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

FORM 10-Q

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

For the quarterly period ended **March 31, 2016**

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

For the transition period from _____ to _____

Commission file number: **000-55413**

CELL SOURCE, INC.

(Exact name of registrant as specified in its charter)

Nevada	**32-0379665**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
5 Kineret Street **Bnei Brak, Israel**	**5126237**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code **011 972 3 562-1755**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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. (Check one):

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

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

As of May 10, 2015, the registrant had 23,929,256 shares of $0.001 par value common stock outstanding.

CELL SOURCE, INC. AND SUBSIDIARY

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

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CELL SOURCE, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Current Assets:		
Cash	$ 99,103	$ 6,944
Prepaid expenses	152,722	71,882
Other current assets	154,543	134,736
Total Current Assets	406,368	213,562
Property and equipment, net	1,052	1,267
Total Assets	$ 407,420	$ 214,829
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable and accrued expenses, current portion	$ 595,945	$ 586,485
Accounts payable and accrued expenses - related parties	16,268	214,629
Accrued compensation	436,453	324,672
Derivative liabilities	3,689,250	3,279,600
Notes payable, net of debt discount of $81,800 and $41,600 at March 31, 2016 and December 31, 2015, respectively	1,268,200	708,400
Notes payable - related party, net of debt discount of $10,600 and $19,300 at March 31, 2016 and December 31, 2015, respectively	139,400	180,700
Convertible notes payable, current portion, net of debt discount of $251,742 and $214,550 at March 31, 2016 and December 31, 2015, respectively	393,258	180,450
Advances payable	200,000	450,000
Total Current Liabilities	6,738,774	5,924,936
Convertible notes payable, non-current portion, net of debt discount of $517,352 and $288,832 at March 31, 2016 and December 31, 2015, respectively	205,148	43,668
Accounts payable and accrued expenses, non-current portion	18,424	4,474
Total Liabilities	6,962,346	5,973,078
Commitments and contingencies	-	-
Stockholders' Deficiency:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding at March 31, 2016 and December 31, 2015	-	-
Common stock, $0.001 par value; 200,000,000 shares authorized; 23,929,256 shares issued and outstanding at March 31, 2016 and December 31, 2015	23,929	23,929
Additional paid-in capital	4,744,182	4,720,417
Accumulated deficit	(11,323,037)	(10,502,595)
Total Stockholders' Deficiency	(6,554,926)	(5,758,249)
Total Liabilities and Stockholders' Deficiency	$ 407,420	$ 214,829

See Notes to the Condensed Consolidated Financial Statements

CELL SOURCE, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For The Three Months Ended March 31,	
	2016	**2015**
Revenues	$ -	$ -
Operating Expenses		
Research and development	113,421	52,747
Research and development - related party	200,000	200,000
Selling, general and administrative	331,258	334,996
Total Operating Expenses	644,679	587,743
Loss From Operations	(644,679)	(587,743)
Other (Expense) Income		
Change in fair value of derivative liabilities	160,950	33,500
Interest expense	(63,325)	-
Amortization of debt discount	(273,388)	(2,400)
Total Other Income (Expense)	(175,763)	31,100
Net Loss	$ (820,442)	$ (556,643)
Net Loss Per Share		
- Basic and Diluted	$ (0.03)	$ (0.02)
Weighted Average Number of Common Shares Outstanding		
- Basic and Diluted	25,973,091	25,623,091

See Notes to the Condensed Consolidated Financial Statements

CELL SOURCE, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2016
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance - December 31, 2015	23,929,256	$ 23,929	$ 4,720,417	$ (10,502,595)	$ (5,758,249)
Stock-based compensation:					
- warrants	-	-	23,765	-	23,765
Net loss	-	-	-	(820,442)	(820,442)
Balance - March 31, 2016	23,929,256	$ 23,929	$ 4,744,182	$ (11,323,037)	$ (6,554,926)

See Notes to the Condensed Consolidated Financial Statements

CELL SOURCE, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For The Three Months Ended March 31,	
	2016	**2015**
Cash Flows From Operating Activities		
Net loss	$ (820,442)	$ (556,643)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	(160,950)	(33,500)
Amortization of debt discount	273,388	2,400
Depreciation	215	215
Stock-based compensation:		
Warrants	68,870	(9,900)
Changes in operating assets and liabilities:		
Prepaid expenses	(80,840)	25,979
Other current assets	(19,807)	(53,253)
Accounts payable and accrued expenses	(63,701)	(68,298)
Net Cash Used in Operating Activities	(803,267)	(693,000)
Cash Flows From Financing Activities		
Proceeds from issuance of notes payable	990,000	500,000
Repayment of note payable, related party	(50,000)	-
Payment of debt issuance costs	(44,574)	-
Proceeds from cash advances	-	450,000
Net Cash Provided by Financing Activities	895,426	950,000
Net Increase In Cash	92,159	257,000
Cash - Beginning	6,944	19,480
Cash - Ending	$ 99,103	$ 276,480
Supplemental Disclosures of Cash Flow Information:		
Non-cash investing and financing transactions:		
Warrants and conversion options issued in connection with issuance of notes payable	$ 570,600	$ 177,200
Advance exchanged for a convertible note payable	$ 250,000	$ -

See Notes to the Condensed Consolidated Financial Statements

Note 1 – Organization, Operations and Basis of Presentation

Organization and Operations

Cell Source, Inc. (“CSI” or the “Company”) is a Nevada corporation formed on June 6, 2012 that is the parent company of Cell Source Limited, which was founded in Israel in 2011 in order to commercialize a suite of inventions relating to certain cancer treatments. Cell Source Limited’s target indications include treatment of lymphoma, multiple myeloma and B-cell chronic lymphocytic leukemia (“BCLL”) (which is a common form of leukemia), facilitating transplantation acceptance (initially bone marrow transplantation and subsequently organ transplantation) and ultimately treating a variety of non-malignant diseases. Cell Source Limited’s lead prospective product is its patented Veto Cell immune system management technology, which is an immune tolerance biotechnology that enables the selective blocking of immune responses. Cell Source Limited’s Veto Cell immune system management technology is based on technologies patented, owned, and licensed to Cell Source Limited by Yeda Research and Development Company Limited, an Israeli corporation ("Yeda").

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial position of the Company as of March 31, 2016 and the condensed consolidated results of its operations and cash flows for the three months ended March 31, 2016 and 2015. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the operating results for the full year. It is recommended that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and related disclosures of the Company as of December 31, 2015 and for the year then ended which were filed with the Securities and Exchange Commission (“SEC”) on Form 10-K on April 14, 2016.

Note 2 – Going Concern and Management Plans

The Company has not generated any revenues, has recurring net losses, a working capital deficiency as of March 31, 2016 of approximately $6,332,000, and used cash in operations of approximately $803,000 and $693,000 for the three months ended March 31, 2016 and 2015, respectively. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The ability of the Company to continue its operations is dependent on the execution of management’s plans, which include the raising of capital through the debt and/or equity markets, until such time that funds provided by operations are sufficient to fund working capital requirements. If the Company were not to continue as a going concern, it would likely not be able to realize its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the consolidated financial statements.

