

BIOTIME INC  
Form 10-Q  
August 09, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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 1-12830

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

California 94-3127919  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

1010 Atlantic Avenue, Suite 102  
Alameda, California 94501  
(Address of principal executive offices)

(510) 521-3390  
(Registrant's telephone number, including area code)

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

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

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

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Large accelerated filer

Accelerated filer

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 103,392,248 common shares, no par value, as of August 5, 2016.

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PART 1--FINANCIAL INFORMATION

Statements made in this Report that are not historical facts may constitute forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed. Such risks and uncertainties include but are not limited to those discussed in this Report under Item 1 of the Notes to Consolidated Financial Statements, and under Risk Factors in this Report. Words such as “expects,” “may,” “will,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and similar expressions identify forward-looking statements.

References to “BioTime” or “we” means BioTime, Inc. and its consolidated subsidiaries unless the context otherwise indicates.

The description or discussion, in this Form 10-Q, of any contract or agreement is a summary only and is qualified in all respects by reference to the full text of the applicable contract or agreement.

Deconsolidation of Asterias Biotherapeutics, Inc. effective May 13, 2016

As fully discussed in Notes 1, 3 and 4 to the condensed unaudited consolidated interim financial statements provided herein, effective May 13, 2016, BioTime deconsolidated Asterias Biotherapeutics, Inc. (“Asterias”) financial statements and results of operations due to the decrease in BioTime’s percentage ownership in Asterias from 57.1% to 48.7% as a result of a public offering of Asterias common stock. BioTime did not participate in this public offering. Prior to that date, Asterias was a majority-owned and consolidated subsidiary. On May 13, 2016, BioTime’s ownership percentage of Asterias common stock declined to below 50% and this, among other factors discussed in Note 1, resulted in a loss of control of Asterias under generally accepted accounting principles. Since May 13, 2016, BioTime has accounted for its investment in Asterias using the equity method of accounting, electing the fair value option.

BioTime’s consolidated balance sheet at December 31, 2015, as reported, included Asterias’ assets and liabilities, after intercompany eliminations. However, Asterias’ assets and liabilities are not included in BioTime’s unaudited consolidated balance sheet at June 30, 2016 due to the deconsolidation of Asterias on May 13, 2016.

BioTime’s unaudited consolidated statements of operations for the three and six months ended June 30, 2016 include Asterias’ results for the period through May 12, 2016, the day immediately preceding the deconsolidation. For the three and six months ended June 30, 2015, BioTime’s unaudited consolidated results include Asterias’ results for the full periods presented.

For further discussion, see Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

## Item 1. Financial Statements

BIOTIME, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (IN THOUSANDS)

	June 30, 2016 (Unaudited) (Notes 1, 3 and 4)	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 27,702	\$ 42,229
Available for sale securities	619	753
Trade accounts and grants receivable, net	783	1,078
Landlord receivable	156	567
Prepaid expenses and other current assets	1,787	2,610
Total current assets	31,047	47,237
Property, plant and equipment, net and construction in progress	4,062	7,539
Deferred license fees	173	322
Deposits and other long-term assets	1,022	1,299
Equity method investment in Asterias, at fair value (Note 4)	52,194	-
Equity method investment in Ascendance	4,338	4,671
Intangible assets, net	11,491	33,592
<b>TOTAL ASSETS</b>	<b>\$ 104,327</b>	<b>\$ 94,660</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 6,508	\$ 9,377
Capital lease liability, current portion	173	38
Promissory notes, current portion	95	95
Deferred grant income	-	2,513
Deferred license and subscription revenue, current portion	627	439
Total current liabilities	7,403	12,462
<b>LONG-TERM LIABILITIES</b>		
Deferred revenues, net of current portion	462	615
Deferred rent liabilities, net of current portion	28	158
Lease liability	1,386	4,400
Related party convertible debt, net of discount	701	324
Promissory notes, net of current portion	173	220
Capital lease, net of current and other liabilities	122	34
<b>TOTAL LIABILITIES</b>	<b>10,275</b>	<b>18,213</b>
Commitments and contingencies (Note 13)		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares, no par value, 2,000 shares authorized; none issued and outstanding	-	-

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Common shares, no par value, 150,000 shares authorized; 102,288 shares issued and 101,668 shares outstanding at June 30, 2016; 94,894 issued and 90,421 outstanding at December 31, 2015	310,881		274,342	
Accumulated other comprehensive income (loss)	(504	)	(237	)
Accumulated deficit	(221,743	)	(229,181	)
Treasury stock at cost: 620 shares at June 30, 2016 and 4,473 shares at December 31, 2015	(2,891	)	(18,033	)
BioTime, Inc. shareholders' equity	85,743		26,891	
Non-controlling interest	8,309		49,556	
Total shareholders' equity	94,052		76,447	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 104,327</b>		<b>\$ 94,660</b>	

