As filed with the Securities and Exchange Commission on July 10, 2007

Registration No. 333-142923

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 3
TO

FORM SB-2/A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NEOSTEM, INC.

(Name of small business issuer in its charter)

Delaware	**8071**	**22-2343568**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

420 Lexington Avenue
Suite 450
New York, New York 10170
(212) 584-4180
(Address and telephone number of principal executive offices and principal place of business)

Catherine M. Vaczy, Esq.
Vice President and General Counsel
420 Lexington Avenue, Suite 450, New York, New York 10170
(212) 584-4180
(Name, address and telephone number of agent for service)

Approximate date of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Units, each consisting of one (1) share of common stock, par value $0.001 per share and one-half (½) a Class A warrant to purchase one-half (½) a share of common stock(1)(2)	$ 6,985,000(1)	$
Shares of common stock, par value $0.001 per share, included in the units(3)	$	$
Class A warrants to purchase common stock included in the units(3)	$	$
Shares of common stock, par value $0.001 per share, underlying the Class A warrants included in the units(2)(4)	$ 9,842,500	$
Underwriter's warrants(5)	$	$
Common stock issuable upon exercise of the underwriter's warrants(2)(4)(5)	$ 523,875	
Total	$ 17,351,375	$532.69(6)

(1) We intend to register 1,270,000 units having a maximum aggregate initial public offering price of approximately $6,985,000.

(2) Estimated pursuant to Rule 457(o) solely for the purpose of calculating the amount of the registration fee.

(3) A maximum aggregate of 1,270,000 shares of common stock and 635,000 Class A warrants are included within the Units being registered.

(4) Pursuant to Rule 416 under the Securities Act, there are also being registered hereby such additional indeterminate number of shares of common stock as may become issuable pursuant to any anti-dilution provisions of the warrants.

(5) In connection with the sale of the units, the registrant will issue to the Underwriter warrants to purchase, in the aggregate, shares of common stock equal to 5% of the number of shares underlying the units sold in the Offering, including shares underlying the warrants that are part of the units.

(6) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to completion, dated July 10, 2007

The information in this prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting nor does it seek an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

NEOSTEM, INC.

1,270,000 Units

Offered at $5.00 - $5.50 per Unit

Each unit consisting of one (1) share of common stock and one-half (½) a redeemable Class A warrant

NeoStem, Inc. (the "Company", or "we") is offering to sell to the public up to 1,270,000 units at a price in the range of $5.00 - $5.50 per unit, through Mercer Capital Ltd. (the "Underwriter") and other broker/dealers (arranged by the Underwriter) who are members of the National Association of Securities Dealers, Inc. (NASD). Each unit will consist of one (1) share of our common stock and one-half (½) a Class A warrant to purchase one-half (½) a share of our common stock, so that 1,000 units will consist of 1,000 shares and a warrant to purchase 500 shares of our common stock. The Class A warrants will trade only as a part of a unit for 60 days following the final closing of this offering unless separate trading is authorized earlier by the Underwriter. Each Class A warrant will entitle its owner to purchase one share of our common stock for between $6.00 and $6.50 [the Common Stock Price (as defined below) plus $1.00] (the "Warrant Price"). The "Common Stock Price" is the unit price.

This offering is a “best efforts offering.” The Underwriter is not required to place any firm orders or purchase any of the units, but has agreed to use its best efforts to market the units on our behalf. We and the Underwriter will deposit all payments in an escrow account at U.S. Bank National Association**.** If we do not accept an investor’s subscription, we will return his funds promptly, with any interest earned, without deduction. We and the Underwriter will determine the timing of the initial closing of the offering. At the initial closing, we will transfer the funds out of the escrow account and promptly issue the units to the investors. After the initial closing, we and the Underwriter will continue to deposit all subsequent payments into the escrow account until the earlier of (i) 60 days from the effective date of the offering, or (ii) the date on which a total of 1,270,000 units have been subscribed and accepted, promptly after which we will have a final closing. There may be one or more interim closings between the initial and the final closings. There is no minimum number of units which must be subscribed for before we may accept subscriptions but each investor may only purchase an even number of units.

Our common stock currently is quoted on the OTC Bulletin Board, an automated quotation service maintained by the National Association of Securities Dealers Inc., under the symbol “NEOI.OB.” On July 6, 2007, the last reported sales price of our common stock was $5.70. Our common stock, units and Class A warrants have been accepted for listing under the symbols “NBS”, “NBS.U”, and “NBS.WS” respectively, on the American Stock Exchange effective upon consummation of the initial closing, provided we have satisfied all conditions to listing, including (a) that we have effected a one-for-ten reverse stock split of our common stock and (b) that our stockholders equity immediately after the initial closing is greater than $4 million. Our stockholders have approved such a reverse stock split which we will effectuate concurrently with the initial closing. Accordingly, all share numbers in this prospectus have been adjusted as if the one-for-ten reverse stock split had already taken place. Further, we will not consummate the initial closing unless we are concurrently listed on the American Stock Exchange.

Investing in the securities offered by this prospectus involves significant risks. We urge you to read carefully the “Risk Factors” section beginning on page 6 where we describe specific risks you should consider before buying these units.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

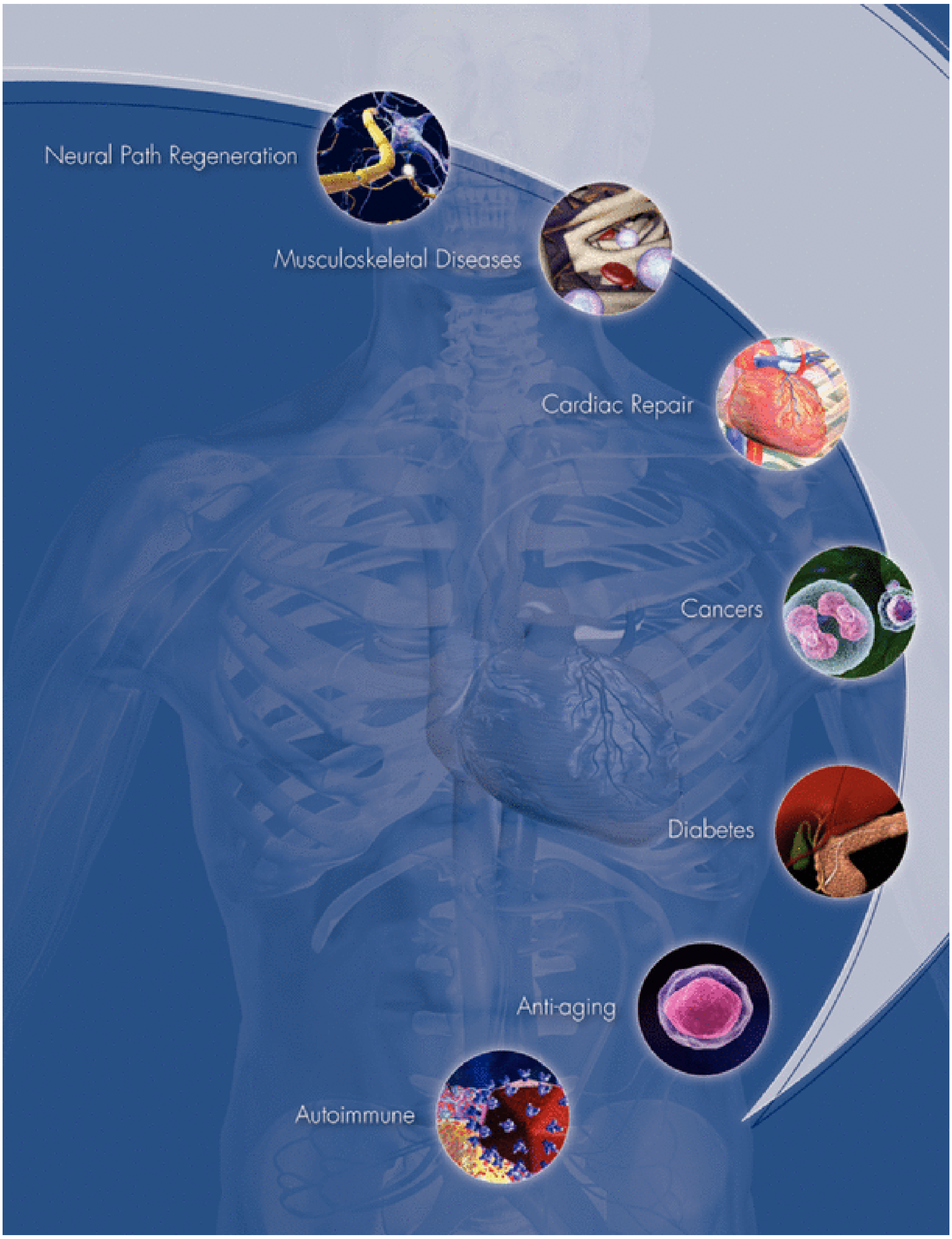
	Per Unit		Total Offering	
	Minimum	**Maximum**	**Minimum**	**Maximum**
Public Offering Price	$ 5.00	$ 5.50	$ 6,350,000	$ 6,985,000
Underwriting Discount(1)	$ .35	$ .385	$ 444,500	$ 488,950
Proceeds to us, before Expenses(2)	$ 4.65	$ 5.115	$ 5,905,500	$ 6,496,050

(1) If all units are sold, we estimate total cash expenses for this offering to be approximately $307,000 - $319,700 after commissions of 7%. This includes a non-accountable expense allowance of 2% of the gross proceeds of this offering**.** In addition, we have agreed to issue to the Underwriter warrants to purchase 5% of the total number of shares sold, including shares to be issued upon exercise of the warrants on the same terms as the Class A warrants except that the Underwriter’s warrants are cashless and exercisable at 130% of the Common Stock Price.

(2) Before deducting estimated offering expenses of approximately $307,000 - $319,700.

MERCER
CAPITAL, LTD.

Prospectus dated , 2007



YOUR RELIANCE ON INFORMATION CONTAINED IN THIS PROSPECTUS

We have not authorized anyone to provide you with information different from that contained in this prospectus. These securities may be sold only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the effective date of this offering, regardless of the time of delivery of this prospectus or of any sale of the securities. You must not consider that the delivery of this prospectus or any sale of the securities covered by this prospectus implies that there has been no change in our affairs since the effective date of this offering or that the information contained in this prospectus is current or complete as of any time after the effective date of this offering.

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PROSPECTUS SUMMARY

This summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and our financial statements and the notes thereto, before making an investment decision.

Our Company

We are in the business of operating a commercial autologous (donor and recipient are the same) adult stem cell bank and are pioneering the pre-disease collection, processing and long-term storage of stem cells from healthy adult donors that they can access for their own present and future medical treatment. On January 19, 2006 we consummated the acquisition of the assets of NS California, Inc., a California corporation ("NS California") relating to NS California's business of collecting and storing adult stem cells. Effective with the acquisition, the business of NS California became our principal business, rather than our historic business of providing capital and business guidance to companies in the healthcare and life science industries. We now provide adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for current and future healthcare needs. Using our proprietary process, we provide the infrastructure, methods and systems that allow adults to have their stem cells safely collected and conveniently banked for future therapeutic use as needed in the treatment of such life-threatening diseases as diabetes, heart disease and radiation sickness that may result from a bio-terrorist attack or nuclear accident. We also hope to become the leading provider of adult stem cells for diagnostic and therapeutic use in the burgeoning field of regenerative medicine. According to the National Institutes of Health, there are over 700 clinical trials underway relating to the use of adult stem cells, over 200 relating to autologous use, in the treatment of numerous serious diseases and conditions, including those that address cardiac disease, autoimmune disorders such as multiple sclerosis, peripheral vascular diseases, and age-related musculoskeletal disorders, as well as diabetes, cancer, neurological disease and wound healing.

We are structuring an aggressive direct to consumer marketing plan to drive awareness and target individuals who can afford our services. We also believe that those with economic constraints can now afford our services with the financing relationship we have established with GE Credit Care. We are planning to educate individuals that have a family history or early diagnosis of diseases being treated with stem cell therapy as well as those who have banked their infants stem cells that can afford this "bioinsurance." Additionally we are working on establishing collaborations with high profile medical centers and academic institutions involved in cutting edge research and clinical trials to evaluate the use of stem cells for the treatment of various diseases. We believe that there is a significant need for our banking services for our first responders and homeland security personnel. We are moving forward to educate those groups and find resources to protect those individuals who protect us. Our other go-to market strategies include collaboration with cord blood companies, tissue banks, pharmaceutical companies, concierge medical programs, executive health plans and regenerative medicine specialists.

We have engaged in various capital raising activities to pursue this business opportunity, raising approximately $3,573,000 in 2006 and $2,500,000 in 2007 (through July 6, 2007) through the sale of our common stock, warrants and convertible promissory notes. Such capital raising activities are enabling us to pursue our business plan and grow our adult stem cell collection and storage business, including expanding marketing and sales activities. However, in order to fully develop our business, we will need to raise additional funds.

On August 29, 2006, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio of one-for-ten shares and to change our name from Phase III Medical, Inc. to NeoStem, Inc. On June 14, 2007, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio between one-for-three and one-for-ten shares in the event it was deemed necessary by the Company's Board of Directors in order to be accepted onto a securities exchange. On July 9, 2007, our Board authorized the reverse stock split at a ratio of one-for-ten shares to be effective upon the initial closing of this offering in order to satisfy the listing requirements of the American Stock Exchange. Accordingly, all numbers in this prospectus have been adjusted to reflect both the one-for-ten reverse stock split which was effective as of August 31, 2006, and the one-for-ten reverse stock split approved in July 2007 which will be effective concurrently with the initial closing of this offering.

NeoStem, Inc. was incorporated under the laws of the State of Delaware in September 1980 under the name Fidelity Medical Services, Inc. Our corporate headquarters is located at 420 Lexington Avenue, Suite 450, New York, NY 10170, our telephone number is (212) 584-4180 and our website address is www.neostem.com. The information contained on our website is not a part of this prospectus.

Securities Outstanding

Shares of common stock outstanding prior to offering	2,684,167
Shares of common stock outstanding after total offering(1)	3,954,167

(1) Assumes sale of all 1,270,000 units being offered hereby. Also assumes that the Class A warrants have not been exercised. (See "Common Stock to be Outstanding after this Offering" below.)

The Offering

Units offered in this offering

1,270,000 units, each unit consisting of one (1) share of our common stock and one-half (½) a Class A warrant to purchase one-half (½) a share of our common stock. For example, if you purchased 1,000 units, your units would consist of 1,000 shares of our common stock and 500 Class A warrants to purchase a total of 500 shares of our common stock. The Class A warrants will trade only as part of a unit for 60 days following the final closing date of this offering unless the underwriter determines that separate trading of the Class A warrants should occur earlier.

Common stock to be outstanding after this offering

3,954,167 shares. This number does not include:

- 635,000 shares underlying the Class A warrants offered by this prospectus;
- 95,250 shares of common stock reserved for issuance upon exercise of the Underwriter's warrants;
- 581,600 shares of common stock underlying outstanding stock options with an average exercise price of $6.80 per share; and
- 1,354,653 shares of common stock underlying outstanding warrants with an average exercise price of $7.60 per share.

Class A warrants to be outstanding after this offering

635,000 Class A warrants to purchase up to 635,000 shares of common stock.

Term of Class A warrants

Exercisable commencing on the date the Class A warrants become separately tradable and thereafter until five years after the effective date of this offering unless earlier redeemed.

Exercise price of Class A warrants

$6.00 - $6.50 per warrant [the "Common Stock Price" plus $1.00]. The "Common Stock Price" is the unit price.

Redemption of Class A warrants

In the event the Company's common stock is trading at a price equal to or exceeding the Redemption Threshold for 20 consecutive trading days, the Company has the option to call the Class A warrants and if the holders of the Class A warrants have not exercised the Class A warrants within 30 days of the written notice to call, the Company may redeem the Class A warrants at $.001 per warrant. The "Redemption Threshold" is $8.00 - $8.50 [the Common Stock Price plus $3.00].

Risk factors

Investing in the securities offered by this prospectus involves a high degree of risk, including: we have a history of operating losses and liquidity problems; if the potential of stem cell therapy to treat serious disease is not realized, the value of our stem cell collection, processing and storage and our development programs could be significantly reduced; we may be forced to undertake lengthy and costly efforts to build market acceptance of our stem cell services;

	our future success will materially depend on the viability of the commercial use of stem cells for the treatment of disease; the stem cell preservation market has and continues to become increasingly competitive; there is uncertainty about the validity and permissible scope of patents in the biotechnology industry; and we operate in a highly regulated environment, and our failure to comply with applicable regulations, registrations and approvals could materially and adversely affect our business. As an investor, you should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the "Risk Factors" section of this prospectus beginning on page 6.
Proposed American Stock Exchange Symbols	Common Stock: "NBS" Units: "NBS.U" Class A Warrants: "NBS.WS"
Use of proceeds	We intend to use the net proceeds from this offering, for sales, marketing and business development, opening our flagship stem cell collection center in New York City, and for working capital and other purposes. See "Use of Proceeds."

Unless the context indicates otherwise, all share and per-share information in this prospectus:

- is based on 2,684,167 shares of our common stock outstanding as of July 6, 2007;
- assumes no exercise of the 635,000 Class A warrants to be issued in connection with this offering;
- assumes no exercise of the Underwriter's warrants to purchase 95,250 shares;
- assumes no exercise of any of our outstanding options and warrants to acquire 1,936,253 shares of our common stock; and
- gives effect to a 1-for-10 reverse split of our common stock effective on August 31, 2006 and a 1-for-10 reverse split of our common stock approved in July 2007 and to be effective concurrently with the initial closing of this offering.

Summary Historical Financial Data

The following table sets forth our summary historical consolidated financial data as of the dates and for the periods shown. The summary consolidated financial data for the years ended December 31, 2006, 2005, and 2004 presented below are derived from the audited consolidated financial statements of the Company included elsewhere in this prospectus. The summary consolidated financial data for the years ended December 31, 2003 and 2002 presented below are derived from audited financial statements of the Company which are not included in this prospectus. The summary consolidated financial data for the periods ended March 31, 2007 and 2006 are derived from the unaudited consolidated financial statements of the Company included elsewhere in this prospectus. You should read the following information in conjunction with "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the audited consolidated financial statements and notes included elsewhere in this prospectus. Numbers have been adjusted (as appropriate) to reflect the one-for-ten reverse stock split approved in July 2007 and to be effective concurrently with the initial closing of this offering.

Statement of Operations:	**Three Months Ended March 31, 2007**	**Three Months Ended March 31, 2006**	**Year Ended December 31, 2006**	**Year Ended December 31, 2005**	**Year Ended December 31, 2004**	**Year Ended December 31, 2003**	**Year Ended December 31, 2002**
	($'000 except net loss per share which is stated in $ and weighted average number of shares)						
Revenues	$ 56	$ 6	$ 45	$ 35	$ 49	$ 65	$ 81
Direct costs	1	4	22	25	34	44	60
Gross profit	55	2	23	10	15	21	21
Operating (loss)	(1,818)	937	(4,691)	(1,601)	(1,474)	(894)	(1,149)
Net loss	(1,816)	(1,139)	(6,051)	(1,745)	(1,748)	(1,068)	(1,208)
Basic and diluted (loss) earnings per share:	$ (.73)	$ (1.51)	(4.43)	(3.51)	(5.37)	(4.54)	(5.41)
Weighted average number of shares outstanding	2,471,653	755,815	1,365,027	497,758	325,419	235,093	223,448

Balance Sheet Data:	**As of March 31, 2007**	**As of December 31, 2006**	**As of December 31, 2005**	**As of December 31, 2004**	**As of December 31, 2003**	**As of December 31, 2002**
			$'000			
Working Capital (Deficiency)	$ 727	$ (310)	$ (1,245)	$ (794)	$ (794)	$ (82)
Total Assets	1,913	1,195	643	99	312	1,183
Current Liabilities	520	838	1,752	1,288	1,023	1,141
Long Term Debt	33	65	—	—	—	9
(Accumulated Deficit)	(22,123)	(20,307)	(14,255)	(12,510)	(10,762)	(9,694)

Total Stockholders' (Deficit)/Equity	1,361	292	(1,818)	(1,932)	(1,503)	(824)

RISK FACTORS

An investment in our units and common stock is speculative and involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this prospectus before deciding whether to purchase the units. The risks described below are not the only ones facing our Company. Additional risks not presently known to us or that we currently believe to be immaterial may also adversely affect our business and impair our business operations. If any of the following risks actually occur, our business strategy, financial condition or operating results could be harmed. This could cause the trading price of our units and common stock to decline, and you may lose all or part of your investment.

RISKS RELATING TO THE COMPANY'S FINANCIAL CONDITION

We have a history of operating losses and we will continue to incur losses.

Since our inception in 1980, we have generated only limited revenues from sales and have incurred substantial net losses of $6,051,400, $1,745,039 and $1,748,372 for the years ended December 31, 2006, 2005 and 2004, respectively, and $1,816,335 for the three months ended March 31, 2007. We expect to incur additional operating losses as well as negative cash flow from our new business operations until we successfully commercialize the collection, processing and storage of adult stem cells, if ever.

We have liquidity problems, which may affect our ability to raise capital.

At March 31, 2007, we had a cash balance of $1,058,898, working capital of $727,203 and stockholders' equity of $1,360,583. As of June 30, 2007, the Company had a cash balance of approximately $85,000. Our history of illiquidity and losses may make it difficult for us to raise capital on favorable terms. We have from time to time raised capital for our activities through the sale of our equity securities and promissory notes. Most recently, we raised $2,500,000 in January and February 2007 through the private placement sale of our common stock and warrants to purchase our common stock. Such capital raising activities are enabling us to pursue our business plan and grow our adult stem cell collection and storage business, including expanding marketing and sales activities as well as pay certain of our outstanding liabilities.

We will need substantial additional financing to continue operations.

We will require substantial capital to fund our current operating plan for our new business. In addition, our cash requirements may vary materially from those now planned because of expenses relating to marketing, advertising, sales, distribution, research and development and regulatory affairs, as well as the costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities.

Our inability to obtain future capital funding on acceptable terms will negatively affect our business operations and current investors.

We expect that in the future we will seek additional funding through public or private financings. Additional financing may not be available on acceptable terms, or at all. If additional capital is raised through the sale of equity, or securities convertible into equity, further dilution to then existing stockholders will result. If additional capital is raised through the incurrence of debt, our business could be affected by the amount of leverage incurred. For instance, such borrowings could subject us to covenants restricting our business activities, paying interest would divert funds that would otherwise be available to support commercialization and other important activities, and holders of debt instruments would have rights and privileges senior to those of equity investors. If we are unable to obtain adequate financing on a timely basis, we may be required to delay, reduce the scope of or eliminate some of our planned activities, any of which could have a material adverse effect on the business.

We will continue to experience cash outflows.

We continue to incur expenses, including the salary of our executive officers, rent, legal, marketing and accounting fees, insurance and general administrative expenses. Our business activities are in the early stages of development and will therefore result in additional cash outflows in the foreseeable future. It is not possible at this time to state whether we will be able to finance these cash outflows or when we will achieve a positive cash position, if at all. Our ability to become profitable will depend on many factors, including our ability to successfully commercialize the business. We cannot assure that we will ever become profitable and we expect to continue to incur losses. NS California itself had nominal operations and nominal assets at the time of our acquisition of its adult stem cell business. From its inception in 2002 through September 30, 2005, NS California had aggregate revenues of $25,500, and aggregate losses of $2,357,940.

RISKS RELATING TO THIS OFFERING

Our stock has had limited trading volume.

Our common stock currently trades on the OTC Bulletin Board, an electronic, screen-based trading system operated by the National Association of Securities Dealers, Inc. Securities traded on the OTC Bulletin Board are, for the most part, thinly traded and generally are not subject to the level of regulation imposed on securities listed or traded on the Nasdaq Stock Market or on a national securities exchange. As a result, an investor may find it difficult to dispose of our common stock or to obtain accurate quotations as to its price. While our units, common stock and Class A warrants have been accepted for listing on the American Stock Exchange upon the consummation of this offering subject to certain conditions, we cannot assure you that our securities will have improved liquidity. We do not intend to effect an initial closing unless we satisfy all conditions in the acceptance letter to listing on the American Stock Exchange.

Our stock price could be volatile.

The price of our common stock has fluctuated in the past and may be more volatile in the future. Factors such as the announcements of government regulation, new products or services introduced by us or by our competition, healthcare legislation, trends in health insurance, litigation, fluctuations in operating results, our success in commercializing our business and market conditions for healthcare stocks in general could have a significant impact on the future price of our common stock. The generally low volume of trading in our common stock makes it more vulnerable to rapid changes in price in response to market conditions.

Sales of substantial amounts of our common stock in the open market, or the availability of such shares for sale, could adversely affect the price of our common stock.

We had 2,684,167 shares of common stock outstanding as of July 6, 2007. The following securities that may be exercised for, or are convertible into, shares of our common stock were issued and outstanding as of July 6, 2007:

· Options. Stock options to purchase 581,600 shares of our common stock at a weighted average exercise price of approximately $6.80 per share.

· Warrants. Warrants to purchase 1,354,653 shares of our common stock at a weighted average exercise price of approximately $7.60 per share.

As a result of this offering, if the maximum number of units are sold, there will be additional Class A warrants outstanding to purchase 635,000 shares of our common stock at a price of between $6.00 and $6.50 per share [the Common Stock Price plus $1.00], and Underwriter's warrants to purchase 95,250 shares of our common stock at a price of between $6.50 and $7.15 per share [130% of the Common Stock Price].

Substantially all of the outstanding shares of our common stock, as well as substantially all the shares of our common stock that may be issued under our outstanding options and warrants, are or will be registered or otherwise not restricted from trading.

The Underwriter has limited experience as a managing underwriter, which may adversely affect the size of any trading market for our securities and adversely affect their price.

The Underwriter has limited experience serving as a managing underwriter. Since the Underwriter's experience in underwriting a public offering is limited, there can be no assurance that the lack of experience will not adversely affect the trading market for our securities.

If we do not maintain an effective registration statement or comply with applicable state securities laws, you may not be able to exercise your Class A warrants.

For you to be able to exercise our Class A warrants, the shares of our common stock underlying these warrants must be covered by an effective and current registration statement and qualify or be exempt under the securities laws of the state or other jurisdiction in which you live. We cannot assure you that we will continue to maintain a current registration statement relating to the shares of our common stock underlying the Class A warrants or that an exemption from registration or qualification will be available throughout their term. This may have an adverse effect on demand for the Class A warrants and the prices that can be obtained from reselling them.

The Class A warrants may negatively affect our ability to raise additional capital.

During the terms of the Class A warrants, their holders are given the opportunity to profit from a rise in the market of our common stock. So long as the Class A warrants are outstanding, the terms on which we could obtain additional capital may be adversely affected. The holders of the Class A warrants might be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the Class A warrants.

The Book Value of Shares purchased in this offering will be diluted.

Purchasers of units in this offering will experience immediate and substantial dilution in the net tangible book value of the common stock from the public offering price, without ascribing any value to the Class A warrants included in the units. Net tangible book value per share represents the amount of our tangible assets reduced by the amount of our total liabilities, divided by the number of shares of common stock outstanding. As of March 31, 2007, our net tangible book value (unaudited) was $1,360,583 or approximately $.51 per share of common stock then outstanding. As of March 31, 2007, our pro forma net tangible book value (unaudited), as adjusted for the sale of 1,270,000 units offered in this offering at $5.25 (the mid-point of the range) and application of the net proceeds of $5,857,425 (at the public offering price of $5.25 per unit (the mid-point of the range)) and after deducting the underwriting discounts and commissions and estimated offering expenses), would have been approximately $1.84 per share, without ascribing any value to the Class A warrants included in the units. This represents an immediate increase in net tangible book value of $1.33 per share to existing stockholders and an immediate and substantial dilution of $3.41 per share or approximately 65% to new investors purchasing common stock in this offering.

The Class A warrants may be redeemed on short notice, which may have an adverse effect on their market value.

In the event the Company's common stock is trading at a price equal to or exceeding $8.00 - $8.50 [the Common Stock Price plus $3.00] (the "Redemption Threshold"), the Company has the option to call all or any part of the Class A warrants and if the holders of the Class A warrants have not exercised the Class A warrants within 30 days of the written notice to call, the Company may redeem the Class A warrants at

$.001 per warrant. If we give a call notice, holders of our Class A warrants will be forced to sell or exercise the warrants they hold or accept the redemption price. The call notice could come at a time when, under specific circumstances or generally, it is not advisable or possible for holders of our warrants to sell or exercise the warrants they hold.

There is no minimum number of units which we are required to sell before we accept subscriptions, subject to satisfying Amex listing conditions.

There is no minimum number of units which must be sold in this offering, except that to satisfy the listing requirements of the American Stock Exchange we cannot effect an initial closing unless our stockholders equity immediately after such closing would be greater than $4 million. As we estimate that our stockholders equity at June 30, 2007 will be less than $300,000, we anticipate that we will have to sell at least 900,000 units (if sold at the minimum price of

$5.00 per unit) to satisfy applicable listing requirements. We will not consummate the initial closing unless we are concurrently listed on the American Stock Exchange. If we do not sell all of the units offered at the initial closing or otherwise, we will not have sufficient proceeds to accomplish all of the goals set forth under “Use of Proceeds.”

Our board of directors approved a reverse stock split which will be effectuated concurrently with the initial closing.

In April 2007, our board of directors voted to approve a future reverse stock split to be effected in their discretion at a ratio in the range of 3:1 – 10:1 if it was necessary in order to have our securities listed on a stock exchange, which was approved by our shareholders in June 2007. In July 2007, our board voted to effectuate a one-for-ten reverse stock split to meet the minimum share price required for listing on the American Stock Exchange. Such reverse split will be effective upon the initial closing of this offering (and all numbers in this prospectus have been adjusted as if the reverse split were already effective). When the reverse stock split is effected, there is no guarantee that our stock price will recover to its pro-rata pre-split price, which would result in a reduction in value of your investment.

RISKS RELATING TO THE COMPANY’S BUSINESS

If the potential of stem cell therapy to treat serious disease is not realized, the value of our stem cell collection, processing and storage and our development programs could be significantly reduced.

The potential of stem cell therapy to treat serious disease is currently being explored. Stem cell therapy is not a commonly used procedure and it has not been proven in clinical trials that stem cell therapy will be an effective treatment for diseases other than those currently addressed by hematopoietic stem cell transplants. No stem cell products have been successfully developed and commercialized to date, and none have received regulatory approval in the United States or internationally. Stem cell therapy may be susceptible to various risks, including undesirable and unintended side effects, unintended immune system responses, inadequate therapeutic efficacy or other characteristics that may prevent or limit its approval or commercial use. The value of our stem cell collection, processing and storage and our development programs could be significantly reduced if the use of stem cell therapy to treat serious disease is not proven effective in the near future.

Because the stem cell industry is subject to rapid technological and therapeutic changes, our future success will materially depend on the viability of the commercial use of stem cells for the treatment of disease.

Our success materially depends on the development of therapeutic treatments and cures for disease using stem cells. The broader medical and research environment for such treatments and cures critically affects the utility of stem cells, the services we offer to the public, and our future success. The value of stem cells in the treatment of disease is subject to potentially revolutionary technological, medical and therapeutic changes. However, future technological and medical developments or improvements in conventional therapies could render the use of stem cells and our services and equipment obsolete and

unmarketable. As a result, there can be no assurance that our services will provide competitive advantages over other technologies. If technological or medical developments arise that materially alter the commercial viability of our technology or services, we may be forced to incur significant costs in replacing or modifying equipment in which we have already made a substantial investment prior to the end of its anticipated useful life. Alternatively, significant advances may be made in other treatment methods or in disease prevention techniques which could significantly reduce or entirely eliminate the need for the services we provide. The materialization of any of these risks could have a material adverse effect on our business, financial condition, the results of operations or our ability to operate at all.

We may be forced to undertake lengthy and costly efforts to build market acceptance of our stem cell collection, processing and storage services, the success of which is critical to our profitability. There can be no assurance that these services will gain market acceptance.

We anticipate that service fees from the processing and storage of stem cells will comprise a substantial majority of our revenue in the future and, therefore, our future success depends on the successful and continued market acceptance of this service. Broad use and acceptance of our service requires marketing expenditures and education and awareness of consumers and medical practitioners who, under present law, must order stem cell collection on behalf of a potential customer. The time and expense required to educate and build awareness of our services and its potential benefits could significantly delay market acceptance and our ultimate profitability. The successful commercialization of our services will also require that we satisfactorily address the concerns of medical practitioners in order to avoid potential resistance to recommendations for our services and ultimately reach our potential consumers. No assurances can be given that our business plan and marketing efforts will be successful, that we will be able to commercialize our services, or that there will be market acceptance of our services or clinical acceptance of our services by physicians sufficient to generate any material revenues for us.

Ethical and other concerns surrounding the use of stem cell therapy may increase the regulation of or negatively impact the public perception of our stem cell services, thereby reducing demand for our services.