There can be no assurances that the Company will be successful in generating additional cash from the equity/debt markets or other sources to be used for operations. The condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary. Based on the Company’s current resources, the Company will not be able to continue to operate without additional immediate funding. Should the Company not be successful in obtaining the necessary financing to fund its operations, the Company would need to curtail certain or all operational activities and/or contemplate the sale of its assets, if necessary.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The Company's financial statements are consolidated and include the accounts of CSI and Cell Source Limited. All significant intercompany transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The most significant estimates, among other things, are used in accounting for allowances for deferred income taxes, contingencies, as well as the recording and presentation of its common stock and related warrant issuances. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary. Actual results could differ from those estimates and assumptions.

Loss Per Share

The Company computes basic net loss per share by dividing net loss by the weighted average number of common shares outstanding for the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share includes the dilution that would occur upon the exercise or conversion of all dilutive securities into common stock using the "treasury stock" and/or "if converted" methods, as applicable. Weighted average shares outstanding for the three months ended March 31, 2016 and 2015 includes the weighted average impact of warrants to purchase an aggregate of 2,043,835 shares of common stock because their exercise price was determined to be nominal.

The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	March 31,	
	2016	**2015**
Warrants	11,374,324	6,959,324
Convertible notes	3,691,920	-
Total	15,066,244	6,959,324

Deferred Financing Costs

The Company has recorded deferred financing costs as a result of fees incurred by the Company in conjunction with its debt financing activities. These costs are amortized using the interest method over the shorter of (a) the term of the related debt or (b) the expected conversion date of the debt into equity instruments. During the three months ended March 31, 2016, the Company adopted Accounting Standards Update No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" and, as a result, the Company reclassified deferred financing costs for all periods presented such that costs are included as a discount to convertible notes payable on the accompanying condensed consolidated balance sheets.

As of March 31, 2016 and December 31, 2015, there was $85,756 and $14,863 of accumulated amortization of deferred financing costs, respectively. As of March 31, 2016 and December 31, 2015, there was $113,244 and $152,932, respectively, of unamortized deferred financing costs which were included as a discount to convertible notes payable on the accompanying condensed consolidated balance sheets. See Note 6 – Notes Payable – Summary – for details associated with amortization of deferred financing costs which are included within amortization of debt discount on the condensed consolidated statements of operations.

Note 3 – Summary of Significant Accounting Policies - Continued

Derivative Financial Instruments

The fair value of an embedded conversion option that is convertible into a variable amount of shares and warrants that include price protection reset provision features are deemed to be "down-round protection" and, therefore, do not meet the scope exception for treatment as a derivative under ASC 815 "Derivatives and Hedging", since "down-round protection" is not an input into the calculation of the fair value of the conversion option and warrants and cannot be considered "indexed to the Company's own stock" which is a requirement for the scope exception as outlined under ASC 815.

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. As a result of entering into warrant agreements, for which such instruments contained a variable conversion feature with no floor, the Company has adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

The Black-Scholes option valuation model was used to estimate the fair value of the warrants and conversion options. The model includes subjective input assumptions that can materially affect the fair value estimates. The Company determined the fair value of the Binomial Lattice Model and the Black-Scholes Valuation Model to be materially the same. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants.

Conversion options are recorded as debt discount and are amortized as interest expense over the life of the underlying debt instrument.

Recent Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718)" ("ASU 2016-09"). ASU 2016-09 requires an entity to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating ASU 2016-09 and its impact on its condensed consolidated financial statements or disclosures.

The Company has evaluated all new accounting standards that are in effect and may impact its condensed consolidated financial statements and does not believe that there are any other new accounting standards that have been issued that might have a material impact on its financial position or results of operations.

Note 4 - Fair Value

The Company determines the estimated fair value of amounts presented in these condensed consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of March 31, 2016 and December 31, 2015, and, as of those dates, the carrying value of all amounts approximates fair value. The Company estimated the fair value of its common stock during the three months ended March 31, 2016. To determine the value of its common stock, the Company considered the following three possible valuation methods (1) the income approach, (2) the market approach and the (3) cost approach to estimate its enterprise value.

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

Level 1 - Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - Inputs use directly or indirectly observable inputs. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

The following table summarizes the valuation of the Company's derivatives by the above fair value hierarchy levels as of March 31, 2016 and December 31, 2015 using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Total	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Accrued compensation	$ 60,000	$ -	$ -	$ 60,000
Derivative liability	3,689,250	-	-	3,689,250
Balance - March 31, 2016	$ 3,749,250	$ -	$ -	$ 3,749,250
Accrued compensation	$ 60,000	$ -	$ -	$ 60,000
Derivative liability	3,279,600	-	-	3,279,600
Balance - December 31, 2015	$ 3,339,600	$ -	$ -	$ 3,339,600

Note 4 - Fair Value – Continued

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company's Level 3 liabilities shown in the above table consist of warrants with "down-round protection", as the Company is unable to determine if it will have sufficient authorized common stock to settle such arrangements, warrants deemed to be derivative liabilities according to the Company's sequencing policy in accordance with ASC 815-40-35-12, the conversion option of convertible notes payable and an accrued obligation to issue warrants to certain founders of Cell Source Limited, which such warrants were issued as of March 31, 2016.

Assumptions utilized in the valuation of Level 3 liabilities are described as follows:

	For the Three Months Ended March 31,	
	2016	**2015**
Risk-free interest rate	0.21% - 1.04%	1.13% - 1.37%
Expected term (years)	0.04 - 5.00	3.58 - 4.62
Expected volatility	156% - 159%	172%
Expected dividends	0.00%	0.00%

The expected term used is the contractual life of the instrument being valued. Since the Company's stock has not been publicly traded for a sufficiently long period of time or with significant volume, the Company is utilizing an expected volatility based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all Level 3 liabilities measured at fair value on a recurring basis using unobservable inputs during the three months ended March 31, 2016:

	Accrued Compensation	**Derivative Liability**	**Total**
Balance - December 31, 2015	$ 60,000	$ 3,279,600	$ 3,339,600
Change in fair value	-	(160,950)	(160,950)
Issuance of warrants and conversion options	-	570,600	570,600
Reclassification to derivative liability	-	-	-
Balance - March 31, 2016	$ 60,000	$ 3,689,250	$ 3,749,250

The Company's significant financial instruments such as cash, other current assets, accounts payable, accrued expenses and notes payable were deemed to approximate fair value due to their short term nature.

See Note 6 – Notes Payable for details associated with the issuance of warrants and conversion options which were deemed to be derivative liabilities.

Note 5 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	March 31, 2016 (unaudited)	December 31, 2015
Accrued research and development	$ 89,543	$ 186,815
Accrued legal fees	174,173	216,956
Accrued other professional fees	93,682	75,164
Accrued director compensation	12,000	12,000
Accrued Scientified Advisory Board compensation	44,000	31,000
Accrued interest, current portion	73,137	25,139
Other accrued expenses	109,410	39,411
Accounts payable and accrued expenses, current portion	595,945	586,485
Non-current portion of accrued interest	18,424	4,474
Total accounts payable and accrued expenses	$ 614,369	$ 590,959

Note 6 – Notes Payable

Non-Convertible Notes

On March 8, 2016, the Company issued six-month notes payable in the aggregate principal amount of $600,000 which bear interest at a rate of 10% per annum. In connection with the note issuances, the Company issued immediately vested warrants to purchase an aggregate of 300,000 shares of common stock at an exercise price of $0.75 per share with an issuance date fair value of $93,400, which were recorded as a debt discount. In connection with the Company's sequencing policy, the warrants were determined to be derivative liabilities. See Note 4 – Fair Value for additional details. The warrants contain a provision that provides the Company with an option, prior to the expiration date, to redeem all of the warrants then outstanding upon not less than thirty (30) days nor more than (60) days notice to the applicable holder, at a redemption price of $0.01 per share, subject to the conditions that: (i) there is an effective registration statement covering the resale of the underlying shares of common stock and (ii) the common stock has traded for twenty (20) consecutive days with a closing price of at least $2.50 per share with an average trading volume of 100,000 shares per day. The warrants expire on March 25, 2019.