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES:</b>				
Subscription and advertisement revenues	\$288	\$357	\$631	\$676
Royalties from product sales	86	117	286	274
Grant income	760	1,437	2,247	2,130
Sale of research products and services	132	98	176	188
Total revenues	1,266	2,009	3,340	3,268
Cost of sales	(95 )	(260 )	(320 )	(525 )
Gross Profit	1,171	1,749	3,020	2,743
<b>OPERATING EXPENSES:</b>				
Research and development	(8,938 )	(9,059 )	(22,671)	(18,383)
General and administrative	(6,636 )	(6,186 )	(18,509)	(11,365)
Total operating expenses	(15,574)	(15,245)	(41,180)	(29,748)
Loss from operations	(14,403)	(13,496)	(38,160)	(27,005)
<b>OTHER INCOME/(EXPENSES):</b>				
Interest income/(expense), net	(76 )	4	(88 )	(79 )
BioTime's share of losses in equity method investment in Ascendance	(98 )	-	(333 )	-
Gain on deconsolidation of Asterias (Note 3)	49,048	-	49,048	-
Loss on equity method investment in Asterias at fair value (Note 4)	(13,483)	-	(13,483)	-
Other income/(expense), net	237	225	363	35
Total other income/(expense), net	35,628	229	35,507	(44 )
<b>INCOME (LOSS) BEFORE INCOME TAX BENEFIT</b>	<b>21,225</b>	<b>(13,267)</b>	<b>(2,653 )</b>	<b>(27,049)</b>
Deferred income tax benefit	-	1,271	-	2,448
<b>NET INCOME (LOSS)</b>	<b>21,225</b>	<b>(11,996)</b>	<b>(2,653 )</b>	<b>(24,601)</b>
Net loss attributable to non-controlling interest	3,324	2,305	10,091	4,736
<b>NET INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC.</b>	<b>24,549</b>	<b>(9,691 )</b>	<b>7,438</b>	<b>(19,865)</b>
Dividends on preferred shares	-	(52 )	-	(52 )
<b>NET INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC. COMMON SHAREHOLDERS</b>	<b>24,549</b>	<b>(9,743 )</b>	<b>7,438</b>	<b>(19,917)</b>
<b>NET INCOME (LOSS) PER COMMON SHARE:</b>				
<b>BASIC</b>	<b>\$0.26</b>	<b>\$(0.12 )</b>	<b>\$0.08</b>	<b>\$(0.25 )</b>
<b>DILUTED</b>	<b>\$0.26</b>	<b>\$(0.12 )</b>	<b>\$0.08</b>	<b>\$(0.25 )</b>

WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON  
STOCK OUTSTANDING:

BASIC	93,240	78,362	91,831	78,312
DILUTED	95,801	78,362	95,360	78,312

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (IN THOUSANDS)  
 (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME (LOSS)	\$ 21,225	\$ (11,996 )	\$ (2,653 )	\$ (24,601)
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation	(254 )	(317 )	(27 )	(318 )
Unrealized gain (loss) on available-for-sale securities, net of taxes	(190 )	-	(240 )	1
COMPREHENSIVE INCOME (LOSS)	20,781	(12,313 )	(2,920 )	(24,918)
Less: Comprehensive loss attributable to non-controlling interest	3,324	2,305	10,091	4,736
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC. BEFORE PREFERRED STOCK DIVIDEND	\$ 24,105	\$ (10,008 )	\$ 7,171	\$ (20,182)
Preferred stock dividend	-	(52 )	-	(52 )
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO BIOTIME, INC. COMMON SHAREHOLDERS	\$ 24,105	\$ (10,060 )	\$ 7,171	\$ (20,234)

See accompanying notes to the condensed consolidated interim financial statements.



BIOTIME, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)  
 (UNAUDITED)

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) attributable to BioTime, Inc.	\$ 7,438	\$ (19,865 )
Net loss allocable to non-controlling interest	(10,091 )	(4,736 )
Adjustments to reconcile net loss attributable to BioTime, Inc. to net cash used in operating activities:		
Gain on deconsolidation of Asterias (Note 4)	(49,048 )	-
Unrealized loss on equity method investment in Asterias at fair value	13,483	-
Depreciation expense	748	512
Amortization of intangible assets	2,292	2,628
Amortization of deferred license fees	150	55
Amortization of prepaid rent in common stock	-	42
Stock-based compensation	5,593	3,700
Subsidiary shareholder expense for subsidiary warrants	3,125	-
Amortization of discount on related party convertible debt	245	119
Accrued interest on convertible debt	46	9
BioTime's share of losses in equity method investment in Ascendance	333	-
Deferred income tax benefit	-	(2,448 )
Bad debt expense	354	-
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	(54 )	69
Inventory	-	(30 )
Prepaid expenses and other current assets	(396 )	(301 )
Accounts payable and accrued liabilities	(211 )	(810 )
Other long-term liabilities	(84 )	-
Deferred grant income	1,496	1,930
Deferred rent liabilities	81	(61 )
Deferred revenues	(59 )	151
Net cash used in operating activities	(24,559 )	(19,036 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Deconsolidation of Asterias cash and cash equivalents (Note 3)	(8,376 )	-
Purchase of equipment and other assets	(1,384 )	(305 )
Payments on construction in progress	(278 )	(2,518 )
Security deposit paid, net	22	(3 )
Net cash used in investing activities	(10,016 )	(2,826 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from sales of BioTime common stock in public offering	17,500	-
Discounts and fees paid for sale of BioTime common stock in public offering	(1,105 )	-
Proceeds from exercises of stock options	2,015	621
Proceeds from exercise of warrants	-	19
Proceeds from sale of treasury stock and subsidiary warrants	-	11,700
Reimbursement from landlord on construction in progress	411	560
Proceeds from issuance of related party convertible debt	1,019	188

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Repayment of capital lease obligation	(74 )	(28 )
Net proceeds from sale of common shares of subsidiary	171	11,586
Fees paid on sale of common shares of subsidiary	(206 )	(597 )
Proceeds from exercise of subsidiary stock options	-	23
Net cash provided by financing activities	19,731	24,072
Effect of exchange rate changes on cash and cash equivalents	317	(232 )
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(14,527 )	1,978
CASH AND CASH EQUIVALENTS:		
At beginning of the period	42,229	29,487
At end of the period	\$ 27,702	\$ 31,465

See accompanying notes to the condensed consolidated interim financial statements.