The use of embryonic stem cells for research and stem cell therapy has been the subject of debate regarding related ethical, legal and social issues. Although our business only utilizes adult stem cells and does not involve the more controversial use of embryonic stem cells, the use of other types of human stem cells for therapy could give rise to similar ethical, legal and social issues as those associated with embryonic stem cells. Additionally, it is possible that our business could be negatively impacted by any stigma associated with the use of embryonic stem cells if the public fails to appreciate the distinction between the use of adult versus embryonic stem cells. The commercial success of our business will depend in part on public acceptance of the use of stem cell therapy, in general, for the prevention or treatment of human diseases. Public attitudes may be influenced by claims that stem cell therapy is unsafe or unnecessary, and stem cell therapy may not gain the acceptance of the public or the medical community. Public pressure or adverse events in the field of stem cell therapy that may occur in the future also may result in greater governmental regulation of our business creating increased expenses and potential regulatory delays relating to the approval or licensing of any or all of the processes and facilities involved in our stem cell banking services. In the event that the use of stem cell therapy becomes the subject of adverse commentary or publicity, our business could be adversely affected and the market price for our common stock could be significantly harmed.

We operate in a highly regulated environment, and our failure to comply with applicable regulations, registrations and approvals would materially and adversely affect our business.

Historically, the FDA has not regulated banks that collect and store stem cells. More recent changes, however, require establishments engaged in the recovery, processing, storage, labeling, packaging or distribution of any Human Cells, Tissues, and Cellular and Tissue-Based Products (HCT/Ps) or the screening or testing of a cell tissue donor to register with the FDA. The registration requirement was effective as of January 2004. The FDA also adopted rules in May 2005 that regulate current Good Tissues Practices (cGTP). We may be or become subject to such registration requirements and regulations, and there can be no assurance that we will be able, or will have the resources, to comply. Future FDA regulations could also adversely impact or limit our ability to market or perform our services. In order to collect and store blood stem cells we must conduct (or arrange for the conduct of) a variety of laboratory tests which are regulated under the federal Clinical Laboratory Improvement Amendments (CLIA). Any facility conducting regulated tests must obtain a CLIA certificate of compliance and submit to regular inspection.

Some states require additional regulation and oversight of clinical laboratories operating within their borders and some impose obligations on out-of-state laboratories providing services to their residents. The states in which we initially plan to engage in processing and storage activities all currently have licensing requirements with which we believe we will need to comply. Additionally, there may be state regulations impacting the storage and use of blood products that would impact our business. We obtained our biologics license from the State of California in May 2006. In April 2007, the Company received two provisional licenses from the State of New York. The first license permits the Company’s California facility to collect, process and store hematopoietic progenitor cells (“HPCs”) collected from New York residents. The second license permits solicitation in New York relating to the collection of HPCs. Each license is subject to certain limitations. There can be no assurance that we will be able to obtain the necessary licenses required to conduct our business in other states, or maintain licenses that we do obtain in such states, including California and New York. If we identify other states with licensing requirements or if other states adopt such other requirements, or if we plan to conduct business in a new state with such licensing requirements, we would also have to obtain such licenses and/or comply with such other requirements. We may also be subject to state and federal privacy laws related to the protection of our customers’ personal health information to which we would have access through the provision of our services. We may be required to spend substantial amounts of time and money to comply with any regulations and licensing requirements, as well as any future legislative and regulatory initiatives. Failure to comply with applicable regulatory requirements or delay in compliance may result in, among other things, injunctions, operating restrictions, and civil fines and criminal prosecution which would have a material adverse effect on the marketing and sales of our services and impair our ability to operate profitably or preclude our ability to operate at all in the future.

Our business was not contemplated by many existing laws and regulations.

The service that we provide is unique. It is not medical treatment, although it involves medical procedures, and it is not research, although research participation is part of our business plan. Our business was not contemplated by many of the regulations in the field in which we operate and as a result, there is often considerable uncertainty when we are analyzing the applicability of regulatory requirements. We have devoted significant resources to ensuring compliance with those laws that we believe to be applicable and when applicability of a law is in doubt, we have opted to comply in order to minimize risk. It is possible, however, that regulators may disagree with some of our interpretations of the law prompting additional compliance requirements or even enforcement actions. Such enforcement may have a material adverse effect on our operations or may require re-structuring of our operations or impair our ability to operate profitably.

Our failure to comply with laws related to hazardous materials could materially harm us.

We are subject to state and federal laws regulating the proper disposal of biohazardous material. Although we believe we are currently in compliance with all such applicable laws, a violation of such laws, or the future enactment of more stringent laws or regulations, could subject us to liability for

noncompliance and may require us to incur costs and/or otherwise have a material adverse effect on our ability to do business.

Side effects of the stem cell collection process or a failure in the performance of our cryopreservation storage facility or systems could harm our business and reputation.

To the extent a customer experiences adverse side effects from the stem cell collection process, or our cryopreservation storage service is disrupted, discontinued or our ability to provide banked stem cells is impaired for any reason, our business and operations could be adversely affected. Any equipment failure that causes a material interruption or discontinuance in our cryopreservation storage of stem cell specimens could result in stored specimens being damaged and unable to be utilized. Adverse side effects of the collection process or specimen damage (including contamination or loss in transit to us), could result in litigation against us and reduced future revenue, as well as harm to our reputation. Our insurance may not adequately compensate us for any losses that may occur due to any such adverse side effects or failures in our system or interruptions in our ability to maintain proper, continued, cryopreservation storage services. Our systems and operations are vulnerable to damage or interruption from fire, flood, equipment failure, break-ins, tornadoes and similar events for which we do not have redundant systems or a formal disaster recovery plan and may not carry sufficient business interruption insurance to compensate us for losses that may occur. Any claim of adverse side effects or material disruption in our ability to maintain continued uninterrupted storage systems could have a material adverse effect on our business, operating results and financial condition.

We are dependent on existing relationships with third parties to conduct our business.

Our process of collecting stem cells involves the injection of a “mobilizing agent” which causes the stem cells to leave the bone marrow and enter into the blood stream. The injection of this mobilizing agent is an integral part of the collection process. There is currently only one supplier of this mobilizing agent, and we are currently dependent upon our relationship with such supplier to maintain an adequate supply. Although we continue to explore alternative methods of stem cell collection, there can be no assurance that any such methods will prove to be successful. In the event that our supplier is unable or unwilling to continue to supply a mobilizing agent to us on commercially reasonable terms, and we are unable to identify alternative methods or find substitute suppliers on commercially reasonable terms, we may not be able to successfully commercialize our business. We are also currently using only one outside “apheresis” provider that also is expected to be the aspheresis provider to certain of our collection centers being operated by third parties. “Apheresis” is the process through which stem cells are extracted from a patient’s whole blood and it is an integral part of our collection process. Although other third parties could provide apheresis services, any disruption in the relationship with this service would cause a delay in the delivery of our services. In order to successfully commercialize our business, we will continue to depend upon our relationship with such companies.

Our success will depend in part on establishing and maintaining effective strategic partnerships and collaborations.

A key aspect of our business strategy is to establish strategic relationships in order to gain access to critical supplies, to expand or complement our development or commercialization capabilities, or to reduce the cost of developing or commercializing services on our own. There can be no assurance that we will enter into such relationships or that the arrangements will be on favorable terms. Relationships with licensed professionals such as physicians may be subject to state and federal laws including fraud and abuse regulations restricting the referral of business, prohibiting certain payments to physicians, or otherwise limiting our options for structuring a relationship. If our services become reimbursable by government or private insurers in the future, we could be subject to additional regulation and perhaps additional limitations on our ability to structure relationships with physicians. Additionally, state regulators may

impose restrictions on the types of business relationships into which licensed physicians or other licensed professionals may enter. Failure to comply with applicable fraud and abuse regulations or other regulatory requirements could result in civil fines, criminal prosecution or other sanctions. Even if we do enter into these arrangements, we may not be able to maintain these relationships or establish new ones in the future on acceptable terms. Furthermore, these arrangements may require us to grant certain rights to third parties, including exclusive rights or may have other terms that are burdensome to us. If any of our partners terminate their relationship with us or fail to perform their obligations in a timely manner, the development or commercialization of our services may be substantially delayed. If we fail to structure our relationships with physicians in accordance with applicable fraud and abuse laws or other regulatory requirements it could have a material adverse effect on our business.

We are dependent upon our management, scientific and medical personnel and we may face difficulties in attracting qualified employees or managing the growth of our business.

Our future performance and success are dependent upon the efforts and abilities of our management, medical and scientific personnel. Furthermore, our future growth will require hiring a significant number of qualified technical, medical, scientific, commercial, business and administrative personnel. Accordingly, recruiting and retaining such personnel in the future will be critical to our success. If we are not able to continue to attract and retain, on acceptable terms, the qualified personnel necessary for the continued development of our business, we may not be able to sustain our operations or achieve our business objectives. Our failure to manage growth effectively could limit our ability to achieve our commercialization and other goals relating to, and we may fail in developing, our new business.

RISKS RELATING TO COMPETITION

The stem cell preservation market has and continues to become increasingly competitive.

We may face competition from companies with far greater financial, marketing, technical and research resources, name recognition, distribution channels and market presence than us, who are marketing or developing new services that are similar to the services that are now being or may in the future be developed by us. There can be no assurance that we will be able to compete successfully.

For example, in the established market for cord blood stem cell banking, the growth in the number of families banking their newborn’s cord blood stem cells has been accompanied by an increasing landscape of competitors. Our business, which has been more recently developed, already faces competition from other established operators of stem cell preservation businesses and providers of stem cell storage services. We believe that certain of our competitors have established stem cell banking services to process and store stem cells collected from adipose tissue (fat tissue). This type of stem cell banking will require partnering with cosmetic surgeons who perform liposuction procedures. In addition, we believe the use of adult stem cells from adipose tissue will require extensive clinical trials to prove the safety and efficacy of such cells and the enzymatic process required to extract adult stem cells from fat. From a technology perspective this ability to expand a small number of stem cells could present a competitive alternative to stem cell banking. The ability to create a therapeutic quantity of stem cells from a small number of cells is essential to using embryonic stem cells and would be desirable to treat patients who can only supply a small number of their own stem cells. There are many biotechnology laboratories attempting to develop stem cell expansion technology, but to date, stem cell expansion techniques are very inefficient and typically the target cells stop dividing naturally, keeping the yield low. However, stem cell expansion could also complement adult stem cell banking by allowing individuals to extend the banking of an initial collection of cells for many applications.

In the event that we are not able to compete successfully with our current or potential competitors, it may be difficult for us to grow our revenue and maintain our existing business without incurring significant

additional expenses to try and refine our technology, services or approach to our business to better compete, and even then there would be no guarantee of success.

We may face competition in the future from established cord blood banks and some hospitals.

Cord blood banks such as ViaCord (a division of ViaCell International) or Cryo-Cell International may be drawn to the field of stem cell collection because their processing labs and storage facilities can be used for processing adult stem cells from peripheral blood and their customer lists may provide them with an easy access to the market. We estimate that there are approximately 43 cord blood banks in the United States, approximately 25 of which are autologous (donor and recipient are the same) and approximately 18 of which are allogeneic (donor and recipient are not the same). Hospitals that have transplant centers to serve cancer patients may elect to provide some or all of the services that we provide. We estimate that there are approximately 123 hospitals in the United States with stem cell transplant centers. All of these competitors may have access to greater financial resources. In addition, other established companies with greater access to financial resources may enter our markets and compete with us. There can be no assurance that we will be able to compete successfully.

RISKS RELATING TO INTELLECTUAL PROPERTY

There is significant uncertainty about the validity and permissible scope of patents in the biotechnological industry. We may not be able to obtain patent protection.

There can be no assurance that the patent applications to which we hold rights will result in the issuance of patents, or that any patents issued or licensed to our company will not be challenged and held to be invalid or of a scope of coverage that is different from what we believe the patent’s scope to be. Further, there can be no assurance that any future patents related to these technologies will ultimately provide adequate patent coverage for or protection of our present or future technologies, products or processes. Our success will depend, in part, on whether we can obtain patents to protect our own technologies; obtain licenses to use the technologies of third parties if necessary, which may be protected by patents; protect our trade secrets and know-how; and operate without infringing the intellectual property and proprietary rights of others.

We may be unable to protect our intellectual property from infringement by third parties.

Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop intellectual property competitive to ours. Our competitors may independently develop similar technology, duplicate our processes or services or design around our intellectual property rights. As a result, we may have to litigate to enforce and protect our intellectual property rights to determine their scope, validity or enforceability. Intellectual property litigation is costly, time-consuming, diverts the attention of management and technical personnel and could result in substantial uncertainty regarding our future viability. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection would limit our ability to develop and/or market our services in the future. This would also likely have an adverse affect on the revenues generated by any sale or license of such intellectual property. Furthermore, any public announcements related to such litigation or regulatory proceedings could adversely affect the price of our common stock.

Third parties may claim that we infringe on their intellectual property.

We also may be subject to costly litigation in the event our technology infringes upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our technology. Any of these third parties could make a claim of infringement against us with respect to our technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. An adverse determination in any litigation of this type could require us to design

around a third party's patent, license alternative technology from another party or otherwise result in limitations in our ability to use the intellectual property subject to such claims. Litigation and patent interference proceedings could result in substantial expense to us and significant diversion of efforts by our technical and management personnel. An adverse determination in any such interference proceedings or in patent litigation to which we may become a party could subject us to significant liabilities to third parties or, as noted above, require us to seek licenses from third parties. If required, the necessary licenses may not be available on acceptable financial or other terms or at all. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us, in whole or in part, from commercializing our products, which could have a material adverse effect on our business, financial condition and results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical fact, regarding our financial position, potential, business strategy, plans and objectives for future operations are "forward looking statements." These statements are commonly identified by the use of such terms and phrases as "intends," "expects," "anticipates," "estimates," "seeks" and "believes." Additionally, statements concerning our ability to develop the adult stem cell business, the future of regenerative medicine and the role of adult stem cells in that future, the future use of adult stem cells as a treatment option and the potential revenue growth of such business are forward-looking statements. Our ability to enter the adult stem cell arena and future operating results are dependent upon many factors, including but not limited to: (i) our ability to obtain sufficient capital or a strategic business arrangement to fund our expansion plans; (ii) our ability to build the management and human resources and infrastructure necessary to support the growth of our business; (iii) competitive factors and developments beyond our control; (iv) scientific and medical developments beyond our control; (v) our inability to obtain appropriate state licenses or any other adverse effect or limitations caused by government regulation of the business; and (vi) other risk factors discussed in "Risk Factors" contained herein. Prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. You should read carefully the description of our plans and objectives for future operations, assumptions underlying these plans and objectives and other forward-looking statements included in "Prospectus Summary," "Use of Proceeds," "Management's Discussion And Analysis of Financial Condition and Results of Operations" and "Business" in this prospectus, but should not place undue reliance on these statements of expectations about our future performance. These descriptions and statements are based on management's current expectations. Our actual results may differ significantly from the results discussed in these forward-looking statements as a result of certain factors, including those set forth in the "Risk Factors" section and elsewhere in this prospectus.

When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other condition, results of operations, prospects and ability to service our debt.

USE OF PROCEEDS

We estimate that the net proceeds, if we sell all 1,270,000 units that we are offering, will be approximately $5,857,425 based on a public offering price of $5.25 per unit (the mid-point of the range) and after deducting $810,075, reflecting the estimated underwriting discount of $466,725, $133,350, reflecting the 2% non-accountable expense allowance and other expenses of $210,000 payable by us. We expect to use the net proceeds of this offering as follows:

Intended Use of Net Proceeds	Assuming Total Amount Sold	%	Assuming 900,000 Units Sold*	%
Sales, Marketing and Business Development, including expansion of facilities and strategic relationships	$ 3,500,000	60%	$ 2,500,000	61%
Open NYC Flagship Collection Center	900,000	15%	700,000	17%
Seed Money for *Stem for Life* Foundation	150,000	3%	100,000	2%
Application fee and other costs relating to proposed American Stock Exchange listing	100,000	2%	100,000	2%
Working Capital	1,207,425	20%	689,750	18%

* There is no minimum number of units which must be subscribed for before we may accept subscriptions. However, we will not effect an initial closing unless our stockholders equity immediately after such closing would be greater than $4 million, so as to satisfy the listing requirements of the American Stock Exchange. We anticipate that we will have to sell approximately 900,000 units at the minimum price of the range to satisfy applicable listing requirements.

In order to fund certain Company cash requirements, members of the Company's management have agreed to defer salary prior to the closing of the offering. The Company's Board has also authorized the Company to issue bridge notes not to exceed an aggregate principal amount of $300,000. Should the notes be issued, they will bear interest at an annual rate of 15% and mature in six months; provided that the notes may be payable earlier from the proceeds of the offering in the Company's discretion. Such bridge notes may be issued to officers and directors of the Company.

The above amounts are our current estimate of the allocation of the net proceeds. Because the future of our business is difficult to predict, it is likely that the actual amounts used for these purposes may vary significantly from our current estimates. Also, we may use offering proceeds for purposes not listed above in response to cash requirements or business opportunities that we do not now anticipate. Any such use could reduce proceeds available for the uses described above.

We anticipate that our existing cash and the net proceeds of this offering will be sufficient to fund our operations and capital requirements for at least one year following this offering, depending primarily on our sales levels. We cannot assure you, however, that such funds will not be expended earlier due to unanticipated changes in economic conditions or other circumstances that we cannot foresee. In the event our plans change or our assumptions change or prove to be inaccurate, we could be required to seek additional financing sooner than currently anticipated.

Until we use the net proceeds of this offering in our business, we intend to invest the funds in short-term, government or investment grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return.

PRICE RANGE OF COMMON STOCK

Our common stock trades on the OTC Bulletin Board under the symbol "NEOI" and from July 24, 2003 to August 30, 2006 traded under the symbol "PHSM." The following table sets forth the high and low bid prices of our common stock for each quarterly period within the two most recent fiscal years, and for the current year to date, as reported by Nasdaq Trading and Market Services. On July 6, 2007, the closing price for our common stock was $5.70. Information set forth in the table below reflects inter-dealer prices without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions. Subject to satisfaction of certain conditions, including effectuation of a one-for-ten reverse stock split, our securities have been approved to be listed on the American Stock Exchange upon the closing of this offering. We cannot assure you that our common stock will trade on the American Stock Exchange in the future. All numbers in this prospectus, including the following table, have been adjusted as if the one-for-ten reverse stock split has already taken place.

2007	High	Low
First Quarter	$ 8.00	$ 2.50
Second Quarter	6.20	3.70
Third Quarter (to July 6, 2007)	5.70	5.30

2006	High	Low
First Quarter	$10.00	$ 5.00
Second Quarter	8.00	5.00
Third Quarter	9.00	4.00
Fourth Quarter	10.10	4.50

2005	High	Low
First Quarter	$ 7.00	$ 3.00
Second Quarter	5.00	2.00
Third Quarter	10.00	3.00
Fourth Quarter	9.00	3.00

As of July 6, 2007, there were approximately 1,571 holders of record of our common stock.

Dividend Policy Holders of common stock are entitled to dividends when, as, and if declared by the Board of Directors out of funds legally available therefor. We have not paid any cash dividends on our common stock and, for the foreseeable future, intend to retain future earnings, if any, to finance the operations, development and expansion of our business. Future dividend policy is subject to the discretion of the Board of Directors.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2007, derived from our unaudited consolidated financial statements found elsewhere in this prospectus. As adjusted data assume the receipt of $5,857,425 in net proceeds from this offering, assuming that all 1,270,000 units are sold at $5.25 (the mid-point of the range).

	March 31, 2007	March 31, 2007 Total Offering (as adjusted)
Cash and cash equivalents	$ 1,058,898	$ 6,916,323
Total debt	552,985	$ 552,985
Shareholders' equity		

Preferred Stock, authorized 5,000,000 shares, $0.01 par value shares, redeemable preferred stock; 10,000 shares issued and outstanding	$ 100	$ 100
Common Stock, authorized 500,000,000 shares, $0.001 par value, issued and outstanding 2,646,419 shares at March 31, 2007 and 3,916,419 shares at March 31, 2007 (as adjusted)	$ 2,646	$ 3,916
Additional paid-in capital	$ 23,931,977	$ 29,788,132
Unearned Compensation	$ (451,040)	$ (451,040)
Accumulated Deficit	$ (22,123,100)	$ (22,123,100)
Total shareholders' equity	$ 1,360,583	$ 7,218,008

SELECTED FINANCIAL DATA

You should read the information set forth below in conjunction with the Company's audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The selected statements of operations and balance sheet data set forth below for years ended December 31, 2006, 2005, 2004, 2003 and 2002 are derived from audited financial statements of the Company. The selected statements of operations and balance sheet data set forth below for the quarters ended March 31, 2007 and 2006 are derived from unaudited financial statements of the Company. Numbers have been adjusted (as appropriate) to reflect the one-for-ten reverse stock split approved in July 2007 and to be effective concurrently with the initial closing of this offering.

Statement of Operations:	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
	($'000 except net loss per share which is stated in $ and weighted average number of shares)						
Revenues	$ 56	$ 6	$ 45	$ 35	$ 49	$ 65	$ 81
Direct costs	1	4	22	25	34	44	60
Gross profit	55	2	23	10	15	21	21
Operating (loss)	(1,818)	(937)	(4,691)	(1,601)	(1,474)	(894)	(1,149)
Net loss	(1,816)	(1,139)	(6,051)	(1,745)	(1,748)	(1,068)	(1,208)
Basic and diluted earnings per share:	(.73)	(1.51)	(4.43)	(3.51)	(5.37)	(4.54)	(5.41)
Weighted average numberof shares outstanding	2,471,653	755,815	1,365,027	497,758	325,419	235,093	223,448

Balance Sheet Data:	As of March 31, 2007	As of December 31, 2006	As of December 31, 2005	As of December 31, 2004	As of December 31, 2003	As of December 31, 2002
				$'000		
Working Capital (Deficiency)	$ 727	$ (310)	$ (1,245)	$ (794)	$ (794)	$ (82)
Total Assets	1,913	1,195	643	99	312	1,183
Current Liabilities	520	838	1,752	1,288	1,023	1,141
Long Term Debt	33	65	—	—	—	9
(Accumulated Deficit)	(22,123)	(20,307)	(14,255)	(12,510)	(10,762)	(9,694)
Total Stockholders' (Deficit)/Equity	1,361	292	(1,818)	(1,932)	(1,503)	(824)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of our financial condition and results of operations should be read together with the audited consolidated financial statements and related notes included elsewhere in this prospectus, and is qualified in its entirety by reference thereto. This discussion contains forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. All numbers in this discussion have been adjusted (as appropriate) to reflect the one-for-ten reverse stock split approved in July 2007 and to be effective concurrently with the initial closing of this offering.

GENERAL

The Company engages in the business of operating a commercial autologous (donor and recipient are the same) adult stem cell bank and the pre-disease collection, processing and long-term storage of adult stem cells that donors can access for their own present and future medical treatment. On January 19, 2006 the Company consummated the acquisition of the assets of NS California relating to its business of processing, collecting and storing adult stem cells. Effective with the acquisition, the business of NS California became the principal business of the Company, rather than its historic business of providing capital and business guidance to companies in the healthcare and life science industries. The Company now provides adult stem cell processing, collection and banking services with the goal of making stem cell collection and long-term storage widely available, so that the general population will have the opportunity to store their own stem cells for current and future healthcare needs. Effective as of August 29, 2006, the Company changed its name from "Phase III Medical, Inc." to "NeoStem, Inc." in order to better describe its new business.

The Company is developing NS California's business in the adult stem cell field and seeking to capitalize on the increasing importance the Company believes adult stem cells will play in the future of regenerative medicine. Using its proprietary process, the Company provides the infrastructure, methods and systems that allow adults to have their stem cells safely collected and conveniently banked for future therapeutic use as needed in the treatment of certain life-threatening diseases. The adult stem cell industry is a field independent of embryonic stem cell research which the Company believes is more likely to be burdened by governmental, legal, ethical and technical issues than adult stem cell research. Medical researchers, scientists, medical institutions, physicians, pharmaceutical companies and biotechnology companies are currently developing therapies for the treatment of disease using adult stem cells. As these adult stem cell therapies obtain necessary regulatory approvals and become standard of care, patients will need a service to collect, process and bank their stem cells. The Company intends to provide this service.

Until the NS California acquisition, the business of the Company was providing capital and business guidance to companies in the healthcare and life science industries, in return for a percentage of revenues, royalty fees, licensing fees and other product sales of the target companies. Additionally, through June 30, 2002, the Company was a provider of extended warranties and service contracts via the Internet at warrantysuperstore.com. The Company is still engaged in the "run-off" of such extended warranties and service contracts and this "run-off" ended in March 2007. In June 2002, management determined, in light of continuing operating losses, to discontinue its warranty and service contract business and to seek new business opportunities for the Company.

On December 12, 2003, the Company signed a royalty agreement with Parallel Solutions, Inc. ("PSI") to develop a new bioshielding platform technology for the delivery of therapeutic proteins and small molecule drugs in order to extend circulating half-life to improve bioavailability and dosing regimen, while maintaining or improving pharmacologic activity. The agreement provided for PSI to pay the Company a percentage of the revenue received for the sale of certain specified products or licensing activity. The

Company provided capital and guidance to PSI to conduct a Proof of Concept Study relating thereto. As a result of the Proof of Concept Study, PSI advised the Company that it had no definitive plans to move forward with the program. Since the inception of the PSI agreement, the Company paid a total of $720,000 to PSI and paid $85,324 of expenses. No payments have been made to PSI since 2004 and the Company does not anticipate any further activity pursuant to the PSI agreement.

The Company engaged in various capital raising activities to pursue its new business opportunities, raising approximately $1,289,000 in 2004, $1,325,000 in 2005, $3,573,000 in 2006 and $2,500,000 in 2007 (through July 6, 2007) through the sale of its common stock, warrants and convertible promissory notes. These amounts include an aggregate of $2,079,000 raised from the June 2006 private placement of shares of common stock and warrants to purchase shares of common stock (the "June 2006 private placement") and an aggregate of $1,750,000 raised from the additional private placement of shares of common stock and warrants to purchase shares of common stock in rolling closings in the summer of 2006 (the "Summer 2006 private placement"). These amounts also include an aggregate of $2,500,000 (net proceeds of $2,301,000) raised in January and February 2007 from the private placement of units consisting of shares of common stock and warrants to purchase shares of common stock (the "January 2007 private placement"). In connection with the June 2006 private placement, the Company appointed Dr. Robin L. Smith as our new Chief Executive Officer and Chairman of our Board of Directors. These capital raising activities enabled us previously to pursue the Company's prior business, and subsequently to acquire the business of NS California, pursue our business plan and grow our adult stem cell collection and storage business, including expanding marketing and sales activities.

In order to fund certain Company cash requirements, members of the Company's management have agreed to defer salary prior to the closing of this offering. The Company's Board has also authorized the Company to issue bridge notes not to exceed an aggregate principal amount of $300,000. Should the notes be issued, they will bear interest at an annual rate of 15% and mature in six months; provided that the notes may be payable earlier from the proceeds of this offering in the Company's discretion. Such bridge notes may be issued to officers and directors of the Company.

CRITICAL ACCOUNTING POLICIES

The Company's "Critical Accounting Policies" are as follows, and are also described in Note 2 to the audited consolidated financial statements and notes thereto, included elsewhere in this prospectus.

Revenue Recognition: In the fourth quarter of 2006, the Company initiated the collection and banking of autologous adult stem cells and the first collection center in its physician's network opened. The Company recognizes revenue related to the collection and cryopreservation of autologous adult stem cells when the cryopreservation process is completed (generally twenty four hours after cells have been collected). Revenue related to advance payments of storage fees is recognized ratably over the period covered by the advance payments. Start up fees that are received from physicians that seek to open collection centers (in consideration of the Company establishing a service territory for the physician) are recognized after agreements are signed and the physician has been qualified by the Company's credentialling committee.

The Company recognizes warranty and service contract reinsurance premiums ratably over the length of the contracts executed. The insurance premium expense and other costs related to the sale are amortized ratably over the life of the contracts. The deferred policy acquisition costs are the net cost of acquiring new and renewal insurance contracts. These costs are charged to expense in proportion to net premium revenue recognized. The provisions for losses and loss-adjustment expenses include an amount determined from loss reports on individual cases and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on estimates, and while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts

provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently. The Company purchased insurance to fully cover any losses under the service contracts from a domestic carrier.

Income Taxes and Valuation Reserves: We are required to estimate our income taxes in each of the jurisdictions in which we operate as part of preparing our financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on our balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be realized from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event we determine that we may not be able to realize all or part of our deferred tax asset in the future, or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to net income in the period of such determination.

Three Months Ended March 31, 2007 and March 31, 2006

The Company's initial sales strategy is to develop a nationwide network of adult stem cell collection centers and medical providers, enabling health conscious consumers to donate and store their own stem cells with NeoStem for personal use years or decades later in times of critical medical need. Medical providers that are interested in participating in providing this service to patients in their local area are required to pay a start up fee in consideration for exclusivity in that service area. Sales and marketing efforts to create this network started in the fourth quarter of 2006 and continued in the quarter ending March 31, 2007. To that end the Company recognized revenue of $54,000 from the receipt of start up fees in the quarter ended March 31, 2007.

The Company also recognized revenues from the sale of extended warranties and service contracts of $1,697 for the three months ended March 31, 2007 as compared to $6,262 for the three months ended March 31, 2006. These revenues were derived entirely from revenues deferred over the life of extended warranties and service contracts sold in prior periods. As of March 31, 2007 the recognition of revenue from the sale of extended warranties and service contracts was completed. Direct costs related to these sales were $1,253 and $4,467 for the three months ended March 31, 2007 and 2006, respectively.

Selling, general and administration expenses increased approximately $933,900 to $1,873,097 for the three months ended March 31, 2007 as compared to $939,234 for the three months ended March 31, 2006. Since the acquisition of NS California in January, 2006 the Company's expenses have been increasing as the Company initiated sales and marketing efforts to promote the collection and banking of adult stems cells. The increase in selling, general and administrative expenses is primarily due to increases in marketing efforts through the hiring of staff, preparation of marketing materials, attending key marketing events and retaining the services of specialized marketing consulting firms. To that end payroll and related expenses increased $240,121, marketing expenses increased $62,254, consulting fees increased $158,537, and the compensatory value of common stock options granted increased by $221,919. The Company issued 30,000 shares of its common stock, resulting in a charge to operating expenses of $165,000, to a financial advisor in connection with a commitment for the placement of up to $3,000,000 of the Company's preferred stock. The Company applied for licensure for stem cell processing in New York which resulted in additional expenses of $25,000. Increases in expenses such as legal expense, accounting fees, investor relations, stock transfer fees, rent, and director fees (in the form of restricted stock grants) were offset by decreases in settlement expenses with the Company's former Chief Operating Officer, investment banking fees, and laboratory operations which resulted in a net increase in operating expenses of $61,031.

Interest expense decreased by approximately $182,300 for the three months ended March 31, 2007 in comparison to the three months ended March 31, 2006. This decrease is due to the conversion or payoff of the convertible debt issued in December 2005 and January 2006 pursuant to the WestPark Capital, Inc. private placement which resulted in a $183,600 reduction in interest expense. This decrease was offset by a small increase in interest related to financing insurance policies. The conversion of Series A mandatorily redeemable convertible preferred stock to common stock eliminated the obligation to accrue dividends in 2006 and therefore no interest expense related to this dividend obligation was incurred in the quarter ending March 31, 2007.

For the reasons cited above the net loss for the three months ended March 31, 2007 increased to $1,816,336 from $1,139,444 for the three months ended March 31, 2006.

Years Ended December 31, 2006 and December 31, 2005

For the year ended December 31, 2006, total revenues were $45,724 compared to $35,262 for the year ended December 31, 2005. The revenues generated in the year ended December 31, 2006 were derived from a combination of fees received in prior years from the sale of extended warranties and service contracts via the Internet, which were deferred and recognized over the life of such contracts, and revenues from the collection of autologous adult stem cells and fees collected from physicians in the Company's physician's network to set up stem cell collection facilities. The revenues generated in the year ended December 31, 2005 were derived entirely from fees received in prior years from the sale of extended warranties and service contracts. The Company recognized revenues from the sale of extended warranties and service contracts via the Internet of $25,048 for the year ended December 31, 2006, as compared to $35,262 for the year ended December 31, 2005. Warranty revenue for the year ended December 31, 2006 is not keeping pace with warranty revenue recognized in the year ended December 31, 2005 and is in fact declining. Warranty revenue will continue to decline as policy periods expire since the Company is no longer selling extended warranty contracts. It is expected that the recognition of warranty revenue will end in 2007. Similarly, direct costs incurred in connection with the extended warranty contracts were $17,868 for the year ended December 31, 2006, as compared to $24,776 for the year ended December 31, 2005. For the year ended December 31, 2006, the Company earned $20,676 in fees for the collection of autologous adult stem cells and start-up fees in connection with a physician in the Company's physician's network that opened a stem cell collection center.