See Note 8 – Related Parties for details related to the repayment of a non-convertible note held by the Company's Chief Executive Officer ("CEO").

Note 6 – Notes Payable – Continued

Convertible Notes

Other Convertible Notes

In January 2016, the Company issued a convertible note payable in the principal amount of $250,000 to an investor who advanced the funds to the Company in January 2015. The note matures on July 27, 2016 and bears interest at a rate of 10% per annum, beginning from the date the funds were advanced. The note shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); or (ii) the maturity date. In the event the note is converted upon the occurrence of a Qualified Financing (the "QF Conversion Shares"), the conversion price of the note shall be the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) the quotient obtained by dividing $35,000,000 by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the Qualified Financing. The QF Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing on which the Company generates aggregate gross proceeds under the Qualified Financing of at least $5,000,000. In addition, upon conversion of the note following the occurrence of a Qualified Financing, the holder shall automatically receive five-year warrants to purchase that number of shares of common stock into which the note is convertible and such warrants shall have an exercise price equal to the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) $0.75. In the event the note is automatically converted upon the maturity date, the conversion price of the note shall be equal to the quotient obtained by dividing $20,000,000 by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the maturity date (the "Maturity Conversion Price"). In addition, in the event of an automatic conversion of the note upon the maturity date, the holder shall automatically receive five-year warrants to purchase that number of common stock into which the note is convertible and such warrants shall have an exercise price equal to the Maturity Conversion Price. In connection with the Company's sequencing policy, the conversion option of the note was determined to be a derivative liability. The $149,500 issuance date fair value was recorded as a debt discount and will be amortized over the term of the note. See Note 4 – Fair Value for additional details.

10% Convertible Note Offering

During the three months ended March 31, 2016, the Company closed on an aggregate of $390,000 in principal amount of convertible notes to investors (the"10% Convertible Notes"). The 10% Convertible Notes bear interest at a rate of 10% per annum and are payable eighteen (18) months from the date of issuance (the "Maturity Date"). The 10% Convertible Notes shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); (ii) the closing of a strategic transaction (including but not limited to the Company's entry into a joint venture or partnership agreement or the sublicensing of the Company's intellectual property) pursuant to which the Company, directly or indirectly, receives, or expects to receive within eighteen months, cash, assets or other consideration with a total aggregate value of at least $4,000,000 ("Strategic Transaction"); or (iii) the Maturity Date of the 10% Convertible Notes.

Note 6 – Notes Payable – Continued

Convertible Notes - Continued

10% Convertible Note Offering – Continued

In the event the 10% Convertible Notes are converted upon the occurrence of a Qualified Financing (the "QF Conversion Shares"), the conversion price of the 10% Convertible Notes shall be the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) $0.75. The QF Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing on which the Company generates aggregate gross proceeds under the Qualified Financing of at least $5,000,000. In the event the 10% Convertible Notes are converted upon the occurrence of a Strategic Transaction (the "ST Conversion Shares"), the conversion price of the 10% Convertible Notes shall be equal to $0.75. In addition, upon conversion of the 10% Convertible Notes following the occurrence of a Qualified Financing or a Strategic Transaction, each holder of a 10% Convertible Note shall automatically receive five-year warrants to purchase that number of shares of common stock into which the 10% Convertible Notes are convertible and such warrants shall have an exercise price equal to one hundred ten percent (110%) of the per-share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing or $0.825 in the case of a Strategic Transaction, as applicable. The ST Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing of a Strategic Transaction. In the event the 10% Convertible Notes are automatically converted upon the Maturity Date, the conversion price of the 10% Convertible Notes shall be equal to the quotient obtained by dividing $15 million by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the Maturity Date (the "Maturity Conversion Price"). In addition, in the event of an automatic conversion of the 10% Convertible Notes upon the Maturity Date, the holder shall automatically receive five-year warrants to purchase that number of common stock into which the 10% Convertible Notes are convertible and such warrants shall have an exercise price equal to the Maturity Conversion Price.

In connection with the Company's sequencing policy, the conversion options of the notes were determined to be derivative liabilities. The $327,700 aggregate issuance date fair value was recorded as a debt discount and will be amortized over the term of the notes. See Note 4 – Fair Value for additional details.

Summary

During the three months ended March 31, 2016 and 2015, the Company recorded interest expense related to notes payable of $63,325 and $0, respectively.

During the three months ended March 31, 2016 and 2015, the Company recorded amortization of debt discount of $273,388 and $2,400, respectively.

Note 7 – Advances Payable

See Note 6 – Notes Payable – Convertible Notes – Other Convertible Notes for details associated with the issuance of a note that previously was classified as an advance payable.

Note 8 – Related Parties

For the three months ended March 31, 2016 and 2015, the Company recorded a charge to operations of $200,000 and $200,000, respectively, related to its research and license agreement with Yeda. As of March 31, 2016 and December 31, 2015, approximately $8,000 and $208,000 has been accrued and is payable to Yeda, respectively**.**

Note 8 – Related Parties – Continued

On March 29, 2016, the Company exercised its option pursuant to an October 3, 2011 exclusive option agreement with Yeda, as amended, such that the Company is now in the process of formally exclusively licensing certain organ regeneration technology from Yeda. As a result of exercising the option, the Company will fund research with Yeda in the additional amount of $100,000 per annum commencing during the third quarter of 2016. In addition, the Company shall pay Yeda an option initiation fee of $200,000 (the "Option Initiation Fee") on or before the date on which the Company shall have received, beginning from October 11, 2011, an aggregate investment in the amount of $10,000,000.

During the three months ended March 31, 2016, the Company repaid a note payable in the principal amount of $50,000 to the Company's CEO.

Note 9 – Commitments and Contingencies

Litigation

Certain conditions may exist as of the date the condensed consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's condensed consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows. As of March 31, 2016 and 2015, the Company has not accrued any amounts for contingencies.

Note 10 – Stockholders' Deficiency

During the three months ended March 31, 2016 and 2015, the Company recognized $68,870 and $(9,900) of stock-based compensation expense related to warrants. As of March 31, 2016, there was $116,451 of unrecognized stock-based compensation expense that will be recognized over approximately 1.2 years.

Note 11 – Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the condensed consolidated financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would require adjustment or disclosure in the condensed consolidated financial statements.

Notes Payable

Non-Convertible Notes

On April 4, 2016, the Company extended the maturity date of a note payable in the principal amount of $250,000, originally dated May 15, 2015, from December 31, 2015 to June 30, 2016.

On April 4, 2016, the Company extended the maturity date of a note payable to the Company's CEO in the principal amount of $50,000, originally dated November 26, 2014, from March 31, 2016 to September 30, 2016.