BIOTIME, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)

## 1. Organization and Business Overview

General – BioTime, Inc. is a clinical-stage biotechnology company focused on developing and commercializing novel therapies developed from two of its core technology platforms. The foundation of its core therapeutic technology platform is pluripotent stem cells that are capable of becoming any of the cell types in the human body. Cell types derived from pluripotent stem cells have potential application in many areas of medicine with large unmet patient needs, including various age-related degenerative diseases and degenerative conditions for which there presently are no cures. Unlike pharmaceuticals, which almost always require a molecular target, therapeutic strategies based on the use of cell types derived from pluripotent stem cells are generally aimed at regenerating or replacing affected cells and tissues, and therefore, may have broader applicability than pharmaceutical products. BioTime’s pluripotent stem cell technology is complemented by its HyStem<sup>®</sup> technology for the delivery and engraftment of cells, whether derived from pluripotent stem cells or the patient’s own somatic stem cells, at the desired location.

In order to efficiently advance product candidates through the clinical trial process, BioTime historically created operating subsidiaries for each program and product line. Management believes this approach has fostered efficient use of resources and reduced shareholder dilution as compared to strategies commonly deployed by the biotechnology industry, as the various programs and product lines have advanced through basic research and animal studies. As a result, BioTime has developed multiple clinical-stage products rather than being dependent on a single product program. BioTime and its subsidiaries have received substantial amounts of non-dilutive financial support from government and nonprofit organizations that are seeking to identify and accelerate the development of potential breakthroughs in the treatment of various major diseases. BioTime currently has an equity method investment in Asterias Biotherapeutics, Inc. (NYSE MKT: AST) and a majority-owned subsidiary, OncoCyte Corporation (NYSE MKT: OCX), both of which companies have shares publicly traded on the NYSE MKT.

As further discussed in Notes 3 and 4, effective May 13, 2016, BioTime deconsolidated Asterias Biotherapeutics, Inc. (“Asterias”) financial statements and results of operations due to the decrease in BioTime’s percentage ownership in Asterias from 57.1% to 48.7% as a result of a public offering of Asterias common stock, in which BioTime did not participate. Prior to that date, Asterias was a majority-owned and consolidated subsidiary. On May 13, 2016, BioTime experienced a loss of control of Asterias under generally accepted accounting principles. Loss of control is deemed to have occurred when, among other things, a parent company owns less than a majority of the outstanding common stock in the subsidiary, lacks a controlling financial interest in the subsidiary and, is unable to unilaterally control the subsidiary through other means such as having, or the ability to obtain, a majority of the subsidiary’s Board of Directors. All of these loss of control factors were present for BioTime as of May 13, 2016. Accordingly, since May 13, 2016, BioTime has accounted for its investment in Asterias using the equity method of accounting at fair value (see Notes 3 and 4).

BioTime, its subsidiaries, and companies accounted for as equity method investments now have four therapeutic product candidates in human clinical trials. BioTime’s Renevia<sup>®</sup>, a potential treatment for HIV related facial lipoatrophy, is currently in a pivotal clinical trial in Europe to assess its efficacy in restoring normal skin contours in patients whose subcutaneous fat, or adipose tissue, has been lost due to antiviral drug treatment for HIV. Renevia<sup>®</sup> consists of BioTime’s proprietary cell-transplantation delivery matrix (HyStem<sup>®</sup>) combined with the patient’s own adipose cells. Asterias has three clinical stage programs based on proprietary cell therapy platforms: AST-OPC1 is a therapy derived from pluripotent stem cells that is currently in a Phase I/IIa clinical trial for spinal cord injuries; AST-VAC1 is a patient-specific cancer immunotherapy being evaluated by Asterias in Acute Myeloid Leukemia (AML); and AST-VAC 2 is a non-patient specific cancer immunotherapy for which the initiation of a Phase I/IIa clinical trial is planned for the first quarter of 2017. BioTime’s majority-owned subsidiary, Cell Cure Neurosciences, Ltd., is developing OpRegen<sup>®</sup>, a potential therapy derived from pluripotent stem cells for the treatment of the dry

form of age-related macular degeneration. OpRegen<sup>®</sup> is currently in a Phase I/IIa clinical trial.

## 2. Basis of Presentation, Liquidity and Summary of Significant Accounting Policies

The unaudited condensed consolidated financial statements presented herein, and discussed below, have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Commission. In accordance with those rules and regulations certain information and footnote disclosures normally included in comprehensive consolidated financial statements have been condensed or omitted pursuant to such rules and regulations. The consolidated balance sheet as of December 31, 2015 was derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by GAAP. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in BioTime’s Annual Report on Form 10-K for the year ended December 31, 2015.

The accompanying interim condensed consolidated financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of BioTime's financial condition and results of operations. The condensed consolidated results of operations are not necessarily indicative of the results to be expected for any other interim period or for the entire year.

Principles of consolidation – All material intercompany accounts and transactions have been eliminated in consolidation. BioTime consolidated ReCyte Therapeutics, Inc. (“ReCyte”), OncoCyte Corporation (“OncoCyte”), OrthoCyte Corporation (“OrthoCyte”), ES Cell International, Pte Ltd (“ESI”), Cell Cure Neurosciences, Ltd (“Cell Cure Neurosciences”) BioTime Asia, Limited (“BioTime Asia”), LifeMap Sciences, Inc. (“LifeMap Sciences”), LifeMap Sciences, Ltd., and LifeMap Solutions, Inc., as BioTime has the ability to control their operating and financial decisions and policies through its ownership, and the non-controlling interest of the subsidiaries that are not wholly-owned is reflected as a separate element of shareholders' equity on BioTime's condensed consolidated balance sheets. Effective May 13, 2016, BioTime deconsolidated Asterias' financial statements (see Notes 3 and 4).

Equity method investment in Asterias, at fair value – BioTime uses the equity method of accounting when it has the ability to exercise significant influence, but not control, as determined in accordance with GAAP, over the operating and financial policies of the company. For equity method investments which BioTime has elected to measure at fair value, unrealized gains and losses are reported in the consolidated statements of operations as a non-operating gain or loss from equity method investment.