Selling, general and administration expenses for the year ended December 31, 2006 has increased by $3,103,170 or 193% over the year ended December 31, 2005. In 2006, the Company changed its primary business model and is now engaged in the collection, processing and banking of adult stem cells. In addition, in 2006, the Company began recognizing the compensatory value of employee stock options which has had a dramatic increase in our operating expenses. As the result of entering into the business of adult stem cell collection, processing and storage, the Company has increased its staffing levels and payroll expense which increased by $406,373 over the year ended December 31, 2005. In addition, the compensatory element of stock options and restricted stock grants issued to staff members and common stock issued to Robin L. Smith, MD, upon being appointed Chairman of the Board and Chief Executive Officer, increased operating expenses by $833,466. The new business of the Company has resulted in new expenses such as marketing and trade show expenses of $114,908, product liability insurance of $95,926, laboratory expense of $56,048 and website development of $49,901. As the result of the new business, legal fees, including those related to expanding the Company's patent portfolio and pursuing strategic alliances, increased $496,529, consulting fees increased $112,699, travel and entertainment expense increased $137,642 and rent increased $95,548, over the year ended December 31, 2005. In addition, the settlement with Robert Aholt increased expenses for 2006 by $250,000. The Company expanded its Board of Directors with two independent directors and implemented a compensation arrangement for non-employee directors. In connection with this arrangement restricted stock was granted to two directors that

resulted in $163,334 of expense for the fair value of common stock that vested. The various stock registration filings and increased trading levels of the Company's common stock increased costs in auditing fees, stock transfer fees and investment banking fees, which resulted in an overall increase of $148,100 over the year ended December 31, 2005.

Interest expense for the year ended December 31, 2006 was $1,370,656 as compared to $96,580 for the year ended December 31, 2005, an increase of $1,274,076. This increase was primarily as a result of the issuance and early conversion of convertible promissory notes issued in the WestPark private placement (through which the Company raised $500,000 through the sale of convertible promissory notes and warrants in December 2005 and January 2006 and in which WestPark Capital, Inc. acted as placement agent). Substantially all of this debt was converted to common stock. The increase in interest expense includes increases resulting from amortization of debt discount associated with the convertible notes of $212,500, interest payments of $30,625 and the fair value of common stock purchase warrants issued to these debtholders of $227,100. In an effort to improve the Company's financial position, the Company had approached these convertible debtholders with proposals to either extend the term of their promissory notes or convert their promissory notes to common stock of the Company earlier than the original terms called for. Incentives included, among other things, the issuance of shares of common stock and additional warrants to purchase shares of common stock, reduced conversion prices for the notes and reduced exercise prices for the warrants. As a result, holders of $162,500 in principal amount of promissory notes agreed to extend the due dates of their respective notes for four months, and the Company converted $425,000 in principal amount of promissory notes to common stock (including $137,500 of the $162,500 in principal amount for which the due date was originally extended for four months prior to conversion). The impact of these conversions and extension of due dates was to increase interest expense by $871,813 due to the cost of additional common shares and warrants to purchase common stock granted to accomplish such conversions and extended due dates. However, these increased costs are non-cash related and the company will realize a reduction in its cash interest payments and cash required to pay back such promissory notes.

Years Ended December 31, 2005 and December 31, 2004

The Company recognized revenues from the sale of extended warranties and service contracts via the Internet of $35,000 in the year ended December 31, 2005 compared to $49,000 in the year ended December 31, 2004. The revenues generated in the year were derived entirely from revenues deferred over the life of the contracts sold in prior years. Similarly, direct costs incurred were $25,000 and $34,000 for the years ended December 31, 2005 and 2004, respectively, which relate to costs previously deferred over the life of such contracts.

General and administrative expenses totaled $1,611,000 during the year ended December 31, 2005 as compared to $764,000 for the year ended December 31, 2004, an increase of $847,000 or 111%. The increase was primarily attributable to increases in salaries and related expenses ($495,000), consultants ($50,000), legal and accounting ($196,000), investment banking fees ($61,000) and investor relations ($19,000).

In accordance with the PSI agreement, the Company paid PSI $0 in the year ended December 31, 2005 as compared to $725,000 in the year ended December 31, 2004.

Interest expense decreased in fiscal 2005 to $144,000 from $274,000 in the year ended December 31, 2004 due to the lower level of debt and certain loans from officers and directors at an interest rate of 8% compared with much higher rates from non-affiliated noteholders in the previous year.

For the reasons cited above, the net loss decreased to $1,745,000 in the year ended December 31, 2005 from the comparable loss of $1,748,000 for the year ended December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

Three Months Ended March 31, 2007 and March 31, 2006

The following chart represents the net funds provided by or used in operating, financing and investment activities for each period indicated:

	Three Months Ended	
	March 31, 2007	March 31, 2006
Cash used in Operating Activities	$ (1,700,294)	$ (827,722)
Cash used in Investing Activities	$ (10,716)	$ —
Cash provided by Financing Activities	$ 2,333,249	$ 367,917

The Company incurred a net loss of $1,816,335 for the three months ended March 31, 2007. Such loss adjusted for non-cash charges consisting of common stock, options and warrants issued for services totaling $567,335 and amortization and depreciation of $9,691 resulted in cash used in operations totaling $1,700,294 for the three months ended March 31, 2007. This use of cash included additions to prepaid expenses and other current assets of $57,700, accounts receivable of $38,883 and reductions in accounts payable and accrued expenses of $363,759.

To meet its cash requirements for the three months ended March 31, 2007, the Company relied primarily on the sale of shares of common stock resulting in net proceeds of $2,317,478. In addition, the Company incurred new debt totaling $138,232 to finance certain insurance policies for the company offset by debt payments totaling $115,972 to pay off the outstanding WestPark convertible debt of $75,000 and payments of $40,972 for new debt incurred to finance insurance policies.

Years Ended December 31, 2006 and December 31, 2005

The following chart represents the net funds provided by or used in operating, financing and investment activities for each period indicated:

	Year Ended	
	December 31, 2006	December 31, 2005
Cash used in Operating activities	$ (3,638,831)	$ (833,996)
Cash used in investing activities	$ (43,136)	0
Cash provided by financing activities	$ 3,629,753	1,295,000

The Company incurred a net loss of $6,051,400 for the year ended December 31, 2006. Such loss adjusted for non-cash items, including common stock, option and warrant issuances which were related to services rendered and interest of $2,280,779, amortization and depreciation of $240,123 and interest related to the Series A Preferred of $9,935 which was offset by cash settlements of various accounts payable, notes payable and accrued liabilities of $30,509, resulted in cash used in operations totaling $3,638,831 for the year ended December 31, 2006. This use of cash for operations also included additions to prepaid expenses, accounts receivable and other current assets of $81,300. Accordingly, the large difference between operating loss and cash used in operations was the result of a number of non-cash expenses charged to results of operations.

To meet its cash requirements for the year ended December 31, 2006, the Company relied on proceeds from the sale of $250,000 of convertible notes, and proceeds from the sale of shares of common stock resulting in net proceeds of $3,573,068 from the June 2006 private placement and the Summer 2006 private placement (as described below).

In an effort to improve the financial position of the Company, in July 2006 the WestPark convertible debtholders were offered the option of (A) extending the term of the convertible note for an additional

four months from the maturity date in consideration for which (i) the Company would issue to the investor for each $25,000 in principal amount of the convertible note 568 shares of unregistered common stock; and (ii) the exercise price per warrant would be reduced from $12.00 to $8.00, or (B) converting the convertible note into shares of the Company's common stock in consideration for which (i) the conversion price per conversion share would be reduced to $4.40; (ii) the Company would issue to the investor for each $25,000 in principal amount of the note, 1,136 shares of common stock; (iii) the exercise price per warrant would be reduced from $12.00 to $8.00; and (iv) a new warrant would be issued substantially on the same terms as the original warrant to purchase an additional 4,167 shares of common stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor was also asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement. This offer was terminated on August 31, 2006. As of that date, investors holding $237,500 in principal amount of the total $500,000 of convertible promissory notes had agreed to convert their respective convertible notes into shares of the Company's common stock for the consideration described above and investors holding $162,500 in principal amount of the total $500,000 of convertible promissory notes had agreed to extend the term of the convertible note for an additional four months from the maturity date for the consideration described above.

In September 2006, a new offer was extended to the remaining WestPark convertible debtholders to convert the convertible note into shares of the Company's common stock, in consideration for which (i) the conversion price per conversion share would be reduced to $4.40; (ii) the exercise price per warrant would be reduced from $12.00 to $8.00; and (iii) a new warrant would be issued substantially on the same terms as the original warrant to purchase an additional 4,167 shares of common stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. This offer resulted in the conversion of $125,000 in principal amount of the total $500,000 of convertible promissory notes to common stock. In October 2006, WestPark convertible debtholders owning an additional $62,500 in convertible promissory notes also agreed to early conversion on the terms of the September 2006 offer. As of December 31, 2006 there were only $75,000 in principal amount of the WestPark convertible promissory notes outstanding, which were due and paid in January 2007.

In May 2006, the Company entered into an advisory agreement with Duncan Capital Group LLC ("Duncan"). Pursuant to the advisory agreement, Duncan is providing to the Company on a non-exclusive "best efforts" basis, services as a financial consultant in connection with any equity or debt financing, merger, acquisition as well as with other financial matters. In return for these services, the Company was paying to Duncan a monthly retainer fee of $7,500, 50% of which could be paid by the Company in shares of its common stock valued at fair market value and reimbursing it for its reasonable out-of-pocket expenses in an amount not to exceed $12,000. (Effective February 1, 2007, the advisory agreement was extended through December 31, 2007, providing that the monthly fee be paid entirely in shares of common stock to vest at the rate of 1,364 shares per month). Pursuant to the advisory agreement, Duncan also agreed, subject to certain conditions, that it or an affiliate would act as lead investor in a proposed private placement of shares of common stock and warrants to purchase shares of common stock in an amount that was not less than $2,000,000 or greater than $3,000,000. If the financing closed, Duncan was to receive a fee of $200,000 in cash and 24,000 shares of restricted common stock.

On June 2, 2006, the Company entered into a securities purchase agreement pursuant to which the Company issued to each of 17 investors shares of its common stock, at a per-share price of $4.40, along with a five-year warrant to purchase a number of shares of common stock at a per share purchase price of $8.00 equal to 50% of the number of shares of common stock purchased by each investor (together with the common stock issued, the "June 2006 securities"). The gross proceeds from the sale were $2,079,000. Duncan received its fee as described above. The officers of the Company, as a condition of the initial closing under the securities purchase agreement, entered into letter agreements with the Company pursuant to which they converted an aggregate of $278,653 of accrued and unpaid salary that dated back to

2005 into shares of common stock at a per share price of $4.40. After adjustments for applicable payroll and withholding taxes which were paid by the Company, the Company issued to such officers an aggregate of 37,998 shares of common stock. The Company also adopted an Executive Officer Compensation Plan, effective as of the date of closing of the securities purchase agreement and pursuant to the letter agreements each officer agreed to be bound by the Executive Officer Compensation Plan. In addition to the conversion of accrued salary, the letter agreements provided for a reduction by 25% in base salary for each officer, the granting of options to purchase shares of common stock under the Company's 2003 Equity Participation Plan which become exercisable upon the Company achieving certain revenue milestones and the acceleration of the vesting of certain options and restricted shares held by the officers.

In connection with the securities purchase agreement, on June 2, 2006 the Company entered into a registration rights agreement with each of the investors, pursuant to which the Company agreed to prepare and file no later than June 30, 2006 a registration statement with the SEC to register the shares of common stock issued to investors and the shares of common stock underlying the warrants. The Company and the investors agreed to amend the registration rights agreement and extend the due date of the registration statement to August 31, 2006. In the event that the Registration Statement was not declared effective by the SEC within 180 days of the closing date of the securities purchase agreement, the Company was obligated to pay to each investor an amount equal to 1% of the purchase price of the June 2006 securities purchased by the investor, and to pay such amount for each month or partial month that the registration statement was not declared effective by the SEC. The registration statement was filed and subsequently declared effective on November 6, 2006.

In July and August 2006, the Company sold 397,727 shares of its common stock at $4.40 per share along with warrants to purchase 198,864 shares of its common stock at $8.00 per share (the "Summer 2006 Private Placement"), resulting in proceeds to the Company of $1,750,000. Additionally, in July and August, it issued 8,341 shares of its common stock as partial or complete payment of certain accounts payable and 7,567 shares of its common stock as partial payment of certain services rendered. In October 2006, the Company issued 3,400 shares of common stock in consideration of certain services rendered. In December 2006, the Company issued 1,042 shares of its common stock in consideration of certain services rendered.

The following table reflects a summary of the Company's contractual cash obligations, including applicable interest, as of December 31, 2006:

Contractual Obligations	Payments due by period Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable	$ 225,752	$ 201,313	$ 24,439	$ —	$ —
Capitalized leases	77,970	31,188	46,782	—	—
Employment agreements	2,133,642	1,131,234	1,002,408	—	—
Total	$ 2,437,364	$ 1,363,735	$ 1,073,629	$ —	$ —

Material changes to the contractual obligations above include (i) the payment in January 2007 of all the remaining outstanding convertible notes issued in the WestPark Private Placement (as described above in Liquidity and Capital Resources) and (ii) amendments to or replacements of employment agreements or arrangements with officers of the Company on January 26, 2007 providing for a 20% reduction in base salary and/or an agreement by the officer to extend their employment term, as well as certain additional or amended terms.

Year Ended December 31, 2005 and December 31, 2004

The following chart represents the net funds provided by or used in operating, financing and investment activities for each period as indicated:

	Year Ended December 31, 2005	December 31, 2004
Cash used in Operating activities	$ (833,996)	$ (1,459,653)
Cash used in investing activities	$ 0	(3,288)
Cash provided by financing activities	$ 1,295,000	1,279,862

At December 31, 2005, the Company had a cash balance of $488,872, deficit working capital of $1,245,084 and a stockholders' deficit of $1,817,638. In addition, the Company sustained losses of $1,745,039, $1,748,372 and $1,044,145 for the three fiscal years ended December 31, 2005, 2004 and 2003, respectively.

On December 30, 2005 the Company commenced the Westpark Private Placement to sell 9% six month convertible notes in $25,000 units. Each unit consisted of the 9% note convertible into shares of the Company's common stock at $6.00 per share and 4,167 warrants to purchase the Company's common stock at an exercise price of $12.00 per share. On December 30, 2005, the Company sold $250,000 of these notes and through January 31, 2006 an additional $250,000 of these notes for a total of $500,000. The net proceeds from the sales of these notes to the Company were $443,880.

The following table reflects a summary of the Company's contractual cash obligations as of December 31, 2005:

Contractual Obligations	Payments due by period Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable	$ 433,000	$ 433,000	$ 0	$ 0	$ 0
Operating leases	74,744	69,044	5,700	0	0
Employment agreements	2,332,867	986,083	1,346,783	0	0
Series A mandatorily redeemable convertible preferred stock	572,208	47,684	143,052	143,052	238,420
Total	$ 2,840,611	$ 1,535,811	$ 1,495,535	$ 143,052	$ 238,420

The table above includes the contractual obligations acquired in the purchase of substantially all the assets of NS California on January 19, 2006.

Material changes to the contractual obligations above include (i) the conversion, extension or payment of all the convertible notes issued in the Westpark Private Placement (as described above in Liquidity and Capital Resources), (ii) amendments to the employment agreements of certain officers and employees, pursuant to which such persons agreed to a 25% reduction in base salary, and the entry into an employment agreement with the Company's new chief executive officer; (iii) the subsequent amendments or replacements of the employment agreements on January 26, 2007 providing instead for a 20% reduction in base salary and/or an agreement by the officer to extend their employment term, as well as certain additional or amended terms; and (iv) the exchange of the outstanding Series A convertible preferred stock into common stock.

INFLATION

The Company does not believe that its operations have been materially influenced by inflation in the fiscal year ended December 31, 2006, a situation which is expected to continue for the foreseeable future.

SEASONALITY

The Company does not believe that its operations are seasonal in nature.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

BUSINESS

NeoStem, Inc. (the "Company") is in the business of operating a commercial autologous (donor and recipient are the same) adult stem cell bank and the pre-disease collection, processing and long-term storage of adult stem cells that donors can access for their own present and future medical treatment. On January 19, 2006 the Company consummated the acquisition of the assets of NS California, Inc., a California corporation ("NS California") relating to NS California's business of collecting and storing adult stem cells. Prior to the acquisition of NS California, the Company's business had been providing capital and business guidance to companies in the healthcare and life science industries, including NS California. The Company now is providing adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for current and future healthcare needs. Using its proprietary process, the Company provides the infrastructure, methods and systems that allow adults to have their stem cells safely collected and conveniently banked for future therapeutic use as needed in the treatment of such life-threatening diseases as diabetes, heart disease and radiation sickness that may result from a bio-terrorist attack or nuclear accident. The Company also hopes to become the leading provider of adult stem cells for diagnostic and therapeutic use in the burgeoning field of regenerative medicine. According to the National Institutes of Health, there are over 700 clinical trials underway relating to the use of adult stem cells, over 200 relating to autologous use, in the treatment of numerous serious diseases and conditions, including those that address cardiac disease, autoimmune disorders such as multiple sclerosis, peripheral vascular diseases and age related musculoskeletal disorders, as well as diabetes, cancer, neurological disease, and wound healing. See "Current Business Operations."

We are structuring an aggressive direct to consumer marketing plan to drive awareness and target individuals who can afford our services. We also believe that those with economic constraints can now afford our services with the financing relationship we have established with GE Credit Care. We are planning to educate individuals that have a family history or early diagnosis of diseases being treated with stem cell therapy as well as those who have banked their infants stem cells that can afford this "bioinsurance." Additionally we are working on establishing collaborations with high profile medical centers and academic institutions involved in cutting edge research and clinical trials to evaluate the use of stem cells for the treatment of various diseases. We believe that there is a significant need for our banking services for first responders and homeland security personnel. We are moving forward to educate those groups and find resources to protect those individuals who protect us. Our other go-to market strategies include collaboration with cord blood companies, tissue banks, pharmaceutical companies, concierge medical programs, executive health plans and regenerative medicine specialists.

The Company's prior business was providing capital and business guidance to companies in the healthcare and life science industries, in return for a percentage of revenues, royalty fees, licensing fees and other product sales of the target companies. Additionally, through June 30, 2002, the Company was a provider of extended warranties and service contracts via the Internet at warrantysuperstore.com. The Company is still engaged in the "run off" of such extended warranties and service contracts, which is expected to end in 2007. For a discussion of the Company's involvement in such other activities and Company history, see "—Former Business Operations." In 2004, the Company launched its website www.phase3med.com and in 2006, it launched another website www.neostem.com to support the Company's new business in adult stem cells. The Company's information as filed with the Securities and Exchange Commission is available via a link on its websites as well as at www.sec.gov.

Current Business Operations

On January 19, 2006, the Company, through a wholly-owned subsidiary, consummated its acquisition of the assets of NS California relating to NS California's business of collecting, processing and storing adult stem cells, pursuant to an Asset Purchase Agreement dated December 6, 2005. The purchase price

consisted of 50,000 shares of the Company's common stock, plus the assumption of certain enumerated liabilities of NS California and liabilities under assumed contracts. The Company also entered into employment agreements with NS California's chief executive officer and one of its founders as part of the transaction. NS California was incorporated in California in July 2002, and from its inception through the acquisition by the Company was engaged in the sale of adult stem cell banking services. In October 2003, NS California leased laboratory space in a research facility at Cedars Sinai Hospital in California and entered into an agreement with a third party to provide adult stem cell collection services. By December 2003, NS California had outfitted its laboratory with equipment for processing, cryopreservation and storage of adult stem cells. In May 2004, after a validation process and inspection and approval by the State of California, NS California received a biologics license and commenced commercial operations. In January 2005, NS California moved its adult stem cell processing and storage facility to Good Samaritan Hospital in California. NS California was compelled to cease operations because it did not have sufficient assets to complete the revalidation of the new laboratory and NS California's biologics license was suspended. In October 2005, NS California restarted the validation of the laboratory at Good Samaritan Hospital, and on May 29, 2006 the Company was issued a new biologics license from the State of California. Pursuant to the Asset Purchase Agreement, NS California was obligated to return to the Company (out of the 50,000 shares of common stock issued) 167 shares per day for each day after February 15, 2006 that such biologics license had not been issued up to a total of 10,000. NS California has returned 10,000 shares to the Company.

The Company is developing NS California's business in the adult stem cell field and seeking to capitalize on the increasing importance the Company believes adult stem cells will play in the future of regenerative medicine. The use of adult stem cells as a treatment option for those who develop heart disease, certain types of cancer and other critical health problems is a burgeoning area of clinical research today. The adult stem cell industry is a field independent of embryonic stem cell research. The Company believes that embryonic stem cell therapies have certain barriers to development due to political, ethical, legal and technical issues. Medical researchers, scientists, medical institutions, physicians, pharmaceutical companies and biotechnology companies are currently developing therapies for the treatment of disease using adult stem cells. As these adult stem cell therapies obtain necessary regulatory approvals and become standard of care, patients will need a service to collect, process and bank their stem cells. The Company intends to provide this service.

Stem Cells

Stem cells are very primitive and undifferentiated cells that have the unique ability to transform into many different cells, such as white blood cells, nerve cells or heart muscle cells. Stem cells can be found in the bone marrow or peripheral blood of adults. Certain processes can cause the stem cells to leave the bone marrow and enter the blood where they can be collected. The Company currently only works with adult stem cells collected from peripheral blood through a safe, minimally invasive procedure called "apheresis."

Plan of Operations

The Company is engaging in the business of autologous adult stem cell collection, processing and banking. The Company believes that as adult stem cell therapies obtain necessary regulatory approvals and become standard of care, individuals will need the infrastructure, methods and procedures being developed by the Company to have their stem cells safely collected and conveniently stored for future therapeutic use. The Company intends to generate revenues from the following:

- initial collection of adult stem cells
- storage of adult stem cells (generating recurring revenue)
- utilization of adult stem cells (when stem cells are used)

It is developing a service model to create a source of stem cells that potentially enables physicians to treat a variety of diseases and engage in research to progress therapeutic development using adult stem cells. The Company anticipates fees being derived from Company-owned collection centers and collection centers operated by physicians and medical institutions with which it collaborates. It anticipates the opening of a flagship collection center in New York City, the establishment of which is anticipated to be partially funded from the proceeds of this offering. It also is seeking to obtain government grants and catalogue and store adult stem cells in a biorepository. As this biorepository grows, it is anticipated there will be revenues derived from relationships with pharmaceutical companies and other companies developing stem cell therapies who require access to cells. Additionally, the Company plans to expand its patent portfolio in the adult stem cell arena. The Company is currently processing and storing the adult stem cells collected with its processes at its California facility. As the Company grows, it may choose to add additional processing and storage capabilities in the northeastern United States or elsewhere, whether through the expansion of its own facilities and personnel or through the forging of a strategic relationship with an established provider of cell processing and storage services.

Marketing and Customers

The Company is embarking on a significant marketing, advertising and sales campaign individually and through collaborations with others for the purpose of educating physicians and potential clients on the benefits of adult stem cell collection and storage. The Company's "Go-To-Market" strategy is to drive this general awareness. The essence of this strategy is to reach the end-customers as quickly as possible and to accelerate the adoption curve of our service. In addition, the Company plans to utilize marketing resources to increase the number of physicians who collaborate with us in the operation of collection centers.

The Company believes several consumer segments may recognize and experience the long-term benefits from banking their own stem cells. These include:

- Individuals with a family history of serious diseases that show potential for treatment with stem cell therapies that are currently under research, e.g., diabetes, heart disease, or cancer
- Wellness and regenerative medicine communities
- Families who have already banked the umbilical cord blood from their newborns
- Patients diagnosed with cancer, cardiovascular disease, or diabetes
- High net worth and educated consumers

The Company is designing its marketing efforts to educate physicians on the benefits both of making stem cell collection and banking services available to their adult patients to the Company for stem cell banking and participating in our collection program.

The Company has appointed an experienced medical services marketing director, is utilizing the expertise of certain outside marketing consultants and is increasing its internal marketing staff in connection with the expansion of its marketing efforts and is increasing its marketing personnel.

Company Initiatives

The Company's current initiatives include plans to:

- Develop strategic initiatives with cord blood companies, tissue banks and pharmaceutical companies
- Collaborate with academic institutions on licensing opportunities, build out of collection centers and provision of collection services for ongoing clinical trials

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- Develop partnerships with executive health programs, wellness physicians, concierge medical programs, medical spas and first responder groups
- Expand the Company's intellectual property portfolio within the stem cell arena
- Expand its Government Programs Initiatives and in this regard has recently hired Arlene Graime as Director of Government Affairs and Special Projects, to spearhead efforts aimed at working with key federal and state agencies as well as congressional committees in order to raise awareness for the benefits of adult stem cell therapy as a treatment option.
- Submit grant applications to National Institutes of Health and others to fund Company programs
- Assist in developing The Stem for Life Foundation, an adult stem cell foundation formed to generate awareness of stem cell therapies

In April 2007, the Company participated in the founding of *The Stem for Life Foundation* (the "Foundation"). The Mission of the Foundation is to heighten public awareness and knowledge of the benefits and promise of Adult Stem Cells in treating serious medical conditions. The Foundation is committed to assisting those who protect us. First Responders (Fire, Police, Rescue and Military) are at high risk for exposure to radiation, burns, wounds, and other trauma. The Foundation will help provide resources, not just for those emergency workers, but also to other individuals who become chronically ill and will be in need of assistance to collect, process and store their own stem cells now for use in the future. The Foundation was formed under the

Pennsylvania Not-for-Profit Corporation Law and is intended to qualify as a 501(c)(3) corporation under the Internal Revenue Code, as amended. Certain members of the Company's management are officers and/or sit on the Board of Trustees of the Foundation.

Intellectual Property

We are seeking patent protection for our technology. The Company acquired two U.S. patent applications which had been submitted by NS California and are pending. The first patent application is directed to the process by which we prepare and store stem cells derived from adult peripheral blood by apheresis following mobilization of the stem cells from the bone marrow. The second patent application is directed to, among other things, the use of stored stem cells to form the basis for medical information that may provide statistics on the etiology of disease, and the use of stem cells in the treatment of infectious diseases and breast cancer. In addition, the Company has filed a patent application directed to low dose, short course, cytokine induction of stem cell immobilization. There can be no assurance that any of these patent applications will issue as patents. The patent position of biotechnology companies generally is highly uncertain and involves complex legal, scientific and factual questions.

Competition

For a description of matters relating to competition, please see "Risk Factors-Risks Relating to Competition."

Industry and Geographical Segmental Information

As a result of the Company's acquisition of substantially all the assets and operations of NS California on January 19, 2006, the Company now has operations in two segments. One segment is the collection, processing and banking of adult stem cells and the other segment remains the "run off" of its sale of extended warranties and service contracts via the Internet. This "run-off" of warranty and service contracts ended in March 2007. For further financial information regarding segments, please see the financial statements and notes thereto included elsewhere in this prospectus. The Company's operations are conducted entirely in the United States.

Prior Relationship with NS California

On March 31, 2004, the Company entered into a joint venture agreement to assist NS California in finding uses of and customers for NS California's services and technology. The Company's initial efforts concentrated on developing programs utilizing NS California's services and technology through government agencies. That agreement was terminated as a result of the NS California acquisition. On September 9, 2005, the Company signed a revenue sharing agreement with NS California pursuant to which the Company had agreed to fund NS California certain amounts to pay pre-approved expenses and other amounts based on a formula relating to the Company's ability to raise capital. Once funded, NS California would pay the Company monthly based on the revenue generated in the previous month with a minimum payment due each month. That agreement was terminated as a result of the NS California acquisition.

Recent Developments

On June 14, 2007, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio between one-for-three and one-for-ten shares in the event it was deemed necessary by the Company's Board of Directors to be accepted onto a securities exchange. On July 9, 2007, the Board authorized the reverse stock split at a ratio of one-for-ten shares in order to satisfy the listing requirements of the American Stock Exchange, to be effective concurrently with the initial closing of this offering.

In April 2007, the Company received two provisional licenses from the State of New York. The first license permits the Company's California facility to collect, process and store hematopoietic progenitor cells ("HPCs") collected from New York residents. The second license permits solicitation in New York relating to the collection of HPCs. Each license is subject to certain limitations stated therein.

In March 2007, the Company signed agreements to expand its physicians' network into Las Vegas, Nevada and Eastern Pennsylvania. Agreements to open Adult Stem Cell Collection Centers were signed on terms substantially similar to the Company's agreement for its Adult Stem Cell Collection Center in Encinitas, California (see below), which has already begun collecting patients' stem cells.

Also in March 2007, the Company engaged Trilogy Capital Partners, Inc. ("Trilogy") as a marketing and investor relations consultant. The agreement is for a 12 month period, terminable by either party after six months upon 30 days' notice, at a monthly fee of $10,000 plus reimbursement of certain budgeted or approved marketing expenses. Pursuant to this agreement, the Company issued to Trilogy warrants to purchase 150,000 shares of its common stock at a purchase price of $4.70 per share. Such warrants vest over a 12 month period at a rate of 12,500 per month, subject to acceleration in certain circumstances, and are exercisable until April 30, 2010.

In January 2007, the Company entered into a strategic alliance with UTEK Corporation ("UTEK"), a specialty finance company focused on technology transfer, as part of its plan to move forward to expand its proprietary position in the adult stem cell collection and storage arena as well as the burgeoning field of regenerative medicine. The purpose of the agreement is to identify potential technology acquisition opportunities that fit the Company's strategic vision. Through its strategic alliance agreements with companies in exchange for their equity securities, UTEK assists such companies in enhancing their new product pipeline by facilitating the identification and acquisition of innovative technologies from universities and research laboratories worldwide. UTEK is a business development company with operations in the United States, United Kingdom and Israel. In January 2007, the Company issued 12,000 shares of common stock to UTEK, vesting as to 1,000 shares per month commencing January 2007.

2007 Financing Activities

In January and February 2007, the Company raised an aggregate of $2,500,000 through the private placement of 250,000 units at a price of $10.00 per unit to 35 accredited investors (the "January 2007 private placement"). Each unit was comprised of two shares of the Company's common stock, one redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share and one non-redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share. The Company issued an aggregate of 500,000 shares of common stock, and warrants to purchase up to an aggregate of 500,000 shares of common stock at an exercise price of $8.00 per share. Emerging Growth Equities, Ltd (“EGE”), the placement agent for the January 2007 private placement, received a cash fee equal to $171,275 and was entitled to expense reimbursement not to exceed $50,000. The Company also issued to EGE redeemable seven-year warrants to purchase 34,355 shares of common stock at a purchase price of $5.00 per share, redeemable seven-year warrants to purchase 17,127 shares of common stock at a purchase price of $8.00 per share and non-redeemable seven-year warrants to purchase 17,127 shares of common stock at a purchase price of $8.00 per share. Pursuant to the terms of the January 2007 private placement, the Company was obligated to prepare and file, no later than ten days after the filing of the Company’s Annual Report on Form 10-K, a registration statement with the SEC to register the shares of common stock issued to the investors and the shares of common stock underlying the warrants issued to the investors and to EGE. Such registration statement was filed with the SEC on February 7, 2007. The January 2007 private placement was conditioned upon entry by the Company’s Board of Directors and executive officers into a lock-up agreement, pursuant to which such directors and officers will not, without the consent of EGE, sell or transfer their common stock until the earlier of: (a) six months following the effective date of the registration statement filed to register the shares underlying the units, or (b) twelve months following the sale of the units. This registration statement was declared effective by the SEC on April 25, 2007.

2006 Developments

On December 15, 2006, the Company entered into a five year agreement with HemaCare Corporation (“HemaCare”) pursuant to which HemaCare will provide the Company with collection services for the procurement of adult stem cells from peripheral blood for the purpose of long-term storage. HemaCare will provide services consisting of apheresis collection of adult stem cells from peripheral blood for long-term storage and for other purposes, such as research purposes, if requested by the Company. These services will be provided at either a HemaCare facility, a Company facility or a third party center affiliated with the Company, including members of the Company’s physician’s network, subject to the terms of HemaCare’s license and other regulatory requirements. HemaCare has operations on the West Coast and parts of the Northeast. Additionally, under the agreement HemaCare will provide to the Company standard operating procedures (“SOPs”) for the collection of peripheral blood progenitor cells to be used by the Company as its own SOPs and will keep these SOPs up to date. The Company may continue to use the SOPs for up to ten years following termination of the agreement, subject to continued payment by the Company of a maintenance fee. HemaCare will also provide the Company with assistance in staff training and opening other facilities, whether Company owned facilities or a third party center affiliated with the Company, including members of the Company’s physician’s network.

The provision of apheresis, services for the collection of adult stem cells from peripheral blood for long term storage, will be provided to the Company on an exclusive basis during the term of the agreement. The Company has also given to HemaCare the first right to negotiate an arrangement with the Company for the provision of other collection services should the Company choose to expand its business model. New inventions that may arise as a result of performance of the services will be the sole property of the Company and we may seek intellectual property protection for such new inventions, if any. The parties have agreed to standard confidentiality obligations during the term of the agreement and for three years

thereafter. The agreement is for a term of five years, subject to earlier termination by either party, generally upon 180 days’ prior notice. The Company will provide to HemaCare payment for such services as set forth in the agreement, which will be fixed for a 12 month period and may thereafter be increased based on mutual agreement of the parties. The services will be provided by HemaCare in accordance with all FDA regulations and guidelines, licensing requirements of any jurisdiction in which the services are performed, cGMP standards and all other applicable federal, state or local laws. This agreement supersedes the terms of a prior agreement with HemaCare acquired by the Company in connection with the acquisition of its adult stem cell business in January 2006 from NS California.