On April 6, 2016, the Company extended the maturity date of a note payable in the principal amount of $250,000, originally dated March 26, 2015, from March 26, 2016 to June 27, 2016.

On April 6, 2016, the Company extended the maturity date of a note payable in the principal amount of $250,000, originally dated March 26, 2015, from March 26, 2016 to June 26, 2016.

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

The following discussion and analysis of the consolidated results of operations and financial condition of Cell Source, Inc. ("CSI", "Cell Source" or the "Company") as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016and 2015 should be read in conjunction with our condensed consolidated financial statements and the notes thereto that are included elsewhere in this Quarterly Report on Form 10-Q. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us," "we," "our," and similar terms refer to CSI. This Quarterly Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions, are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 1A ("Risk Factors") of our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission (the "SEC") on April 14, 2016.

Overview

Our wholly-owned subsidiary, Cell Source Israel was founded in 2011 as a privately held company located in Tel Aviv, Israel. Our business is based on over ten (10) years of prominent research at the Weizmann Institute from whom we license patented and patent pending technology. Our exclusive, world-wide license provides us with access to certain discoveries, inventions and other intellectual property generated by Professor Yair Reisner, formerly Head of the Immunology Department at the Weizmann Institute, together with others. Professor Reisner leads a team at the Weizmann Institute to continue the development of these technologies in order to facilitate the transition of those technologies from the laboratory to clinical trials. Our Scientific Advisory Board is chaired by Dr. Terry Strom, Professor of Medicine and Surgery at Harvard Medical School and Director of The Transplant Institute at Beth Israel Deaconess Medical Center, the founding President of the American Society of Transplantation, from which he received a Lifetime Achievement Award, and past President of the Clinical Immunology Society. Its other members include Dr. Robert Negrin, Director of Bone and Marrow Transplantation and Professor of Medicine at Stanford University who is a past President of the American Society of Bone and Marrow Transplantation and the International Society of Cellular Therapy; Dr. Steven Burakoff, Director of the Tisch Cancer Institute at Mount Sinai Medical Center, Professor of Cancer Medicine at the Icahn School of Medicine, past Professor of Medicine at Harvard Medical School and Director of the NYU Cancer Institute, who won the American Association of Immunologists Lifetime Achievement Award; Dr. Herman Waldman, Department Head and Professor Emeritus of Pathology and Head of the Therapeutic Immunology Group at Oxford Medical School, former Cambridge Immunology Professor and SCRIP Lifetime Achievement Award winner; and Dr. Hermann Einsele, Professor and Director of Internal Medicine at Julius Maximilian University, Würzburg, Germany, a former visiting professor at the Fred Hutchinson Cancer Research Center in Seattle, Director of the German and member of the European Blood and Marrow Transplantation Groups.

Our lead prospective product is our patented Veto Cell immune system management technology, which is an immune tolerance biotechnology that enables the selective blocking of immune responses. The Company's target indications include: lymphoma, multiple myeloma and BCLL (a form of leukemia), facilitating transplantation acceptance (initially bone -marrow transplantation and subsequently organ transplantation), and ultimately treating a variety of non-malignant diseases.

Cell Source, under its exclusive license with Yeda Research & Development Ltd., the commercial arm of the Weizmann Institute of Science, has recently filed two new provisional patent applications that extend the usage of Veto Cell technology as a critical enabler for other cell therapy treatments. One patent application highlights, based on preclinical data, the ability of Veto Cells to accompany other cell therapy treatments and help them overcome rejection and avoid Graft vs. Host Disease (GvHD) in an allogeneic (using a third party donor) treatment setting. The other patent application involves a genetically modified Veto Cell that can have sustained survival in the patient's body while avoiding rejection and GvHD. This second application holds the potential to make CAR-T cells, which to date been effective primarily in an autologous (patient's own cells) setting, succeed in an allogeneic setting.

Cell Source is actively exploring collaborations with larger biopharmaceutical firms where Veto Cell technology can significantly enhance the efficacy of cell therapy treatments for a variety of indications. This may allow Cell Source to complement the development of its own treatment candidates with parallel development with partners, thus multiplying the potential impact of this technology in the clinic.

Prior to commercializing its products, the Company must conduct human clinical trials and obtain FDA approval and/or approvals from comparable foreign regulatory authorities.

Generally speaking, as a preclinical biotechnology firm, Cell Source needs to go through several necessary steps in order to commercialize its products and commence revenue generation. These steps are per product, but can run in parallel for multiple products, which are each in different stages of the development "pipeline", so that, for example, when a certain product is already in a human clinical trial, another product may still be in preclinical development and a third may be awaiting regulatory approval to commence human trials. These can also take place in parallel, and varied stages, for the same product in different geographic jurisdictions. The typical steps per product (and range of time frame for each) are:

1. Complete development of human treatment protocol (2-5 years)
2. Apply for and receive approval to commence human trials (9-18 months)
3. Recruit patients (1-6 months)
4. Conduct Phase I trials showing safety of product (1-2 years)
5. Apply for and receive approval to conduct trials showing product efficacy (6-12 months)
6. Data collecting and analysis (6-12 months)
7. Conduct Phase II efficacy trials (2-3 years)
8. Data collecting and analysis (6-12 months)
9. Apply for and receive approval to conduct trials showing efficacy in larger numbers of patients (6-12 months)
10. Conduct Phase III efficacy trials with larger numbers of patients (2-4 years)
11. Data collecting and analysis (6-12 months)
12. Apply for and receive approval for production scale manufacturing facilities (6-12 months)
13. Contract third party or establish own production facilities (6-30 months)
14. Contract third party or establish own distribution platform (6-18 months)
15. Commence manufacturing and distribution (6-12 months)

Please note that steps 12-15 can be conducted in parallel with some of the steps above. In the case of Cell Source and other firms that treat terminal patients with either rare diseases or those for which there is currently no effective treatment, or where preclinical studies indicate a reasonable expectation to increase life expectancy and survival rates by a substantive margin, several of these steps can be combined and or shortened, subject to regulatory discretion. For example, Phase I and II (safety and efficacy) can be combined in a single concurrent step; approvals for subsequent steps can be accelerated; in some countries patients can already be treated commercially after the end of Phase II, foregoing the requirement for Phase III data as a prerequisite.

Although we have provided estimated timeframes for each step above, no assurances can be made that such timeframes are accurate or that they would not be delayed for one or more reasons. At any stage of a human clinical trial, there could be problems with either safety or efficacy of treatment. In these instances the Company could be required to reformulate the treatment and proceed with additional patients, which could involve a delay of months or years, depending on whether we would have to seek approval from the very beginning of the approval process. There can also be a delay of up to 1 to 2 years between phases of a human clinical trial, as the regulator may wish to take additional time to review the approval of a subsequent stage. Furthermore, if a significant modification to the treatment is required, the application process begins again from the very first stage. If the treatment is not effective at all or if it's harmful to patients, even after modifications are made, it is possible that the trials may be halted completely and the product candidates permanently withdrawn. While the timescales presented here are representative of the typical experience, there is no assurance that there will not be significant delays at any stage or step in the process or a complete failure of trials.