As further discussed in Notes 3 and 4, effective May 13, 2016, BioTime owned approximately 49% of the outstanding common stock of Asterias and has elected to account for its investment in Asterias at fair value using the equity method of accounting because since that date BioTime experienced a loss of control of Asterias, as defined by GAAP, but continues to exercise significant influence over Asterias. Under the fair value method, the investment is marked to market using the closing price of Asterias common stock on the NYSE MKT multiplied by the number of shares of Asterias held by BioTime, with changes in the fair value of the Asterias investment included in other income/expenses, net, in the condensed consolidated statements of operations. The Asterias equity method investment is considered a level 1 asset as defined by Accounting Standards Codification, or ASC 820, Fair Value Measurements and Disclosures.

Liquidity – Since inception, BioTime has incurred significant operating losses and has funded its operations primarily through the issuance of equity securities, payments from research grants, royalties from product sales and sales of research products and services. At June 30, 2016, BioTime had an accumulated deficit of approximately \$221.7 million, working capital of \$23.6 million and shareholders' equity of \$94.1 million. On June 21, 2016, and July 5, 2016, BioTime completed an equity financing and raised \$18.9 million in net proceeds after discounts, commissions and other expenses (see Note 10). BioTime has evaluated its projected cash flows for it and its subsidiaries and believes that its cash and cash equivalents and available for sale securities of \$28.3 million as of June 30, 2016, will be sufficient to fund its operations through the next twelve months. BioTime's projected cash flows are subject to various risks and uncertainties. For example, clinical trials being conducted by Cell Cure Neurosciences will be funded in part with funds from grants and not from cash on hand. If Cell Cure Neurosciences were to lose its grant funding or BioTime is unable to continue to provide working capital to Cell Cure Neurosciences, or both, it may be required to delay, postpone, or cancel its clinical trials or limit the number of clinical trial sites, or otherwise reduce or curtail its operations unless it is able to obtain adequate financing from another source that could be used for its clinical trial. Also, OncoCyte will need to raise additional capital during 2016 to establish a CLIA certified laboratory to conduct the cancer diagnostic tests that it is developing.

Basic and diluted net income (loss) per share – BioTime applies the two-class method for calculating basic earnings per share. Under the two-class method, net income, if any, will be reduced by preferred stock dividends and the residual amount is allocated between common stock and other participating securities based on their participation rights. Participating securities are comprised of Series A convertible preferred stock and participate in dividends, whether declared or not. Basic earnings per share is calculated by dividing net income or loss attributable to BioTime common

shareholders by the weighted average number of common shares outstanding, net of unvested restricted stock subject to repurchase by BioTime, if any, during the period. For periods in which BioTime reported a net loss, the participating securities are not contractually obligated to share in the losses of BioTime, and accordingly, no losses have been allocated to the participating securities. Diluted earnings per share is calculated by dividing the net income or loss attributable to BioTime common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of potentially dilutive common shares issuable under outstanding stock options and warrants, using the treasury-stock method, and convertible preferred stock, if any, using the if-converted method.

The primary components of weighted average shares of potentially dilutive common shares used to compute diluted net income per common share for the three months ended June 30, 2016 were approximately 2.4 million shares of treasury stock (see Note 10), and approximately 164,000 restricted stock units and outstanding stock options; for the six months ended June 30, 2016 potentially dilutive shares were approximately 3.4 million shares of treasury stock and approximately 94,000 restricted stock units and outstanding stock options (see Note 11)

The following common share equivalents were excluded from the computation of diluted net income (loss) per common share for the periods presented because including them would have been antidilutive (in thousands):

	Six Months Ended June 30, (Unaudited)	
	2016	2015
Stock options	5,679	4,212
Warrants	9,395	9,191
Treasury stock	-	4,894

Recently Issued Accounting Pronouncements –There have been no recent accounting pronouncements since the recently issued pronouncements included in BioTime’s Form 10-Q for the three months ended March 31, 2016.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". ASU No. 2014-15 defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. In connection with preparing financial statements for each annual and interim reporting period, ASU 2014-15 requires that an entity’s management evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU No. 2014-15 is effective for annual and interim reporting periods ending after December 15, 2016. Early adoption is permitted. BioTime has not elected early adoption and believes the impact of the adoption of ASU No. 2014-15 could have a material adverse impact on BioTime’s consolidated financial statements.

### 3. Deconsolidation of Asterias

On May 13, 2016, Asterias completed the sale of 5,147,059 shares of its common stock and warrants to purchase 2,959,559 shares of its common stock, through an underwritten public offering (the “Asterias Offering”). BioTime did not participate in the Asterias Offering. Asterias received approximately \$16.2 million in net proceeds from the Asterias Offering, after deduction of underwriting discounts, commissions and other expenses of the Asterias Offering.

As a result of the sale of Asterias common stock in the Asterias Offering and the issuance of 708,333 shares of Asterias common stock upon the exercise of certain stock options by a former Asterias executive, as of May 13, 2016, BioTime’s percentage ownership of the outstanding common stock of Asterias declined to 48.8%. On May 13, 2016, BioTime’s experienced a loss of control of Asterias under generally accepted accounting principles (see Note 1). Accordingly, BioTime has deconsolidated Asterias’ financial statements and results of operations from BioTime (the “Deconsolidation”), effective May 13, 2016, in accordance with ASC, 810-10-40-4(c), Consolidation. Beginning on May 13, 2016, BioTime is accounting for the retained noncontrolling investment in Asterias under the equity method of accounting and has elected the fair value option under ASC 825-10, Financial Instruments.

BioTime continues to hold 21.7 million shares of Asterias common stock, or approximately 49% of Asterias outstanding common stock as of June 30, 2016.

In connection with the Deconsolidation and in accordance with ASC 810-10-40-5, BioTime recorded a gain on deconsolidation of \$49.0 million during the quarter ended June 30, 2016 included in other income and expense, net, in the consolidated statements of operations.

