if redeemed on or after the second anniversary but prior to the third anniversary of the initial issuance date, and (z) 109% of the Series B Liquidation Value if redeemed on or after the third anniversary but prior to the fourth anniversary of the initial issuance date.

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Liquidation Rights

The Series B preferred shares shall, with respect to dividend, rights upon liquidation, winding-up or dissolution, rank: (i) senior to the Company's common stock, and any other class or series of preferred stock of the Company, except the Series A-1 redeemable convertible preferred stock which shall rank senior in right of liquidation and *pari passu* with respect to dividends; and (ii) junior to all existing and future indebtedness of the Company.

If the Company determines to liquidate, dissolve or wind-up its business, it must redeem the Series B preferred stock at the prices set forth above. Upon any liquidation, dissolution or winding up of the Company the holders of Series B preferred stock shall be first entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount with respect to each share of Series B preferred stock equal to $10,000, plus any accrued and unpaid dividends.

The Company has classified the Series B preferred stock in the equity section in its consolidated balance sheets.

Related Secured Promissory Notes Receivable:

In accordance with the terms of the Series B preferred stock agreement, Optimus issued to the Company a secured promissory note in consideration for receiving warrants under each tranche. The value of each secured promissory note equals the value of the warrants that Optimus received. Interest on the notes accrues at 2% per year, compounding annually if the interest remains unpaid at the end of each year. The note is secured by freely tradable marketable securities belonging to Optimus. Each promissory note matures on the fourth anniversary of its issuance. As of March 31, 2013, Optimus has issued $13,500,000 in secured promissory notes.

In the event the Company redeems all or a portion of any shares of Series B preferred stock held by Optimus, the Company will be permitted to offset the full amount of such proceeds against amounts outstanding under the promissory notes. Accordingly, the Company included the discounted value of the secured promissory notes as a separate component of stockholders' deficit at March 31, 2013 and December 31, 2012.

At March 31, 2013, the value of the secured promissory notes in the consolidated balance sheet was $12,618,401, net of discounts of $1,409,127 and accrued interest of $527,528, reflecting a face value of $13,500,000.

At December 31, 2012, the value of the secured promissory notes in the consolidated balance sheet was $12,328,558, net of discounts of $1,641,001 and accrued interest of $469,559, reflecting a face value of $13,500,000.

The Company determined that a 10% discount is appropriate, in order to consistently reflect the Company's cost of borrowing under the terms of the underlying Series B preferred stock that permits offset. The Company recorded an initial discount on the promissory notes in the amount of $3,519,238 during the year ended December 31, 2010. The Company accretes interest at 10% over the respective four-year terms of the promissory notes.

During the three months ended March 31, 2013 and 2012, the Company accreted interest on the promissory notes in the amount of $289,842 and $265,337, respectively, which was recorded in accumulated deficit during the periods then ended. The Company recorded dividends on its Series B preferred stock during the three months ended March 31, 2013 and 2012 of $290,401 and $265,849, respectively. The accrued dividends are offset by the accretion of the note receivable discount.

As of March 31, 2013 and December 31, 2012, 1,000 shares of Series B preferred stock were outstanding. As of March 31, 2013, the Company has drawn the entire commitment of $10,000,000.

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10. SERIES C PREFERRED STOCK

On December 30, 2010 (the “Series C Effective Date”), the Company entered into a securities purchase agreement (the “Series C Purchase Agreement”) with Socius CG II, Ltd., a Bermuda exempted company (“Socius”). Pursuant to the Series C Purchase Agreement:

The Company agreed to sell, and Socius agreed to purchase, in one or more purchases from time to time (each such purchase, a “Series C Tranche”) in the Company’s sole discretion (subject to the conditions set forth therein), (i) up to 2,500 shares of Series C preferred stock (the “Series C Preferred Shares”) at a purchase price of $10,000 per share, for an aggregate purchase price of up to $25,000,000, and (ii) a two-year warrant (the “Socius Warrant”) obligating Socius to purchase shares of the Company’s common stock (the “Common Stock”) with an aggregate exercise price equal to 20% of the purchase price paid by Socius for the Series C Preferred Shares sold in each Series C Tranche, at an exercise price per share equal to the closing bid price of the Company’s Common Stock on the date the Company provides notice of such Series C Tranche (the “Series C Tranche Notice”). On each date that the Company delivers a Series C Tranche Notice to Socius, Socius shall also become obligated, pursuant to a right automatically vesting on such Series C Tranche Notice date, to purchase that number of shares of Common Stock (such shares of Common Stock the “Additional Investment Shares”) equal in dollar amount to 100% of the Series C Tranche amount set forth in the Series C Tranche Notice at a price per share equal to the closing bid price of the Common Stock on the Series C Tranche Notice date.

The Series C Purchase Agreement requires that, when the Company requests Socius to purchase a tranche of Series C Preferred Shares, the mandatory purchase by Socius of the related Additional Investment Shares must occur no later than sixty (60) calendar days following the Series C Tranche Notice date.