On September 7, 2006, the Company entered into an Adult Stem Cell Collection Agreement with Ronald Rothenberg, M.D. for the operation by Dr. Rothenberg of a center in Encinitas, California for the collection of adult stem cells from peripheral blood. The collection center has commenced operations and Dr. Rothenberg is responsible for operating the center, including paying associated costs and ensuring it is operated in accordance with applicable laws, regulations and standards of care. As a licensed physician, Dr. Rothenberg is also subject to regulations of the Medical Board of California, as well as ethical and practice standards promulgated by the American Medical Association, among other things. Dr. Rothenberg is also required to use his best efforts to promote the business in the territory of Encinitas and has agreed to customary confidentiality and noncompetition provisions and to pay to the Company a specified fee for administrative, management and other services. Pursuant to this agreement, the Company has granted to Dr. Rothenberg a non-exclusive, non-transferable license, without the right to sublicense, to use the Company’s intellectual property and marks in connection with the operation of the collection center. The Company is also providing training and marketing support for the operation of the collection center and will process and store the adult stem cells collected at the collection center. The initial term of the agreement is one year, subject to earlier termination as specified in the agreement, and will be automatically renewed for successive one-year terms unless either party provides 60 days’ notice of such party’s intent not to renew.

On August 29, 2006, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio of one-for-ten shares. The primary purposes of effecting the reverse stock split was (i) to raise the per share market price of the Company’s common stock to facilitate future financing or to be able to use our capital stock in acquisitions, (ii) to raise the per share price to be able to possibly consider a Nasdaq or other listing for our shares in the future and (iii) to save administrative expenses by reducing the number of our stockholders. All numbers in this prospectus have been adjusted to reflect the reverse stock split which was effective as of August 31, 2006.

Also on August 29, 2006, our stockholders approved an amendment to our Certificate of Incorporation to change our name from Phase III Medical, Inc. to NeoStem, Inc. As the Company’s business efforts are now focused on developing NS California’s (previously known as NeoStem, Inc.) business of adult stem cell collection and storage, it was appropriate to change the corporate name to NeoStem, Inc. to better reflect our current business operations.

2006 Financing Activities

On December 30, 2005, and in January 2006, the Company consummated the private placement sale to 19 accredited investors of units consisting of convertible promissory notes and detachable warrants (“the WestPark private placement”). Gross proceeds raised were $250,000 on December 30, 2005 and $250,000 in January 2006, totaling an aggregate of $500,000 in gross proceeds. Each unit was comprised of: (a) a nine month note in the principal amount of $25,000 bearing 9% simple interest, payable semi-annually, with the 2nd payment paid upon maturity, convertible into shares of the Company’s common stock at a conversion price of $6.00 per share; and (b) 4,167 detachable three year warrants, each for the purchase of one share of common stock at an exercise price of $12.00 per share. The notes were subject to mandatory conversion by the Company if the closing price of the common stock had been at least $18.00 for a period of at least 10 consecutive trading days prior to the date on which notice of conversion was sent by the Company to the holders of the promissory notes, and if the underlying shares were then registered for resale with the SEC. Holders of the units are entitled to certain registration rights (see below). The Company issued to WestPark Capital, Inc., the placement agent for the WestPark private placement, (i) 5,000 shares of common stock (2,500 shares on December 30, 2005 and 2,500 shares in January 2006); and (ii) warrants to purchase an aggregate of 8,334 shares of the Company's common stock (4,167 on December 30, 2005 and 4,167 in January 2006). By January 2007 all the convertible promissory notes issued in the WestPark private placement had either been converted into shares of the Company's common stock or repaid by the Company (see below).

In May 2006, the Company entered into an advisory agreement with Duncan Capital Group LLC ("Duncan"). Pursuant to the advisory agreement, Duncan is providing to the Company on a non-exclusive best efforts basis, services as a financial consultant in connection with any equity or debt financing, merger, acquisition as well as with other financial matters. In return for these services, the Company was paying to Duncan a monthly retainer fee of $7,500 (50% of which could be paid by the Company in shares of its common stock valued at fair market value) and reimbursing it for its reasonable out-of-pocket expenses up to $12,000. Pursuant to the advisory agreement, Duncan also agreed that it or an affiliate would act as lead investor in a proposed private placement of securities, for a fee of $200,000 in cash and 24,000 shares of restricted common stock. On June 2, 2006 (the "June 2006 private placement"), the Company entered into a securities purchase agreement with 17 accredited investors (the "June 2006 investors"). DCI Master LDC, an affiliate of Duncan, acted as lead investor. Duncan received its fee as described above. The Company issued to each June 2006 investor shares of its common stock at a per-share price of $4.40 along with a five-year warrant to purchase a number of shares of common stock equal to 50% of the number of shares of common stock purchased by the June 2006 investor (together with the common stock issued, the "June 2006 securities"). The gross proceeds from this sale were $2,079,000. In February 2007, the term of this agreement was extended through December 2007. Additionally, it was amended to provide that the monthly retainer fee be paid by issuing to Duncan an aggregate of 15,000 shares of common stock vesting monthly over the remaining term of the agreement.

Pursuant to the securities purchase agreement for the June 2006 private placement, the Company expanded the size of its Board to four directors, and appointed Dr. Robin L. Smith as Chairman of the Board and Chief Executive Officer of the Company. Dr. Smith, who was previously Chairman of the Advisory Board of the Company, purchased 5,000 shares of common stock and warrants to purchase 2,400 shares of common stock pursuant to the terms of the securities purchase agreement. The Company also agreed to expand the size of the Board upon the initial closing under the securities purchase agreement to permit DCI Master LDC to designate one additional independent member to the Company's Board of Directors reasonably acceptable to the Company. Richard Berman was appointed to the Company's Board of Directors in November 2006 to serve as such designee. The securities purchase agreement also prohibits the Company from taking certain action without the approval of a majority of the Board of Directors for so long as the purchasers in the June 2006 private placement own at least 20% of the common stock, including making loans, guarantying indebtedness, incurring indebtedness that is not already included in a Board approved budget on the date of the securities purchase agreement that exceeds $100,000, encumbering the Company's technology and intellectual property or entering into new or amending employment agreements with executive officers. DCI Master LDC is also granted access to Company facilities and personnel and given other information rights. Pursuant to the securities purchase agreement, all then current and future officers and directors of the Company were to not, without the prior written consent of DCI Master LDC, dispose of any shares of capital stock of the Company, or any securities convertible into, or exchangeable for or containing rights to purchase, shares of capital stock of the Company until three months after the effective date of the registration statement filed with the SEC to register the securities issued in the June 2006 private placement (described below). Such registration statement was declared effective on November 6, 2006.

The officers of the Company, as a condition of the initial closing under the securities purchase agreement for the June 2006 private placement, entered into letter agreements with the Company pursuant to which they converted an aggregate of $278,653 of accrued salary into shares of common stock at a per share price of $4.40. After adjustments for applicable payroll and withholding taxes which were paid by the Company, the Company issued to such officers an aggregate of 37.998 shares of common stock. The Company also adopted an Executive Officer Compensation Plan, effective as of the date of closing of the securities purchase agreement and pursuant to the letter agreements each officer agreed to be bound by the Executive Officer Compensation Plan. In addition to the conversion of accrued salary, the letter agreements provided for a reduction by 25% in base salary for each officer until the Company achieves certain milestones, the granting of options to purchase shares of common stock under the Company's 2003 Equity Participation Plan which become exercisable upon the Company achieving certain revenue milestones and the acceleration of the vesting of certain options and restricted shares held by the officers. In January 2007, the milestones relating to the reduction in base salary had been achieved; however, the same officers (and in addition the Chief Executive Officer who became an employee in connection with the June 2006 private placement) agreed to subsequent amendments to or replacements of their employment agreements which provided instead for a 20% reduction in base salary and/or agreement by the officer to extend their employment term, as well as certain additional or amended terms.

In connection with the securities purchase agreement, on June 2, 2006 the Company entered into a registration rights agreement with each of the June 2006 investors (the "June 2006 registration rights agreement"). Pursuant to the June 2006 registration rights agreement, the Company was obligated to prepare and file no later than June 30, 2006 a registration statement with the SEC to register the shares of common stock and the warrants issued in the June 2006 private placement. The Company and the June 2006 investors agreed to amend the registration rights agreement and extend the due date of the registration statement to August 31, 2006. A registration statement was filed pursuant thereto and declared effective by the SEC on November 6, 2006.

Pursuant to the terms of the WestPark private placement (described above), the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark private placement of the shares of common stock underlying the convertible promissory notes and the warrants sold in the WestPark private placement. In the event the Company did not do so, (i) the conversion price of the convertible promissory notes would be reduced by 5% each month, subject to a floor of $4.00; (ii) the exercise price of the warrants would be reduced by 5% each month, subject to a floor of $10.00; and (iii) the warrants could be exercised pursuant to a cashless exercise provision. The Company did not have the registration statement effective by July 31, 2006 and requested that the investors in the WestPark private placement extend the date by which the registration statement was required to be effective until February 28, 2007. The Company also offered to the investors the option of (A) extending the term of the convertible note for an additional four months from the maturity date in consideration for which (i) the Company would issue to the investor for each $25,000 in principal amount of the convertible note 568 shares of unregistered common stock; and (ii) the exercise price per warrant would be reduced from $12.00 to $8.00, or (B) converting the convertible note into shares of the Company's common stock in consideration for which (i) the conversion price per conversion share would be reduced to $4.40; (ii) the Company would issue to the investor for each $25,000 in principal amount of the Note, 1,136 shares of common stock; (iii) the exercise price per warrant would be reduced from $12.00 to $8.00; and (iv) a new warrant would be issued substantially on the same terms as the original Warrant to purchase an additional 4,167 shares of common stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor was also being asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement.

In September 2006, the Company revised the offer relating to the option of conversion of the WestPark Notes by eliminating the issuance of the additional 1,136 shares of common stock for each

$25,000 in principal amount of the Note converted. As of October 30, 2006, investors holding $425,000 of the $500,000 of convertible promissory notes had agreed to convert them into shares of common stock and $162,500 (of which $137,500 in principal amount was subsequently transferred and converted by the transferees) had agreed to extend the term of the convertible promissory notes on the terms set forth above. On November 6, 2006, the registration statement was declared effective. In January 2007, the remaining $75,000 in outstanding convertible promissory notes were repaid.

During July and August 2006, the Company raised an aggregate of $1,750,000 through the private placement to 34 accredited investors of 397,727 shares of its common stock at $4.40 per share and warrants to purchase 198,864 shares of common stock at $8.00 per share (the “Summer 2006 private placement”). The terms of the Summer 2006 private placement were substantially similar to the terms of the June 2006 private placement.

FORMER BUSINESS OPERATIONS

History

The Company was incorporated under the laws of the State of Delaware in September 1980 under the name Fidelity Medical Services, Inc. On July 28, 1983 the Company changed its name to Fidelity Medical, Inc. From its inception through March 1995, the Company was engaged in the development and sale of medical imaging products through a wholly owned subsidiary. As a result of a reverse merger on March 2, 1995 with Corniche Distribution Limited and its subsidiaries, the Company was engaged in the retail sale and wholesale distribution of stationery and related office products in the United Kingdom. Effective March 25, 1995 the Company sold its medical imaging products subsidiary. On September 28, 1995 the Company changed its name to Corniche Group Incorporated. In February 1996, the Company’s United Kingdom operations were placed in receivership by creditors. Thereafter through March 1998 the Company was inactive. On March 4, 1998, the Company entered into a stock purchase agreement with certain individuals (the “initial purchasers”) whereby the initial purchasers acquired in aggregate 765,000 shares of a newly created Series B Convertible Redeemable Preferred Stock. Thereafter the initial purchasers endeavored to establish for the Company new business operations in the property and casualty specialty insurance and warranty/service contracts markets. On September 30, 1998 the Company acquired all of the capital stock of Stamford Insurance Company, Ltd. (“Stamford”) and commenced operation of a property and casualty insurance business. Stamford provided reinsurance coverage for one domestic insurance company until the fourth quarter of 2000 when the relationship with the carrier was terminated. On April 30, 2001 the Company sold Stamford and was no longer involved in property and casualty specialty insurance. In January 2002, the Company entered into a Stock Contribution Exchange Agreement, as amended, with StrandTek International, Inc., a Delaware corporation (“StrandTek”), certain of StrandTek’s principal shareholders and certain non-shareholder loan holders of StrandTek (the “StrandTek transaction”). Certain conditions to closing were not met, and the agreement was formally terminated by the Company and StrandTek in June 2002. In January 2002, the Company advanced to StrandTek a loan of $1,000,000 on an unsecured basis, which was personally guaranteed by certain of the principal shareholders of StrandTek, and a further loan of $250,000 in February 2002, on an unsecured basis. StrandTek defaulted on the payment of $1,250,000, plus accrued interest due to the Company, in July 2002. As a result, the Company commenced legal proceedings against StrandTek and the guarantors to recover the principal, accrued interest and costs of recovery and in May 2003 was granted a final judgment in the amount of $1,415,622 from each corporate defendant, in the amount of $291,405 against each individual defendant and dismissing defendants’ counterclaims. The legal action concluded with the Company receiving payments from the guarantors totaling approximately $987,000 in 2003.

WarrantySuperstore.com Internet Business

The Company’s primary business focus through June 2002 was the sale of extended warranties and service contracts over the Internet covering automotive, home, office, personal electronics, home appliances, computers and garden equipment. While the Company managed most functions relating to its extended warranty and service contracts, it did not bear the economic risk to repair or replace products nor did it administer the claims function, all of which obligations rested with the Company’s appointed insurance carriers. The Company was responsible for marketing, recording sales, collecting payment and reporting contract details and paying premiums to the insurance carriers. The Company commenced operations initially by marketing its extended warranty products directly to the consumer through its web site, and as a result of the development of proprietary software by January 2001 had four distinct distribution channels: (i) direct sales to consumers, (ii) co-branded distribution, (iii) private label distribution and (iv) manufacturer/retailer partnerships. In June 2002, management determined, in light of continuing operating losses, to discontinue its warranty and service contract business and to seek new business opportunities for the Company (see the Strandtek transaction, above, and Medical Biotech/Business, below). In addition to such activities, the Company has continued to “run off” the sale of its warranties and service contracts. This run off ended in March 2007.

Medical/Biotech Business

On February 6, 2003, the Company appointed Mark Weinreb as a member of the Board of Directors and as its President and Chief Executive Officer. Under his direction, the Company entered a new line of business where it provided capital and guidance to companies in multiple sectors of the healthcare and life science industries, in return for a percentage of revenues, royalty fees, licensing fees and other product sales of the target companies. The Company continued to recruit management, business development and technical personnel, and developed its business model, in furtherance of its business plan. The Company engaged in various capital raising activities to pursue this business, raising $489,781 in 2003 and $1,289,375 in 2004 through the sale of common stock and notes. Additionally, in 2003, it received a total of approximately $987,000 from the settlement with the StrandTek guarantors (a significant portion of which was used to pay outstanding liabilities for legal expenses, employment terminations, travel and entertainment expenses and consultants and the balance of which was used for operating expenses and the retirement of certain debt). In 2005 and 2006, the Company raised $1,325,000 and $3,573,000, respectively. Such capital raising activities since 2003 enabled the Company to pursue the arrangements with PSI (below) and NS California, and to launch the Company’s adult stem cell business.

On July 24, 2003, the Company changed its name to Phase III Medical, Inc., which better described the Company’s then current business plan. In connection with the change of name, the Company changed its trading symbol to “PHSM” from “CNGI”.

On December 12, 2003, the Company signed a royalty agreement with Parallel Solutions, Inc. (“PSI”) to develop a new bioshielding platform technology for the delivery of therapeutic proteins and small molecule drugs in order to extend circulating half-life to improve bioavailability and dosing regimen, while maintaining or improving pharmacologic activity. The agreement provided for PSI to pay the Company a percentage of the revenue received from the sale of certain specified products or licensing activity. The Company provided capital and guidance to PSI to conduct a proof of concept study to improve an existing therapeutic protein with the goal of validating the bioshielding technology for further development and licensing the technology. The Company paid a total of $720,000 since the inception of the agreement. The agreement also called for the Company to pay on behalf of PSI $280,000 of certain expenses relating to testing of the bioshielding concept, and since inception the Company paid $85,324 of such expenses. No payments have been made to PSI since 2004. In August 2005, the Company received from PSI a letter stating that the proof of concept study under the royalty agreement had been completed and that despite interesting preliminary in vitro results, the study did not meet the success standards set forth in the royalty

agreement and that PSI had no definitive plans to move forward with the program. The Company requested pursuant to the royalty agreement that additional in vitro studies be performed with other molecules; however PSI was under no obligation to perform any additional studies. If no additional studies were performed under the royalty agreement the likelihood of PSI generating revenues in which the Company would share would have been substantially reduced. At this time the Company does not anticipate any further activity pursuant to the PSI agreement.

In March 2003 and September, 2004, the Company entered into a revenue sharing agreement and joint venture agreement, respectively, with NS California. As described above, such agreements were terminated in connection with the NS California acquisition.

Employees

As of July 6, 2007, the Company had sixteen employees.

Properties

Effective as of July 1, 2006, the Company entered into an agreement for the use of space at 420 Lexington Avenue, New York, New York. This space is subleased from an affiliate of Duncan Capital Group LLC (a financial advisor to and investor in the Company) and DCI Master LDC (the lead investor in the Company's June 2006 private placement). Pursuant to the terms of the Agreement, the Company will pay $7,500 monthly for the space, including the use of various office services and utilities. The agreement is on a month to month basis, subject to a thirty day prior written notice requirement to terminate. The space serves as the Company's principal executive offices. On October 27, 2006, the Company amended this agreement to increase the utilized space for an additional payment of $2,000 per month. In May 2007, the Board approved an amendment to this agreement whereby, in exchange for a further increase in utilized space, the Company would pay on a monthly basis (i) $10,000 in cash and (ii) shares of the Company's restricted common stock with a value of $5000 based on the fair market value of the common stock on the date of issuance. The Company believes this space should be sufficient for its near term needs. The Company intends to seek new executive office space after the initial closing of the offering. Effective October 1, 2006, the Company terminated the lease for its Melville, New York facility. In January 2005, NS California began leasing space at Good Samaritan Hospital in Los Angeles, California at an annual rental of approximately $26,000 for use as its stem cell processing and storage facility. The lease expired on December 31, 2005, but the Company continues to occupy the space on a month-to-month basis. This space will be sufficient for the Company's needs in the short term but we anticipate that we will require additional facilities as we expand. NS California also leased office space in Agoura Hills, California on a month-to-month basis from Symbion Research International at a monthly rental of $1,687, and we plan to continue this arrangement to fill our need for office space in California.

Legal Proceedings

The Company is not aware of any material pending legal proceedings or claims against the Company.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding the directors and executive officers of the Company as of July 6, 2007:

Name	Age	Position
Robin L. Smith	42	Chief Executive Officer & Chairman of the Board
Mark Weinreb	54	Director and President
Larry A. May	57	Chief Financial Officer
Catherine M. Vaczy	46	Vice President and General Counsel
Joseph Zuckerman	55	Director
Richard Berman	64	Director
Steven S. Myers	60	Director

Robin L. Smith
Chief Executive Officer and Chairman of the Board

Dr. Robin L. Smith joined the Company as Chairman of its Advisory Board in September 2005 and, effective June 2, 2006, is the Chief Executive Officer and Chairman of the Board. Dr. Smith, who received a medical degree from Yale University in 1992 and a master's degree in business administration from the Wharton School in 1997, brings to the Company extensive experience in medical enterprises and business development. From 2000 to 2003, Dr. Smith served as President & Chief Executive Officer of IP2M. During her term, the company was selected as being one of the 10 fastest growing technology companies in Houston. IP2M was sold to a publicly-traded company in February of 2003. Previously, from 1998 to 2000, she was Executive Vice President and Chief Medical Officer for HealthHelp, Inc., a National Radiology Management company that managed 14 percent of the healthcare dollars spent by large insurance companies.

Dr. Smith has acted as a senior advisor and investor to both publicly traded and privately held companies including but not limited to China Biopharmaceutical Holdings, Phase III Medical (the Company's predecessor), the Madelin Fund, HC Innovations Inc., Navstar Media Holdings, Strike Force and Health Quest, where she has played a significant role in restructuring and or growing the companies. Dr. Smith also serves on the Board of Directors of two privately held companies, Talon Air and Biomega, as well as on the Board of Trustees of the NYU School of Medicine Foundation (becoming the NYU Medical Center Board) and Co-Chairman of the Board of Directors for the New York University Hospital for Joint Diseases where she heads up new development efforts and board member recruitment. She was also recently appointed to the Chemotherapy Foundation Board of Trustees, The New York Theatre Ballet and Choose Living.

Mark Weinreb
President and Director

Mr. Weinreb joined the Company on February 6, 2003 as a Director, Chief Executive Officer and President and effective June 2, 2006, continues as a Director and President. In 1976, Mr. Weinreb joined Bio Health Laboratories, Inc., a state-of-the-art medical diagnostic laboratory providing clinical testing services for physicians, hospitals, and other medical laboratories. He progressed to become the laboratory administrator in 1978 and then an owner and the laboratory's Chief Operating Officer in 1982. Here he oversaw all technical and business facets, including finance, laboratory science technology and all the additional support departments. He left Bio Health Labs in 1989 when he sold the business to a biotechnology company listed on the New York Stock Exchange. In 1992, Mr. Weinreb founded Big City Bagels, Inc., a national chain of franchised upscale bagel bakeries and became Chairman and Chief Executive Officer of such entity. The company went public in 1995 and in 1999 he redirected the company

and completed a merger with an Internet service provider. In 2000, Mr. Weinreb became the Chief Executive Officer of Jestertek, Inc., a 12-year old software development company pioneering gesture recognition and control using advanced inter-active proprietary video technology. In 2002, he left Jestertek after arranging additional financing. Mr. Weinreb received a Bachelor of Arts degree in 1975 from Northwestern University and a Master of Science degree in 1982 in Medical Biology, from C.W. Post, Long Island University.

Larry A. May
Chief Financial Officer

Mr. May, the former Treasurer of Amgen (one of the world's largest biotechnology companies), initially joined the Company to assist with licensing activities in September 2003. He became an officer of the Company upon the Company's acquisition of the business of NS California. For the last 20 years, Mr. May has worked in the areas of life science and biotechnology. From 1983 to 1998, Mr. May worked for Amgen as Corporate Controller (1983 to 1988), Vice President/Corporate Controller/Chief Accounting Officer (1988 to 1997), and Vice President/Treasurer (1997 to 1998). At Amgen, Mr. May helped build Amgen's accounting, finance and IT organizations. From 1998 to 2000, Mr. May served as the Senior Vice President, Finance & Chief Financial Officer of Biosource International, Inc., a provider of biologic research reagents and assays. From 2000 to May 2003, Mr. May served as the Chief Financial Officer of Saronyx, Inc., a company focused on developing productivity tools and secure communication systems for research scientists. From August 2003 to January 2005, Mr. May served as the Chief Financial Officer of NS California. In March 2005, Mr. May was appointed CEO of NS California and in May 2005 he was elected to the Board of Directors of NS California. He received a Bachelor of Science degree in Business Administration & Accounting in 1971 from the University of Missouri.

Catherine M. Vaczy
Vice President and General Counsel

Ms. Vaczy joined the Company in April 2005 as Vice President and General Counsel. Ms. Vaczy is responsible for overseeing the Company's legal affairs. From 1997 through 2003, Ms. Vaczy held various senior positions at ImClone Systems Incorporated, a publicly-traded company developing a portfolio of targeted biologic treatments to address the medical needs of patients with a variety of cancers, most recently as its Vice President, Legal and Associate General Counsel. While at ImClone, Ms. Vaczy served as a key advisor in the day-to-day operation of the company and helped forge a number of important strategic alliances, including a $1 billion co-development agreement for Erbitux®, the company's targeted therapy approved for the treatment of metastatic colorectal and head and neck cancers. From 1988 through 1996, Ms. Vaczy served as a corporate attorney advising clients in the life science industry at the New York City law firm of Ross & Hardies. Ms. Vaczy received a Bachelor of Arts degree in 1983 from Boston College and a Juris Doctor from St. John's University School of Law in 1988.

Renee F. Cohen
Vice President Strategic Development and Operations (Anticipated in Summer 2007)

The Company anticipates that in the summer of 2007, Renee F. Cohen will join the Company as Vice President of Strategic Development and Operations, responsible for developing strategic alliances with healthcare organizations, as well as building the Company's operational capabilities. From 2002 through 2007, Ms. Cohen was a Director at Pfizer Incorporated, the world's largest pharmaceutical company. During her time at Pfizer, Ms. Cohen developed and implemented strategic business initiatives, as well as built relationships with external partners and negotiated product transactions. From 2000 through 2002, Ms. Cohen was co-founder and Chief Operating Officer of DrugVoice, an e-health company focused on understanding consumers' approaches to managing their diseases. From 1993 through 2000, Ms. Cohen worked at Accenture, managing large-scale business strategy projects for life science clients. Ms. Cohen

received a Bachelor of Arts degree in 1988 from Brandeis University and a master's in business administration from New York University's Stern School of Business in 1992.

Joseph Zuckerman, M.D.
Director

Joseph D. Zuckerman joined the Board of Directors of the Company in January 2004 and serves on the Compensation Committee and the Audit Committee. Since 1997, Dr. Zuckerman has been Chairman of the NYU-Hospital for Joint Diseases Department of Orthopedic Surgery and the Walter A. L. Thompson Professor of Orthopedic Surgery at the New York University School of Medicine. He is responsible for one of the largest departments of orthopedic surgery in the country, providing orthopedic care at five different hospitals including Tisch Hospital, the Hospital for Joint Diseases, Bellevue Hospital Center, the Manhattan Veteran's Administration Medical Center and Jamaica Hospital. He is also the Director of the Orthopedic Surgery Residency Program, which trains more than 60 residents in a five year program.

Dr. Zuckerman was recently elected Second Vice President of the Board of Directors of the American Academy of Orthopedic Surgeons. He has also held other leadership positions in national organizations and was President of the American Shoulder and Elbow Surgeons and Chair of the Council on Education for the American Academy of Orthopedic Surgeons. He recently developed and successfully implemented a sponsorship program between the hospital and the New York Mets. His clinical practice is focused on shoulder surgery and hip and knee replacement and he is the author or editor of ten textbooks, 60 chapters and more than 200 articles in the orthopedic and scientific literature.

Richard Berman
Director

Richard Berman joined the Board of Directors of the Company in November 2006 and serves as Chairman of the Compensation Committee and Chairman of the Audit Committee. Mr. Berman's career spans over 35 years of venture capital, management and merger & acquisitions experience. In the last five years, he has served as a professional director and/or officer of about a dozen public and private companies. He is currently CEO of Nexmed, a small public biotech company, Chairman of National Investment Managers, a public company in pension administration and investment management, Chairman of Candidate Resources, a private company delivering HR services over the Web., and Chairman of Fortress Technology Systems (homeland security). In addition, he serves as a director of seven public companies: Dyadic International, Inc., Broadcaster, Inc., Internet Commerce Corporation, MediaBay, Inc., NexMed, Inc., National Investment Managers, and Advaxis, Inc.

Pursuant to the terms of the Securities Purchase Agreement in the June 2006 private placement, the Company agreed to permit the lead investor, DCI Master LDC, to designate one additional independent member to the Company's Board of Directors reasonably acceptable to the Company. Mr. Berman was appointed to the Board of Directors in November 2006 to serve as such designee.

Steven S. Myers
Director

Steven S. Myers joined the Board of Directors of the Company in November 2006 and serves on the Compensation Committee and Audit Committee. Mr. Myers is the founder, and until his retirement in March 2007 was the Chairman and CEO, of SM&A (Nasdaq:WINS), the world's leading provider of Competition Management Services. SM&A helps businesses win structured competitive procurements and design successful transitions from proposals to programs. Since 1982, SM&A has managed over 1,000 proposals worth more than $340 billion for its clients and has achieved an 85% win rate on awarded contracts. The company has also supported more than 140 programs with a better than 93% client-

satisfaction rating. SM&A routinely supports clients such as Boeing, Lockheed Martin, Accenture, Raytheon, Northrop Grumman, Motorola, and other Fortune 500 companies.

Mr. Myers graduated from Stanford University with a B.S. in Mathematics and had a successful career in the aerospace and defense sector supporting DoD and NASA programs before founding SM&A. He has a strong technical background in systems engineering and program management. Mr. Myers is also founder, President and CEO of Dolphin Capital Holdings, Inc, which owns, operates and leases business jet aircraft and does private equity investing in innovative enterprises. A serial entrepreneur, Mr. Myers has spearheaded a number of business innovations in aerospace & defense and in business aviation. He is a highly accomplished aviator.

SCIENTIFIC ADVISORY BOARD

Wayne Marasco, M.D., Ph.D.
Chairman, Scientific Advisory Board

Dr. Marasco is an Associate Professor in the Department of Cancer Immunology & AIDS at the Dana-Farber Cancer Institute and Associate Professor of Medicine at Harvard Medical School. A former founding Director and long time Senior Scientific Advisor to the Company, in November 2006 he relinquished his position as Director to focus his efforts on heading and expanding NeoStem's new Scientific Advisory Board effective as of January 29, 2007. In addition, Dr. Marasco will assist in the Company's initiatives of establishing partnerships with leading academic institutions focused on stem cell therapies and translational research and will help source intellectual property that will keep NeoStem in the forefront of the adult stem cell field.

Dr. Marasco will continue to advise the Company on identifying and engaging leading physicians and scientists who are increasingly revolutionizing adult stem cell treatments in the fields of cardiology, radiation exposure, diabetes, blood cancer and other cancers, wound and burn healing, skeletal repair, and autoimmune disorders such as lupus, multiple sclerosis and rheumatoid arthritis.

Dr. Marasco is a licensed physician-scientist with training in Internal Medicine and specialty training in infectious diseases. His clinical practice sub-specialty is in the treatment of immunocompromised (cancer, bone marrow and solid organ transplant) patients.

Dr. Marasco's research laboratory is primarily focused on the areas of antibody engineering and gene therapy. New immuno- and genetic- therapies for HIV-1 infection / AIDS, HTLV-1, the etiologic agent in Adult T-cell Leukemia, and other emerging infectious diseases such as SARS and Avian Influenza are being studied. Dr. Marasco's laboratory is recognized internationally for its pioneering development of intracellular antibodies (sFv) or "intrabodies" as a new class of molecules for research and gene therapy applications. He is the author of more than 70 peer reviewed research publications, numerous chapters, books and monographs and has been an invited speaker at many national and international conferences in the areas of antibody engineering, gene therapy and AIDS. Dr. Marasco is also the Scientific Director of the National Foundation for Cancer Research Center for Therapeutic Antibody Engineering (the "Center"). The Center is located at the Dana-Faber Cancer Institute and will work with investigators globally to develop new human monoclonal antibody drugs for the treatment of human cancers.

In 1995, Dr. Marasco founded IntraImmune Therapies, Inc., a gene therapy and antibody engineering company. He served as the Chairman of the Scientific Advisory Board until the company was acquired by Abgenix in 2000. He has also served as a scientific advisor to several biotechnology companies working in the field of antibody engineering, gene discovery and gene therapy. He is an inventor on numerous issued and pending patent applications.

Douglas W. Losordo, MD

For many years a Professor of Medicine at Tufts University School of Medicine and Chief of Cardiovascular Research at St. Elizabeth's Medical Center in Boston, Dr. Losordo was recently appointed Professor of Medicine at Northwestern University and Director of the Feinberg Cardiovascular Research

Institute and Program in Cardiovascular Regenerative Medicine. A Fellow or Member of many national professional organizations, he currently serves on committees of the American College of Cardiology, the American Diabetes Association and the American Society of Gene Therapy where he chairs the Cardiovascular Gene Therapy Committee. Dr. Losordo serves as Principal Investigator in many grant research projects and has published widely, contributing to more than 300 professional articles, abstracts and book chapters in recent years. He also serves on the Editorial Boards of numerous medical specialty journals including Stem Cells, Vascular Medicine and Circulation Research.

Stephen D. Nimer, MD

Dr. Nimer is Professor of Medicine and Professor of Pharmacology at Weill Medical College of Cornell University. He also serves as Chief of Hematology Service and Head of the Division of Hematologic Oncology at Memorial Sloan-Kettering Cancer Center in New York City. Dr. Nimer is a member of many national professional organizations, including the American Society of Hematology, the American Society of Clinical Oncology, and the International Society for Stem Cell Research. He serves as a Reviewer for major medical journals, including the New England Journal of Medicine and the Journal of the American Medical Association (JAMA) among many others. He serves on numerous national and international Grant Review Committees and is a prominent invited speaker at conferences on his areas of expertise. He has authored or co-authored nearly 200 peer-reviewed papers, reviews, editorials and textbook chapters, primarily focused on issues concerning hematology and oncology.