### 4. Equity Method Investment in Common Stock of Asterias, at fair value

BioTime elected to account for its investment in 21.7 million shares of Asterias common stock at fair value using the equity method of accounting beginning on May 13, 2016, the date of the Deconsolidation. The investment in Asterias had a fair value of \$52.2 million as of June 30, 2016 and a fair value of \$65.7 million as of May 13, 2016, based on the closing price of Asterias common stock on the NYSE MKT on those respective dates. For the three and six months ended June 30, 2016, BioTime recorded an unrealized loss of \$13.5 million on the Asterias equity method investment due to the decline in Asterias stock price from May 13, 2016 to June 30, 2016.



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The unaudited condensed results of operations and unaudited condensed balance sheet information of Asterias are summarized below (in thousands):

	Three months ended June 30, 2016	Six months ended June 30, 2016	For the Period May 13, 2016 through June 30, 2016 <sup>(2)</sup>
Condensed Statements of Operations <sup>(1)</sup> :			
Total revenue	\$1,532	\$3,126	\$772
Gross profit	1,526	3,067	766
Loss from operations	(7,074)	(18,166)	(4,134)
Net loss	\$(5,159)	\$(15,496)	\$(2,383)

	June 30, 2016	December 31, 2015
Condensed Balance Sheet information <sup>(1)</sup> :		
Current assets	\$33,830	\$ 12,783
Noncurrent assets	33,414	27,445
	\$67,244	\$ 40,228
Current liabilities	\$13,219	\$ 4,450
Noncurrent liabilities	10,751	4,605
Stockholders' equity	43,274	31,173
	\$67,244	\$ 40,228

<sup>(1)</sup> The condensed unaudited statement of operations information included in the table above reflects Asterias' results of operations for the three and six months ended June 30, 2016. Asterias unaudited results of operations for the period from January 1, 2016 through May 12, 2016, the date immediately preceding the Deconsolidation, are included in the unaudited consolidated results of operations of BioTime for the three and six months ended June 30, 2016 shown in the table below. The condensed unaudited balance sheet information of Asterias included in the table above was included in BioTime's consolidated balance sheet at December 31, 2015, after intercompany eliminations.

<sup>(2)</sup> The condensed unaudited statement of operations information for the period May 13, 2016 through June 30, 2016 is not included in the unaudited consolidated results of BioTime for the three and six months ended June 30, 2016 due to the Deconsolidation of Asterias on May 13, 2016.

The following table summarizes Asterias' unaudited results of operations that are included in BioTime's unaudited consolidated results of operations, after intercompany eliminations, for the period from January 1, 2016 through May 12, 2016, the date immediately preceding the deconsolidation of Asterias, the period from April 1, 2016 through May 12, 2016 and, for the three and six months ended June 30, 2015 (unaudited) (in thousands).

For the Period April 1, 2016 through May 12, 2016	Three months ended June 30, 2015	For the Period January 1, 2016 through May 12, 2016	Six months ended June 30, 2015
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Total revenue	\$ 760	\$ 772	\$2,354	\$ 1,552
Gross profit	760	734	2,301	1,464
Loss from operations	(2,940 )	(4,807 )	(14,032 )	(9,342 )
Net loss	\$(2,776 )	\$(3,618 )	\$(13,113 )	\$(6,590 )

## 5. Equity Method Investment in Common Stock of Ascendance Biotechnology, Inc.

On December 9, 2015, BioTime acquired a 51.2% equity interest in the common stock of Ascendance Biotechnology, Inc. (“Ascendance”) in exchange for a group of assets and intellectual property licenses deemed to be a business, as defined by ASC 805, Business Combinations. In January 2016, a member of the Board of Directors of BioTime invested an additional \$100,000 in Ascendance decreasing BioTime’s ownership to 49.9%. Ascendance is a privately-held company that markets drug assay tests for use in drug-development and safety-testing of products in the pharmaceutical and chemical industries and sells products for stem cell research. Since inception of the investment, BioTime accounted for the Ascendance investment under the equity method of accounting since Ascendance is deemed a variable interest entity (VIE), and while BioTime is able to exercise significant influence over Ascendance, BioTime does not have a controlling financial interest in Ascendance and BioTime is not the primary beneficiary as defined by ASC 810-10, Consolidation - Variable Interest Entities.

BioTime’s share of net losses, including dilution losses due to decreased ownership in the Ascendance investment recorded in the consolidated statements of operations during the six months ended June 30, 2016 was \$333,000.

## 6. Property, plant and equipment, net and construction in progress

At June 30, 2016 and December 31, 2015, property, plant and equipment, and construction in progress were comprised of the following (in thousands):

	June 30, 2016 (Unaudited)(1)	December 31, 2015
Property, plant and equipment	\$ 6,492	\$ 10,757
Construction in progress	-	93
Accumulated depreciation	(2,430 )	(3,311 )
Property, plant and equipment, net	\$ 4,062	\$ 7,539

(1) Reflects the effect of the Deconsolidation.

Depreciation expense amounted to \$748,000 and \$512,000 for the six months ended June 30, 2016 and 2015, respectively.

## Construction in progress

Construction in progress of approximately \$1.6 million was transferred to property, plant and equipment as of June 1, 2016 when BioTime completed construction on tenant improvements at its new Alameda facility (see Note 13). Under the terms of the lease agreement, the landlord provided BioTime with an initial tenant improvement allowance of up to \$1.4 million, which BioTime utilized entirely to construct a research and development laboratory, a diagnostic testing laboratory, and a small production facility that can be used to manufacture small cell banks and clinical materials for clinical studies. Additional tenant improvements of approximately \$200,000 as of June 30, 2016 related to tenant improvements and construction costs that were not reimbursable by the landlord and were paid by BioTime. The tenant improvements will be depreciated over the lease term.