The specific detailed next steps the company must take to get the treatments or products to market include the following:

We have not submitted any drug applications to the FDA and do not have anything pending for approval with the FDA. Cell Source itself has not had any contact with any regulator anywhere regarding treatment approvals or clinical trials associated with regulatory approvals. We are aware that a hospital in Italy in May, 2014 independently requested and in September, 2014 received approval to conduct a trial with the same protocol that we plan to use, but we are not mentioned in the application nor in the approval. However, we may indirectly benefit from the outcome of the trial, if successful, although we are not the sponsor of this trial. There are no written or verbal agreements between the hospital and Cell Source regarding the use of the technology. That said, Cell Source is aware and in favor of the hospital plans to use the technology and would of course find a positive initial outcome encouraging. Since the treatment is being done on compassionate grounds as a non-commercial clinical trial, there is no legal requirement for the hospital to obtain approval to use the treatment protocol. The hospital has successfully treated a cancer patient using the Megadose Drug Combination technology that Cell Source exclusively licenses from Yeda Research & Development Ltd., commercial arm of the Weizmann Institute of Science. While Cell Source is not a sponsor of the trial, the results provide a positive initial indication with respect to the technology. The patient received a bone marrow transplantation from a haploidentical or "mismatched" donor under a reduced intensity conditioning regimen (i.e., a relatively low level of immune suppression treatment). There was successful initial engraftment of the transplantation in the absence of GVHD.

For the Veto Cell application for reducing rejection in Bone Marrow Transplants, Cell Source expects to commence Phase I/II human clinical studies in Italy, Germany and the US starting sometime in 2017. Cell Source anticipates that Phase I/II studies will last until 2019 or 2020. These would be followed by completion of Phase II and Phase III, which would last another 2-3 years each, so that full approval, if successful, would be expected sometime in 2025. In Germany there is a possibility of approval for commercial use on a "compassionate grounds" basis at the end of Phase II, which could take place by 2023. In the US, Cell Source plans to commence the IND approval process with the FDA in 2016, which could last until between 2021 and 2024. Cell Source also aspires to enter into a collaboration with respect to combining CAR-T cell therapy with Veto Cell therapy and commence pre-clinical proof of concept trials in 2016. If successful, this could lead to a commencement of a combined FDA trial in 2017 or 2018 and could last until 2025 or 2026.

It is possible that Cell Source treatments could qualify for any or all of Fast Track, Breakthrough Therapy, Accelerated Approval and Priority Review designation under the FDA, which would hasten their approval if successful.

The costs for each step of development, in terms of clinical trials, are delineated below:

Cell Source estimates the cost of clinical trials alone to be up to $5-10 million in each of the coming two years and another $25-50 million in order to reach commercialization for both the Anti-rejection Veto Cell and the Veto Cell + CAR-T cell products. This would mean that Cell Source will need to secure one or more significant capital infusions in order to reach the point that meaningful revenues could be generated.

Cell Source will require additional financing for any and all of the steps described above.

Recent Developments

From November 2015 to March 2016, the Company closed on an aggregate of $722,500 in principal amount of convertible notes to investors, which are payable eighteen (18) months from the date of issuance (the "Maturity Date") and bear interest at a rate of 10% per annum (the "10% Convertible Notes"). The 10% Convertible Notes shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); (ii) the closing of a strategic transaction (including but not limited to the Company's entry into a joint venture or partnership agreement or the sublicensing of the Company's intellectual property) pursuant to which the Company, directly or indirectly, receives, or expects to receive within eighteen months, cash, assets or other consideration with a total aggregate value of at least $4,000,000 ("Strategic Transaction"); or (iii) the Maturity Date of the 10% Convertible Notes. In the event the 10% Convertible Notes are converted upon the occurrence of a Qualified Financing (the "QF Conversion Shares"), the conversion price of the 10% Convertible Notes shall be the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) $0.75. The QF Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing on which the Company generates aggregate gross proceeds under the Qualified Financing of at least $5,000,000. In the event the 10% Convertible Notes are converted upon the occurrence of a Strategic Transaction (the "ST Conversion Shares"), the conversion price of the 10% Convertible Notes shall be equal to $0.75. In addition, upon conversion of the 10% Convertible Notes following the occurrence of a Qualified Financing or a Strategic Transaction, each holder of a 10% Convertible Note shall automatically receive five-year warrants to purchase that number of shares of common stock into which the 10% Convertible Notes are convertible and such warrants shall have an exercise price equal to one hundred ten percent (110%) of the per-share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing or $0.825 in the case of a Strategic Transaction, as applicable. The ST Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing of a Strategic Transaction. In the event the 10% Convertible Notes are automatically converted upon the Maturity Date, the conversion price of the 10% Convertible Notes shall be equal to the quotient obtained by dividing $15 million by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the Maturity Date (the "Maturity Conversion Price"). In addition, in the event of an automatic conversion of the 10% Convertible Notes upon the Maturity Date, the holder shall automatically receive five-year warrants to purchase that number of common stock into which the 10% Convertible Notes are convertible and such warrants shall have an exercise price equal to the Maturity Conversion Price.

In January 2016, the Company issued a convertible note payable in the principal amount of $250,000 to an investor who advanced the funds to the Company in January 2015. The note matures on July 27, 2016 and bears interest at a rate of 10% per annum, beginning from the date the funds were advanced. The note shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); or (ii) the maturity date. In the event the note is converted upon the occurrence of a Qualified Financing (the "QF Conversion Shares"), the conversion price of the note shall be the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) the quotient obtained by dividing $35,000,000 by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the Qualified Financing. The QF Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing on which the Company generates aggregate gross proceeds under the Qualified Financing of at least $5,000,000. In addition, upon conversion of the note following the occurrence of a Qualified Financing, the holder shall automatically receive five-year warrants to purchase that number of shares of common

stock into which the note is convertible and such warrants shall have an exercise price equal to the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) $0.75. In the event the note is automatically converted upon the maturity date, the conversion price of the note shall be equal to the quotient obtained by dividing $20,000,000 by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the maturity date (the "Maturity Conversion Price"). In addition, in the event of an automatic conversion of the note upon the maturity date, the holder shall automatically receive five-year warrants to purchase that number of common stock into which the note is convertible and such warrants shall have an exercise price equal to the Maturity Conversion Price.

On March 8, 2016, the Company issued six-month notes payable in the aggregate principal amount of $600,000 which bear interest at a rate of 10% per annum. In connection with the note issuances, the Company issued immediately vested warrants to purchase an aggregate of 300,000 shares of common stock at an exercise price of $0.75 per share. The warrants contain a provision that provides the Company with an option, prior to the expiration date, to redeem all of the warrants then outstanding upon not less than thirty (30) days nor more than (60) days notice to the applicable holder, at a redemption price of $0.01 per share, subject to the conditions that: (i) there is an effective registration statement covering the resale of the underlying shares of common stock and (ii) the common stock has traded for twenty (20) consecutive days with a closing price of at least $2.50 per share with an average trading volume of 100,000 shares per day. The warrants expire on March 25, 2019.

On March 29, 2016, the Company exercised its option pursuant to an October 3, 2011 exclusive option agreement with Yeda, as amended, such that the Company is now in the process of formally exclusively licensing certain organ regeneration technology from Yeda. As a result of exercising the option, the Company will fund research with Yeda in the additional amount of $100,000 per annum commencing during the third quarter of 2016. In addition, the Company shall pay Yeda an option initiation fee of $200,000 (the "Option Initiation Fee") on or before the date on which the Company shall have received, beginning from October 11, 2011, an aggregate investment in the amount of $10,000,000.