ADVISORY BOARD

Ronald Rothenberg, MD, FACEP

Dr. Rothenberg is a Fellow of the American College of Emergency Physicians (FACEP) and is the founder of the California HealthSpan Institute in Encinitas, California. He was the 10th M.D. in the world to become fully board certified by the American Board of Anti-Aging Medicine. A graduate of Columbia University, College of Physicians and Surgeons, and a specialist in Emergency Medicine at Los Angeles County-USC Medical Center, he has served as Clinical Professor of Preventive and Family Medicine at the UCSD School of Medicine Clinical Facility. He is currently Attending Physician at Scripps Memorial Hospital in Encinitas.

Douglas Wynyard

Mr. Douglas Wynyard is a Senior Vice President for Nordblom Company, a full-service commercial real estate firm headquartered in the Boston area. Mr. Wynyard has worked in the field of commercial real estate for more than thirty years and has been associated with Nordblom Company since 1986. He is experienced in real estate development, asset management, leasing, investment sales, and marketing. He also represents numerous corporations with the planning, acquisition and disposition of their facilities. Having received a Bachelor’s degree in Zoology from Bristol University, Mr. Wynyard is passionate about the biological sciences and is an investor in a number of medtech companies.

Richard Gatti, MD

Dr. Richard Gatti, a professor at the University of California, Los Angeles (UCLA) and renowned Pathologist at the UCLA Medical Center, was one of the early pioneers of bone marrow transplantation, among the earliest known forms of adult stem cell therapeutics, for immunodeficiency in the late sixties. Dr. Gatti is also a leading authority in the field of gene therapeutics and has authored or co-authored hundreds of papers related to the molecular identification and treatment of genetic disorders. He has worked for many years to help find a cure for Ataxia-Telangiectasia, a progressive neurological disorder of childhood, associated with increased cancer risk, immunodeficiency, radiosensitivity, and cell cycle defects.

Dr. Neil C. Livingstone

Dr. Livingstone is currently the Chairman and Chief Executive Officer of ExecutiveAction LLC. He was the founder and, until January, 2007, Chief Executive Officer of GlobalOptions Inc., which went public

in 2005. He is also Lead Director of Erickson Air-Crane, a $200 million helicopter company. Dr. Livingstone has noted expertise on national security, and is the author of nine books on terrorism. He has served on advisory panels to the Secretary of State, the Chief of Naval Operations, and the Pentagon. He has testified before Congress and delivered more than 500 major addresses in the U.S. and abroad, including recent speeches at the House of Commons and the United Nations. Dr. Livingstone serves on numerous advisory boards, including Supercom Inc., Digital Ally, the Africa Society, and No Greater Love. He was a Founding Member and Incorporator of the Solidarity Endowment, formed in the West to promote the goals of Polish Solidarity. He was the Founder and Chairman of the Institute on Terrorism and Sub-national Conflict and served as President of Watergate South for more than seven years.

CORPORATE GOVERNANCE

Director Independence

Our Board consists of Dr. Smith, Dr. Zuckerman, Mr. Berman, Mr. Myers and Mr. Weinreb. The Board has determined that Messrs. Myers and Berman and Dr. Zuckerman are independent applying the definition of independence under the listing standards of the American Stock Exchange. Dr. Smith and Mr. Weinreb are non-independent. Dr. Wayne Marasco, who served as a director of the Company during 2006, was not independent under such standards.

Term of Directors

Directors hold office until the next annual meeting and until their successors are elected and have qualified.

Committees

In November 2006, our Board established separate Audit and Compensation Committees. Mr. Berman was selected as chairman of each of the Audit and Compensation Committees with Mr. Myers and Dr. Zuckerman serving as additional members. In May 2007, our Board established a Nominating Committee. Mr. Berman was selected as chairman with Mr. Myers and Dr. Zuckerman serving as additional members.

Audit Committee

Our Audit Committee consists of three directors, Mr. Berman (chairman), Mr. Myers and Dr. Zuckerman. Each such member of the committee is independent applying the definition of independence under the listing standards of the American Stock Exchange. The Board has determined that Mr. Berman qualifies as an “audit committee financial expert” as defined by Item 407(d)(5)(ii) of Regulation S-B, and Mr. Berman is independent applying the definition of independence under the listing standards of the American Stock Exchange. For information on Mr. Berman’s experience, see “Directors and Executive Officers of the Registrant—Richard Berman.”

Pursuant to the terms of the Audit Committee charter, our Audit Committee is required to consist of at least three “independent” directors of the Company and shall serve at the pleasure of the Board. An “independent” director is defined as an individual who (a) is not an officer or salaried employee or an affiliate of the Company, (b) does not have any relationship that, in the opinion of the Board, would interfere with his or her exercise of independent judgment as an Audit Committee member, (c) meets the independence requirements of the SEC and the American Stock Exchange or such other securities exchange or market on which the Company's securities are traded and (d) except as permitted by the SEC and the American Stock Exchange or such other securities exchange or market on which the Company's securities are traded, does not accept any consulting, advisory or other compensatory fee from the Company.

Our Audit Committee has a charter that requires the committee to oversee our accounting and financial reporting process, the Company's system of internal controls regarding finance, accounting, legal compliance and ethics, and the audits of the Company's financial statements. The primary duties of the Audit Committee consist of, among other things:

- Serve as an independent and objective party to monitor the Company's financial reporting process, internal control system and disclosure control system.
- Review and appraise the audit efforts of the Company's independent accountants.
- Assume direct responsibility for the appointment, compensation, retention and oversight of the work of the outside auditors and for the resolution of disputes between the outside auditors and the Company's management regarding financial reporting issues.
- Provide an open avenue of communication among the independent accountants, financial and senior management and the Board.

The Audit Committee was formed on November 10, 2006. The Audit Committee met on March 22, 2007 to review the audited financial statements for the fiscal year ended December 31, 2006, to discuss with independent auditors matters required under the statement on Auditing Standards No. 61, and to review the disclosures from the independent accountants.

Compensation Committee

Our Compensation Committee consists of three directors, Mr. Berman (chairman), Mr. Myers and Dr. Zuckerman. Each such member of the Compensation Committee is independent applying the definition of independence under the listing standards of the American Stock Exchange.

Each member of our Compensation Committee must (i) be an independent director of the Company satisfying the independence requirements of the American Stock Exchange and other applicable regulatory requirements; (ii) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code, as amended; and (iii) meet the requirements of a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

We have adopted a Compensation Committee charter which outlines the Compensation Committee's primary duties which are to:

- evaluate the performance of the Chief Executive Officer in light of the Company's goals and objectives and determine the Chief Executive Officer's compensation based on this evaluation and such other factors as the Committee shall deem appropriate;
- approve all salary, bonus, and long-term incentive awards for executive officers;
- approve the aggregate amounts and methodology for determination of all salary, bonus, and long-term incentive awards for all employees other than executive officers;
- review and recommend equity-based compensation plans to the full Board and approve all grants and awards thereunder;
- review and approve changes to the Company's equity-based compensation plans other than those changes that require shareholder approval under the plans, the requirements of The American Stock Exchange or any exchange on which the Company's securities may be listed and/or any applicable law;
- review and recommend to the full Board changes to the Company's equity-based compensation plans that require shareholder approval under the plans, the requirements of The American Stock

Exchange or any exchange on which the Company's securities may be listed and/or any applicable law;

- review and approve changes in the Company's retirement, health, welfare and other benefit programs that result in a material change in costs or the benefit levels provided;
- administer the Company's equity-based compensation plans; and
- approve, as required by applicable law, the annual Committee report on executive compensation (if required) for inclusion in the Company's proxy statement.

The Compensation Committee may form and delegate its authority to subcommittees as appropriate. Additionally, the CEO may make recommendations to the Compensation Committee relating to executive and director compensation.

Nominating Committee.

Our Nominating Committee consists of three directors, Mr. Berman (chairman), Mr. Myers and Dr. Zuckerman. The Nominating Committee is empowered by the Board of Directors to recommend to the Board of Directors qualified individuals to serve on the Company's Board of Directors and to identify the manner in which the Nominating Committee evaluates nominees recommended for the Board. All members of the Nominating Committee of the Board of Directors have been determined to be "independent directors" pursuant to the definition contained in the rules of the American Stock Exchange. The Board of Directors has adopted a Nominating Committee charter to govern its Nominating Committee.

Procedures for Considering Nominations Made by Shareholders. The Nominating Committee's charter and guidelines developed by the Nominating Committee describe procedures for nominations to be submitted by shareholders and other third-parties, other than candidates who have previously served on the Board of Directors or who are recommended by the Board of Directors. The guidelines state that a nomination must be delivered to the Secretary of the Company at the principal executive offices of the Company not later than the 120th day prior to the date of the proxy statement for the preceding year's annual meeting; *provided, however*, that if the date of the annual meeting is more than 30 days after the anniversary date of the annual meeting, notice to be timely must be so delivered a reasonable time in advance of the mailing of the Company's proxy statement for the annual meeting for the current year. The guidelines require a nomination notice to set forth as to each person whom the proponent proposes to nominate for election as a director, among other things: (a) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director it elected) and (b) information that will enable the Nominating Committee to determine whether the candidate or candidates satisfy the criteria established pursuant to the charter and the guidelines for director candidates.

Qualifications. The charter and guidelines developed by the Nominating Committee describe the minimum qualifications for nominees and the qualities or skills that are necessary for directors to possess. Each nominee, among other factors listed in the Committee's guidelines:

- should possess the highest personal and professional standards of integrity and ethical values;
- must be committed to promoting and enhancing the long term value of the Company for its shareholders;
- should not have any conflicts of interest;

- must have demonstrated achievement in one of more fields of business, professional, governmental, community, scientific or educational endeavor, and possess mature and objective business judgment and expertise;
- must have a general appreciation regarding major issues facing public companies of a size and operational scope similar to the Company;
- must have adequate time to devote to the Board and its committees; and
- is expected to have sound judgment, derived from management or policy-making experience that demonstrates an ability to function effectively in an oversight role.

EXECUTIVE COMPENSATION

The following table sets forth all compensation paid during the year ended December 31, 2006 to the two persons who served as the Company's Chief Executive Officer and the two other most highly compensated executive officers of the Company whose total compensation was in excess of $100,000 (the "Named Executive Officers").

Name and Principal Function	Year	Salary	Bonus	Stock Awards	Option Awards(1)	All Other Compensation	Total Compensation
Dr Robin L. Smith, Chief Executive Officer(2)	2006	$ 103,269	$ 20,000(3)	$ 148,000(3)(4)	$ 242,637	$ 17,766(5)	$ 531,672
Mark Weinreb, President(6)(7)	2006	$ 219,314	$ 25,000(8)	$ 0(7)	$ 161,386	$ 31,396(9)	$ 437,096
Catherine M. Vaczy, Vice President and General Counsel(10)(11)	2006	$ 139,295(12)	$ 7,000(3)	$ 60,000(13)	$ 30,533	$ 8,250(14)	$ 245,078
Larry A. May, Chief Financial Officer(15)(16)	2006	$ 129,315(17)	$ 6,000(3)	$ 30,000(18)	$ 10,479	$ 7,500(14)	$ 183,894

(1) Effective January 1, 2006, the Company's Stock Option Plan is accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. FAS 123 (R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies. In adopting FAS 123(R), the Company applied the modified prospective approach to transition. Under the modified prospective approach, the provisions of FAS 123 (R) are to be applied to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The compensation cost for that portion of awards shall be based on the grant-date fair value of those awards as calculated for either recognition or pro-forma disclosures under FAS 123. The general assumptions made in calculating the fair value of options are set forth in Note 7 of the Company's notes to its audited consolidated financial statements included elsewhere in this prospectus.

(2) Dr. Smith joined the Company as of June 2, 2006.

(3) Pursuant to Dr. Smith's employment agreement dated May 26, 2006, her advisory agreement dated September 15, 2005 with the Company was terminated effective June 2, 2006, except that: (i) the vesting of a warrant to purchase 2,400 shares of common stock granted under the advisory agreement was accelerated so that the warrant became fully vested as of the effective date of the employment agreement (not considered a material change in the terms of such warrant and accordingly the fair value was not adjusted), (ii) Dr. Smith received $100,000 in cash and 10,000 shares upon the initial closing of the June 2006 private placement, (iii) if an aggregate of at least $3,000,000 was raised in a financing prior to August 15, 2006, Dr. Smith was to receive an additional payment of $50,000, and (iv) a final payment of $3,000 relating to services rendered in connection with Dr. Smith's advisory agreement, was paid at the closing of the June 2006 private placement. Upon the effective date of her employment agreement, Dr. Smith was awarded under the Company's 2003 Equity Participation Plan 20,000 shares of common stock of the Company, and options to purchase 54,000 shares of common stock. On August 30, 2006, the milestone set forth in (iii) was achieved. Dr. Smith elected to have $30,000 of this amount distributed to certain employees of the Company including its Chief

Financial Officer, Mr. May, who received $6,000 and Vice President and General Counsel, Ms. Vaczy, who received $7,000, in recognition of their efforts on behalf of the Company. Dr Smith was paid the remaining $20,000.

(4) On December 5, 2006 Dr. Smith was granted a stock award of 30,000 shares of common stock, of which 10,000 shares vested immediately, with a per share value equal to $6.00 pursuant to an action by the Compensation Committee of the Board of Directors. The remaining 20,000 shares will vest upon the achievement of a milestone, which has not yet been achieved (see the Outstanding Equity Awards Table).

(5) Consists of (i) a car allowance of $7,000 and (ii) approximately $10,700 paid by the Company on behalf of Dr. Smith for life insurance.

(6) Mr. Weinreb joined the Company as of February 6, 2003. In June 2006, he resigned as Chief Executive Officer and Chairman of the Board but continued as President.

(7) On June 2, 2006, in connection with the June 2006 private placement, Mr. Weinreb agreed to certain adjustments to his employment agreement dated as of August 12, 2005 which resulted in the acceleration of the vesting dates of all unvested options on June 2, 2006 (see the Outstanding Equity Awards Table for the specific options effected—the acceleration of vesting dates was not considered a material change in the terms of such options and accordingly the fair value was not adjusted) and the issuance of a new option to purchase 15,000 shares of common stock at $5.30 per share. This new option will vest as the Company achieves certain business milestones, which have not yet been achieved (see the Outstanding Equity Awards Table). Such

adjustments to Mr. Weinreb's employment agreement also resulted in the acceleration of the vesting dates of a stock award granted on July 20, 2005, as follows: the vesting of 20,000 shares which was originally scheduled to vest as to 10,000 shares on each of July 20, 2006 and July 20, 2007, was accelerated to June 2, 2006. All compensation related to the stock award of July 20, 2005 was recognized as compensation expense in 2005.

(8) As of December 31, 2006, Mr. Weinreb received only $12,500 of this bonus. The balance was paid on February 2, 2007.

(9) Consists of (i) a car allowance of $11,000 and (ii) approximately $20,396 paid by the Company on behalf of Mr. Weinreb for disability, life and long-term care insurance.

(10) Ms. Vaczy joined the Company as of April 20, 2005.

(11) On June 2, 2006, in connection with the June 2006 private placement, Ms. Vaczy agreed to certain adjustments to her employment agreement dated as of April 20, 2005 which resulted in the acceleration of the vesting dates of all unvested options on June 2, 2006 (see the Outstanding Equity Awards Table for the specific options effected-the acceleration of vesting dates was not considered a material change in the terms of such options and accordingly the fair value was not adjusted) and the issuance of a new option to purchase 10,000 shares of common stock at $5.30 per share. This new option will vest as the Company achieves certain business milestones, which have not yet been achieved (see the Outstanding Equity Awards Table).

(12) $14,903 of this amount was paid to Ms. Vaczy through the issuance of common stock with a per share price equal to $4.40 per share pursuant to Ms. Vaczy's letter agreement with the Company, entered into in connection with the June 2006 private placement.

(13) On December 5, 2006 Ms. Vaczy was granted a stock award of 10,000 shares of common stock with a per share value equal to $6.00 pursuant to an action by the Compensation Committee of the Board of Directors.

(14) Consists of a car allowance per Ms. Vaczy's and Mr. May's respective employment agreements with the Company.

(15) Mr. May joined the Company as January 19, 2006.

(16) On June 2, 2006, in connection with the June 2006 private placement, Mr. May agreed to certain adjustments to his employment agreement dated as of January 19, 2006, which resulted in the acceleration of the vesting dates of all unvested options on June 2, 2006 (see the Outstanding Equity Awards Table for the specific options effected-the acceleration of vesting dates was not considered a material change in the terms of such options and accordingly the fair value was not adjusted) and the issuance of a new option to purchase 10,000 shares of common stock at $5.30 per share. This new option will vest as the Company achieves certain business milestones, which have not yet been achieved (see the Outstanding Equity Awards Table).

(17) $7,514 of this amount was paid to Mr. May through the issuance of common stock with a per share price equal to $4.40 per share pursuant to Mr. May's letter agreement with the Company, entered into in connection with the June 2006 private placement in June 2006.

(18) On December 5, 2006 Mr. May was granted a stock award of 5,000 shares of common stock with a per share value equal to $6.00 pursuant to an action by the Compensation Committee of the Board of Directors.

EMPLOYMENT AGREEMENTS, POST-EMPLOYMENT PAYMENTS AND EQUITY GRANTS

OVERVIEW

Following is a description of the employment agreements the Company has with the officers named in the Summary Compensation Table. These descriptions provide further information about the compensation which is shown in the Summary Compensation Table for these officers. They also give you information about payments which could be received by these officers under certain circumstances at such time as their employment ends with the Company, for example, certain severance arrangements. Following these descriptions you will see a table called Outstanding Equity Awards at Fiscal Year End. This table contains details about the terms of options and certain stock grants to these officers which are included in the Summary Compensation Table. All numbers in the tables and descriptions have been adjusted (as appropriate) to reflect the one-for-ten reverse stock split approved in July 2007 and to be effective concurrently with the initial closing of this offering.

EMPLOYMENT AGREEMENTS

The officers of the Company, as a condition of the initial closing under the securities purchase agreement in the June 2006 private placement, entered into letter agreements with the Company pursuant to which they converted an aggregate of $278,654 of accrued salary into shares of common stock at a per share price of $4.40. After adjustments for applicable payroll and withholding taxes which were paid by the Company, the Company issued to such officers an aggregate of 37,998 shares of common stock. The Company also adopted an Executive Officer Compensation Plan, effective as of the date of closing of the securities purchase agreement and pursuant to the letter agreements each officer agreed to be bound by the Executive Officer Compensation Plan. In addition to the conversion of accrued salary, the letter agreements provided for a reduction by 25% in base salary for each officer until the Company achieved certain milestones. In consideration of the officers' agreement to such reduction in base salary, the Company granted to the officers options to purchase shares of common stock under the Company's 2003 Equity Participation Plan which become exercisable upon the Company achieving certain revenue milestones, and the accelerated the vesting of certain options and restricted shares held by the officers.

In January 2007, the milestones relating to the reduction in base salary had been achieved and the executive officers were entitled to have their salaries restored to their original levels. The Company was informed by the placement agent for the January 2007 private placement that it was advisable for the executive officers of the Company to make continued salary concessions and/or to agree to extend the term of their employment agreements. Accordingly, on January 26, 2007, letter agreements were entered into which provided instead for each such officer's salary to be set in an amount which is twenty percent less than that to which they were originally entitled pursuant to their original employment agreements (subject to increase in certain circumstances) and/or an extension of the officer's employment term, and certain additional or amended terms. In consideration of the salary concessions and/or agreement to a substantial extension of employment term, the officers were generally either granted options, option vesting was accelerated, and/or performance bonus formulas were put into place.

Robin L. Smith—Chief Executive Officer and Chairman of the Board

On May 26, 2006, the Company entered into an employment agreement with Dr. Robin L. Smith, pursuant to which Dr. Smith serves as the Chief Executive Officer of the Company. This agreement was for a period of two years, which term could be renewed for successive one-year terms unless otherwise terminated by Dr. Smith or the Company. The effective date of Dr. Smith's employment agreement was June 2, 2006, the date of the initial closing under the securities purchase agreement for the June 2006 private placement. Under this agreement, Dr. Smith was entitled to receive a base salary of $180,000 per year, to be increased to $236,000 after the first year anniversary of the effective date of her employment

agreement. If the Company raised an aggregate of $5,000,000 through equity or debt financing (with the exception of the financing under the securities purchase agreement), Dr. Smith's base salary was to be raised to $275,000. Dr. Smith was also eligible for an annual bonus determined by the Board, a car allowance of $1,000 per month and variable life insurance with payments not to exceed $1,200 per month. Pursuant to the employment agreement, Dr. Smith's advisory agreement with the Company, as supplemented (see "Certain Relationships and Related Transactions"), was terminated, except that

(i) the vesting of the warrant to purchase 2,400 shares of common stock granted thereunder was accelerated so that the warrant became fully vested as of the effective date of the employment agreement, (ii) Dr. Smith received $100,000 in cash and 10,000 shares upon the initial closing under the June 2006 private placement, (iii) if an aggregate of at least $3,000,000 was raised and/or other debt or equity financings prior to August 15, 2006 (as amended, August 31, 2006), Dr. Smith was to receive an additional payment of $50,000, (iv) a final payment of $3,000 relating to services rendered in connection with Dr. Smith's advisory agreement, paid at the closing of the June 2006 private placement, and (v) all registration rights provided in the advisory agreement were to continue in effect.

As of August 30, 2006, in excess of $3,000,000 had been raised and accordingly, Dr. Smith was entitled to a payment of $50,000. Dr. Smith elected to have $30,000 of this amount distributed to certain employees of the Company, including its Chief Financial Officer and General Counsel, in recognition of their efforts on behalf of the Company and retained $20,000. Upon the effective date of the Employment Agreement, Dr. Smith was awarded under the Company's 2003 Equity Participation Plan 20,000 shares of common stock of the Company, and options to purchase 54,000 shares of common stock, which options expire ten years from the date of grant.

On January 26, 2007, in connection with the January 2007 private placement, the Company entered into a letter agreement with Dr. Smith, pursuant to which Dr. Smith's employment agreement dated as of May 26, 2006 was amended to provide that: (a) the term of her employment would be extended to December 31, 2010; (b) upon the first closings in the January 2007 private placement, Dr. Smith's base salary would be increased to $250,000; (c) her base salary would be increased by 10% on each one year anniversary of the agreement; (d) no cash bonus would be paid to Dr. Smith for 2007; and (e) cash bonuses and stock awards under the Company's 2003 Equity Participation Plan would be fixed at the end of 2007 for 2008, in an amount to be determined. Other than as set forth therein, Dr. Smith's original employment agreement and all amendments thereto remain in full force and effect. As consideration for her agreement to substantially extend her employment term, among other agreements contained in this amendment, on January 18, 2007 Dr. Smith was also granted an option under the Company's 2003 Equity Participation Plan to purchase 55,000 shares of the common stock at a per share exercise price equal to $5.00 vesting as to (i) 25,000 shares upon the first closings in the January 2007 private placement; (ii) 15,000 shares on June 30, 2007; and (iii) 15,000 shares on December 31, 2007.

Mark Weinreb—President

On February 6, 2003, Mr. Weinreb was appointed President and Chief Executive Officer of the Company and the Company entered into an employment agreement with Mr. Weinreb. On June 2, 2006, Mr. Weinreb resigned as Chief Executive Officer and Chairman of the Board, but will continue as President and a director of the Company. Mr. Weinreb's original employment agreement had an initial term of three years, with automatic annual extensions unless earlier terminated by the Company or Mr. Weinreb. Under this agreement, in addition to base salary he was entitled to an annual bonus in the amount of $20,000 for the initial year in the event, and concurrently on the date, that the Company received debt and/or equity financing in the aggregate amount of at least $1,000,000 since the beginning of his service, and $20,000 for each subsequent year of the term, without condition.

On May 4, 2005, the Board voted to approve an amendment to Mr. Weinreb's employment agreement, subject to approval of the stockholders which was obtained on July 20, 2005, pursuant to which

among other things Mr. Weinreb's employment agreement was amended to (a) extend the expiration date thereof from February 2006 to December 2008; (b) change Mr. Weinreb's annual base salary of $217,800 (with an increase of 10% per annum) to an annual base salary of $250,000 (with no increase per annum); (c) grant Mr. Weinreb 30,000 shares of common stock, 10,000 shares of which shall vest on each of the date of grant and the first and second anniversaries of the date of grant; (d) commencing in August 2006, increase Mr. Weinreb's annual bonus from $20,000 to $25,000; and (e) in 2006, provide for the reimbursement of all premiums in an annual aggregate amount of up to $18,000 payable by Mr. Weinreb for life and long term care insurance covering each year during the remainder of the term of his employment. Pursuant to and as a condition of the closing of the June 2006 private placement, Mr. Weinreb entered into a letter agreement with the Company in which he agreed to convert $121,532 of accrued salary (after giving effect to employment taxes which were paid by the Company) into 16,573 shares of common stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement). Mr. Weinreb further agreed to a reduction in his base salary by 25% until the achievement by the Company of certain milestones. In consideration for such compensation concessions: (i) the remaining vesting of the shares which was scheduled to vest as to 10,000 shares each on July 20, 2006 and July 20, 2007, was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement; and (ii) options to purchase 20,000 shares of common stock which were also scheduled to vest as to 10,000 shares on each of July 20, 2006 and July 20, 2007, were similarly accelerated.

On January 26, 2007, the Company entered into a letter agreement with Mr. Weinreb pursuant to which Mr. Weinreb's employment agreement dated as of August 12, 2005 was supplemented with new terms which provide that: (a) upon the first closings in the January 2007 private placement, Mr. Weinreb's base salary would be paid at the annual rate of $200,000 (an annual rate which is 20% lower than the amount to which he was otherwise entitled under his employment agreement); (b) he would be entitled to quarterly bonuses of $5,000 commencing March 31, 2007; (c) he would be entitled to bonuses ranging from $3,000 to $5,000 upon the Company achieving certain business milestones (as follows: (i) a $5,000 bonus for every fifty collection fees paid to the Company; (ii) a $5,000 bonus for every five collection agreements signed and for which the fee is collected by the Company; and (iii) a $3,000 bonus for every twenty five fees paid to the Company for collection through certain strategic alliances negotiated by Mr. Weinreb; and (d) any other bonuses would only be paid upon approval by the Compensation Committee of the Board of Directors. In consideration of his agreement to a reduction in base salary, and in connection with his entering into this agreement, an option to purchase 10,000 shares of common stock at $6.00 per share, previously granted to Mr. Weinreb on December 5, 2006 and tied to the opening of certain collection centers, vested upon the execution of the agreement. This supplemental agreement will terminate upon the Company achieving certain revenue, financing or adult stem cell collection milestones, or at the discretion of the Compensation Committee of the Board of Directors. Other than as set forth therein, Mr. Weinreb's original employment agreement and all amendments thereto remain in full force and effect.

Catherine M. Vaczy—Vice President and General Counsel

On April 20, 2005, the Company entered into a letter agreement with Catherine M. Vaczy pursuant to which Ms. Vaczy served as the Company's Vice President and General Counsel. The term of this original agreement was three years. In consideration for Ms. Vaczy's services under the letter agreement, Ms. Vaczy was entitled to receive an annual salary of $155,000 during the first year of the term, a minimum annual salary of $170,500 during the second year of the term, and a minimum annual salary of $187,550 during the third year of the term. On the date of the letter agreement, Ms. Vaczy was granted an option to purchase 1,500 shares of common stock pursuant to the Company's 2003 Equity Participation Plan, with an exercise price equal to $10.00 per share. The option was to vest and become exercisable as to 500 shares on each of the first, second and third year anniversaries of the date of the agreement and remain exercisable as to any vested portion thereof in accordance with the terms of the Company's 2003 Equity Participation

Plan and the Company's Incentive Stock Option Agreement. Pursuant to and as a condition of the closing of the June 2006 private placement, Ms. Vaczy entered into a letter agreement with the Company in which she agreed to convert $44,711 in accrued salary (after giving effect to employment taxes which were paid by the Company) into 6,097 shares of common stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement). Ms. Vaczy further agreed to a reduction in her base salary by 25% until the achievement by the Company of certain milestones. In consideration for such compensation concessions, the vesting of the option to purchase 1,500 shares of common stock was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement.

On January 26, 2007, the Company entered into another letter agreement with Ms. Vaczy pursuant to which Ms. Vaczy continues to serve as the Company's Vice President and General Counsel. This agreement supercedes Ms. Vaczy's employment agreement dated as of April 20, 2005 and all amendments thereto. Subject to the terms and conditions of the letter agreement, the term of Ms. Vaczy's employment in such capacity will continue through December 31, 2008. In consideration for her services under the letter agreement, Ms. Vaczy will be entitled to receive a minimum annual salary of $150,000 during 2007 (such amount being 20% less than the annual salary to which Ms. Vaczy would have been entitled commencing April 20, 2007 pursuant to the terms of her original employment agreement) and a minimum annual salary of $172,500 during 2008.

In consideration for such salary concessions and agreement to extension of her employment term, Ms. Vaczy is also entitled to receive a cash bonus upon the occurrence of each of the following milestones: (a) $5,000 upon the first closings in the January 2007 private placement; and (b) $7,500 upon the next registration statement (other than a Form S-8) being declared effective by the Securities and Exchange Commission. Ms. Vaczy shall also be eligible for additional cash bonuses as follows, in each case as may be approved by the Compensation Committee of the Board of Directors: (a) for other tasks and responsibilities as mutually agreed, such as foundation legal counsel; (b) pursuant to milestones for 2008 as shall be set no later than December 31, 2007 by Ms. Vaczy and the Company's Chief Executive Officer, which the Chief Executive Officer shall recommend to the Compensation Committee of the Board of Directors for their vote thereon; and (c) as may be approved from time to time.

Ms. Vaczy is also entitled to payment or reimbursement of certain expenses (including a car allowance equal to $1,000 per month) incurred by her in connection with the performance of her duties and obligations under the letter agreement, and to participate in any incentive and employee benefit plans or programs which may be offered by the Company and in all other plans in which the Company executives participate.

Larry A. May—Chief Financial Officer

In connection with the Company's acquisition of the assets of NS California on January 19, 2006, the Company entered into an employment agreement with Larry A. May. Mr. May is the former Chief Executive Officer of NS California. Pursuant to Mr. May's employment agreement, he is to serve as an officer of the Company reporting to the CEO for a term of three years, subject to earlier termination as provided in the agreement. In return, Mr. May was to be paid an annual salary of $165,000, payable in accordance with the Company's standard payroll practices, and was entitled to participate in the Company's benefit plans generally available to other executives, including a car allowance equal to $750 per month. Mr. May was granted on his commencement date an employee stock option under the Company's 2003 Equity Participation Plan to purchase 1,500 shares of the Company's common stock at a per share purchase price equal to $5.00, the closing price of the common stock on the commencement date, which was scheduled to vest as to 500 shares of common stock on the first, second and third anniversaries of the commencement date. Pursuant to and as a condition of the closing of the June 2006 private placement, Mr. May entered into a letter agreement with the Company in which he agreed to

convert $12,692 in accrued salary (after giving effect to employment taxes which were paid by the Company) into 1,731 shares of common stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement). Mr. May further agreed to a reduction in his base salary by 25% until the achievement by the Company of certain milestones. In consideration for such compensation concessions, the vesting of the option to purchase 1,500 shares of common stock was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement.

On January 26, 2007, in connection with the January 2007 private placement, the Company entered into a letter agreement with Mr. May, pursuant to which Mr. May's employment agreement dated as of January 19, 2006 was supplemented with new terms to provide that: (a) upon the first closings in the January 2007 private placement, Mr. May's base salary would be paid at the annual rate of $132,000 (an annual rate which is 20% lower than the amount to which he was otherwise entitled under his original employment agreement); and (b) any bonus would only be paid upon approval by the Compensation Committee of the Board of Directors. This supplemental agreement will terminate upon the Company achieving certain revenue, financing or adult stem cell collection milestones, at the discretion of the Compensation Committee of the Board of Directors or at such time as Mr. May is no longer the Company's Chief Financial Officer. Other than as set forth therein, Mr. May's original employment agreement and all amendments thereto remain in full force and effect.

POST EMPLOYMENT PAYMENTS

Robin L. Smith

Per Dr. Smith's January 26, 2007 letter agreement with the Company, upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith with good reason, the Company shall pay to Dr. Smith her base salary at the time of termination for the two year period following such termination. In addition, per Dr. Smith's May 26, 2006 employment agreement, upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith for good reason, Dr. Smith is entitled to: (i) a pro-rata bonus based on the annual bonus received for the prior year; (ii) COBRA payments for a one year period; and (iii) have all vested options, as well as all options which would have vested during the 12 month period following the date of termination, become fully vested and remain exercisable for a maximum of 48 months (but in no event longer than the original term of exercise). Upon termination of Dr. Smith's employment by the Company for cause or by Dr. Smith without good reason, Dr. Smith is entitled to: (i) the payment of all amounts due for services rendered under the agreement up until the termination date; and (ii) have all vested options remain exercisable for a period of ninety days (all stock options which have not vested shall be forfeited). Upon termination for death or disability, Dr. Smith (or her estate) is entitled to: (i) the payment of all amounts due for services rendered under the agreement until the termination date; (ii) family COBRA payments for the applicable term; and (ii) have all vested options, as well as all options which would have vested during the 12 month period following the date of termination, become fully vested and remain exercisable for a maximum of 48 months (but in no event longer than the original term of exercise).