The Socius Warrant was issued to Socius on December 30, 2010 (the “Closing Date”) simultaneous with entering into the Series C Purchase Agreement. The Socius Warrant was issued with an initial exercise price per warrant is of $0.16 per share and for a total of up to 31,250,000 shares, subject to adjustment as described therein. On January 10, 2011, Socius and the Company entered into a letter agreement in which the parties agreed that, following arms-length negotiations and notwithstanding anything to the contrary in the Socius Warrant, that the initial number of shares issuable under the Socius Warrant, subject to the adjustment mechanism set forth therein, was equal to 30,000,000. As required by the Purchase Agreement, the Socius Warrant must be exercised for such number of shares of Common Stock equal in amount to 20% of the cumulative purchase price paid by Socius for the Series C Preferred Shares. The maximum amount of Series C Preferred Stock that Socius may become obligated to purchase under all Series C Tranches is $25,000,000. Assuming the maximum drawdown of $25,000,000 by the Company under the Series C Purchase Agreement, Socius would be required to exercise the Socius Warrant to purchase 20% of this total dollar amount, or $5,000,000 worth of shares of Common Stock.

The Letter Agreement modified the Socius Warrant only with respect to the initial number of underlying shares and expressly provides that, except as so modified, the Socius Warrant shall remain unchanged and shall continue in full force and effect.

At the initial closing pursuant to the Series C Purchase Agreement, which occurred on the Closing Date, (i) Socius purchased 400 Preferred Shares and the Company received gross proceeds of $4,000,000 (ii) the Company delivered to Socius an initial warrant (the "Initial Warrant") obligating Socius to purchase shares of Common Stock with an aggregate purchase price of $800,000, which shall be automatically exercisable on the date a registration statement for the resale of all shares of Common Stock issuable pursuant to the Series C Purchase Agreement is declared effective (which effectiveness occurred on April 13, 2011), with delivery of such shares made to Socius on the trading day immediately following the exercise date at a per-share price equal to the closing bid price of the Common Stock on the delivery date, and (iii) Socius became obligated to purchase additional shares of Common Stock equal in aggregate dollar amount to $4,000,000 (such shares of Common Stock the "Initial Investment Shares"), with delivery of such shares made to Socius on the trading day immediately following the date the registration statement is declared effective at a price per share equal to the closing bid price of Common Stock on the delivery date.

The Company agreed to pay to Socius a commitment fee of $1,250,000 (the "Commitment Fee"), at the earlier of the closing of the first Series C Tranche or the six month anniversary of the Series C Effective Date. This Commitment Fee is payable solely at the Company's election, in cash or in the alternative, in shares of common stock valued at 88% of the volume weighted average price of the Company's Common Stock on the five trading days preceding the payment date. If the Company elects to pay the Commitment Fee in shares of Common Stock, no cash payment would be due as the issuance of shares would satisfy the Commitment Fee obligation in full. The Company issued 7,562,008 shares of common stock on September 30, 2011 as full payment of the commitment fee.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

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The Company agreed to use its best efforts to file within 60 days of the Series C Effective Date, and cause to become effective as soon as possible thereafter, a registration statement with the Securities and Exchange Commission for the resale of all shares of Common Stock issuable pursuant to the Series C Purchase Agreement, including the shares of Common Stock underlying the Socius Warrant, shares of the Common Stock issuable upon exercise of the Initial Warrant, shares of Common Stock issuable as Initial Investment Shares, shares of Common Stock issuable as Additional Investment Shares, and shares of Common Stock issuable in payment of the Commitment Fee.

In the event that Socius does not comply with its obligations under the Series C Purchase Agreement (including its obligations to exercise the Socius Warrant), the Series C Purchase Agreement provides that, in addition to being entitled to exercise all rights provided therein or granted by law, the Company would be entitled to seek specific performance by Socius under the Series C Purchase Agreement and the Socius Warrant.

On December 30, 2010, in accordance with the purchase agreement, the Company filed a certificate of designations for the Series C preferred stock with the Secretary of State of the state of Delaware. As previously reported, pursuant to the Certificate of Designations, the preferred shares shall, with respect to dividend, rights upon liquidation, winding-up or dissolution, rank: (i) senior to the Company's common stock, and any other class or series of preferred stock of the Company (collectively, with any warrants, rights, calls or options exercisable for or convertible into such preferred stock, the "Junior Securities"); provided, however, the Series A-1 redeemable convertible preferred stock and Series B preferred stock (together, the "Senior Securities") shall rank senior in right of redemption, liquidation, and dividends; and (ii) junior to all existing and future indebtedness of the Company.

As of March 31, 2013 and December 31, 2012, the Company has drawn $17,500,000 of the $25,000,000 commitment, respectively.

Dividends

Commencing on the date of the issuance of any shares of Series C preferred stock, holders of Series C preferred stock will be entitled to receive dividends on each outstanding share of Series C preferred stock, which will accrue in shares of Series C preferred stock at a rate equal to 6% per annum from the issuance date compounded annually. Accrued dividends will be payable upon redemption of the Series C preferred stock. Accrued dividends were $1,598,607, and $1,325,333 at March 31, 2013 and December 31, 2012, respectively.

Redemption Rights

Upon or after the fourth anniversary of the initial issuance date, the Company will have the right, at the Company’s option, to redeem all or a portion of the shares of the Series C preferred stock, at a price per share equal to 100% of the Series C liquidation value. The preferred stock may be redeemed at the Company’s option, commencing 4 years from the issuance date at a price per share of (a) $10,000 per share plus accrued but unpaid dividends (the “Series C Liquidation Value”), or, at a price per share of : (i) 136% of the Series C Liquidation Value if redeemed prior to the first anniversary of the initial issuance date, (ii) 127% of the Series C Liquidation Value if redeemed on or after the first anniversary but prior to the second anniversary of the initial issuance date, (iii) 118% of the Series C Liquidation Value if redeemed on or after the second anniversary but prior to the third anniversary of the initial issuance date, and (iv) 109% of the Series C Liquidation Value if redeemed on or after the third anniversary but prior to the fourth anniversary of the initial issuance date.