Consolidated Results of Operations

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

The following table presents selected items in our unaudited condensed consolidated statements of operations for the three months ended March 31, 2016 and 2015, respectively:

	For The Three Months Ended March 31,	
	2016	**2015**
Revenues	$ -	$ -
Operating Expenses		
Research and development	113,421	52,747
Research and development - related party	200,000	200,000
Selling, general and administrative	331,258	334,996
Total Operating Expenses	644,679	587,743
Loss From Operations	(644,679)	(587,743)
Other (Expense) Income		
Change in fair value of derivative liabilities	160,950	33,500
Interest expense	(63,325)	-
Amortization of debt discount	(273,388)	(2,400)
Total Other Expense	(175,763)	31,100
Net Loss	$ (820,442)	$ (556,643)

Research and Development

Research and development expense was $313,421 and $252,747 for the three months ended March 31, 2016 and 2015, respectively, an increase of $60,674 or 24%, primarily associated with increased expenses associated with key patents.

Selling, General and Administrative

Selling, general and administrative expense was $331,258 and $334,996 for the three months ended March 31, 2016 and 2015, respectively, a decrease of $3,738, or 1%.

Change in Fair Value of Derivative Liability

The change in fair value of derivative liability for the three months ended March 31, 2016 and 2015, was a gain of $160,950 and $33,500, respectively, which represents the change in fair value of the warrants that were deemed to be derivative liabilities during the respective periods.

Interest Expense

Interest expense was $63,325 and $0 for the three months ended March 31, 2016 and 2015, respectively, associated with notes payable.

Amortization of Debt Discount

Amortization of debt discount was $273,388 and $2,400 for the three months ended March 31, 2016 and 2015, respectively, which is associated with warrants and conversion options issued in connection with notes payable and the costs incurred in connection with our debt offerings.

Liquidity and Going Concern

We measure our liquidity in a number of ways, including the following:

	March 31, 2016 (unaudited)	December 31, 2015
Cash	$ 99,103	$ 6,944
Working capital deficiency	$ (6,332,406)	$ (5,711,374)

We have not generated any revenues since our inception, we have recurring net losses, we have a working capital deficiency as of March 31, 2016 of approximately $6,332,000 and we have used cash in operations of approximately $803,000 and $693,000 during the three months ended March 31, 2016 and 2015, respectively. These conditions raise substantial doubt about our ability to continue as a going concern. Based on our current resources, we will not be able to continue to operate without additional immediate funding.

Our ability to continue our operations is dependent on the execution of management's plans, which include the raising of capital through the debt and/or equity markets, until such time that funds provided by operations are sufficient to fund working capital requirements. We may need to incur additional liabilities with certain related parties to sustain our existence. If we were not to continue as a going concern, we would likely not be able to realize our assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of our financial statements.

There can be no assurances that we will be successful in generating additional cash from equity or debt financings or other sources to be used for operations. Should we not be successful in obtaining the necessary financing to fund our operations, we would need to curtail certain or all operational activities and/or contemplate the sale of our assets, if necessary.

During the three months ended March 31, 2016 and 2015, our sources and uses of cash were as follows:

Net Cash Used in Operating Activities

We experienced negative cash flows from operating activities for the three months ended March 31, 2016 and 2015 in the amounts of $803,267 and $693,000, respectively. The net cash used in operating activities for the three months ended March 31, 2016 was primarily due to cash used to fund a net loss of $820,442, adjusted for net non-cash expenses in the aggregate amount of $181,523 plus $164,349 of net cash used to fund changes in the levels of operating assets and liabilities. The net cash used in operating activities for the three months ended March 31, 2015 was primarily due to cash used to fund a net loss of $556,643, adjusted for net non-cash credits in the aggregate amount of $40,785, and $95,572 of net cash used to fund changes in the levels of operating assets and liabilities, primarily as a result of payments to vendors due to improved cash availability.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2016 and 2015 was $895,426 and $950,000, respectively. The net cash provided by financing activities during the three months ended March 31, 2016 was attributable to $990,000 of proceeds from the issuance of notes payable, partially offset by repayments of $50,000 and $44,575 of notes payable and debt issuance costs, respectively. The net cash provided by financing activities during the three months ended March 31, 2015 was attributable to $500,000 of proceeds from the issuance of notes payable and $450,000 of proceeds received in connection with a convertible note offering prior to closing.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There are no material changes from the critical accounting policies set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K which was filed with the SEC on April 14, 2016. Please refer to that document for disclosures regarding the critical accounting policies related to our business.

Recent Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718)" ("ASU 2016-09"). ASU 2016-09 requires an entity to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating ASU 2016-09 and its impact on its condensed consolidated financial statements or disclosures.

We have evaluated all new accounting standards that are in effect and may impact our consolidated financial statements and do not believe that there are any other new accounting standards that have been issued that might have a material impact on our financial position or results of operations.

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Principal Executive and Financial Officer, Itamar Shimrat, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our condensed consolidated financial statements in conformity with United States generally accepted accounting principles.

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, management, with the participation of our Principal Executive and Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Principal Executive and Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations of any control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K which was filed with the SEC on April 14, 2016.

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

In January 2016, the Company issued a convertible note payable in the principal amount of $250,000 to an investor who advanced the funds to the Company in January 2015. The note matures on July 27, 2016 and bears interest at a rate of 10% per annum, beginning from the date the funds were advanced. The note shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); or (ii) the maturity date. In the event the note is converted upon the occurrence of a Qualified Financing (the "QF Conversion Shares"), the conversion price of the note shall be the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) the quotient obtained by dividing $35,000,000 by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the Qualified Financing. The QF Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) months from the date of the closing on which the Company generates aggregate gross proceeds under the Qualified Financing of at least $5,000,000. In addition, upon conversion of the note following the occurrence of a Qualified Financing, the holder shall automatically receive five-year warrants to purchase that number of shares of common stock into which the note is convertible and such warrants shall have an exercise price equal to the lesser of (i) seventy percent (70%) of the price per share or per unit (assuming the unit includes one share of common stock or the price per unit divided by the number of shares of common stock underlying such unit) at which the Company sells its securities in a Qualified Financing; or (ii) $0.75. In the event the note is automatically converted upon the maturity date, the conversion price of the note shall be equal to the quotient obtained by dividing $20,000,000 by the aggregate number of outstanding shares of the common stock, measured on a fully-diluted basis, excluding certain shares, on the date immediately preceding the maturity date (the "Maturity Conversion Price"). In addition, in the event of an automatic conversion of the note upon the maturity date, the holder shall automatically receive five-year warrants to purchase that number of common stock into which the note is convertible and such warrants shall have an exercise price equal to the Maturity Conversion Price.