Upon a change in control of the Company, per Dr. Smith's May 26, 2006 employment agreement, Dr. Smith is entitled to: (i) the payment of base salary for one year; (ii) a pro-rata bonus based on the annual bonus received for the prior year; (iii) COBRA payments for a one year period; and (iv) have all vested options, as well as all options which would have vested during the 12 month period following the date of termination, become fully vested and remain exercisable for a maximum of 48 months (but in no event longer than the original term of exercise).

Mark Weinreb

Pursuant to the amendments to Mr. Weinreb's employment agreement in August 2005, in the event of termination of Mr. Weinreb's employment by the Company without cause (except for certain instances of disability), Mr. Weinreb was entitled to receive a lump sum payment equal to his then base salary and automobile allowance of $1,000 per month for a period of one year, and to be reimbursed for disability insurance for Mr. Weinreb and for medical and dental insurance for Mr. Weinreb and his family for the remainder of the term (through December 31, 2008). Per Mr. Weinreb's January 26, 2007 letter agreement with the Company, in the event of termination of his employment, severance will instead be paid in equal installments over a 12 month period in accordance with the payroll policies and practices of the Company. The January 2007 agreement is in effect until the Company achieves certain adult stem cell collection, revenue or financing milestones, or until the Compensation Committee of the Board of Directors determines to terminate the agreement. Mr. Weinreb's original employment agreement provides that in the event of certain instances of disability, Mr. Weinreb is entitled to receive his base salary for three months followed by half his base salary for another three months. Mr. Weinreb's original employment agreement also provides that in the event of termination by the Company without cause, by Mr. Weinreb other than for good reason, or upon the expiration of the term, Mr. Weinreb will be bound by certain non-competition provisions for a period of one year following such termination or expiration.

Catherine M. Vaczy

Pursuant to Ms. Vaczy's amended employment agreement dated January 26, 2007, in the event Ms. Vaczy's employment is terminated prior to the end of the term (December 31, 2008), for any reason, earned but unpaid cash compensation and unreimbursed expenses due as of the date of such termination will be payable in full. In addition, in the event Ms. Vaczy's employment is terminated prior to the end of the term for any reason other than by the Company with cause or Ms. Vaczy without good reason, Ms. Vaczy or her executor of her last will or the duly authorized administrator of her estate, as applicable, will be entitled to receive severance payments equal to $187,500 in the event the employment termination date is during 2007 and $215,700 in the event the employment termination date is during 2008 (such amounts based upon the amount of base salary to which Ms. Vaczy would have been entitled pursuant to the terms of her original employment agreement), paid in accordance with the Company's standard payroll practices for executives. In no event will such payments exceed the remaining salary payments in the term. In the event her employment is terminated prior to the end of the term by the Company without cause or by Ms. Vaczy for good reason, all options granted by the Company will immediately vest and become exercisable in accordance with their terms. No other payments shall be made, nor benefits provided, by the Company in connection with the termination of employment prior to the end of the term, except as otherwise required by law. No severance payments will be payable without Ms. Vaczy first providing the Company with a release in customary form.

Larry A. May

Under Mr. May's original employment agreement, upon termination of Mr. May's employment by the Company for any reason except a termination for cause, Mr. May is entitled to receive severance payments equal to one year's salary, paid according to the same timing of salary as he is then receiving. No severance payments shall be made unless and until Mr. May executes and delivers to the Company a release of all claims against the Company. No other payments are to be made, or benefits provided, except as otherwise required by law. In consideration for such payments, Mr. May agreed to certain non-competition and non-solicitation restrictions for a two-year period following such termination. The January 26, 2007 agreement did not affect such severance arrangements.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information on option and stock awards outstanding at December 31, 2006 for the Named Executive Officers.

	Option Awards*				Stock Awards*	
Name	Number of Securities Underlying Unexercised Options # Exercisable**	Number of Securities Underlying Unexercised Options # Unexercisable**	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that have not vested	Market Value of Shares or Units of Stock that have not vested
Dr. Robin L. Smith	10,000(1)		$ 5.30	June 1, 2016	20,000(7)	$ 150,000
	10,000(1)		$ 8.00	June 1, 2016	—	—
	10,000(1)		$ 10.00	June 1, 2016	—	—
		12,000(4)	$ 16.00	June 1, 2016	—	—
		12,000(5)	$ 25.00	June 1, 2016	—	—
	10,000(2)		$ 6.00	Dec. 4, 2016	—	—
		5,000(6)	$ 6.00	Dec. 4, 2016	—	—
	2,400(3)		$ 8.00	Sept. 8, 2008	—	—
Mark Weinreb	25,000(8)		$ 3.00	Feb. 5, 2013	—	—
	500(9)		$ 10.00	Sept. 13, 2014	—	—
	40,000(10)		$ 6.00	July 19, 2015	—	—
		15,000(12)	$ 5.30	June 1, 2016	—	—
	5,000(11)		$ 6.00	Dec. 4, 2016	—	—
		10,000(13)	$ 6.00	Dec. 4, 2016	—	—
		10,000(14)	$ 6.00	Dec. 4, 2016	—	—
		5,000(15)	$ 6.00	Dec. 4, 2016	—	—
Catherine M. Vaczy	1,500(16)		$ 10.00	Apr. 19, 2015	—	—
	7,500(17)		$ 6.00	July, 19, 2015	—	—
	2,000(18)		$ 6.00	Dec. 21, 2015	—	—

		10,000(19)	$ 5.30	June 1, 2016	—	—
		5,000(20)	$ 6.00	Dec. 4, 2016	—	—
		10,000(21)	$ 6.00	Dec. 4, 2016	—	—
Larry A. May	3,000(22)		$ 18.00	Sept. 10, 2013	—	—
	1,000(23)		$ 10.00	Nov. 14, 2014	—	—
	1,500(24)		$ 5.00	Jan. 18, 2016	—	—
		10,000(25)	$ 5.30	June 1, 2016	—	—
		5,000(26)	$ 6.00	Dec. 4, 2016	—	—
		5,000(27)	$ 6.00	Dec. 4, 2016	—	—
		10,000(28)	$ 6.00	Dec. 4, 2016	—	—

* Unless otherwise noted, all option and stock awards were made under and are governed by the terms of the Company's 2003 Equity Participation Plan.

** Unless otherwise noted, this option contains a reload feature.

(1) These options were granted to Dr. Smith pursuant to the terms of her employment agreement dated as of May 26, 2006 and vested in their entirety on June 2, 2006.

(2) These options were granted to Dr. Smith by the Compensation Committee of the Board of Directors (the "Compensation Committee") on December 5, 2006 and vested in their entirety upon grant. Non-reload.

(3) Pursuant to the terms of Dr. Smith's employment agreement dated as of May 26, 2006, Dr. Smith's advisory agreement with the Company dated as of September 15, 2005 was terminated on June 2, 2006, the date of the effectiveness of Dr. Smith's employment agreement, except that (i) the vesting of a warrant to purchase 2,400 shares of common stock granted, September 15, 2005, with an original vesting schedule of 200 shares per month commencing with the date of grant, was accelerated so that the warrant became fully vested as of June 2, 2006 (not considered a material change in the terms of such option and accordingly the fair value was not adjusted). Non-reload.

(4) This option vested and became exercisable on June 2, 2007.

(5) This option vests and becomes exercisable on June 2, 2008.

(6) This option vests upon the Company's common stock being listed for trading on a securities exchange or upon the Company's acquisition. Non-reload.

(7) On December 5, 2006 Dr. Smith was granted a stock award of 30,000 shares of common stock, of which 10,000 shares vested immediately, with a per share value equal to $6.00 pursuant to an action by the Compensation Committee of the Board of Directors. The remaining 20,000 shares of common stock will vest upon the close of the Company's next financing (including this offering) with gross proceeds of at least $4,000,000.

(8) This option was granted to Mr. Weinreb pursuant to the terms of his employment agreement dated as of February 6, 2003 and vested in its entirety on the date of grant.

(9) This option was granted to Mr. Weinreb by the Board of Directors on September 14, 2004 and vested in its entirety on the date of grant. Non-reload.

(10) This option was granted to Mr. Weinreb by the Board of Directors and approved by the shareholders on July 20, 2005. The option originally was scheduled to vest as to 20,000 shares on July 20, 2005; as to an additional 10,000 shares on July 20, 2006 and as to the remaining 10,000 shares on July 20, 2007. As a condition of the closing of the June 2006 private placement, Mr. Weinreb entered into a letter agreement with the Company pursuant to which he agreed to convert $121,532 in accrued salary into shares of common stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement) and further agreed to a reduction in his base salary by 25% until the achievement by the Company of certain milestones, in partial consideration for which the vesting of this option was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement. This was not considered a material change in the terms of such option and accordingly the fair value was not adjusted.

(11) These options were granted to Mr. Weinreb by the Compensation Committee of the Board of Directors on December 5, 2006 and vested in their entirety on December 15, 2006, the date the Company entered into a collection agreement with Hemacare Corporation. Non-reload.

(12) This option was granted to Mr. Weinreb pursuant to the letter agreement described in footnote 10, above, and is scheduled to vest as to 33% of the shares upon the Company reaching $1,000,000 in cumulative revenues; as to an additional 33% of the shares upon the Company reaching $2,000,000 in cumulative revenues; and as to the remaining 34% upon the Company reaching $3,000,000 in cumulative revenues. Non-reload.

(13) This option was granted to Mr. Weinreb by the Compensation Committee on December 5, 2006 and was originally scheduled to vest based upon stem cell collections commencing by a New York or California Company owned facility. In connection with the January 2007 private placement, the Company was informed by the placement agent that it was advisable for the executive officers of the Company to make continued salary concessions and/or agree to an extension of their employment term. On January 26, 2007, Mr. Weinreb therefore entered into a letter agreement with the Company

pursuant to which, among other things, he agreed to a reduction in his salary by 20% from that to which he would otherwise be entitled under his employment agreement. In consideration for this salary concession, the Compensation Committee agreed, among other things, to the acceleration of the vesting of these options. Non-reload.

(14) This option was granted by the Compensation Committee on December 5, 2006 and vests upon the Company achieving a specified number of adult stem cell collections by December 31, 2007. Non-reload.

(15) This option was granted by the Compensation Committee on December 5, 2006 and vests upon the Company achieving a specified number of adult stem cell collections through new selling programs. Non-reload.

(16) This option was granted to Ms. Vaczy pursuant to the terms of her employment agreement dated April 20, 2005 and was originally scheduled to vest as to 500 shares on April 20, 2006; as to an additional 500 shares on April 20, 2007 and as to the remaining 500 shares on April 20, 2008. As a condition of the closing of the June 2006 private placement, Ms. Vaczy entered into a letter agreement with the Company pursuant to which she agreed to convert $44,711 in accrued salary into shares of common stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement) and further agreed to a reduction in her base salary by 25% until the achievement by the Company of certain milestones, in partial consideration for which the vesting of this option was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement. This was not considered a material change in the terms of such option and accordingly the fair value was not adjusted. Non-reload.

(17) This option was granted to Ms. Vaczy by the Board of Directors and approved by the shareholders on July 20, 2005. The option originally was scheduled to vest as to 3,750 shares on July 20, 2006 and as to the remaining 3,750 shares on July 20, 2007. In partial consideration for Ms. Vaczy entering into the letter agreement described in Footnote 16, above, the vesting of this option was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement. This was not considered a material change in the terms of such option and accordingly the fair value was not adjusted.

(18) This option was granted to Ms. Vaczy by the Board of Directors on December 22, 2005 and was vested in its entirety on the date of grant.

(19) This option was granted to Ms. Vaczy pursuant to the letter agreement described in footnote 16, above, and is scheduled to vest as to 33% of the shares upon the Company reaching $1,000,000 in cumulative revenues; as to an additional 33% of the shares upon the Company reaching $2,000,000 in cumulative revenues; and as to the remaining 34% upon the Company reaching $3,000,000 in cumulative revenues. Non-reload.

(20) This option was granted to Ms. Vaczy by the Compensation Committee on December 5, 2006, and is scheduled to vest upon the close of the Company's next financing (including this offering) with gross proceeds of at least $4,000,000. Non-reload.

(21) This option was granted to Ms. Vaczy by the Compensation Committee on December 5, 2006 and vested in its entirety on April 25, 2007 upon a registration statement filed with the SEC by the Company being declared effective. Non-reload.

(22) This option was granted to Mr. May on September 11, 2003 in connection with consulting services provided by Mr. May to the Company and was fully vested upon grant. Non-reload.

(23) This option was granted to Mr. May on November 15, 2004 in connection with consulting services provided by Mr. May to the Company and was fully vested upon grant. Non-reload.

(24) This option was granted to Mr. May pursuant to the terms of his employment agreement dated as of January 19, 2006 and was originally scheduled to vest as to 500 shares on January 19, 2007; as to an additional 500 shares on January 19, 2008 and as to the remaining 500 shares on January 19, 2009. As a condition of the closing of the June 2006 private placement, Mr. May entered into a letter agreement with the Company pursuant to which he agreed to convert $12,692 in accrued salary into shares of common stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement) and further agreed to a reduction in his base salary by 25% until the achievement by the Company of certain milestones, in partial consideration for which the vesting of this option was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement. This was not considered a material change in the terms of such option and accordingly the fair value was not adjusted.

(25) This option was granted to Mr. May pursuant to the letter agreement described in footnote 24, above, and is scheduled to vest as to 33% of the shares upon the Company reaching $1,000,000 in cumulative revenues; as to an additional 33% of the shares upon the Company reaching $2,000,000 in cumulative revenues; and as to the remaining 34% upon the Company reaching $3,000,000 in cumulative revenues. Non-reload.

(26) This option was granted to Mr. May by the Compensation Committee on December 5, 2006, and is scheduled to vest upon the close of the Company's next financing with gross proceeds of at least $4,000,000 (including this offering). Non-reload.

(27) This option was granted to Mr. May on December 5, 2006 and is scheduled to vest upon approval, purchase and integration of laboratory management software appropriate for processing and inventory of autologous adult stem cells. Non-reload.

(28) This option was granted to Mr. May on December 5, 2006 and is scheduled to vest upon the hiring by the Company of a new Chief Financial Officer and the successful handoff of these responsibilities. Non-reload.

DIRECTOR COMPENSATION

The following table* sets forth information on all compensation to our directors for the year ended December 31, 2006.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards(1)	All Other Compensation	Total
Richard Berman	—	$ 93,333(2)	—		$ 93,333
Steven Myers	—	$ 46,667(3)	—		$ 46,667
Joseph Zuckerman, MD	—	—	$ 31,387(4)		$ 31,387
Wayne A. Marasco, MD(5)	$ 92,812(6)		$ 51,282(7)	$ 20,000(8)	$ 164,094

* All numbers in this table and footnotes thereto have been adjusted (as appropriate) to reflect the one-for-ten reverse stock split approved in July 2007 and to be effective concurrently with the initial closing of this offering.

(1) Effective January 1, 2006, the Company's Stock Option Plan is accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. FAS 123(R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the

guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies. In adopting FAS 123(R), the Company applied the modified prospective approach to transition. Under the modified prospective approach, the provisions of FAS 123(R) are to be applied to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The compensation cost for that portion of awards shall be based on the grant-date fair value of those awards as calculated for either recognition or pro-forma disclosures under FAS 123. The general assumptions made in calculating the fair value of options are set forth in Note 7 of the Company's notes to its audited consolidated financial statements included elsewhere in this prospectus.

(2) Mr. Berman was awarded a stock grant of 40,000 shares of common stock, valued at $7.00 per share, on November 15, 2006 in connection with his appointment as a member of the Board of Directors, Chairman of the Audit Committee and Chairman of the Compensation Committee. This stock grant vests as follows: 13,333 shares on November 15, 2006, 13,333 shares on November 15, 2007 and 13,334 on November 15, 2008. At December 31, 2006, 26,667 shares of common stock remain unvested with a market value of $200,000. Mr. Berman had no option awards outstanding at December 31, 2006.

(3) Mr. Myers was awarded a stock grant of 20,000 shares of common stock, valued at $7.00 per share, on November 16, 2006 in connection with his appointment as a member of the Board of Directors. This stock grant vests as follows: 6,667 shares on November 16, 2006, 6,667 shares on November 16, 2007 and 6,666 on November 16, 2008. At December 31, 2006, 13,333 shares of common stock remain unvested with a market value of $100,000. Mr. Myers had no option awards outstanding at December 31, 2006.

(4) Dr. Zuckerman was awarded options to purchase 19,000 shares of common stock with exercise prices ranging from $6.00 to $15.00 per share, originally vesting between January 20, 2004 and July 20, 2007, with termination dates ranging from January 18, 2014 to August 29, 2016. 5,000 of such shares were not scheduled to vest until July 20, 2006 as to 2,500 and July 20, 2007 as to 2,500; the vesting of such options was accelerated such that they became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement. This was not considered a material change in the terms of such options and accordingly the fair values were not adjusted. On August 29, 2006, Dr. Zuckerman was awarded an option to purchase 2,500 shares at $6.00 per share, all of which vested immediately. At December 31, 2006 all 21,500 common stock options were unexercised and outstanding. Dr. Zuckerman had no stock awards outstanding at December 31, 2006.

(5) Wayne A. Marasco served as a director of the Company through November 12, 2006 and Senior Scientific Advisor of the Company through January 29, 2007. Dr. Marasco currently serves as the Chairman of the Company's Scientific Advisory Board and a consultant, pursuant to agreements dated January 29, 2007.

(6) This amount represents salary paid to Dr. Marasco in 2006 in his capacity as the Company's Senior Scientific Advisor.

(7) Dr. Marasco was awarded options to purchase 25,000 shares of common stock with an exercise price of $6.00 per share, originally vesting between July 20, 2005 and July 20, 2007, with termination dates ranging from July 20, 2015 to July 20, 2017. 15,000 of such shares were not scheduled to vest until July 20, 2006 as to 7,500 and July 20, 2007 as to 7,500; the vesting of such options was accelerated such that they became fully vested as of June 2, 2006, the date of the closing of the June 2006 private

placement. This was not considered a material change in the terms of such options and accordingly the fair values were not adjusted. On June 2, 2006, Dr. Marasco was awarded an option to purchase 1,000 shares of common stock at $4.40 per share. This new option will vest as the Company achieves certain business milestones, which have not yet been achieved. At December 31, 2006, Dr. Marasco had outstanding and unexercised, options to purchase 36,250 shares of common stock. Dr. Marasco had no stock awards outstanding at December 31, 2006.

(8) This amount consists of: (i) a contractual bonus of $12,000; (ii) a bonus award of $3,000; and (iii) a distribution of $5,000 from the Company's Chief Executive Officer upon her receipt of a bonus awarded upon the achievement of a business milestone (see the Summary Compensation Table, footnote 3).

GENERAL INFORMATION ON DIRECTOR COMPENSATION

Directors who are employees of the Company do not receive additional compensation for serving as directors. Independent (non-employee) directors of the Company are reimbursed for out-of-pocket travel expenses incurred in their capacity as directors of the Company. Pursuant to the Company's 2003 Equity Participation Plan, independent directors also received upon joining the Board an option to purchase 20,000 shares that vested and became exercisable as to 5,000 shares on each of the date of grant and the first, second and third anniversaries of the date of grant at an exercise price equal to the fair market value of the common stock on the date of grant. This arrangement was approved by the Company's stockholders in August 2006. In October 2006, the Board amended the 2003 Equity Participation Plan to remove the provision relating to automatic grants of options to non-employee directors to provide greater flexibility as the Company grows. The Company's then only current independent director, Joseph Zuckerman, received options to purchase 4,000 shares of the Company's common stock pursuant to the standard arrangement existing prior to the August 2006 arrangement. In addition, in July 2005 the shareholders approved a grant to Dr. Zuckerman of an option to purchase 15,000 shares of the Company's common stock at $6.00 per share (which was greater than the market price on the date the Board approved the grant), with respect to which the option to purchase 10,000 shares vested immediately upon the date of grant and 2,500 shares were scheduled to vest on each of the first and second anniversaries of the date of grant. In connection with the June 2006 financing, the vesting of this option was accelerated such that it became vested in its entirety on June 2, 2006. On August 29, 2006, the Board approved the grant to Dr. Zuckerman of an option to purchase 2,500 shares of the Company's common stock at $6.00 per share (the market price on the date the Board approved the grant) which vested immediately.

Upon appointment as directors on November 15, 2006 and November 16, 2006, respectively, Mr. Berman and Mr. Myers were each granted 20,000 shares of restricted stock of the Company, pursuant to the Company's 2003 Equity Participation Plan. Mr. Berman was also granted 20,000 shares for his appointment as Chairman of the Audit Committee and the Compensation Committee of the Board of Directors, pursuant to the terms of the 2003 Equity Participation Plan. One-third of the shares of restricted stock granted vested upon the date of grant, and the remainder will vest in two equal annual installments beginning one year from the date of grant.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as to the number of shares of the Company's common stock beneficially owned, as of July 6, 2007 by (i) each beneficial owner of more than five percent of the outstanding common stock, (ii) each current executive officer and director and (iii) all current executive officers and directors of the Company as a group. All shares are owned both beneficially and of record unless otherwise indicated. Unless otherwise indicated, the address of each beneficial owner is c/o NeoStem, Inc., 420 Lexington Avenue, Suite 450, New York, New York 10170.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes any shares over which a person possesses sole or shared voting or investment power. Except as otherwise indicated by footnote, to our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. In calculating the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are exercisable as of July 6, 2007, or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of calculating percentage ownership of any other person. As of July 6, 2007, there were 2,684,167 shares of common stock outstanding.

Number and Percentage of Shares of Common Stock Owned*

Name and Address of Beneficial Holder	Number of Shares Beneficially Owned	Percentage of Common Stock Beneficially Owned
Dr. Robin L. Smith Chief Executive Officer and Chairman of the Board	221,255(1)	7.89%
Mark Weinreb President and Director	133,423(2)	4.83%
Larry A. May Vice President and Chief Financial Officer	19,937(3)	.74%
Catherine M. Vaczy Vice President and General Counsel	103,857(4)	3.83%
Dr. Joseph Zuckerman Director	34.843(5)	1.29%
Richard Berman Director	74,091(6)	2.75%
Steven S. Myers Director	89,082(7)	3.29%
Michael Crow Alex Clug DCI Master LDC Duncan Capital Group LLC MW Crow Family LP DC Associates LLC 420 Lexington Avenue Suite 450 New York, New York 10107	244,219(8)	9.99%
All Directors and Officers as a group (seven persons)	676,487(9)	22.72%

* All numbers in this table and footnotes thereto have been adjusted (as appropriate) to reflect the one-for-ten reverse stock split approved in July 2007 and to be effective concurrently with the initial closing of this offering.

(1) Includes currently exercisable options to purchase an aggregate of 92,000 shares of common stock and currently exercisable warrants to purchase an aggregate of 31,993 shares of common stock.

(2) Includes currently exercisable options to purchase 80,500 shares of common stock.

(3) Includes currently exercisable options to purchase 5,500 shares of common stock.

(4) Includes currently exercisable options to purchase 21,000 shares of common stock and currently exercisable warrants to purchase 4,083 shares of common stock.

(5) Includes currently exercisable options to purchase 21,500 shares of common stock and currently exercisable warrants to purchase 2,083 shares of common stock.

(6) Includes currently exercisable warrants to purchase 11,364 shares of common stock.

(7) Includes currently exercisable warrants to purchase 22,727 shares of common stock.

(8) Includes 170,455 shares of common stock held by DCI Master LDC; 25,705 shares of common stock held by Duncan Capital Group LLC; 45,000 shares held by MW Crow Family LP and 3,083 shares of common stock held by DC Associates LLC. Does not include warrants to purchase 85,227 shares of common stock held by DCI Master LDC to the extent such inclusion would result in the Issuance Limitation (as described below) being exceeded. Such warrants are exercisable immediately, have an exercise price of $8.00 per share, and expire on June 1, 2011. Such warrants are subject to beneficial ownership limitations that render them unexercisable while the holder thereof beneficially owns more than 9.99% of the total number of shares of common stock of the Company then issued and outstanding, or to the extent exercise thereof would result in the beneficial ownership by the holder thereof of more than 9.99% of the total number of shares of common stock of the Company then issued and outstanding (the "Issuance Limitation"). The holder may waive the Issuance Limitation only upon 61 days' prior written notice. Mr. Crow and Mr. Clug are Directors of DCI Master LDC and

Mr. Crow is the President of Duncan Capital Group LLC. Duncan Capital Group LLC and DC Associates LLC are owned by MW Crow Family LP. In the Schedule 13G/A filed with the Securities and Exchange Commission on December 12, 2006, the reporting persons state that they may be deemed to be a group and filed jointly. See "Certain Relationships and Related Transactions" for further information about these shares.

(9) Includes currently exercisable options and warrants to purchase 292,751 shares of common stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On January 20, 2006, Mr. Robert Aholt, Jr. tendered his resignation as Chief Operating Officer of the Company. In connection therewith, on March 31, 2006, the Company and Mr. Aholt entered into a Settlement Agreement and General Release. Pursuant to the settlement agreement, the Company agreed to pay to Mr. Aholt the aggregate sum of $250,000 (less applicable Federal and California state and local withholdings and payroll deductions), payable over a period of two years in biweekly installments of $4,808 commencing on April 7, 2006, except that the first payment was in the amount of $9,615. In July 2006, this agreement was amended to provide for semi-monthly payments of $10,417 for the remaining 21 months. In the event the Company breaches its payment obligations under the Settlement Agreement and such breach remains uncured, the full balance owed shall become due. The Company and Mr. Aholt each provided certain general releases. Mr. Aholt also agrees to continue to be bound by his obligations not to compete with the Company and to maintain the confidentiality of Company proprietary information.

On January 19, 2006, the Company consummated the acquisition of the assets of NS California. Larry May, the Company's Chief Financial Officer, was the Chief Executive Officer of NS California at the time of the transaction. The purchase price for NS California's assets, in addition to the assumption of certain liabilities, included 50,000 shares of the Company's common stock, of which Mr. May received a pro rata distribution of 1,438 shares in exchange for his shares of NS California preferred stock, and 962 shares of Company common stock as consideration for existing debt owed by NS California to Mr. May. Of the stock consideration paid to NS California, 60% (or 30,000 shares) has been retained in escrow for a period of one (1) year from the date of the agreement, subject to certain indemnification claims and setoffs. Provided that no claims are made against the escrowed shares, Mr. May will be entitled to receive up to

3,506 shares of Company common stock in escrow in exchange for his shares of NS California common stock. Due to the delay in obtaining the biologics license for the California facility, pursuant to the acquisition agreement, in May 2006 the Company demanded the return of 10,000 shares of the Company's common stock from NS California. Accordingly, Mr. May's proportionate interest in the shares of common stock to be distributed to him has been reduced. In addition, upon the acquisition, Mr. May entered into a three year employment agreement with the Company. See "Executive Compensation-Employment Agreements."

Pursuant to the securities purchase agreement in the June 2006 private placement, on June 2, 2006, Dr. Robin L. Smith was appointed Chief Executive Officer and Chairman of the Board of the Company. See "Executive Compensation-Employment Agreements." In September 2005, Dr. Smith had entered into an advisory agreement with the Company pursuant to which Dr. Smith agreed to become Chairman of the Company's advisory board. Under the terms of the advisory agreement, Dr. Smith was required to provide various business and scientific advice to the Company for a period of one year in consideration for which she received 5,000 shares of common stock and warrants to purchase 2,400 shares of common stock. The warrants are exercisable at $8.00 per share, the closing price of the common stock on the date of grant, and were scheduled to vest as to 200 shares per month during the term of the agreement. Dr. Smith received registration rights for such shares of common stock and common stock underlying warrants. In January 2006, the Company and Dr. Smith entered into a supplement to the advisory agreement to set forth certain supplemental understandings with respect to a potential financing transaction. Under the supplement to the advisory agreement, Dr. Smith agreed that through April 30, 2006 (as such date was later extended) Dr. Smith would provide additional business and financial advisory services beyond those set forth in the original agreement. In return, Dr. Smith would receive upon the closing of a financing (i) 2,000 shares of common stock and a cash payment in the amount of $25,000 if the gross proceeds of the financing are at least $500,000; (ii) 4,000 shares of common stock and a cash payment in the amount of $50,000 if the gross proceeds of the financing are at least $1,000,000; (iii) 8,000 shares of common stock and a cash payment in the amount of $100,000 if the gross proceeds of the financing are at least $2,000,000; (iv) 10,000 shares of common stock and a cash payment in the amount of $150,000 if the gross proceeds of the financing are at least $3,000,000; (v) 12,000 shares of common stock and a cash payment of $175,000 if the gross proceeds of the financing are at least $3,500,000; and (vi) 16,000 shares of common stock and a cash payment in the amount of $200,000 if the gross proceeds of the financing are at least $4,000,000. Dr. Smith was also entitled to receive a cash payment of $3,000 for each of January, February and March 2006. The advisory agreement was terminated in connection with Dr. Smith's employment as Chief Executive Officer and Chairman of the Board in June 2006.

In the June 2006 private placement, Dr. Smith also purchased for aggregate consideration of $22,000, units consisting of 5,000 shares of common stock and five-year warrants to purchase 2,500 shares of common stock at a per share purchase price of $8.00. In December 2005, Dr. Smith purchased from the Company in the Westpark private placement, units consisting of a 9% convertible promissory note in the principal amount of $12,500 and three year Warrants to purchase 2,083 shares of Common Stock at a per share purchase price of $12.00. WestPark Capital, Inc. ("WestPark"), the placement agent for this private placement, was issued as compensation for this private placement (i) 5,000 shares of common stock (2,500 shares on December 30, 2005 and 2,500 shares in January 2006); and (ii) Warrants to purchase an aggregate of 8,334 shares of common stock (4,167 on December 30, 2005 and 4,167 in January 2006). WestPark assigned its rights to 1,458 of these warrants to Starobin Partners, Inc., an entity in which Dr. Smith has a 7% interest. Dr. Smith waived her rights to any interest in these warrants.

On August 11, 2006, Dr. Smith accepted the offer from the Company which the Company extended to all holders of promissory notes acquired in the Westpark private placement, pursuant to which (i) the $12,500 promissory note was converted into 2,841 shares of common stock, (ii) the Company issued to her

568 shares of common stock, (iii) the exercise price of the warrants was reduced from $12.00 to $8.00 and (iv) a new warrant was issued to purchase 2,083 shares of common stock at $8.00.

On August 29, 2006, Ms. Vaczy and Dr. Zuckerman each purchased from the then holder a $12,500 promissory note after which Ms. Vaczy and Dr. Zuckerman accepted the offer from the Company which the Company extended to all holders of promissory notes acquired in the Westpark private placement, pursuant to which (i) each of the $12,500 promissory notes was converted into 2,841 shares of common stock, (ii) the Company issued to each of Ms. Vaczy and Dr. Zuckerman 568 shares of common stock, and (iii) a new warrant was issued to each to purchase 2,083 shares of common stock at $8.00.

Prior to his appointment as a director and as part of the Summer 2006 private placement, on August 30, 2006 Mr. Berman entered into a Subscription Agreement with the Company for the purchase of units consisting of 22,727 shares of common stock of the Company at a purchase price of $4.40 per share and warrants to purchase up to 11,364 shares of common stock of the Company at a price per share of $8.00. Such warrants are exercisable immediately and will expire on August 29, 2011.

Prior to his appointment as a director and as part of the June 2006 private placement, Mr. Myers entered into a Subscription Agreement with the Company on June 2, 2006 for the purchase of units consisting of 45,455 shares of common stock of the Company at a purchase price of $4.40 per share and warrants to purchase up to 22,727 shares of common stock of the Company at a price per share of $8.00. Such warrants are exercisable immediately and will expire on June 1, 2011.

In the January 2007 private placement, Dr. Smith purchased 11,000 units for an aggregate consideration of $110,000, each unit comprised of two shares of common stock, one redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share and one non-redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share.

In the January 2007 private placement, Ms. Vaczy purchased 1,000 units for an aggregate consideration of $10,000, each unit comprised of two shares of common stock, one redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share and one non-redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share.

On May 15, 2007, the Securities and Exchange Commission brought a civil action in the United States District Court for the Southern District of New York against Michael Crow, Duncan Capital Group LLC and others. It alleges in its complaint that Duncan Capital was a registered broker-dealer controlled by Mr. Crow but that Mr. Crow acted as an unregistered principal and was not identified as an officer, director or control person of Duncan Capital in any of Duncan Capital's regulatory filings. The SEC is seeking injunctive relief, as well as disgorgement of profits and money penalties. Mr. Crow has informed the Company that he vigorously disagrees with the action brought by the SEC and is addressing the matter. However, in light of the filing of the complaint, Mr. Crow has agreed to take certain actions including, the early termination of his firm's advisory agreement with the Company, relinquishment of his right to appoint a designee to the NeoStem Board and reduction of his ownership in NeoStem to below 4.9% from his current beneficial ownership of 11.9% (without giving effect to the Issuance Limitation discussed in "Security Ownership of Certain Beneficial Owners and Management – Footnote 8"). Such reduction will be accomplished through the placement of the shares beneficially owned by him into an irrevocable trust prior to the effective date of this offering with the trustee of the trust independent and unaffiliated with Mr. Crow. The trustee shall have the sole right to vote the shares and shall distribute them to third parties unrelated to Mr. Crow or to non-affiliates in his fund within 30 days after the closing of this offering.