## 7. Intangible assets, net

At June 30, 2016 and December 31, 2015, intangible assets, net of amortization were comprised of the following (in thousands):

	June 30, 2016 (Unaudited)(1)	December 31, 2015
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Intangible assets	\$ 25,703	\$ 52,563
Accumulated amortization	(14,212 )	(18,971 )
Intangible assets, net	\$ 11,491	\$ 33,592

(1) Reflects the effect of the Deconsolidation.

BioTime recognized \$2.3 million and \$2.6 million in amortization expense of intangible assets, included in research and development, during the six months ended June 30, 2016 and 2015, respectively.

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## 8. Accounts Payable and Accrued Liabilities

At June 30, 2016 and December 31, 2015, accounts payable and accrued liabilities consisted of the following (in thousands):

	June 30, 2016 (Unaudited)(1)	December 31, 2015
Accounts payable	\$ 1,758	\$ 2,798
Accrued expenses	3,552	5,021
Accrued bonuses	827	1,126
Other current liabilities	371	432
Total	\$ 6,508	\$ 9,377

(1) Reflects the effect of the Deconsolidation.

## 9. Related Party Transactions and Related Party Convertible Debt

BioTime currently pays \$5,050 per month for the use of approximately 900 square feet of office space in New York City, which is made available to BioTime on a month-by-month basis by one of its directors at an amount that approximates his cost.

During the six months ended June 30, 2016, Cell Cure Neurosciences issued certain convertible notes (the “Convertible Notes”) to a Cell Cure Neurosciences shareholder other than BioTime in the principal amount of \$999,000. In April and November 2015, Cell Cure Neurosciences issued Convertible Notes to a Cell Cure Neurosciences shareholder other than BioTime in the principal amount of \$188,000 and \$66,000, respectively. In July and September 2014, Cell Cure Neurosciences issued Convertible Notes to two Cell Cure Neurosciences shareholders other than BioTime in the principal amount of \$471,000. One of the Cell Cure Neurosciences shareholders who acquired Convertible Notes is considered a related party. The functional currency of Cell Cure Neurosciences is the Israeli New Shekel, however the Convertible Notes are payable in United States dollars. The Convertible Notes bear a stated interest rate of 3% per annum. The total outstanding principal balance of the Convertible Notes, with accrued interest, is due and payable on various maturity dates in July and September 2017, and in February and April 2019. The outstanding principal balance of the Convertible Notes with accrued interest is convertible into Cell Cure Neurosciences ordinary shares at a fixed conversion price of \$20 per share, at the election of the holder, at any time prior to maturity. Any conversion of the Convertible Notes must be settled with Cell Cure Neurosciences ordinary shares and not with cash. The conversion feature of the Convertible Notes issued is not accounted for as an embedded derivative under the provisions of ASC 815, Derivatives and Hedging since it is not a freestanding financial instrument and the underlying Cell Cure Neurosciences ordinary shares are not readily convertible into cash. Accordingly, the Convertible Notes are accounted for under ASC 470-20, Debt with Conversion and Other Options. Under ASC 470-20, BioTime determined that a beneficial conversion feature (“BCF”) was present on the issuance dates of the Convertible Notes. A conversion feature is beneficial if, on the issuance dates, the effective conversion price is less than the fair value of the issuer’s capital stock. Since the effective conversion price of \$20.00 per share is less than the estimated \$41.00 per share fair value of Cell Cure Neurosciences ordinary shares on the dates the Convertible Notes were issued, a beneficial conversion feature equal to the intrinsic value is present. In accordance with ASC 470-20-30-8, if the intrinsic value of the BCF is greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the BCF is limited to the amount of the proceeds allocated to the convertible instrument. The BCF is recorded as an addition to equity with a corresponding reduction to the carrying value of the convertible debt instrument. In the case of the Convertible Notes, this reduction represents a debt discount equal to the principal amount on the issuance dates. This debt discount will be amortized to interest expense using the effective interest method over the three-year term of the debt, representing an approximate effective annual interest rate of 23%.

At June 30, 2016, the carrying value of the Convertible Notes was \$701,000, comprised of principal and accrued interest of approximately \$1,866,000, net of unamortized debt discount of approximately \$1,165,000. As of December 31, 2015, the carrying value of the Convertible Notes was \$324,000, comprised of principal and accrued interest of \$748,000, net of unamortized debt discount of \$424,000.

In January 2016 and December 2015, certain BioTime board members invested in Ascendance as individual investors concurrently with BioTime's investment in Ascendance (see Note 5).

## 10. Shareholders' Equity

### Preferred Shares

BioTime is authorized to issue 2,000,000 preferred shares. The preferred shares may be issued in one or more series as the board of directors may by resolution determine. The board of directors is authorized to fix the number of shares of any series of preferred shares and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed on the preferred shares as a class, or upon any wholly unissued series of any preferred shares. The board of directors may, by resolution, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of preferred shares subsequent to the issue of shares of that series. There are no preferred shares issued and outstanding.

### Common Shares

BioTime is authorized to issue 150,000,000 common shares with no par value. As of June 30, 2016, BioTime had 102,287,695 issued and 101,667,989 outstanding common shares; as of December 31, 2015, BioTime had 94,894,140 issued and 90,421,554 outstanding common shares. The difference of 619,706 and 4,472,586 between issued common shares and outstanding common shares as of June 30, 2016 and December 31, 2015, respectively, is attributed to shares held by BioTime subsidiaries which are accounted for as treasury stock on the condensed consolidated balance sheet. In connection with the Deconsolidation of Asterias as of May 13, 2016 (see Notes 3 and 4), BioTime has reported 3,852,880 BioTime common shares held by Asterias as outstanding common shares.

On June 16, 2016, BioTime entered into an underwriting agreement with Oppenheimer & Co. Inc., as representative of the several underwriters (the "Underwriters") relating to the issuance and sale of 7,322,176 common shares. The public offering price for each share was \$2.39.