On March 8, 2016, the Company issued six-month notes payable in the aggregate principal amount of $600,000 which bear interest at a rate of 10% per annum. In connection with the note issuances, the Company issued immediately vested warrants to purchase an aggregate of 300,000 shares of common stock at an exercise price of $0.75 per share. The warrants contain a provision that provides the Company with an option, prior to the expiration date, to redeem all of the warrants then outstanding upon not less than thirty (30) days nor more than (60) days notice to the applicable holder, at a redemption price of $0.01 per share, subject to the conditions that: (i) there is an effective registration statement covering the resale of the underlying shares of common stock and (ii) the common stock has traded for twenty (20) consecutive days with a closing price of at least $2.50 per share with an average trading volume of 100,000 shares per day. The warrants expire on March 25, 2019. The proceeds from the offering of the notes and warrants were used for general corporate purposes.

During the three months ended March 31, 2016, the Company closed on an aggregate of $390,000 in principal amount of convertible notes to investors (the"10% Convertible Notes"). The 10% Convertible Notes bear interest at a rate of 10% per annum and are payable eighteen (18) months from the date of issuance (the "Maturity Date"). The 10% Convertible Notes shall be automatically converted into shares of the Company's common stock upon the earlier of (i) the closing of an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds ("Qualified Financing"); (ii) the closing of a strategic transaction (including but not limited to the Company's entry into a joint venture or partnership agreement or the sublicensing of the Company's intellectual property) pursuant to which the Company, directly or indirectly, receives, or expects to receive within eighteen months, cash, assets or other consideration with a total aggregate value of at least $4,000,000 ("Strategic Transaction"); or (iii) the Maturity Date of the 10% Convertible Notes. The proceeds from the offering of the 10% Convertible Notes were used for general corporate purposes and for repayment of a note payable in the principal amount of $50,000 to the Company's CEO, Itamar Shimrat.

In connection with the foregoing, the Company relied upon the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions not involving a public offering.

The foregoing descriptions of the January 2016 Convertible Note, the March 2016 Note, the March 2016 Warrant, and the 10% Convertible Notes do not purport to be complete and are qualified in their entirety by reference to the complete text of the same, which are filed herewith and are incorporated herein by reference.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

The information contained in Part II. Item 2. above is incorporated herein by reference.

Item 6. Exhibits.

Exhibit Number		Description
10.1	*	January 2016 Convertible Note due July 27, 2016
10.2	***	Form of Bridge Note Subscription Agreement
10.3	***	Form of Convertible Note
10.4	***	Form of March 2016 Note
10.5	***	Form of March 2016 Warrant
31.1	*	Certificate of the Chief Executive Officer
31.2	*	Certificate of the Chief Financial Officer
32	**	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	*	XBRL Instance Document
101.SCH	*	XBRL Schema Document
101.CAL	*	XBRL Calculation Linkbase Document
101.DEF	*	XBRL Definition Linkbase Document
101.LAB	*	XBRL Label Linkbase Document
101.PRE	*	XBRL Presentation Linkbase Document

* Filed herewith

** This certification is being furnished and shall not be deemed "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise be subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

*** Incorporated by reference to the Company’s Form 10-K filed with the Securities and Exchange Commission on April 14, 2016

SIGNATURES

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

CELL SOURCE, INC.

Dated: May 13, 2016

By: /s/ Itamar Shimrat
Name: Itamar Shimrat
Title: Chief Executive Officer and Chief Financial Officer (Principal Executive, Financial and Accounting Officer)

Exhibit 10.1

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")AND APPLICABLE STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF CORPORATE COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

Original Issue Date: January 27, 2015 $250,000.00

CONVERTIBLE NOTE DUE JULY 27, 2016

THIS CONVERTIBLE NOTE is one of a series of a duly authorized and validly issued Convertible Notes of Cell Source, Inc., a Nevada corporation (the "Company"), having its principal place of business at 65 Yigal Alon Street, Tel Aviv, Israel 67433, designated as its Convertible Note due July 27, 2016 (this Note, the "Note" and, collectively with the other Notes of such series, the "Notes").

FOR VALUE RECEIVED, the Company promises to pay to **PRODIGIOUS WEALTH LIMITED** or its registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of $250,000.00 on JULY 27, 2016 (the "Maturity Date") or such earlier date as this Note is required or permitted to be repaid as provided hereunder. This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement and (b) the following terms shall have the following meanings:

"Bankruptcy Event" means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts or (g) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Beneficial Ownership Limitation" shall have the meaning set forth in Section 4(d).

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Change of Control Transaction" means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion or exercise of the Notes and the Securities issued together with the Notes), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 66% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such

transaction own less than 66% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

"Conversion" shall have the meaning ascribed to such term in Section 4.

"Conversion Date" shall have the meaning set forth in Section 4(a).

"Conversion Price" shall have the meaning set forth in Section 4(b).

"Conversion Schedule" means the Conversion Schedule in the form of Schedule 1 attached hereto.

"Conversion Shares" means, collectively, the shares of Common Stock issuable upon conversion of this Note in accordance with the terms hereof.

"Event of Default" shall have the meaning set forth in Section 8(a).

"New York Courts" shall have the meaning set forth in Section 9(d).

"Note Register" shall have the meaning set forth in Section 2(c).

"Notice of Conversion" shall have the meaning set forth in Section 4(a).

"Optional Redemption" shall have the meaning set forth in Section 6(a).

"Optional Redemption Notice" shall have the meaning set forth in Section 6(a).

"Optional Redemption Notice Date" shall have the meaning set forth in Section 6(a).

"Original Issue Date" means the date of the first issuance of the Notes, regardless of any transfers of any Note and regardless of the number of instruments which may be issued to evidence such Notes.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of January 27, 2015 among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

"Qualified Financing" means, as long as there remains a balance on a Note, an offering of equity securities pursuant to which the Company receives an aggregate of at least $5,000,000 in gross proceeds.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Share Delivery Date" shall have the meaning set forth in Section 4(c)(ii).

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT (formerly NYSE AMEX), the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board or the Pink OTC Markets (or any successors to any of the foregoing).

Section 2. Interest. The Notes shall bear interest at an annual interest rate of 10%. All payments hereunder will be paid to the Person in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note (the "Note Register").

Section 3.Registration of Transfers and Exchanges.

a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same; provided, that the minimum principal amount of any replacement Note shall be $25,000. No service charge will be payable for such registration of transfer or exchange.

b) Investment Representations. This Note has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations to successor Holders who provide the same investment representations to the Company.

c) Reliance on Note Register. Prior to due presentment for transfer to the Company of this Note, the Company and any agent of the Company may treat the Person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4.Conversion.