DESCRIPTION OF SECURITIES

The following is a summary of all material characteristics of the units, our capital stock as set forth in our articles of incorporation and bylaws, the Class A warrants offered by this prospectus, our outstanding warrants and our outstanding options to purchase our common stock as of July 6, 2007. However, the summary does not purport to be complete and is qualified in its entirety by reference to our articles of incorporation and bylaws and the Class A warrants themselves, all of which are filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and to the provisions of Delaware corporate law.

Units

In the offering described in this prospectus, we are offering for sale units of our securities. Each unit consists of one (1) share of common stock and one-half (1/2) of a Class A warrant to purchase one-half (1/2) of an additional share of common stock, so that 1,000 units will consist of 1,000 shares and a warrant to purchase 500 shares of our common stock. The Class A warrants will trade only as a part of a unit for 60 days following the final closing of this offering unless the underwriter determines that separate trading of the Class A warrants should occur earlier.

Common Stock

We are authorized to issue 500,000,000 shares of common stock, par value $0.001 per share. As of July 6, 2007, we had 2,684,167 shares of common stock issued and outstanding, after giving effect to the two reverse stock splits described below. Our shareholders at the June 14, 2007 annual meeting authorized giving our board of directors discretion to effectuate a reverse stock split of our common stock at a ratio in the range of 1:3 - 1:10, in the event it was deemed by the board of directors necessary to have our securities traded on a securities exchange. In July 2007, our board of directors authorized a one-for-ten reverse stock split, to be effective upon the initial closing of this offering, in order to satisfy the listing requirements of the American Stock Exchange. Accordingly, all numbers in this prospectus have been adjusted to reflect both a one-for-ten reverse split which was effective as of August 31, 2006, and the one-for-ten reverse split approved in July 2007 which will be effective concurrently with the initial closing under this offering.

Holders of our common stock are entitled to one vote per share in the election of directors and on all other matter on which stockholders are entitled or permitted to vote. Holders of our common stock are not entitled to cumulative voting rights. Therefore, holders of a majority of the shares voting for the election of directors can elect all of the directors. Subject to the terms of any outstanding series of preferred stock, the holders of common stock are entitled to dividends in the amounts and at times as may be declared by the Board of Directors out of funds legally available. Upon liquidation or dissolution, holders of our common stock are entitled to share ratably in all net assets available for distribution to stockholders after payment of any liquidation preferences to holders of our preferred stock. Holders of our common stock have no redemption, conversion or preemptive rights.

Preferred Stock

We are authorized to issue up to 5,000,000 shares of preferred stock with such designations, rights, and preferences as may be determined from time to time by our board of directors. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights that could adversely affect the voting power or other rights of the holders of the our common stock. The issuance of preferred stock could have the effect of restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock, or delaying or preventing a change in control of our Company, all without further action by our stockholders. Currently, 825,000 shares of our Series B Convertible Redeemable Preferred Stock, $0.01 par value per share, are authorized, and 10,000 shares are outstanding.

On March 17, 2006, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permitted the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay $538,498 (or $.79 per share) in accrued dividends thereon, a total of 54,494 shares of common stock (.08 of a share of common stock per share of Series A Preferred Stock). Pursuant thereto, all outstanding shares of Series A Preferred Stock were canceled and converted into common stock. There are no shares of Series A Preferred Stock currently outstanding.

Warrants

As of July 6, 2007, we had outstanding warrants to purchase an aggregate of 1,354,653 shares of common stock at a weighted average exercise price of $7.60 per share. 1,190,653 of such shares underlying the warrants are registered for sale with the SEC.

Options

As of July 6, 2007, we had outstanding options to purchase an aggregate of 581,600 shares of common stock at a weighted average exercise price of $6.80 per share. The shares of common stock underlying all such options are currently registered for sale with the SEC.

Class A Warrants

General

Each Class A warrant entitles the holder to purchase one share of our common stock at an exercise price per share of $6.00 - - $6.50 [the Common Stock Price plus $1.00].

The exercise price per share of each Class A warrant is subject to adjustment upon the occurrence of certain events as provided in the Class A warrant certificate and summarized below. Once separated from the units, our Class A warrants may be exercised at any time after this offering until the fifth anniversary of the effective date of this offering, which is the expiration date, unless redeemed. Those of our Class A warrants which have not previously been exercised will expire on the expiration date. A Class A warrant holder will not be deemed to be a holder of the underlying common stock for any purpose until the Class A warrant has been properly exercised. For more detailed information, please see the warrant agreement which has been filed as an exhibit to the registration statement in which this prospectus is a part.

Separate Transferability

Our common stock and the Class A warrants sold in this offering will initially be represented by certificates representing units, and we will not replace these certificates with certificates representing the component securities of the units for a period of 60 days following the final closing of this offering unless the Underwriter determines that separate trading of the Class A warrants should occur earlier. During such 60-day period, or such shorter period as the underwriter determines, the Class A warrants will not trade separately. If accepted for listing, we will announce in advance the commencement of trading in the Class A warrants by a press release. In the event our securities are trading on the American Stock Exchange, we will continue to list the units on the American Stock Exchange for up to 60 days following this offering but may cease to maintain the listing of the units at any time thereafter.

Redemption

In the event the Company's common stock is trading at a price equal to or exceeding the Redemption Threshold ($8.00 - $8.50 [the Common Stock Price plus $3.00]) for 20 consecutive trading days, the Company has the option to call the Class A Warrants. If the holders of the Class A warrants have not exercised the Class A warrants within 30 of the written notice to call, the Company may redeem the Class A warrants at $.001 per warrant. We will send the written notice of call by first class mail to Class A warrant holders at their last known addresses appearing on the registration records maintained by the transfer agent for our Class A warrants. No other form of notice by publication or otherwise will be required. If we call any Class A warrants for redemption, they will be exercisable until the close of business on the business day next preceding the specified redemption date.

Exercise

A Class A warrant holder may exercise our Class A warrants only if an appropriate registration statement is then in effect with the SEC and if the shares of common stock underlying these Class A warrants are qualified for sale under the securities laws of the state in which the holder resides. We are required to use our best efforts to maintain a current prospectus relating to such shares of our common stock at all times when the market price of our common stock exceeds the exercise price of the Class A warrants until the expiration date of the Class A warrants, although there can be no assurance that we will be able to do so.

Our Class A warrants may be exercised by delivering to our transfer agent the applicable Class A warrant certificate on or prior to the expiration date or the redemption date, as applicable, with the form on the reverse side of the certificate executed as indicated, accompanied by payment of the full exercise price for the whole number of Class A warrants being exercised. Class A warrants may only be exercised to purchase whole shares. Class A warrant holders will receive cash equal to the current market value of any fractional interest, which will be the value of one whole interest multiplied by the fraction thereof, in the place of fractional Class A warrants that remain after exercise if they would then hold Class A warrants to purchase less than one whole share. Fractional shares will not be issued upon exercise of our Class A warrants.

During the term of the Class A warrants, the holders thereof are given the opportunity to profit from a rise in the market of our common stock, with a resulting dilution in the interest of all other stockholders. So long as the Class A warrants are outstanding, the terms on which we could obtain additional capital may be adversely affected. The holders of the Class A warrants might be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the Class A warrants.

Adjustments of Exercise Price

The exercise price and redemption price of the Class A warrants are subject to adjustment in specified circumstances, including in the event we declare any stock dividend to stockholders or effect any split or reverse split with respect to our common stock after the effective date of this offering. Therefore, if we effect any stock split or reverse split with respect to our common stock other than the reverse split to be effected upon consummation of the initial closing of this offering, the exercise price in effect immediately prior to such stock split or reverse split will be proportionately reduced or increased, respectively. Any adjustment of the exercise price will also result in an adjustment of the number of shares purchasable upon exercise of a Class A warrant or, if we elect, an adjustment of the number of Class A warrants outstanding. The Class A warrants do not contain provisions protecting against dilution resulting from the sale of additional shares of our common stock for less than the exercise price of the Class A warrants or the current market price of our common stock.

No Voting and Dividend Rights

Until exercised, the Class A warrants will have no voting, dividend or other stockholder rights.

Anti-Takeover Effects of Certain Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws

Our Certificate of Incorporation and Bylaws contain a number of provisions that could make our acquisition by means of a tender or exchange offer, a proxy contest or otherwise more difficult. These provisions are summarized below.

Removal of Directors. Our Bylaws provide that our directors may be removed from office at any time (i) with cause by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of voting stock entitled to vote at an election of directors or (ii) without cause by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all the then-outstanding shares of the voting stock.

Special Meetings. Our Bylaws provide that special meetings of our stockholders may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors or (iv) by the holders of shares entitled to cast not less than fifty percent (50%) of the votes at the meeting.

Undesignated Preferred Stock. The ability to authorize undesignated preferred stock makes it possible for our Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us. The ability to issue preferred stock may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Delaware Anti-Takeover Statute. We will be subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging under certain circumstances in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- Prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder.
- Upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer.
- On or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 662/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation’s outstanding voting securities. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our Board of

Directors does not approve in advance. We also anticipate that Section 203 may also discourage attempted acquisitions that might result in a premium over the market price for the shares of common stock held by stockholders.

The provisions of Delaware law, our Certificate of Incorporation and our Bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

SHARES ELIGIBLE FOR FUTURE SALE

As of July 6, 2007, we had 2,684,167 shares of common stock outstanding held by approximately 1571 stockholders of record. We are unable to estimate the number of shares that may be sold in the future by our existing stockholders or the effect, if any, that sales of shares by such stockholders, or the availability of the shares for sale, will have on the market price of the common stock prevailing from time to time. Sales of substantial amounts of our common stock in the public market would likely adversely affect prevailing market prices.

For purposes of Rule 144, “affiliates” include any person that, directly or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, us. In general, under Rule 144, a stockholder including an “affiliate,” who has beneficially owned our shares for at least one year is entitled to sell, within any three-month period, a number of “restricted” shares that does not exceed the greater of:

- one percent of the then outstanding shares of our common stock (or approximately 26,842 shares); or
- the average weekly trading volume in our common stock during the four calendar weeks preceding the filing of the notice reporting the sale.

Sales under Rule 144 are subject to manner of sale limitations, notice requirements and the availability of current public information about us. Rule 144(k) provides that a person who is not deemed our "affiliate" and who has beneficially owned our shares for at least two years is entitled to sell such shares at any time under Rule 144 without regard to the limitations described above.

As of July 6, 2007, we had options outstanding in respect of 581,600 shares of our common stock under our 2003 Equity Participation Plan at a weighted average exercise price of $6.80 per share. Of this amount, options in respect of 307,100 shares are presently exercisable. All of our outstanding options were issued under the 2003 Equity Participation Plan. We also have outstanding warrants to purchase 1,354,653 shares of our common stock, all of which are currently exercisable, at a weighted average exercise price of $7.60 per share. In total, we have options and warrants outstanding with respect to 1,936,253 shares of our common stock.

There are 2,500,000 shares that have been authorized to be issued pursuant to our 2003 Equity Participation Plan, of which 172,000 shares issued as "stock awards" are currently issued and outstanding and options to purchase 581,600 shares are currently outstanding (of which 307,100 are currently exercisable). We have an existing registration statement in effect on Form S-8 covering the shares of common stock issuable under our 2003 Equity Participation Plan, thus permitting the resale of these shares in the public market without restriction under the Securities Act other than restrictions applicable to affiliates.

We also have an existing registration statement in effect for the public offer and sale by our existing stockholders of 1,802,213 shares of common stock and warrantholders of 1,190,653 shares of common stock issuable upon the exercise of currently outstanding warrants. Our executive officers, directors, senior staff and certain consultants, all of whose shares (and the shares issuable upon the exercise of warrants or options held by such persons) are registered on such registration statement or on the Form S-8 registration statement discussed above, are subject to a lock-up agreement whereby such persons have previously agreed in connection with a prior private placement not to dispose of any shares of common stock outstanding or issuable upon the exercise of warrants or options, through October 25, 2007.

Sales of substantial amounts of our common stock in the open market, including shares issued upon the exercise of our outstanding options and warrants to purchase our common stock, or the perception that those sales could occur, could adversely affect prevailing market prices and could impair our ability to raise capital in the future through the sale of our equity securities.

Transfer Agent and Registrar

Our transfer agent and registrar for our units, common stock and Class A warrants is Continental Stock Transfer and Trust Company, New York, New York.

American Stock Exchange

We have applied to list our common stock, units and Class A warrants on the American Stock Exchange under the trading symbol "NBS," "NBS.U," and "NBS.WS," which application was approved by the American Stock Exchange subject to the Company's being in compliance with all applicable listing standards of the American Stock Exchange as a result of the completion of the offering.

PLAN OF DISTRIBUTION

We are offering to sell to the public up to 1,270,000 units at a price in the range of $5.00 to $5.50 per unit, through Mercer Capital Ltd. (the "Underwriter") and other broker/dealers arranged by the Underwriter who are members of the National Association of Securities Dealers, Inc. (NASD). Each unit will consist of one (1) share of our common stock and one-half (1/2) a Class A warrant to purchase one-half (1/2) a share of our common stock. For example, a person who purchases 1,000 units will receive units consisting of 1,000 shares of our common stock and 500 Class A warrants to purchase a total of 500 shares of our common stock. Only an even number of units may be purchased by any one investor. The Class A warrants will trade only as a part of the units for 60 days following the final closing of this offering unless separate trading is authorized earlier by the Underwriter. Each whole Class A warrant will entitle its owner to purchase one (1) share of our common stock for $6.00 - $6.50 [the Common Stock Price plus $1.00] (the "Warrant Price"). The "Common Stock Price" is the unit price. We may call all or any part of the Class A warrants upon 30 days written notice as long as the last reported sales price per share of common stock as reported by the principal exchange or trading market on which our common stock trades equals or exceeds $8.00 - $8.50 [the Common Stock Price plus $3.00] (the "Redemption Threshold") for 20 consecutive days. If the holders of the Class A warrants do not exercise their Class A warrants during the 30-day call period, the Company may redeem the Class A warrants at $0.001 per Class A warrant per share subject to adjustment, including anti-dilution provisions for corporate events such as stock splits. Each Class A warrant may be exercised at any time after five (5) days from the effective date of this offering or such earlier date as the Class A warrant becomes separately traded and thereafter for five (5) years after the effective date of this offering unless we have redeemed them.

This Prospectus covers the offer of shares of our common stock and Class A warrants comprising the units and the shares of our common stock issuable upon the exercise of the Class A warrants.

We estimate that the aggregate net proceeds of the offering to us will be approximately $5,857,425 if all 1,270,000 units are sold at $5.25 per unit, the mid-point of the range. There is no minimum number of units which must be subscribed for before we may accept subscriptions, except that we will not have an initial closing unless we satisfy all listing conditions of the American Stock Exchange, including that our stockholders equity immediately after such closing would be greater than $4 million. Because we estimate that our stockholders equity at June 30, 2007 will be less than $300,000, we anticipate that we will have to sell at least 900,000 units (if sold at the minimum price of $5.00 per unit) to satisfy applicable listing requirements. The proceeds we receive from sales of the units will be applied primarily toward sales, marketing and business development and for working capital. See the section titled "Use of Proceeds" of this Prospectus.

UNDERWRITER

We will offer our shares on an exclusive basis through Mercer Capital, Ltd. (the "Underwriter") and other licensed securities dealers retained by the Underwriter in the United States who are members of the National Association of Securities Dealers, Inc. ("NASD") or who reside outside the United States and agree to be bound by NASD guidelines. Collectively, the Underwriter and the other licensed securities dealers are called the "Placement Agents." The Placement Agents will offer and sell the shares on a best-efforts basis.

The Underwriter shall serve as our exclusive agent to sell up to 1,270,000 units at a range of $5.00 to $5.50 per unit on a best efforts basis. Each unit shall consist of one (1) share of our common stock and one-half (½) of a Class A warrant to purchase one-half (½) of a share of our common stock. The Underwriter has made no commitment to purchase all or any part of the shares offered hereby, but shall use its best efforts to sell all 1,270,000 units within a period of 60 days (to be extended for up to an additional 30 days upon the mutual consent of us and the Underwriter) following the date of this Prospectus.

Neither the Underwriter nor any other Placement Agent has the right to designate or nominate a member of our board of directors; however the Underwriter has the right to appoint an observer to attend regularly scheduled board meetings for a period of two years. We are not aware of any Placement Agent, including the Underwriter, that intends to sell to any discretionary account or that intends to engage in passive market-making or stabilizing transactions at this time.

Underwriter's Compensation

Under the terms of our agreement with the Underwriter, we will pay a commission on completed sales of 7% of the subscription amount. We will also pay a non-accountable expense allowance of 2% of the subscription amount. As of the date of this prospectus, we have paid $35,000 to the Underwriter. The Underwriter will also receive warrants (the "Underwriter's Warrants") to purchase a number of common shares equal to 5% of the shares sold by it and other Placement Agents at a price of $6.50 - - $7.15 per share (or 130% of the Common Stock Price) exercisable from the date one year from the date of their issuance through the fifth anniversary of the effective date of this offering, which may be exercised on a cashless basis. The Underwriter's Warrants will contain anti-dilution provisions for stock splits, recombinations, and reorganizations. The Underwriter's Warrants may not be sold during the offering or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the public offering, except to any member participating in the offering and the officers or partners thereof, or as otherwise permitted under 2710(g)(2) of the NASD's Corporate Financing Rule and only if the warrants so transferred remain subject to the one-year lock-up restriction for the remainder of the lock-up period.

The Underwriter may offer the shares to dealers who are members of the National Association of Securities Dealers, Inc. and may allow such dealers such portion of the 7% underwriting commission as the Underwriter may determine.

Marketing of the Offering

In addition to this prospectus, we will be promoting the offering through "tombstone" advertising in print and on the internet. Our officers and directors will be participating with the Underwriter in road shows to brokers and groups of prospective investors.

We may provide the Underwriter with the names of persons contacting us with an interest in purchasing units in this offering. Although we will not provide any names for the express purpose of closing the offering, sales may be made to those persons for that purpose. The Underwriter may sell a portion of the units offered hereby to such persons if they reside in a state or country in which the units can be sold. The Underwriter is not obligated to sell any units to such persons and will do so only to the extent such sales would not be inconsistent with the public distribution of the units. Neither the Underwriter nor we will directly or indirectly arrange for the financing of such purchases, and the proceeds of the offering will not directly or indirectly be used for such purchases.

Escrow Account

We will establish an escrow account with U.S. Bank National Association, 60 Livingston Street, St Paul, Minnesota, 55107-2292 (the "Escrow Agent"), under an escrow agreement among us, the Escrow Agent and the Underwriter. Under the terms of the escrow agreement, all checks from investors will be deposited into such account until such time as we and the Underwriter determine to have the initial closing. Funds in the escrow account may be invested in obligations of, or obligations guaranteed by, the United States government, bank money market accounts, or certificates of deposit of national or state banks that have deposits insured by the Federal Deposit Insurance Corporation (including certificates of deposit of any bank acting as depositary or custodian for any such funds). If we do not accept an investor's subscription, we will return his funds promptly, without interest and without deduction. At the initial

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closing, the escrowed funds, less the Underwriter's fees and expenses, will be transferred at the closing into one of our operating accounts. Following the initial closing, funds will continue to be deposited in the escrow account until the final closing at the end of this offering, which will take place promptly after the receipt and acceptance of the maximum offering amount of $6,985,000. One or more interim closings may take place between the initial closing and the final closing. Our officers, directors and other large shareholders have the right to purchase shares on the same terms and conditions as shares being purchased by the public.

Indemnification

Indemnification will be provided between us and the underwriters against specified liabilities, including liabilities under the Securities Act. We have been advised that, in the opinion of the SEC, indemnification for liabilities under the Securities Act is against public policy as expressed in the Securities Act and is therefore unenforceable.

The foregoing does not purport to be a complete statement of the terms and conditions of the Underwriting Agreement, a copy of which is filed as an exhibit to this registration statement and is incorporated by reference herein.

We and any other persons participating in a distribution of our Common Stock will be subject to applicable provisions of the Exchange Act and the rules and regulations promulgated thereunder, including, without limitation, Regulation M, which may restrict certain activities of, and limit the timing of purchases and sales of securities by these parties and other persons participating in a distribution of securities. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and certain other activities with respect to such securities for a specified period of time prior to the commencement of such distributions subject to specified exceptions or exemptions.

Determination of Offering Price

The public offering price of the units offered by this prospectus will be determined by negotiation between us and the underwriters, based upon market conditions on the day we price the units.

The offering price stated on the cover page of this prospectus should not be considered an indication of the actual value of the units. That price is subject to change as a result of market conditions and other factors, and we cannot assure you that the units, or the common stock and warrants contained in the units, can be resold at or above the initial public offering price.

Stabilization

The rules of the SEC generally prohibit underwriters from trading in our securities on the open market during this offering. However, underwriters are allowed to engage in some open market transactions and other activities during this offering that may cause the market price of our securities to be above or below that which would otherwise prevail in the open market. These activities may include stabilization, short sales and over-allotments, syndicate covering transactions and penalty bids.

- Stabilizing transactions consist of bids or purchases made by the managing underwriter for the purpose of preventing or slowing a decline in the market price of our securities while this offering is in progress.
- A penalty bid is an arrangement permitting the managing underwriter to reclaim the selling concession that would otherwise accrue to an underwriter if the common stock originally sold by the underwriter was later repurchased by the managing underwriter and therefore was not effectively sold to the public by such underwriter.

If underwriters commence these activities, they may discontinue them at any time without notice.

State Securities (“Blue Sky”) and Foreign Securities Laws

In order to comply with certain blue sky and foreign securities laws, if applicable, our shares will be sold in such jurisdictions only through brokers or dealers that are registered or licensed in the applicable jurisdiction. In addition, in certain states and foreign countries our shares may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is satisfied.

General

In connection with this offering, the underwriters may distribute prospectuses electronically. No forms of prospectus other than printed prospectuses and electronically distributed prospectuses that are printable in Adobe PDF format will be used in connection with this offering.

LEGAL MATTERS

The validity of the shares to be offered by this prospectus will be passed upon for us by Lowenstein Sandler PC, Roseland, New Jersey. Certain legal matters relating to our common stock will be passed on for the Underwriter by Schonfeld & Weinstein, L.L.P.

EXPERTS

Our consolidated financial statements as of December 31, 2006 and for the three year period then ended included in this prospectus, have been so included in reliance on the report of Holtz Rubenstein Reminick LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form SB-2 under the Securities Act to register the shares of common stock offered hereby. The term registration statement means the original registration statement and any and all amendments thereto, including the schedules and exhibits to the original registration statement and any amendments. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to NeoStem, Inc. and the common stock offered hereby, reference is made to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

We are subject to the informational requirements of the Exchange Act and, accordingly, file reports, proxy statements and other information with the SEC. These reports, proxy statements, a copy of the registration statement discussed above, and other information filed with the SEC are available for inspection and copying at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a site on the World Wide Web at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

NeoStem, Inc. and Subsidiary

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
NeoStem, Inc. and Subsidiary (Formerly Phase III Medical, Inc,)

We have audited the accompanying consolidated balance sheets of NeoStem, Inc. and Subsidiary as of December 31, 2006 and 2005 and the related consolidated statements of operations, stockholders' equity/(deficit) and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NeoStem, Inc. and Subsidiary as of December 31, 2006 and 2005 and the results of their operations and cash flows for each of the years in the three year period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard No. 123 (R), "Share-Based Payment" effective January 1, 2006.

/s/ HOLTZ RUBENSTEIN REMINICK LLP
Melville, New York
March 27, 2007, except for the Stock Split Disclosure in Note 1, as to which the date is July 9, 2007

NEOSTEM, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 436,659	$ 488,872
Accounts receivable	9,050	—
Prepaid expenses and other current assets	82,451	18,447
Total current assets	528,160	507,319
Property and equipment, net	96,145	1,488
Deferred acquisition costs	—	19,121
Goodwill	558,169	
Other assets	12,500	114,753
	$ 1,194,974	$ 642,681
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Interest and dividends payable—preferred stock	$ —	$ 528,564
Accounts payable	372,348	256,976
Accrued liabilities	241,388	617,196

Unearned revenues	2,420	—
Notes payable,—related party, current	125,000	135,000
Note payable—current	1,313	48,000
Current portion of capitalized lease obligation	20,829	—
Convertible debentures—net of debt discount of $0 and $83,333, respectively	75,000	166,667
Total current liabilities	838,298	1,752,403
Unearned revenues—long term	—	26,745
Series A mandatorily redeemable convertible preferred stock	—	681,171
Note payable—related party, long term	24,439	—
Capitalized lease obligation, net of current portion	40,132	—
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity/(deficit):		
Preferred stock; authorized, 5,000,000 shares Series B convertible redeemable preferred stock, liquidation value, 10 shares of common stock per share, $.01 par value; authorized, 825,000 shares; issued and outstanding, 10,000 shares at December 31, 2006 and December 31, 2005	100	100
Common stock, $.001par value; authorized, 500,000,000 shares; issued and outstanding, 2,078,124 at December 31, 2006 and 705,440 shares at December 31, 2005	2,078	706
Additional paid-in capital	20,968,358	12,436,921
Unearned compensation	(371,666)	—
Accumulated deficit	(20,306,765)	(14,255,365)
Total stockholders' equity/(deficit)	292,105	(1,817,638)
	$ 1,194,974	$ 642,681

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

NEOSTEM, INC. AND SUBSIDIARY

Consolidated Statements of Operations

	Years ended December 31, 2006	2005	2004
Revenues	$ 45,724	$ 35,262	$ 48,561
Direct Costs	22,398	24,776	33,885
Gross Profit	23,326	10,486	14,676
Selling, general and administrative	4,714,568	1,611,398	763,640
Purchase of medical royalty stream	—	—	725,324
Operating loss	(4,691,242)	(1,600,912)	(1,474,288)
Other income (expense):			
Interest income	20,432	137	199
Interest expense—Series A mandatorily redeemable convertible preferred stock	(9,934)	(47,684)	(47,684)
Interest expense	(1,370,656)	(96,580)	(226,599)
	(1,360,158)	(144,127)	(274,084)
Net Loss	$ (6,051,400)	$ (1,745,039)	$ (1,748,372)
Basic earnings per share			
Net loss	$ (4.43)	$ (3.51)	$ (5.37)
Weighted average common shares outstanding	1,365,027	497,758	325,418

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

NEOSTEM, INC. AND SUBSIDIARY

Consolidated Statements of Stockholder Equity/(Deficit)

Series B Preferred Stock Shares	Amount	Common Stock Shares	Amount	Unearned Compensation	Additional Paid in Capital	Accumulated Deficit	Total

	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Unearned Compensation	Additional Paid in Capital	Accumulated Deficit	Total
Balance at December 31, 2003	10,000	$ 100	26,326,460	$ 26,327	—	$ 9,232,756	$ (10,761,954)	$ (1,502,771)
Reverse Common Stock Split			(26,063,197)	(26,063)		26,063		
Issuance of common stock for cash, net of offering costs			121,329	121		1,104,879		1,105,000
Issuance of common stock upon exercise of common stock options			18,750	19		9,356		9,375
Issuance of common stock options for services						15,000		15,000
Issuance of common stock for services			1,875	2		14,248		14,250
Interest expense on loans in default						127,137		127,137
Debt discount on loan from officer						17,647		17,647
Issuance of common stock for interest			300	—		4,200		4,200
Issuance of common stock to officer for services			4,779	5		26,745		26,750
Net loss							(1,748,372)	(1,748,372)
Balance at December 31, 2004	10,000	100	410,296	411	—	10,578,031	(12,510,326)	(1,931,784)
Issuance of common stock for cash, net of offering costs			125,929	126		871,874		872,000
Issuance of common stock for conversion of debt			98,658	99		564,901		565,000
Issuance of common stock to officers and directors			60,207	60		237,226		237,286
Issuance of common stock for services			10,350	10		76,098		76,108
Equity component of issuance of convertible debt						83,333		83,333
Issuance of common stock purchase warrants for services						25,458		25,458
Net loss							(1,745,039)	(1,745,039)
Balance at December 31, 2005	10,000	100	705,440	706	—	12,436,921	(14,255,365)	(1,817,638)

NEOSTEM, INC. AND SUBSIDIARY

Consolidated Statements of Stockholder Equity/(Deficit)—Cont.

	Series B Preferred Stock		Common Stock		Unearned	Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Compensation	Capital	Deficit	Total
Issuance of common stock for cash, net of offering costs			945,382	945		3,572,123		3,573,068
Issuance of common stock for conversion of preferred stock			54,494	54		1,219,615		1,219,669
Issuance of common stock to officers and directors			40,000	40		207,960		208,000
Issuance of restricted common stock to officers and directors			90,000	90	(600,000)	599,910		—
Vesting of uneamed compensation related to restricted common stock issued to officers and directors					228,334			228,334
Issuance of common stock for services			17,618	18		112,970		112,988
Equity component of issuance of convertible debt						263,612		263,612
Issuance of common stock purchase warrants for services						75,496		75,496
Issuance of common stock for purchase of assets of NS California			40,000	40		199,960		200,000
Issuance of common stock to payoff current liabilities			66,461	66		308,396		308,462
Issuance of common stock for conversion of convertible debt			107,386	107		692,789		692,896
Issuance of common stock for extension of due dates of convertible debt			3,693	4		21,019		21,023
Issuance of common stock purchase warrants for the early conversion of convertible debt						652,130		652,130
Issuance of common stock for conversion of debt			7,650	8		44,992		45,000

Compensatory element of stock options issued to staff						560,465		560,465
Net Loss							(6,051,400)	(6,051,400)
Balance at December 31, 2006	10,000	$ 100	2,078,124	$ 2,078	$ (371,666)	$ 20,968,358	$ (20,306,765)	$ 292,105

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

NEOSTEM, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Years ended December 31,		
	2006	**2005**	**2004**
Cash flows from operating activities:	$ (6,051,400)	$ (1,745,039)	$ (1,748,372)
Net loss			
Adjustments to reconcile net loss to net cash used in operating activities:			
Common shares issued and stock options granted as payment for interest expense and for services rendered	2,280,779	338,852	187,337
Depreciation	27,623	1,958	1,777
Amortization of debt discount	212,500	5,882	11,765
Series A mandatorily redeemable convertible preferred stock dividends	9,935	47,684	47,684
Unearned revenues	(24,325)	(35,262)	(48,561)
Deferred acquisition costs	17,868	24,776	33,885
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(72,251)	2,786	(3,209)
Accounts receivable	(9,050)	—	—
Other assets	—	(111,753)	—
Accounts payable, accrued expenses and other current liabilities	(30,510)	636,120	58,041
Net cash used in operating activities	(3,638,831)	(833,996)	(1,459,653)
Cash flows from investing activities:			
Acquisition of property and equipment	(43,136)	—	(3,288)
Net cash used in investing activities	(43,136)	—	(3,288)
Cash flows from financing activities:			
Net proceeds from issuance of capital stock	3,573,068	872,000	1,114,375
Proceeds from notes payable	180,396	203,000	75,000
Repayment of notes payable	(352,898)	(30,000)	
Repayment of capitalized lease obligations	(20,813)		100,000
Proceeds from sale of convertible debentures	250,000	250,000	
Repayment of long-term debt			(9,513)
Net cash provided by financing activities	3,629,753	1,295,000	1,279,862
Net (decrease) increase in cash and cash equivalents	(52,213)	461,004	(183,079)
Cash and cash equivalents at beginning of year	488,872	27,868	210,947
Cash and cash equivalents at end of year	$ 436,659	$ 488,872	$ 27,868
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 285,096	$ 92,010	$ 106,574
Supplemental schedule of non-cash investing and financing activities			
Issuance of common stock for services rendered	$ 188,485	$ 313,394	$ 32,027
Compensatory element of stock options	$ 576,281	$ 25,458	$ 127,137
Net accrual of dividends on Series A preferred stock	$ 9,935	$ —	$ —
Issuance of common stock for assets of NS California	$ 200,000	$ —	$ —
Common stock for conversion of convertible debt	$ 425,000	$ —	$ —
Common stock issued for debt	$ 45,000	$ 565,000	$ —

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

NEOSTEM, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1—The Company

NeoStem, Inc. (“NeoStem”) was incorporated under the laws of the State of Delaware in September 1980 under the name Fidelity Medical Services, Inc. Our corporate headquarters is located at 420 Lexington Avenue, Suite 450, New York, NY 10170, our telephone number is (212) 584-4184 and our website address is www.neostem.com.

NeoStem is in the business of operating a commercial autologous (donor and recipient are the same) adult stem cell bank and are pioneering the pre-disease collection, processing and long-term storage of adult stem cells that donors can access for their own present and future medical treatment. On January 19, 2006, we consummated the acquisition of the assets of NS California, Inc., a California corporation (“NS California”) relating to NS California’s business of collecting and storing adult stem cells. Effective with the acquisition, the business of NS California became our principal business, rather than our historic business of providing capital and business guidance to companies in the healthcare and life science industries. The Company provides adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for future healthcare needs.