On June 21, 2016, BioTime issued 7,322,176 common shares pursuant to an underwritten public offering, for net proceeds of \$16.4 million, after deducting underwriting discounts and commissions and other expenses. On July 5, 2016, BioTime issued an additional 1,098,326 common shares upon the full exercise of the over-allotment option by the Underwriters for net proceeds of \$2.5 million, after deducting underwriting discounts (See Note 14).

### Treasury Stock

Certain BioTime subsidiaries hold BioTime common shares that the subsidiaries received from BioTime in exchange for capital stock in the subsidiaries. The BioTime common shares held by subsidiaries are treated as treasury stock by BioTime and BioTime does not recognize a gain or loss on the sale of those shares by its subsidiaries.

## 11. Stock Option Plans

BioTime has adopted a 2012 Equity Incentive Plan (the “2012 Plan”) under which BioTime has reserved 10,000,000 common shares for the grant of stock options, restricted stock, restricted stock units (RSUs) and stock appreciation rights.

A summary of BioTime’s 2012 Plan activity and related information follows (in thousands, except per share amounts):

	Shares Available for Grant	Number of Options and RSUs Outstanding	Weighted Average Exercise Price
December 31, 2015	5,257	5,194	\$ 3.93
Options granted	(1,541 )	1,541	2.87
RSUs granted	(208 )	100	-
Options exercised	-	-	-
Options forfeited/cancelled	207	(420 )	4.52
June 30, 2016	3,715	6,415	\$ 3.63

During the six months ended June 30, 2016, BioTime issued 3,812 immediately vested common shares from the 2012 Plan, which are not reflected in the RSUs granted. However, reduced the total shares available in the 2012 Plan for future grants shown in the table above. Common shares issued or RSUs granted from the 2012 Plan reduce the shares available for grant by 2-for-1.

## Stock-Based Compensation Expense

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model applying the weighted-average assumptions noted in the following table:

	June 30, (Unaudited)	
	2016	2015
Expected life (in years)	6.07	6.04
Risk-free interest rates	1.45 %	1.76 %
Volatility	61.78 %	67.02 %
Dividend yield	0 %	0 %

Operating expenses include stock-based compensation expense as follows (in thousands):

	Six Months Ended June 30, (Unaudited)	
	2016	2015
Research and development	\$ 1,785	\$ 978
General and administrative	3,808	2,722
Total stock-based compensation expense	\$ 5,593	\$ 3,700



## 12. Income Taxes

The provision for income taxes is determined using an estimated annual effective tax rate. The effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as valuation allowances against deferred tax assets, the recognition or de-recognition of tax benefits related to uncertain tax positions, if any, and changes in or the interpretation of tax laws in jurisdictions where BioTime conducts business.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. BioTime established a full valuation allowance as of June 30, 2016 and December 31, 2015 due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

Although the Deconsolidation was not a taxable transaction to BioTime, the \$49.0 million gain on the Deconsolidation of Asterias recorded by BioTime generated a deferred tax liability on the equity method investment in Asterias carried at fair value that was fully offset by BioTime's net operating losses. Accordingly, BioTime did not record any provision or benefit for income taxes for the three and six months ended June 30, 2016. An income tax benefit of approximately \$2.4 million was recorded for the six months ended June 30, 2015, of which approximately \$2.6 million was related to federal taxes offset by \$154,000 related to state taxes. The income tax benefit recorded for the six months ended June 30, 2015 was primarily related to the deferred tax liabilities BioTime had recorded for its acquisition of certain intellectual property.

## 13. Commitments and Contingencies

### Alameda Lease

On December 10, 2015, BioTime entered into a lease for approximately 30,795 square feet of rentable space in two buildings located in an office park in Alameda, California (the "New Alameda Lease"). The term of the New Alameda Lease is seven years and BioTime has an option to renew the term for an additional five years. BioTime moved into the administrative areas of the facility and the term of the New Alameda Lease commenced effective February 1, 2016.

The landlord provided BioTime with an initial tenant improvement allowance of \$1.4 million that was applied to the construction of improvements for the leased premises, primarily for the research and development facilities. BioTime utilized the tenant improvement allowance to complete the leasehold improvements as of June 1, 2016 (see Note 6).

Base rent under the New Alameda Lease commenced on February 1, 2016 at \$64,670 per month, and will increase by approximately 3% annually on every February 1 thereafter during the lease term. The lease payments allocated to the landlord liability are amortized as debt service on that liability over the lease term.

### Litigation – General

BioTime will be subject to various claims and contingencies in the ordinary course of its business, including those related to litigation, business transactions, employee-related matters, and others. When BioTime is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, BioTime will record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, BioTime discloses the claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material. BioTime is not aware of any claims likely to have a material adverse effect on its financial condition or results of operations.

### Employment Contracts

BioTime has entered into employment agreements with certain executive officers. Under the provisions of the agreements, BioTime may be required to incur severance obligations for matters relating to changes in control, as defined in the agreements, and involuntary terminations.

#### Indemnification

In the normal course of business, BioTime may provide indemnifications of varying scope under BioTime's agreements with other companies or consultants, typically BioTime's clinical research organizations, investigators, clinical sites, suppliers and others. Pursuant to these agreements, BioTime will generally agree to indemnify, hold harmless, and reimburse the indemnified parties for losses and expenses suffered or incurred by the indemnified parties arising from claims of third parties in connection with the use or testing of BioTime's products and services. Indemnification provisions could also cover third party infringement claims with respect to patent rights, copyrights, or other intellectual property pertaining to BioTime products and services. The term of these indemnification agreements will generally continue in effect after the termination or expiration of the particular research, development, services, or license agreement to which they relate. The potential future payments BioTime could be required to make under these indemnification agreements will generally not be subject to any specified maximum amount. Historically, BioTime has not been subject to any claims or demands for indemnification. BioTime also maintains various liability insurance policies that limit BioTime's financial exposure. As a result, BioTime believes the fair value of these indemnification agreements is minimal. Accordingly, BioTime has not recorded any liabilities for these agreements as of June 30, 2016 and December 31, 2015.