Termination and Liquidation Rights

If the Company determines to liquidate, dissolve or wind-up its business, it must redeem the Series C preferred stock at the prices set forth above. Upon any liquidation, dissolution or winding up of the Company, the holders of Series C preferred stock shall be first entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount with respect to each share of Series C preferred stock equal to $10,000, plus any accrued and unpaid dividends.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Related Secured Promissory Notes Receivable:

As of March 31, 2013, Socius has issued $21,000,000 in notes receivable in accordance with the terms of the Series C preferred stock agreement.

Interest on the notes accrues at 2% per year, compounding annually if the interest remains unpaid at the end of each year. The note is secured by freely tradable marketable securities belonging to Socius. Each promissory note matures on the fourth anniversary of its issuance.

In the event the Company redeems all or a portion of any shares of Series C preferred stock held by Socius, the Company will be permitted to offset the full amount of such proceeds against amounts outstanding under the promissory notes. Accordingly, the Company included the discounted value of the secured promissory notes as a separate component of stockholders' deficit at March 31, 2013 and December 31, 2012.

At March 31, 2013, the value of the secured promissory notes in the consolidated balance sheet was $19,571,429, net of discounts of $1,950,668 and accrued interest of $522,097, reflecting a face value of $21,000,000.

At December 31, 2012, the value of the secured promissory notes in the consolidated balance sheet was $19,294,139, net of discounts of $2,135,527 and accrued interest of $429,666, reflecting a face value of $21,000,000.

The Company determined that a 6% discount is appropriate, in order to consistently reflect the Company's cost of borrowing under the terms of the underlying Series C preferred stock that permits offset. The Company recorded an initial discount on the promissory notes in the amount of $1,968,050 during the year ended December 31, 2011 and an additional $1,026,809 of debt discounts during the three months ended December 31, 2012 related to the fifth, sixth and seventh tranche notice. The Company accretes interest at 6% over the respective four-year terms of the promissory notes.

During the three months ended March 31, 2013 and 2012, the Company accreted interest on the promissory note in the amount of $277,290 and $183,335, respectively, which was recorded in accumulated deficit during the periods then ended. The Company recorded dividends on its Series C preferred stock during the three months ended March 31, 2013 and 2012 of $273,274 and $181,782, respectively. The accrued dividends are offset by the accretion of the note receivable discount.

The Company has classified the Series C preferred stock in the equity section in its consolidated balance sheets. As of March 31, 2013 and December 31, 2012, 1,750 and 1,750 shares of Series C preferred stock were outstanding, respectively.

11. WARRANT SUMMARY

Warrant Activity

A summary of warrant activity for the three months ended March 31, 2013 is presented below:

	Number of Warrants	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (000)$
Outstanding, December 31, 2012	21,757,421	0.18	1.88	–
Granted	–	–		
Exercised	–	–		
Forfeited/Canceled	(13,927,538)	0.13		
Outstanding, March 31, 2013	7,829,883	0.28	2.58	
Exercisable, March 31, 2013	7,829,883	0.28	2.58	–

The aggregate intrinsic value in the table above is before applicable income taxes and is calculated based on the difference between the exercise price of the warrants and the quoted price of the Company’s common stock as of the reporting date.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

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The following table summarizes information about warrants outstanding and exercisable at March 31, 2013:

	Warrants Outstanding and Exercisable		
Exercise Price $	**Number of Shares**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price $**
.10 - .11	3,239,247	1.68	0.10
.20 - .30	1,630,000	2.75	0.25
.38-.39	1,330,636	4.32	0.39
.40-.45	815,000	2.75	0.45
0.70	815,000	2.75	0.70
	7,829,883		

12**. STOCKHOLDERS' EQUITY TRANSACTIONS**

From January 15, 2013 to March 31, 2013, Lincoln Park purchased 71,547,000 shares of common stock for cash proceeds of $5,253,221.

On January 23, 2013, the Company issued an aggregate of 80,357,143 shares to the CAMOFI Parties as required by the Settlement Agreement and in reliance upon the exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended.

On March 28, 2013, the company issued various board members 1,025,534 shares of common stock valued at $72,813 as compensation for board services.

On March 28, 2013, the Company issued 1,000,000 shares of common stock valued at $185,000 as executive compensation.

On March 28, 2013, the Company issued 1,285,714 shares of common stock valued at $163,142 as executive compensation.

13. STOCK-BASED COMPENSATION

Stock Plans

Stock Plan	Options/Shares Issued	Options Outstanding	Options/Shares Available For Grant	Total Authorized
2004 Stock Plan	2,492,000	70,000	308,000	2,800,000
2004 Stock Plan II	1,301,161	1,071,161	–	1,301,161
2005 Stock Plan	110,019,332	105,508,806	339,806,203	449,825,535
	113,812,493	106,649,967	340,114,203	453,926,696

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ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Stock Option Activity

A summary of option activity for the three months ended March 31, 2013 is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2012	100,672,803	$ 0.22	7.45	$ 399
Granted	8,100,000	0.08		
Exercised	–	–		
Forfeited/canceled	(2,122,836)	0.25		
Outstanding, March 31, 2013	106,649,967	0.21	7.25	30,879
Vested and expected to vest at March 31, 2013	104,236,005	$ 0.21	7.22	$ 30,879
Exercisable, March 31, 2013	88,081,029	$ 0.21	7.00	$ 30,879

The aggregate intrinsic value in the table above is before applicable income taxes and is calculated based on the difference between the exercise price of the options and the quoted price of the Company’s common stock as of the reporting date.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2013.