a) Qualified Financing Conversion. Upon consummation of a Qualified Financing, any outstanding principal and interest of the Note shall automatically convert, in whole (subject to the conversion limitations set forth in Section 4(f) hereof), into shares of Common Stock ("QF Conversion Shares") at the QF Conversion Price, which QF Conversion Shares shall be subject to a prohibition from any sale, pledge or transfer for a period of six (6) month from the date of the closing on which the Company generates an aggregate gross proceeds under the Qualified Financing of at least $5,000,000 ("QF Conversion Share Lockup"). In addition, upon conversion under this Section 4(a), the Holder of the Note shall automatically receive a warrant to purchase 100% of that number of shares of Common Stock into which the Note automatically converts under this Section 4(a), which warrant shall be exercisable for five years at an exercise price equal to the LESSER of (i) Seventy Percent (70%) of the price per share of Common Stock or per unit (assuming a unit consisting of one share of Common Stock) at which the Company sells its securities in the Qualified Financing; or (ii) $0.75. Such Underlying Warrant, at the sole discretion of the Company, shall be callable for $0.01 per share underlying the warrant if (i) the average daily volume weighted average price (VWAP) of the Company's Common Stock for any twenty (20) consecutive trading days is at least 250% of the price per share of Common Stock or per unit (assuming a unit consisting of one share of Common Stock) at which the Company sells its securities in the Qualified Financing; and (ii) the Company notifies the holder of such Underlying Warrant that such holder has a 30 calendar day period in which to exercise such Underlying Warrant and such holder does not exercise on or prior to the 30th day after the date of such notice. Furthermore, upon conversion under this Section 4(a), the Holder of the Note shall receive, with respect to the QF Conversion Shares and the Common Stock into which the Underlying Warrant is exercisable, the same registration rights granted to the investors in the Qualified Financing. **The Holder, and any assignee by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following a conversion into QF Conversion Shares of this Note, the Holder, and any assignee, shall be subject to the QF Conversion Share Lockup.**

b) Qualified Financing Conversion Price. The Conversion Price (the "QF Conversion Price") in effect upon the consummation of a Qualified Financing shall be equal to the lesser of (i) Seventy Percent (70%) of the price per share of Common Stock or per unit (assuming a unit consisting of one share of Common Stock) at which the Company sells its securities in the Qualified Financing; or (ii) the quotient obtained by dividing $35 million by the aggregate number of outstanding shares of the Common Stock, measured on a fully-diluted basis on the date immediately preceding the Qualified Financing effective date, but the Excluded Shares (as described below) will be excluded from the

calculation and shall not be deemed outstanding. "Excluded Shares" shall mean (i) shares issuable upon conversion of Notes or exercise of any warrants issued in connection herewith; and (ii) shares issuable upon the conversion or exchange of preferred stock or upon the conversion, exercise or exchange of other securities of the Company as a result of any anti-dilution adjustments required to be made on or after the date hereof under any charter provision, note, warrant, agreement or otherwise.

c) Maturity Conversion. So long as a Qualified Financing has not been consummated and the Company has not repaid all outstanding principal and interest, on the day following the Maturity Date, this Note shall be automatically converted, in whole (subject to the conversion limitations set forth in Section 4(f) hereof), into shares of Common Stock at the Maturity Conversion Price. In addition, upon conversion under this Section 4(c), the Holder of the Note shall automatically receive a warrant to purchase 100% of that number of shares of Common Stock into which the Note automatically converts under this Section 4(c), which warrant shall be exercisable for five years at an exercise price equal to 100% of the Maturity Conversion Price. Such Underlying Warrant, at the sole discretion of the Company, shall be callable for $0.01 per share underlying the warrant if (i) the average daily volume weighted average price (VWAP) of the Company's Common Stock for any twenty (20) consecutive trading days is at least 250% of the Maturity Conversion Price; and (ii) the Company notifies the holder of such Underlying Warrant that such holder has a 30 calendar day period in which to exercise such Underlying Warrant and such holder does not exercise on or prior to the 30th day after the date of such notice.

d) Maturity Conversion Price. The Conversion Price (the "Maturity Conversion Price") in effect upon conversion under Section 4(c) shall be equal to the quotient obtained by dividing $20 million by the aggregate number of outstanding shares of the Common Stock, measured on a fully-diluted basis on the date immediately preceding the Maturity Date, but the Excluded Shares will be excluded from the calculation and shall not be deemed outstanding.

e) Mechanics of Conversion.

i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Note to be converted and any accrued but unpaid interest, as applicable, by (y) the QF Conversion Price or the Maturity Conversion Price, as applicable.

ii. Delivery of Certificate Upon Conversion. Not later than ten (10) Trading Days after the date of the closing on which the Company generates an aggregate gross proceeds under the Qualified Financing of at least $5,000,000 or the Maturity Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the Holder (A) a certificate or certificates representing the Conversion Shares representing the number of Conversion Shares being acquired upon the conversion of this Note and (B) a bank check in the amount of any accrued and unpaid interest (if the Company has elected or is required to pay accrued interest in cash).

iii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Note. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the QF Conversion Price or the Maturity Conversion Price, as applicable, or round up to the next whole share.

iv. Transfer Taxes and Expenses. The issuance of certificates for shares of the Common Stock on conversion of this Note shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Note so converted and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company shall pay all Transfer Agent fees required for processing of any conversion hereunder.

f) Holder's Conversion Limitations. The Company shall not effect any conversion of this Note to the extent that after giving effect to such conversion, the Holder (together with the Holder's Affiliates, and any Persons acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of this Note with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Note beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Notes or Underlying Warrants) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(f) applies, the determination of whether this Note is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Note is convertible shall be in the sole discretion of the Holder, and the acceptance of any Conversion Shares shall be deemed to be the Holder's determination of whether this Note may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Note is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company in the event the Company requests confirmation of such beneficial holding prior to the delivery of Conversion Shares and such Holder either does not respond or confirms that such issuance of Conversion Shares would not violate the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(f), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two (2) Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Note, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Note held by the Holder. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 4(f), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Note held by the Holder and the Beneficial Ownership Limitation provisions of this Section 4(f) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(f) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Note.

Section 5. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of any Note or (B) interest, liquidated damages and other amounts owing to a Holder on any Note, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within five (5) Trading Days;

ii. the Company shall fail to observe or perform any other material covenant or agreement contained in the Notes (other than a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion, which breach is addressed in clause (x) below) which failure is not cured, if possible to cure, within the earlier to occur of (A) ten (10) Trading Days after notice of such failure sent by the Holder or by any other Holder to the Company and (B) twenty (20) Trading Days after the Company has become or should reasonably have become aware of such failure;

iii. a material default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under any of the Transaction Documents;

iv. any representation or warranty made in this Note, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) shall be subject to a Bankruptcy Event;

vi. the Company shall be a party to any Change of Control Transaction; or

vii. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any Subsidiary or any of their respective property or other assets for more than $100,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

b) Remedies Upon Event of Default. If any Event of Default occurs before the Maturity Date, the outstanding principal amount of this Note, plus liquidated damages, interest and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash. Commencing five (5) days after the occurrence of any Event of Default that results in the eventual acceleration of this Note, the interest rate on this Note shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. Upon the payment in full, the Holder shall promptly surrender this Note to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Note until such time, if any, as the Holder receives full payment pursuant to this Section 5(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 6. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, or such other facsimile number or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 6(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, by email, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number, email address or address of the Holder appearing on the books of the Company, or if no such facsimile number or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Note at the time, place, and rate, and in the coin or currency, herein prescribed. This Note is a direct debt obligation of the Company.

c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to the Company.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Note, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of the Company or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Note on any other occasion. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by a duly authorized officer as of the date first above indicated.

Cell Source, Inc.

By:

Name: Itamar Shimrat
Title: Chief Executive Officer

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Itamar Shimrat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cell Source, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2016

/s/ Itamar Shimrat
Itamar Shimrat
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, Itamar Shimrat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cell Source, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2016

/s/ Itamar Shimrat
Itamar Shimrat
Chief Executive Officer and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Cell Source, Inc., a Nevada corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended March 31, 2016 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2016

By:/s/ Itamar Shimrat
Itamar Shimrat
Chief Executive Officer and Chief Financial Officer
(Principal Executive and Financial Officer)