#### 14. Subsequent Events

On July 5, 2016, BioTime issued an additional 1,098,326 common shares upon the full exercise of the over-allotment option by the Underwriters for net proceeds of \$2.5 million, after deducting underwriting discounts (see Note 10).

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

The matters addressed in this Item 2 that are not historical information constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, including statements about any of the following: any projections of earnings, revenue, gross profit, cash, effective tax rate, use of net operating losses, or any other financial items; the plans, strategies and objectives of management for future operations or prospects for achieving such plans; and any statements of assumptions underlying any of the foregoing. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects,” “seeks,” “estimates,” and similar expressions are intended to identify forward-looking statements. While BioTime may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the BioTime’s estimates change, and readers should not rely on those forward-looking statements as representing BioTime’s views as of any date subsequent to the date of the filing of this Quarterly Report. Although we believe that the expectations reflected in these forward-looking statements are reasonable, such statements are inherently subject to risks and BioTime can give no assurances that its expectations will prove to be correct. Actual results could differ materially from those described in this Quarterly Report because of numerous factors, many of which are beyond the control of BioTime. A number of important factors could cause the results of the company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading “Risk Factors” in Part I, Item 1A of BioTime’s Form 10-K for the year ended December 31, 2015.

The following discussion should be read in conjunction with BioTime interim condensed consolidated financial statements and the related notes provided under “Item 1- Financial Statements” above.

#### Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses and analyzes data in our unaudited Condensed Consolidated Financial Statements, which we have prepared in accordance with U.S. generally accepted accounting principles. Preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual conditions may differ from our assumptions and actual results may differ from our estimates.

An accounting policy is deemed critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes that there have been no significant changes during the six months ended June 30, 2016 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2015, except as follows:

Equity method investment in Asterias, at fair value – BioTime uses the equity method of accounting when it has the ability to exercise significant influence, but not control as defined under GAAP, over the operating and financial policies of a company in which it holds an equity investment. For equity method investments which BioTime has elected to measure at fair value, unrealized gains and losses are reported in the consolidated statements of operations as a non-operating gain or loss from equity method investment.

As further discussed in Notes 3 and 4 to the condensed consolidated interim financial statements, effective May 13, 2016, BioTime owned approximately 49% of the outstanding common stock of Asterias Biotherapeutics, Inc. ("Asterias") and has elected to account for its investment in Asterias at fair value using the equity method of accounting since as of this date BioTime no longer has a majority ownership interest in Asterias but BioTime continues to exercise significant influence over Asterias. Under the fair value method, the investment is marked to market using the closing price of Asterias common stock on the NYSE MKT multiplied by the number of shares of Asterias held by BioTime, with changes in the fair value of the investment included in other income/expenses, net, in the consolidated statements of operations. The Asterias investment is considered a level 1 asset as defined by ASC 820.

#### Results of Operations

In connection with the deconsolidation of Asterias as described in Notes 3 and 4 to the condensed consolidated interim financial statements (the "Deconsolidation"), BioTime recorded a \$49.0 million gain on the Deconsolidation of Asterias during the quarter ended June 30, 2016 which is included in other income and expense, net, in the consolidated statements of operations.

#### Asterias Condensed Balance Sheet Information (in thousands)

	June 30, 2016	December 31, 2015
Condensed Balance Sheet information <sup>(1)</sup> :		
Current assets	\$33,830	\$ 12,783
Noncurrent assets	33,414	27,445
	\$67,244	\$ 40,228
Current liabilities	\$13,219	\$ 4,450
Noncurrent liabilities	10,751	4,605
Stockholders' equity	43,274	31,173
	\$67,244	\$ 40,228

(1) The condensed unaudited Asterias balance sheet information as of December 31, 2015 included in the table above was included in BioTime's consolidated balance sheet at December 31, 2015, after intercompany eliminations. The June 30, 2016 unaudited Asterias balance sheet is shown for comparative purposes only as we have deconsolidated Asterias' financial statements effective May 13, 2016.

Primary components of Asterias' assets and liabilities included in BioTime at December 31, 2015

At December 31, 2015, the primary components of Asterias' assets and liabilities include in the consolidated balance sheet of BioTime were as follows: Asterias' current assets were cash and cash equivalents of \$11.2 million and prepaid expenses and other current assets of \$1.6 million; the primary components of noncurrent assets of Asterias were intangible assets, net, of \$20.8 million and property, plant and equipment, net of \$5.8 million; the primary components of Asterias' liabilities were accounts payable and accrued liabilities of \$1.9 million, deferred grant income of \$2.5 million and landlord liability of \$4.4 million.

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Comparison of Three and Six Months Ended June 30, 2016 and 2015 (in thousands).

In order to provide proper comparability of the results of BioTime due to the Deconsolidation, the following tables provide consolidated results of operations of BioTime for the three and six months ended June 30, 2016 and 2015, then show the results operations of Asterias' that are included in BioTime's consolidated results, which include the periods from January 1, 2016 through May 12, 2016 (133 days), from April 1, 2016 through May 12, 2016 (42 days) and, for the three and six months ended June 30, 2015, to arrive at the BioTime consolidated results less Asterias (in thousands).

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Consolidated Results of Operations	Less: Asterias (42 days)	Consolidated Results less Asterias	Consolidated Results of Operations	Less: Asterias (3 months)	Consolidated Results less Asterias
<b>REVENUES:</b>						
Subscription and advertisement revenues	\$ 288	\$ -	\$ 288	\$ 357	\$ -	\$ 357
Royalties from product sales	86	-	86	117	73	44
Grant income	760	760	-	1,437	659	778
Sale of research products and services	132	-	132	98	40	58
Total revenues	1,266	760	506	2,009	772	1,237
Cost of sales	(95 )	-				