	Options Outstanding			**Options Exercisable**		
Exercise Price	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Years)**	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Years)**
$0.05 - 0.058	2,570,000	$ 0.06	9.53	2,570,000	$0.06	9.53

0.08 - 0.09	19,852,022	0.09	7.91	13,330,995	0.09	7.57
0.10 - 0.157	40,739,769	0.13	7.43	35,808,523	0.12	7.28
0.185 - 0.21	26,394,166	0.19	7.48	22,277,500	0.20	7.33
0.25 - 0.45	11,071,161	0.36	7.56	8,071,161	0.36	7.30
0.85	5,417,849	0.85	1.15	5,417,849	0.85	1.15
$1.35 - 2.48	605,000	$2.02	2.63	605,000	$2.02	2.63
	106,649,967			88,081,029		

The assumptions used in calculating the fair value of options granted using the Black-Scholes option- pricing model for options granted during the three months ended March 31, 2013 are as follows:

	March 31, 2013	March 31, 2012
Risk-free interest rate	0.76 - 0.78%	1.04%
Expected life of the options	5.00 - 6.26 years	6.26 years
Expected volatility	160%	160%
Expected dividend yield	0%	0%
Expected forfeitures	13%	13%

The weighted average grant-date fair value for the options granted during the three months ended March 31, 2013 and 2012, was $0.08 and $0.10, respectively.

Stock-based compensation expense to employees for the three months ended March 31, 2013 and 2012, was $1,018,060 and $1,100,998, respectively.

The compensation expense related to the unvested options as of March 31, 2013, was $2,262,779, which will be recognized over the weighted average period of 3.92 years.

ADVANCED CELL TECHNOLOGY, INC. AND SUBSIDIARY

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Restricted Common Stock Activity

A summary of the restricted stock activity for the three months ended March 31, 2013 is presented below:

	Number of Stock (#)	Weighted Average Grant Date Fair Value ($)
Unvested, December 31, 2012	7,857,144	0.171
Granted		
Vested	(2,285,714)	0.169
Forfeited/canceled		
Unvested, March 31, 2013	5,571,430	0.158

The Company recorded compensation expense of $348,142 and $348,142 for the three months ended March 31, 2013 and 2012, respectively. The compensation expense related to the unvested restricted shares as of March 31, 2013, was $881,285, which will be recognized during the year ended December 31, 2013.

14. COMMITMENTS AND CONTINGENCIES

Debenture Settlement

The Company was not able to reach a settlement agreement with all of holders of convertible promissory notes and warrants that were issued between 2005 and 2010. The Company will continue to negotiate with the holders and anticipates that the number of shares to be issued will be similar to the settlements that have already been finalized as of March 31, 2013. The Company determined that an accrual was necessary at March 31, 2013, which is included in the “loss contingency accrual” amount on the consolidated balance sheets. (See Note 6 “Loss Contingency Accrual”)

Estate of William Caldwell

The Company has received a copy of a Creditor's Claim (the "Claim") in the amount of $27,909,706 made with the Estate of William Caldwell ("Decedent"), who at the time of his death was the Chief Executive Officer and Chairman of the Board of Directors of the Company. The Claim states that Decedent's liability arises under a cause of action that the Claimant intends to file in Federal court against the Company for violations of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including Section 10(b) of the Exchange Act and the rules promulgated thereunder.

In the Claim, the Claimant alleges that in September 2005, he entered into a Settlement Agreement with the Company pursuant to which he received a warrant to purchase shares of the Company's Common Stock. In the Claim, the Claimant makes several allegations against the Company including that in reliance on misinformation provided to him by the Decedent he exercised his warrant to purchase the Company's Common Stock at an inflated price and received fewer shares than he was owed by the Company under the terms of his warrant, that the Company breached the Claimant's warrant by not timely issuing stock after the warrant was exercised, and that the Company failed to provide proper notice of certain events that allegedly triggered the Claimant's purported rights to additional shares under the warrant. Claimant previously brought an action against the Company, in October 2007, with respect to a dispute over the interpretation of the anti-dilution provisions of the warrant but withdrew this action the day before the trial date.

On August 23, 2011, Gary Aronson filed suit in federal court in Massachusetts against Advanced Cell Technology, Inc. and Wilmington Trust, N.A., as Special Administrator of the Estate of William Mackay Caldwell. On August 25, 2011, John S. Gorton filed a substantially similar lawsuit. Gary D. Aronson filed a Creditor's Claim dated July 13, 2011 in the Estate of William M. Caldwell, IV, making substantially the same allegations as in his lawsuit.

On July 16, 2012, Magistrate Judge Dein issued her report and recommendation concerning the Company's motion to dismiss. Based on the report, the only thing the Company did not win at this stage is the dismissal of the breach of contract claim regarding the Woodward warrant.

Aronson and Gorton filed motions for leave to file Second Amended Complaints on October 23, 2012 and October 25, 2012. ACT did not oppose the motions. The Second Amended Complaints, deemed filed as of November 9 and 12, 2012, reassert the claim for breach of contract with respect to the Woodward warrant, as well as new breach-of-contract claims related to a warrant allegedly issued to Deron Colby; an alleged extension of the exercise periods for stock warrants issued to Andwell, LLC and Nancy Burrows; and alleged stock sales in 2008 that are the subject of a matter pending in the United States District Court for the Middle District of Florida, S.E.C. v. Lefkowitz. ACT moved to dismiss the Second Amended Complaints on November 30, 2012. The court again referred the motion to dismiss to Magistrate Judge Dein, who heard oral argument on February 26, 2013. The parties are awaiting a report and recommendation on the motion to dismiss.

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Pursuant to the employment agreement between the Company and the Decedent, the Company has to indemnify and hold Decedent harmless from costs, expenses or liability arising out of or relating to any acts or decisions made by Decedent in the course of his employment to the same extent that the Company indemnifies and holds harmless other officers and directors of the company in accordance with the Company's established policies. Our directors and officers are indemnified by our bylaws against amounts actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they are a party by reason of being or having been directors or officers of the Company. Our certificate of incorporation provides that none of our directors or officers shall be personally liable for damages for breach of any fiduciary duty as a director or officer involving any act or omission of any such director or officer. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to such directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by the Company of expenses incurred or paid by such director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Company determined that an accrual was necessary at March 31, 2013, which is included in the "loss contingency accrual" amount on the consolidated balance sheets. (See Note 6 "Loss Contingency Accrual")

Securities and Exchange Commission – Civil Action

In May 2012, the Company was named as a defendant in a civil action brought by the Securities and Exchange Commission related to transactions involving the sale and issuance of the Company's securities. The Securities and Exchange Commission alleges that Company violated Section 5(a) and 5(c) of the Securities Act of 1933 because certain sales of shares to outside organizations, completed in late 2008 and early 2009 under the Company's former management, resulted in $3.5 million in proceeds to the Company, were neither registered under the Securities act nor subject to an exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended. In addition, the Company is alleged to have violated Section 13(a) of the Exchange Act of 1934 because the Company did not disclose the sale and issuance of the shares to the Securities and Exchange Commission on a timely basis. The Company expensed the $3.5 million as "fines and penalties" in the consolidated statement of operations and recorded the $3.5 million liability to “loss contingency accrual” in the consolidated balance sheet. (See Note 6 “Loss Contingency Accrual”)

Employment Contracts

The Company has entered into employment contracts with certain executives and research personnel. The contracts provide for salaries, bonuses and stock option grants, along with other employee benefits.

Agreements

On May 4, 2012, The Company entered into an exclusive license agreement with StemLifeLine, Inc. for certain human stem cell lines that were created without destroying the donor embryo. The Company has agreed to pay $65,000 to StemLifeLine in upfront fees under the license. The Company has agreed to pay the first $200,000 in revenue that the Company receives under the agreement with Roslin Cells or any other stem cell bank entity for sale or licensing of the stem cell lines, and 20% of any such revenue, thereafter.

15. SUBSEQUENT EVENTS

On various dates from April 1, 2013 through April 30, 2013, Lincoln Park purchased 17,500,000 shares of common stock for cash proceeds of $1,200,750.

Pursuant to the Debentures with the CAMOFI Parties, on April 1, 2013, the Company paid in cash $640,000 representing principal of $600,000 and interest of $40,000.

On April 23, 2013, the Company entered into a share exchange agreement with Volation to exchange 27,522,833 freely tradeable shares of the Company’s common stock for Volation’s 113 shares of Series A-1 redeemable convertible preferred stock and accrued dividends.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the materials incorporated herein by reference contain forward-looking statements that involve risks and uncertainties. We use words such as “may,” “assumes,” “forecasts,” “positions,” “predicts,” “strategy,” “will,” “expects,” “estimates,” “anticipates,” “believes,” “projects,” “intends,” “plans,” “budgets,” “potential,” “con variations thereof, and other statements contained in this quarterly report, and the exhibits hereto, regarding matters that are not historical facts and are forward-looking statements. Because these statements involve risks and uncertainties, as well as certain assumptions, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to risks inherent in: our early stage of development, including a lack of operating history, lack of profitable operations and the need for additional capital; the development and commercialization of largely novel and unproven technologies and products; our ability to protect, maintain and defend our intellectual property rights; uncertainties regarding our ability to obtain the capital resources needed to continue research and development operations and to conduct research, preclinical development and clinical trials necessary for regulatory approvals; uncertainty regarding the outcome of clinical trials and our overall ability to compete effectively in a highly complex, rapidly developing, capital intensive and competitive industry. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. Except as may be required under applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements include our plans and objectives for future operations, including plans and objectives relating to our products and our future economic performance. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, and the time and money required to successfully complete development and commercialization of our technologies, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of those assumptions could prove inaccurate and, therefore, we cannot assure you that the results contemplated in any of the forward-looking statements contained herein will be realized. Based on the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of any such statement should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a life science company focused on the emerging field of regenerative medicine. Our core business strategy is to develop and ultimately commercialize stem cell derived cell therapies and biologics that will deliver safe and efficacious patient therapies, and which can be manufactured at scale and are reimbursable at attractive levels. We are conducting several ongoing clinical trials for treating macular degeneration, and have a preclinical development pipeline focused on products for eye diseases, autoimmune and inflammatory diseases, and wound healing.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon consolidated financial statements and condensed consolidated financial statements that we have prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the condensed consolidated financial statements and accompanying notes included in this report. We base our estimates on historical information, when available, and assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies to be critical to the estimates used in the preparation of our financial statements.

Use of Estimates — These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has estimated loss contingencies related to outstanding litigation. In addition, management has estimated variables used in the binomial models and the Black-Scholes option pricing model used to value derivative instruments as discussed below under "Fair Value Measurements". Also, management has estimated the expected economic life and value of the our licensed technology, our net operating loss for tax purposes, share-based payments for compensation to employees, directors, consultants and investment banks, and the useful lives of the our fixed assets and its accounts receivable allowance. Actual results could differ from those estimates.

Deferred Issuance Cost—Payments, either in cash or share-based payments, made in connection with the sale of debentures are recorded as deferred debt issuance costs and amortized using the effective interest method over the lives of the related debentures.

Fair Value Measurements—For certain financial instruments, including accounts receivable, accounts payable, accrued expenses, interest payable and notes payable, the carrying amounts approximate fair value due to their relatively short maturities.

On January 1, 2008, we adopted FASB ASC 820-10, *"Fair Value Measurements and Disclosures."* FASB ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Management analyzes all financial instruments with features of both liabilities and equity under ASC 480, *"Distinguishing Liabilities From Equity"* and ASC 815, *"Derivatives and Hedging."* Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrant and option derivatives are valued using the Black-Scholes model. The fair value of certain conversion features was calculated using a binomial model.

Revenue Recognition—Our revenue is generated from license and research agreements with collaborators. Licensing revenue is recognized on a straight-line basis over the shorter of the life of the license or the estimated economic life of the patents related to the license. Deferred revenue represents the portion of the license and other payments received that has not been earned. Costs associated with the license revenue are deferred and recognized over the same term as the revenue. Reimbursements of research expense pursuant to grants are recorded in the period during which collection of the reimbursement becomes assured, because the reimbursements are subject to approval.

Stock Based Compensation—We record stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation." ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee's requisite service period. We recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees.

Comparison of Three months Ended March 31, 2013 and 2012

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
	Amount	% of Revenue	Amount	% of Revenue
Revenue	$87,781	100.0 %	$55,685	100.0 %
Cost of revenue	34,359	39.1 %	15,609	28.0 %
Gross profit	53,422	60.9 %	40,076	72.0 %
Research and development expenses	2,992,000	3408.5 %	2,440,542	4382.8 %
General and administrative expenses	2,825,864	3219.2 %	3,019,005	5421.6 %
Non-operating income (expense)	(648,599)	(738.9)%	(293,019)	(526.2)%
Net loss	$(6,413,041)	(7305.7)%	$(5,712,490)	(10258.6)%

Revenue

Revenue relates to license fees and royalties collected that are being amortized over the period of the license granted, and are therefore typically consistent between periods. Revenue was $87,781 for the three months ended March 31, 2013, which was a decrease of $32,096 or 58% compared to the three months ended March 31, 2012. The decrease is due to license agreements that were terminated in 2012.

Research and Development Expenses and Grant Reimbursements

Research and development expenses (“R&D”) consist mainly of facility costs, payroll and payroll related expenses, research supplies and costs incurred in connection with specific research grants, and for scientific research. R&D expenditures for the three months ended March 31, 2013 increased from $2,440,542 in 2012 to $2,992,000 in 2013 for an increase of $551,458 or 23%. The increase in R&D expenditures during 2013 as compared to 2012 was primarily due to an increase in clinical trial expenses of approximately $609,000, lab testing of $70,000 and supplies of approximately $22,000 offset by a decrease in compensation of approximately $87,000. Grants, which offset the research and development expense, have also increased by approximately $60,000 in 2013 as compared to 2012.

Our R&D expenses are primarily associated with basic and pre-clinical research exclusively in the field of human stem cell therapies and regenerative medicine, with focus on development of our technologies in cellular reprogramming, reduced complexity applications, and stem cell differentiation. These expenses represent both pre-clinical development costs and costs associated with non-clinical support activities such as quality control and regulatory processes. The cost of our research and development personnel is the most significant category of expense; however, we also incur expenses with third parties, including license agreements, sponsored research programs and consulting expenses.

We do not segregate R&D costs by project because our research is focused exclusively on human stem cell therapies as a unitary field of study. Although we have three principal areas of focus for our research, these areas are completely intertwined and have not yet matured to the point where they are separate and distinct projects. The intellectual property, scientists and other resources dedicated to these efforts are not separately allocated to individual projects, since the research is conducted on an integrated basis.

We expect that R&D expenses will increase in the foreseeable future as we add personnel, expand our pre-clinical research, continue clinical trial activities, and increase our regulatory compliance capabilities. The amount of these increases is difficult to predict due to the uncertainty inherent in the timing and extent of progress in our research programs, and initiation of clinical trials. In addition, the results from our basic research and pre-clinical trials, as well as the results of trials of similar therapeutics under development by others, will influence the number, size and duration of planned and unplanned trials. As our research efforts mature, we will continue to review the direction of our research based on an assessment of the value of possible commercial applications emerging from these efforts. Based on this continuing review, we expect to establish discrete research programs and evaluate the cost and potential for cash inflows from commercializing products, partnering with others in the biotechnology or pharmaceutical industry, or licensing the technologies associated with these programs to third parties.

We believe that it is not possible at this stage to provide a meaningful estimate of the total cost to complete our ongoing projects and bring any proposed products to market. The use of human embryonic stem cells as a therapy is an emerging area of medicine, and it is not known what clinical trials will be required by the FDA in order to gain marketing approval. Costs to complete could vary substantially depending upon the projects selected for development, the number of clinical trials required and the number of patients needed for each study. It is possible that the completion of these studies could be delayed for a variety of reasons, including difficulties in enrolling patients, delays in manufacturing, incomplete or inconsistent data from the pre-clinical or clinical trials, and difficulties evaluating the trial results. Any delay in completion of a trial would increase the cost of that trial, which would harm our results of operations. Due to these uncertainties, we cannot reasonably estimate the size, nature nor timing of the costs to complete, or the amount or timing of the net cash inflows from our current activities. Until we obtain further relevant pre-clinical and clinical data, we will not be able to estimate our future expenses related to these programs or when, if ever, and to what extent we will receive cash inflows from resulting products.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2013 compared to the three months ended March 31, 2013 decreased by $193,141 to $2,825,864 in 2013 compared to $3,019,005 for the three months ended March 31, 2012. This decrease was primarily a result of a decrease in consultant expenses of approximately $167,000, professional fees of approximately $42,000, insurance expense of approximately $118,000, and offset by an increase in compensation of $127,000.

Other Income (Expense)

	2013	2012	$ Change	% Change
Interest income	$1,777	$5,077	$(3,300)	(65)%
Interest expense and late fees	(524,189)	(272,324)	(251,865)	(92)%
Finance gain (cost)	(293,120)	115,827	(408,947)	353 %
Adjustments to fair value of derivatives	166,933	(141,599)	308,532	(218)%
Total non-operating income (expense)	$(648,599)	$(293,019)	$(355,580)	

Interest expense for the three months ended March 31, 2013 compared to the three months ended March 31, 2012 increased by $251,865 to $524,189 in 2013 compared to $272,324 in 2012. The increase is due to the interest expense on the senior secured convertible debentures that we issued in December 2012. The expense related to the senior secured convertible debentures for the three months ended March 31, 2013 was $120,000 of interest expense plus $131,818 of amortized discount.

The change in finance costs during the three months ended March 31, 2013, compared to that of 2012, relates primarily to settlements. During the three months ended March 31, 2013, we incurred approximately $683,000 in financing costs due to the change in estimates related to settlements which were offset by approximately $390,000 related to warrants that were canceled as part of the Settlement Agreement with the CAMOFI Parties.

Adjustment to fair value of derivatives changed from a loss of $141,599 during the three months ended March 31, 2012, to a gain of $166,933 during the three months ended March 31, 2013. The change of $308,532 is primarily due to the change in the estimated volatility. For the three months ended March 31, 2012, we used an estimated volatility factor of 160%. During the three months ended March 31, 2013, we used estimated volatility factors ranging from 80% to 160% depending on the estimated life of the derivative.

Liquidity and Capital Resources

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated below:

	Three Months Ended March 31,	
	2013	2012
Net cash used in operating activities	$(8,276,448)	$(4,815,785)
Net cash used in investing activities	(107,191)	(9,177)
Net cash provided by financing activities	5,253,221	2,500,000
Net increase (decrease) in cash and cash equivalents	(3,130,418)	(2,324,962)
Cash and cash equivalents at the end of the period	$4,111,434	10,778,045

Operating Activities

Our net cash used in operating activities during the three months ended March 31, 2013 and 2012 was $8,276,448 and $4,815,785, respectively. Cash used in operating activities increased during the current period primarily due to an increase in operating expenditures.

Cash Used in Investing Activities

Cash used in investing activities during the three months ended March 31, 2013 and 2012 was $107,191 and $9,177, respectively. Our cash used in investing activities during the three months ended March 31, 2013 was attributed to the purchase of fixed assets for approximately $98,386.

Cash Flows from Financing Activities

Cash flows provided by financing activities during the three months ended March 31, 2013 and 2012 was $5,253,221 and $2,500,000, respectively. During the three months ended March 31, 2013, we received $5,253,221 from the issuance of 71,547,000 shares to Lincoln Park as part of the $35,000,000 Purchase Agreement.

We plan to fund our operations for the foreseeable future from the following sources:

- As of March 31, 2013, we have approximately $4,111,434 in cash.
- As of March 31, 2013, $7,500,000 is available to us upon the sale of our Series C preferred stock for a maximum placement commitment of $25,000,000 subject to compliance with the transactions agreement.
- As of March 31, 2013, $26,805,677 is available to us through the Lincoln Park financing arrangement.

On a long term basis, we have no expectation of generating any meaningful revenues from our product candidates for a substantial period of time and will rely on raising funds in capital transactions to finance our research and development programs. Our future cash requirements will depend on many factors, including the pace and scope of our research and development programs, the costs involved in filing, prosecuting and enforcing patents, and other costs associated with commercializing our potential products. We intend to seek additional funding primarily through public or private financing transactions, and, to a lesser degree, new licensing or scientific collaborations, grants from governmental or other institutions, and other related transactions. If we are unable to raise additional funds, we will be forced to either scale back our business efforts or curtail our business activities entirely. We anticipate that our available cash and expected income will be sufficient to finance most of our current activities for the foreseeable future. We cannot assure you that public or private financing or grants will be available on acceptable terms, if at all. Several factors will affect our ability to raise additional funding, including, but not limited to, the volatility of our common stock.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short-term debt securities issued by the U.S. government and institutional money market funds. The primary objective of our investment activities is to preserve principal. Due to the nature of our marketable securities, we believe that we are not exposed to any material market risk. We do not have any derivative financial instruments or foreign currency instruments. If interest rates had varied by 10% in the quarter ended March 31, 2013, it would not have had a material effect on our results of operations or cash flows for that period.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports we file pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our chief executive officer who also serves as the Company’s principal financial officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide a reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management designed the disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2013. Based upon that evaluation, the chief executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Camofi Master LDC v. Advanced Cell Technology, Inc., Index No. 652816-2011 (N.Y. Sup.)

CAMOFI Master LDC ("CAMOFI") and CAMZHN Master LDC ("CAMZHN" and together with CAMOFI, the "CAMOFI Parties") filed a complaint on October 13, 2011 and an amended complaint on April 3, 2012. In their complaint, the CAMOFI Parties argued that as a result of transactions between the Company and JMJ, Gemini Master Fund, Ltd., Midsummer Investment, Ltd., and other entities, the exercise prices in the warrants and debentures previously issued to the CAMOFI Parties should have been reduced such that the CAMOFI Parties argue that they should receive at least 1,441,199,111 shares of our common stock, and that they are entitled to receive 502,669,450 shares pursuant to unexercised warrants, along with unspecified monetary damages in the "tens of millions of dollars." We answered the Complaint and asserted affirmative defenses.

On January 11, 2013, we entered into a settlement agreement and mutual release with the CAMOFI Parties.

Pursuant to the settlement agreement, and subject to court approval, we agreed, in exchange for dismissal of the pending lawsuit with prejudice and a mutual release of all claims (including termination of all outstanding warrants and debentures of the Company held by the CAMOFI Parties), to do the following on the business day following approval by the court of the settlement or on another day agreed upon by the parties to the settlement:

- issue to the CAMOFI Parties an aggregate number of shares of the Company's common stock calculated by dividing $4,500,000 by the least of (a) $0.056 per share, (b) the closing price of the common stock on the day immediately prior to the execution of the Settlement Agreement or (c) the VWAP reported by Bloomberg LP for the 30-day period before such shares of common stock are received (the "Closing Shares"), of which 78.9% of such Closing Shares will be issued to CAMOFI and 21.1% to CAMZHN;
- issue (a) to CAMOFI an Amortizing Senior Secured Convertible Debenture in the principal amount of $4,732,781 and (b) to CAMZHN an Amortizing Senior Secured Convertible Debenture in the original principal amount of $1,267,219;
- pay $1,577,594 to CAMOFI and $422,406 to CAMZHN; and

- reimburse the CAMOFI Parties for certain of the CAMOFI Parties' costs incurred in connection with the pending lawsuit.

On January 22, 2013, the Supreme Court of New York approved the issuance of the shares of our common stock that we agreed to issue to the CAMOFI Parties pursuant to the settlement agreement that was entered into on January 11, 2013. Accordingly, on January 23, 2013, we issued an aggregate of 80,357,143 shares to the CAMOFI Parties as required by the settlement agreement and in reliance upon the exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended.

On April 1, 2013, the Company paid in cash $640,000, representing principal of $600,000 and interest of $40,000, to the CAMOFI Parties pursuant to the Debentures.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company's Form 10-K for the three months ended March 31, 2013 filed with the Securities and Exchange Commission on March 7, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 23, 2013, we issued an aggregate of 80,357,143 shares to the CAMOFI Parties as required by the settlement agreement. Such shares were issued in reliance upon the exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended.

On March 28, 2013, we issued 1,025,534 shares of common stock to various board members as compensation for services and we also issued 1,000,000 shares of common stock to Garry Rabin pursuant to his employment agreement and 1,285,714 shares of our common stock to Robert Lanza pursuant to his employment agreement.

Such shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

On various dates, from January 1, 2013 through March 31, 2013, we issued 71,547,000 shares to Lincoln Park for cash proceeds of $5,253,221. Such shares were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Description

4.1	Form of Amortizing Senior Secured Convertible Debenture issued to CAMOFI Master LDC (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 17, 2013 and incorporated by reference herein).
4.2	Form of Amortizing Senior Secured Convertible Debenture issued to CAMZHN Master LDC (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on January 17, 2013 and incorporated by reference herein).
10.1	Settlement Agreement and Mutual Release, dated as of January 11, 2013, by and among the Company, CAMOFI Master LDC and CAMZHN Master LDC (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2013 and incorporated by reference herein).
10.2	Registration Rights Agreement, dated as of January 23, 2013 by and among the Registrant, CAMOFI Master LDC and CAMZHN Master LDC (previously filed as Exhibit 10.2 to the Registrant's Registration Statement

	on Form S-3 filed on February 21, 2013 and incorporated by reference herein).
10.3	Office Lease Agreement, dated as of January 11, 2013, by and between the Company and The Janelon Trust (previously filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on January 17, 2013 and incorporated by reference herein).
32.1	Section 302 Certification of Principal Executive Officer and Principal Financial Officer.*
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.*
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*

* Filed herewith

SIGNATURE

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 hereunto duly authorized.

ADVANCED CELL TECHNOLOGY, INC.

By: /s/ Gary Rabin
Gary Rabin
Chief Executive Officer and Chairman

(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Dated: May 9, 2013