Prior to the NS California acquisition, the business of the Company was to provide capital and business guidance to companies in the healthcare and life science industries, in return for a percentage of revenues, royalty fees, licensing fees and other product sales of the target companies. Additionally, through June 30, 2002, the Company was a provider of extended warranties and service contracts via the Internet at warrantysuperstore.com. The Company is still engaged in the “run off” of such extended warranties and service contracts.

On August 29, 2006, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our Common Stock at a ratio of one-for-ten shares and to change our name from Phase III Medical, Inc. to NeoStem, Inc. This reverse stock split was effective as of August 31, 2006. On June 14, 2007, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio between one-for-three and one-for-ten shares in the event it was deemed necessary by the Company’s Board of Directors to be accepted onto a securities exchange. On July 9, 2007, the Board authorized the reverse stock split at a ratio of one-for-ten shares in order to satisfy the listing requirements of the American Stock Exchange, to be effective upon the initial closing of the Company’s public offering in July 2007. All shares and per share amounts in the accompanying consolidated financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock splits.

Note 2—Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of NeoStem, Inc. (a Delaware corporation) and its wholly-owned subsidiary, NeoStem Therapies, Inc. All intercompany transactions and balances have been eliminated.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents: Short-term cash investments, which have a maturity of ninety days or less when purchased, are considered cash equivalents in the consolidated statement of cash flows.

Concentrations of Credit-Risk: Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company places its cash accounts with high credit quality financial institutions, which at times may be in excess of the FDIC insurance limit.

Property and Equipment: The cost of property and equipment is depreciated over the estimated useful lives of the related assets of 3 to 5 years. The cost of computer software programs are amortized over their estimated useful lives of five years. Depreciation is computed on the straight-line method. Repairs and maintenance expenditures that do not extend original asset lives are charged to expense as incurred.

Income Taxes: The Company, in accordance with SFAS 109, “Accounting for Income Taxes”, recognizes (a) the amount of taxes payable or refundable for the current year and, (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an enterprise’s financial statement or tax returns.

Comprehensive income (loss): Refers to revenue, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders’ equity. At December 31, 2006, 2005 and 2004 there were no such adjustments required.

Goodwill: Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. The Company reviews recorded goodwill for potential impairment annually or upon the occurrence of an impairment indicator. The Company performed its annual impairment tests as of December 31, 2006 and determined no impairment exists. The Company will perform its future annual impairment as of the end of each fiscal year.

Accounting for Stock Option Compensation: In December 2004, the FASB issued SFAS No. 123(R), “Share-Based Payment” (“SFAS No. 123(R)”). SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required. The provisions of this statement are effective for the first interim or annual reporting period that begins after June 15, 2005. The Company has adopted SFAS No. l23(R) effective January 1, 2006. The Company determines value of stock options by the Black-Scholes option pricing model. The value of options issued during 2006 or that were unvested at January 1, 2006 are being recognized as an operating expense ratably on a monthly basis over the vesting period of each option.

Pro Forma Effect of Stock Options: For the years ended December 31, 2005 and 2004, the Company followed Financial Accounting Standards Board Interpretation No. 44, an interpretation of APB Opinion No. 25 and SFAS No. 123 which requires that effective July 1, 2000, all options issued to non-employees after January 12, 2000 be accounted for under the rules of SFAS No. 123.

Assuming the fair market value of the option at the date of grant $15.00 in January 2004, $14.00 in March 2004, $11.10 in May 2004, $11.00 in September and November 2004, $6.00 in February 2005, $5.00 in April and July 2005, $8.00 in September 2005 and $6.00 in December 2005, the life of the options to be from three to ten years, the expected volatility at between 15% and 200%, expected dividends are none, and the risk-free interest rate of approximately 3%, the Company would have recorded compensation expense of $116,146 and $218,597, respectively, for the years ended December 31, 2005 and 2004 as calculated by the Black-Scholes option pricing model. The weighted average fair value per option of options granted during 2005 and 2004 was $6.00 and $11.00, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

Proforma net loss and net loss per share would be as follows:

	2005	2004

Net loss as reported	$ (1,745,039)	$ (1,748,372)
Additional compensation	(116,146)	(218,597)
Adjusted net loss	$ (1,861,185)	$ (1,966,969)
Net loss per share as reported	$ (3.51)	$ (5.37)
Adjusted net loss per share	$ (3.74)	$ (6.04)

Recently Issued Accounting Pronouncements: In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No.155, Accounting for Certain Hybrid Financial Instruments—An Amendment of FASB No. 133 and 140. The purpose of SFAS statement No. 155 is to simplify the accounting for certain hybrid financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS No.155 also eliminates the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. SFAS No.155 is effective for all financial instruments acquired or issued after the beginning of any entity's first fiscal year beginning after September 15, 2006. We believe that the adoption of this standard on January 1, 2007 will not have a material effect on our consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, an Amendment of SFAS No. 140. SFAS No. 156 requires separate recognition of a servicing asset and a servicing liability each time an entity undertakes and obligation to service a financial asset by entering into a servicing contract. This statement also requires that servicing assets and liabilities be initially recorded at fair value and subsequently adjusted to the fair value at the end of each reporting period. This statement is effective in fiscal years beginning after September 15, 2006. We believe that the adoption of this standard on January 1, 2007 will not have a material effect on our consolidated financial statements.

In July 2006, the FASB interpretation ("FIN") No. 48, Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109, was issued regarding accounting for, and disclosure of, uncertain tax positions. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes," and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact this interpretation will have on its results of operations and financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 157 Fair Value Measurements. This statement defines fair value, establishes a fair value hierarchy to be used in generally accepted accounting principles and expands disclosures about fair value measurements. Although this statement does not require any new fair value measurements, the application could change current practice. The statement is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement to its financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158 Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an Amendment of FASB Statements No. 87, 88, 106, and 132(R). This statement requires a company to recognize the funded status of a benefit plan as an asset or a liability in its statement of financial position. In addition, a company is required to measure plan assets and benefit obligations as of the date of its fiscal year-end statement of financial position. The recognition

provision of this statement, along with additional disclosure requirements, is effective for fiscal years ending after December 15, 2006, while the measurement date provision is effective for fiscal years ending after December 15, 2008. The Company does not currently have a deferred benefit pension or other post retirement plan.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both a balance sheet and an income statement approach and evaluate whether either approach results in quantifying a misstatement that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for the Company's fiscal year ending December 31, 2006. The Company has evaluated the effect of SAB 108 and determined that it did not have a material impact on our consolidated financial statements.

Earnings Per Share: Basic (loss)/earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net (loss)/income available to common stockholders by the weighted average shares outstanding during the period. Diluted (loss)/earnings per share, which is calculated by dividing net (loss)/income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented as it is anti-dilutive in all periods presented.

Advertising Policy: All expenditures for advertising is charged against operations as incurred.

Revenue Recognition: The Company has initiated the collection and banking of autologous adult stem cells in the fourth quarter of 2006. The company recognizes revenue related to the collection and cryopreservation autologous adult stem cells when the cryopreservation process is completed which is generally twenty four hours after cells have been collected. Revenue related to advance payments of storage fees is recognized rateably over the period covered by the advanced payments. The Company also earns revenue, in the form of start up fees, from physicians seeking to establish autologous adult stem cell collection centers. These fees are in consideration of the Company establishing a service territory for the physician. Starts up fees are recognized once the agreement has been signed and the physician has been qualified by the Company's credentialling committee.

Warranty and service contract reinsurance premiums are recognized on a pro rata basis over the policy term. The deferred policy acquisition costs are the net cost of acquiring new and renewal insurance contracts. These costs are charged to expense in proportion to net premium revenue recognized. The provisions for losses and loss-adjustment expenses include an amount determined from loss reports on individual cases and an amount based on past experience for losses incurred but not reported. Such liabilities are necessarily based on estimates, and while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

The Company had sold, via the Internet, through partnerships and directly to consumers, extended warranty service contracts for seven major consumer products. The Company recognizes revenue ratably over the length of the contract. The Company purchased insurance to fully cover any losses under the service contracts from a domestic carrier. The insurance premium and other costs related to the sale are amortized over the life of the contract.

Purchase of Royalty Interests: The Company charges payments for the purchase of future potential royalty interests to expense as paid and will record revenues when royalty payments are received.

Note 3—Acquisition of NS California

On January 19, 2006, the Company consummated the acquisition of the assets of NS California, Inc. ("NS California") relating to NS California's business of collecting and storing adult stem cells, issuing 40,000 shares of the Company's common stock with a value of $200,000. In addition, the Company assumed certain liabilities of NS California's which totaled $476,972. The underlying physical assets acquired from NS California were valued at $109,123 resulting in the recognition of goodwill in the amount of $558,169. Upon completion of the acquisition the operations of NS California were assumed by the Company and have been reflected in the Statement of Operations since January 19, 2006. Effective with the acquisition, the business of NS California became the principal business of the Company. The Company now intends to provide adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for future healthcare needs. Presented below is the proforma information as if the acquisition had occurred at the beginning of the years ended December 31, 2006 and 2005, respectively.

	Year Ended December 31, 2006	2005
Revenue	$ 45,724	$ 35,712
Net Income	$ (6,078,976)	$ (3,113,828)
Net Income per share	$ (4.45)	$ (6.26)

Note 4—Accrued Liabilities

Accrued liabilities are as follows:

	December 31, 2006	2005
Professional fees	$ 148,255	$ 173,649
Interest on notes payable	1,919	4,268
Salaries and related taxes	31,003	424,950
Other	60,211	14,329
	$ 241,388	$ 617,196

Note 5—Notes Payable

On March 17, 2003, the Company commenced a private placement offering to raise up to $250,000 in 6-month promissory notes in increments of $5,000 bearing interest at 15% per annum. Only selected investors which qualify as "accredited investors" as defined in Rule 501(a) under the Securities Act of 1933, as amended, were eligible to purchase these promissory notes. The Company raised the full $250,000 through the sale of such promissory notes, resulting in net proceeds to the Company of $225,000, net of offering costs. The notes contain a default provision which raises the interest rate to 20% if the notes are not paid when due. The Company issued $250,000 of these notes. During 2006, $90,000 had been converted into 15,300 shares of the Company's Common Stock and $160,000 has been repaid.

In August 2004, the Company sold 30 day 20% notes in the amount of $55,000 to two accredited investors to fund current operations. As of December 31, 2006 $30,000 of these notes has been paid and $25,000 converted into 4,250 shares of the Company's Common Stock. All interest payments have been paid timely.

In December 2004, the Company sold four notes to four accredited investors totaling $100,000 with interest rates that range from 8% to 20%. As of December 31, 2006, $15,000 has been repaid and $85,000 converted into 14,450 shares of the Company's Common Stock.

In March 2005, the Company sold a 30 day 8% note in the amount of $17,000, in August 2005, an 8% note in the amount of $10,000 and in September 2005, two 8% notes in the amounts of $6,000 and $15,000

to its President and then CEO, totaling $48,000 and were all due on demand. In January 2006, all notes were repaid. The interest on these notes was made timely.

On December 30, 2005, the Company sold $250,000 of convertible nine month Promissory Notes which bear 9% simple interest with net proceeds to the Company of $220,000. These convertible notes were sold in connection with a subscription agreement between the Company and Westpark Capital, Inc. ("Westpark"). (The convertible notes and warrants sold in December, 2005 and January, 2006 in the transaction in which Westpark Capital, Inc. acted as the placement agent is sometimes referred to here in as the "Westpark Private Placement") The Company recorded a debt discount associated with the conversion feature in the amount of $83,333, which was charged to interest expense during the year ended December 31, 2006. The debt discount recorded of $83,333 does not change the amount of cash required to payoff the principal value of these Promissory Notes, at any time during the term, which is $250,000. As part of the Westpark Private Placement, these Promissory Notes have 4,167 detachable warrants for each $25,000 of debt, which entitle the holder to purchase one share of the Company's Common Stock at a price of $12.00 per share. The warrants are exercisable for a period of three years from the date of the Promissory Note. The Promissory Notes convert to the Company's Common Stock at $6.00 per share. The Promissory Notes are convertible at anytime into shares of Common Stock at the option of the Company subsequent to the shares underlying the Promissory Notes and the shares underlying the warrants registration if the closing price of the Common Stock has been at least $18.00 for a period of at least 10 consecutive days prior to the date on which notice of conversion is sent by the Company to the holders of the Promissory Notes. Pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible notes and the warrants sold in the WestPark Private Placement. This registration statement was not made effective by July 31, 2006 and certain additional rights have accrued to the Convertible Promissory Noteholders (see below for a detailed description of these additional rights). In 2005, the Company recorded an expense of $2,573 associated with the warrants as their fair value using the Black Scholes method.

In January 2006, the Company sold an additional $250,000 of convertible nine month Promissory Notes which bear 9% simple interest with net proceeds to the Company of $223,880 as part of the Westpark Private Placement. The Company recorded a debt discount associated with the conversion feature in the amount of $129,167. For the year ended December 31, 2006, the Company charged $127,932 of the debt discount to interest expense. The debt discount recorded of $129,167 does not change the amount of cash required to payoff the principal value of these Promissory Notes, at any time during the term, which is $250,000. These Promissory Notes also have 4,167 detachable warrants for each $25,000 of debt, which entitle the holder to purchase one share of the Company's Common Stock at a price of $12.00 per share. The warrants are exercisable for a period of three years from the date of the Promissory Note. The Promissory Notes convert to the Company's Common Stock at $6.00 per share. The Promissory Notes are convertible at anytime into shares of Common Stock at the option of the Company subsequent to the shares underlying the Promissory Notes and the shares underlying the warrants registration if the closing price of the Common Stock has been at least $18.00 for a period of at least 10 consecutive days prior to the date on which notice of conversion is sent by the Company to the holders of the Promissory Notes. Pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible notes and the warrants sold in the WestPark Private Placement. This registration statement was not made effective by July 31, 2006 and as a result certain additional rights accrued to the Convertible Promissory Noteholders (see below for a detailed description of these additional rights). For the year ended December 31, 2006, the Company recorded as interest expense $263,612 associated with the warrants as their fair value using the Black Scholes method.

As mentioned previously, pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible promissory notes and the warrants sold in the WestPark Private Placement. In the event the Company did not do so, (i) the conversion price of the convertible promissory notes was reduced by 5% each month, subject to a floor of $4.00; (ii) the exercise price of the warrants was reduced by 5% each month, subject to a floor of $10.00 and (iii) the warrants could be exercised pursuant to a cashless exercise provision. The Company did not have the registration statement effective by July 31, 2006 and requested that the investors in the WestPark Private Placement extend the date by which the registration statement is required to be effective until February 28, 2007. In August, 2006 the Company filed with the SEC a registration statement registering the resale by the investors of the WestPark Private Placement of the shares of Common Stock underlying the convertible promissory notes and the warrants sold in the WestPark Private Placement which was made effective in November, 2006.

In an effort to improve the financial position of the Company, in July 2006, noteholders were offered the option of (A) extending the term of the convertible note for an additional four months from the maturity date in consideration for which (i) the Company shall issue to the investor for each $25,000 in principal amount of the convertible note 568 shares of unregistered Common Stock; and (ii) the exercise price per warrant shall be reduced from $12.00 to $8.00, or (B) converting the convertible note into shares of the Company's Common Stock in consideration for which (i) the conversion price per conversion share shall be reduced to $4.40; (ii) the Company shall issue to the investor for each $25,000 in principal amount of the Note, 1,136 shares of Common Stock; (iii) the exercise price per warrant shall be reduced from $12.00 to $8.00; and (iv) a new warrant shall be issued substantially on the same terms as the original Warrant to purchase an additional 4,167 shares of Common Stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor was also asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement. This offer was terminated on August 31, 2006. By August 31, 2006 investors owning $237,500 of the $500,000 of convertible promissory notes had agreed to convert the convertible note into shares of the Company's Common Stock for consideration described above and investors holding $162,500 of the $500,000 of convertible promissory notes had agreed to extend the term of the convertible note for an additional four months from the maturity date for consideration described above.

In September 2006, a new offer was extended to the remaining noteholders to convert the convertible note into shares of the Company's Common Stock in consideration for which (i) the conversion price per conversion share shall be reduced to $4.40; (ii) the exercise price per warrant shall be reduced from $12.00 to $8.00 and (iii) a new warrant shall be issued substantially on the same terms as the original Warrant to purchase an additional 4,167 shares of Common Stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor is also being asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement.

By December 31, 2006, investors owning $425,000 convertible promissory notes agreed to convert the convertible note into shares of the Company's Common Stock for consideration described above. The Company issued 107,386 shares of Common Stock with a fair value of $692,896. In addition, the Company issued 60,417 warrants with a fair value of $472,741 for Security holders that agreed to an early conversion of their convertible promissory notes. The Company also issued 3,693 shares of Common Stock as consideration for extending the term of the convertible notes, totaling $162,500, for an additional four months with a fair value of $21,023. The fair value of this Common Stock has been accounted for as interest expense. Amounts in excess of the face value of the convertible promissory notes and the fair value of the warrants issued as the result of early conversion have been accounted for as interest expense.

In connection with the NS California acquisition, the Company assumed a 6% note due to Tom Hirose, a former officer of NS California in the amount of $15,812. As of December 31, 2006, $1,313 remains unpaid. Final payment will be made in 2007.

On May 17, 2006, the Company sold an 8% promissory note in the amount of $20,000 due on demand to Robin Smith, the Company's then Chairman of the Advisory Board. This promissory note was paid off on June 2, 2006.

A summary of notes payable and convertible debentures is as follows:

	January 1, 2006	Proceeds	Repayments/ Conversions	Less: Debt Discounts	December 31, 2006
March 2003 Notes	$ 80,000	$ —	$ (80,000)	$ —	$ —
2004 Notes	55,000		(55,000)		—
2005 Notes	48,000	—	(48,000)		—
Note with Related Party		20,000	(20,000)		
Convertible Debentures	166,667	250,000	(212,500)	(129,167)	75,000
Total	$ 349,667	$ 270,000	$ (415,500)	$ (129,167)	$ 75,000

Note 6—Series A Mandatorily Redeemable Convertible Preferred Stock

The following summarizes the terms of Series A Preferred Stock as more fully set forth in the Certificate of Designation. The Series A Preferred Stock has a liquidation value of $1 per share, is non-voting and convertible into common stock of the Company at a price of $5.20 per share. Holders of Series A Preferred Stock are entitled to receive cumulative cash dividends of $0.07 per share, per year, payable semi-annually. The Series A Preferred Stock is callable by the Company at a price of $1.05 per share, plus accrued and unpaid dividends. In addition, if the closing price of the Company's common stock exceeds $13.80 per share for a period of 20 consecutive trade days, the Series A Preferred Stock is callable by the Company at a price equal to $0.01 per share, plus accrued and unpaid dividends.

The Certificate of Designation for the Series A Preferred Stock also states that at any time after December 1, 1999 the holders of the Series A Preferred Stocks may require the Company to redeem their shares of Series A Preferred Stock (if there are funds with which the Company may do so) at a price of $1.00 per share.

Notwithstanding any of the foregoing redemption provisions, if any dividends on the Series A Preferred Stock are past due, no shares of Series A Preferred Stock may be redeemed by the Company unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed.

At December 31, 2005 and 2004, 681,174 shares of Series A Preferred Stock were outstanding, and accrued dividends on these outstanding shares were $528,564 and $480,880, respectively.

The holders of Series A Preferred Stock could convert their Series A Preferred Stock into shares of Common Stock of the Company at a price of $5.20 per share.

On March 17, 2006, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permits the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay $538,498 (or $.79 per share) in accrued dividends thereon, a total of 54,494 shares of Common Stock (eight hundredths (.08) shares of Common Stock per share of Series A Preferred Stock). Pursuant thereto, at December 31, 2006, all outstanding shares of Series A Preferred Stock were cancelled and converted into Common Stock. Therefore at December 31, 2006 and 2005, there were 0 and 681,171 shares of Series A Preferred Stock outstanding, respectively.

Note 7—Stockholders' Equity

(a) Series B Convertible Redeemable Preferred Stock:

The total authorized shares of Series B Convertible Redeemable Preferred Stock is 825,000. The following summarizes the terms of the Series B Stock whose terms are more fully set forth in the Certificate of Designation. The Series B Stock carries a zero coupon and each share of the Series B Stock is convertible into ten shares of the Company's common stock. The holder of a share of the Series B Stock is entitled to ten times any dividends paid on the common stock and such stock has ten votes per share and votes as one class with the common stock.

The holder of any share of Series B Convertible Redeemable Preferred Stock has the right, at such holder's option (but not if such share is called for redemption), exercisable after December 31, 2000, to convert such share into one (1) fully paid and non-assessable share of common stock (the "Conversion Rate"). The Conversion Rate is subject to adjustment as stipulated in the Agreement.

During the year ended December 31, 2000, holders of 805,000 shares of the Series B Preferred Stock converted their shares into 805,000 shares of the Company's common stock.

At December 31, 2006 and 2005, 10,000 Series B Preferred Shares were issued and outstanding.

(b) Common Stock:

At the July 2005 annual meeting, the stockholders approved an amendment increasing the authorized common stock to 500 million shares from 250 million shares.

In February 2005, the $100,000 convertible note sold to the Company's former COO was converted into 19,608 shares of the Company's common stock.

For the twelve months ended December 31, 2005, the Company issued 1,750 shares of its common stock to its investor relations firms for services. The fair value of these shares was $10,208, which was charged to operations.

For the twelve months ended December 31, 2005, the Company issued 30,807 shares of its common stock to its officers, directors and employees for services in lieu of salary. The fair value of these shares was $119,686, which was charged to operations.

In 2005, the Company issued 125,928 shares of its common stock to accredited investors resulting in net proceeds to the Company of $872,000.

In July 2005, the Company granted 30,000 shares of its common stock to its President and CEO. These shares vest 10,000 immediately and 10,000 on each of the next two anniversary dates. On June 2, 2006 the Company accelerated the vesting dates of this stock grant pursuant to a letter agreement outlined in Note 11 of these financial statements. The fair value of these shares was $120,000, which was charged to expense.

In September 2005, the Company granted 5,000 shares of its common stock to an Advisory Board member. The fair value of these shares was $40,000 which was charged to expense.

In October 2005, the Company issued 500 shares to the Hospital for Joint Diseases in exchange for advertising in an event journal. The fair value of these shares was $3,500, which was charged to expense.

On November 30, 2005, $445,000 of debt was converted into the Company's common stock at .17 shares for each one dollar of debt resulting in 75,650 shares being issued. On December 30, 2005, an additional $20,000 of debt was converted into 3,400 shares of the Company's common stock.

On December 30, 2005, the Company issued 2,500 shares of its common stock to WestPark Capital, Inc. as additional compensation for the sale of the convertible debentures. The fair value of these shares was $20,000, which was charged to expense.

In January 2006, the Company issued 7,650 shares of its common stock in exchange for $45,000 of notes payable. In addition, the Company issued 2,500 shares of its Common Stock to Westpark as additional compensation for its role as placement agent in the Westpark Private Placement. The fair value of these shares was $22,750 which was charged to expense.

In January 2006, in connection with the acquisition of certain assets of NS California, the Company issued 20,000 shares of its common stock to NS California. An additional 20,000 shares of the Company's Common stock are being held in escrow pending any potential claims that may be made in connection with the NS California transaction to be released one year from the closing less any shares reclaimed due to amounts paid in cash in lieu of stock. The Company issued 10,000 additional shares of its common stock in escrow pending the approval of the license for the laboratory used for the collection of stem cells. The agreement calls for 167 shares to be forfeited each day the license is not obtained past February 15, 2006, with a maximum of 10,000 shares of common stock subject to forfeiture. The license was obtained in May, 2006 and therefore the Company has notified NS California of the requirement that the 10,000 shares be forfeited to the Company. Subsequent to the closing of the NS California transaction, the Company issued 20,122 shares of its Common stock in payment of certain obligations assumed by the Company.

In certain cases, the Company issued shares with a fair market value on the date of issuance of $98,600 which was greater than the debt being paid and therefore recorded additional expense of $28,344.

In March 2006, the Company sold 6,023 shares of its common stock to five accredited investors at a per share price of $4.40 resulting in net proceeds to the Company of $26,500.

In April and May 2006 the Company sold 35,132 shares of its common stock to eleven accredited investors at a per share price of $4.40 resulting in net proceeds to the Company of $154,600.

In May 2006, the Company entered into an advisory agreement with Duncan Capital Group LLC ("Duncan"). Pursuant to the advisory agreement, Duncan is providing to the Company on a non-exclusive "best efforts" basis, services as a financial consultant in connection with any equity or debt financing, merger, acquisition as well as with other financial matters. In return for these services, the Company is paying to Duncan a monthly retainer fee of $7,500, 50% of which may be paid by the Company in shares of its Common stock valued at fair market value and reimbursing it for its reasonable out-of-pocket expenses in an amount not to exceed $12,000. Pursuant to the advisory agreement, Duncan also agreed, subject to certain conditions, that it or one of its affiliated entities would act as lead investor in a proposed private placement (the "Duncan Private Placement") of shares of common stock and warrants to purchase shares of common stock in an amount that is not less than $2,000,000 or greater than $3,000,000. In consideration for such role, Duncan received a fee of $200,000 in cash and 24,000 shares of restricted common stock. On June 2, 2006 , pursuant to the Duncan Private Placement, the Company sold 472,500 shares of its common stock to seventeen accredited investors at a per share price of $4.40 resulting in gross proceeds of $2,079,000. In connection with this transaction, the Company issued 236,250 common stock purchase warrants to these seventeen investors. These common stock purchase warrants have a term of 5 years and exercise price of $8.00 per share. From the proceeds of sale of Common stock a fee of $200,000 was paid to Duncan and 24,000 Common stock shares were issued to Duncan. In addition, Dr. Robin Smith was paid $100,000 and 10,000 common stock shares were issued to her in connection with an Advisory Agreement dated September 14, 2005 as amended by the Supplement to Advisory Agreement dated January 18, 2006 and Dr. Smith's employment agreement with the Company dated June 2, 2006.

On June 2, 2006 certain employees and members of senior management agreed to take common stock as the net pay on $278,653 of unpaid salary that dated back to 2005. This resulted in the issuances of 37,998 shares of common stock, valued at $167,192, or $4.40 per share, the balance of the unpaid salary was used to pay the withholding taxes which are associated with those earnings.

On June 2, 2006 Dr. Robin Smith was appointed Chairman and CEO of the Company. In connection with Dr. Smith's appointment 20,000 shares of common stock were issued to Dr. Smith valued at $88,000 which was reflected as compensation expense in the year ended December 31, 2006. In addition, Dr. Smith was granted common stock options to purchase 54,000 shares of the Company's common stock, which 30,000 option shares vested immediately, 12,000 option shares vest on the first anniversary of the effective date and 12,000 option shares vest on the second anniversary of the effective date. The exercise price of the options are (i) $5.30 as to the first 10,000 option shares, (ii) $8.00 as to the second 10,000 option shares, (iii) $10.00 as to the third 10,000 option shares, (iv) $16.00 as to the next 12,000 option shares, and (v) $25.00 as to the balance.

In July and August 2006, the Company sold an aggregate of 397,727 shares of common stock to 34 accredited investors at a per share price of $4.40 resulting in gross proceeds to the company of $1,750,000. In connection with this transaction, the Company issued 198,864 common stock purchase warrants with a term of five years and per share exercise price of $8.00.

In July and August 2006, the Company issued an aggregate of 8,341 shares of common stock in conversion of an aggregate of $40,657 in accounts payable owed to certain vendors. The per share conversion price ranged from $4.40 to $5.60.

In August 2006, the Company issued 4,167 shares of common stock to a service provider in payment for services rendered equal to $25,000, at a per share price of $6.00.

In August 2006, the Company issued 5,871 shares of common stock to service providers in payment for services rendered equal to $33,949. The per share price ranged from $5.30 to $6.00.

In July and August 2006, in connection with the offer to noteholders for early conversion of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 53,977 shares of common stock at a per share price of $5.10 and 10,795 shares of common stock as consideration for early conversion of such notes with a per share price of $5.10.

In July 2006, in connection with the offer to noteholders for the extension of due dates of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 3,693 shares of common stock with a per share price of $5.70.

In September 2006, in connection with the offer to noteholders for early conversion of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 28,409 shares of common stock with a per share price of $8.20.

In October 2006, in connection with the offer to noteholders for early conversion of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 14,204 shares of common stock with a per share price of $9.10.

On October 1, 2006, the Company issued to its investor relations consultant 3,400 shares of common stock pursuant to the terms of a Consulting Agreement entered into as of October 1, 2006.

In November 2006, the Company issued restricted stock grants, under the 2003 Equity Participation Plan, to two members of the Board of Directors, totaling 60,000 shares of restricted common stock with a per share price of $7.00. These shares vest as follows: one-third vesting upon grant and one-third on the first and second anniversaries of the grant dates. At December 31, 2006 the Company has recognized $163,334 as director fees and the remaining $256,666 of unearned value will be recognized ratably over the remaining vesting periods.

In December 2006, the Company issued 1,042 shares to a service provider in payment for services rendered equal to $6,250, at a per share price of $6.00.

In December 2006, the Company issued a restricted stock grant, under the 2003 Equity Participation Plan, to an officer, totaling 30,000 shares of restricted common stock with a per share price of $6.00. These shares vest as follows: 10,000 shares vesting upon grant and the remainder upon the company achieving certain milestones. At December 31, 2006 the Company has recognized $65,000 as compensation expense and the remaining $115,000 of unearned value will be recognized ratably over the remaining vesting periods.

In December 2006, the Company issued stock grants, under the 2003 Equity Participation Plan, to three members of management, totaling 20,000 shares of Common stock with a per share price of $6.00. At December 31, 2006 the Company recognized $120,000 as compensation expense.

(c) Warrants:

The Company has issued common stock purchase warrants from time to time to investors in private placements, certain vendors, underwriters, and directors and officers of the Company. A total of 622,139 shares of common stock are reserved for issuance upon exercise of outstanding warrants as of December 31, 2006 at prices ranging from $5.00 to $12.00 and expiring through June 2011.

In connection with the September 2003 equity private placement, the Company issued a 5 year warrant to purchase 2,825 shares of its common stock at an exercise price of $12.00 per share to its retained placement agent, Robert M. Cohen & Company. The warrant contains piggyback registration rights.

From August 2004 through January 20, 2005, the Company issued three year warrants to purchase a total of 1,500 shares of its Common stock at $5.00 per share to Consulting For Strategic Growth, Ltd., the Company's investor relations firm.

On September 14, 2005, the Company issued 2,400 Common stock purchase warrants to its then Chairman of its Advisory Board, Dr. Robin Smith. These warrants were scheduled to vest at the rate of 200 per month beginning with September 14, 2005. The vesting of these warrants was accelerated so that they became immediately vested on June 2, 2006 pursuant to Dr. Smith's employment agreement. Each warrant entitles the holder to purchase one share of the Company's common stock at a price of $8.00 per share. The warrant expires three years from issuance.

In December 2005 and January 2006, the Company issued an aggregate of 91,668 Common stock purchase warrants to the investors and placement agent. Each warrant entitles the holder to purchase one share of common stock at a price of $12.00 per share for a period of three years.

In March 2006, the Company issued 1,200 Common stock purchase warrants to Healthways Communications, Inc., the Company's marketing consultants. These warrants vest 200 per month beginning March 2006 and entitle the holder to purchase one share of common stock at a price of $10.00 per share for a period of three years. In 2006, the Healthways Communications, Inc. agreement was terminated and 400 common stock purchase warrants issued to Healthways Communications, Inc. were cancelled.

On June 2, 2006, pursuant to the Duncan Private Placement, the Company sold 472,500 shares of its common stock to seventeen accredited investors at a per share price of $4.40 resulting in gross proceeds of $2,079,000, In connection with this transaction the company issued 236,250 common stock purchase warrants to these seventeen investors. These common stock purchase warrants have a term

of 5 years and exercise price of $8.00 per share. The Company's warrants provide for certain registration rights and certain penalties if such registration is not achieved within 150 days of the initial closing of the Duncan Private Placement. In August 2006, the Company filed with the SEC a registration statement registering the resale by the investors of the Duncan Private Placement of the shares of common stock underlying the warrants sold in the Duncan Private Placement.

In July and August 2006, the Company sold an aggregate of 397,727 shares of common stock to 34 accredited investors at a per share price of $4.40 resulting in gross proceeds to the Company of $1,750,000. In connection with this transaction, the Company issued 198,864 common stock purchase warrants with a term of five years and per share exercise price of $8.00.

In July and August 2006, in connection with the offer to noteholders for early conversion of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 39,583 warrants. These common stock purchase warrants have a term of 5 years and exercise price of $8.00 per share.

In August 2006, the Company issued warrants to purchase an aggregate of 17,000 shares of common stock at $8.00 per share to four persons under advisory agreements. Such warrants are each exercisable for five years from the date of issue.

In September, 2006, in connection with the offer to noteholders for early conversion of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 20,833 warrants. These common stock purchase warrants have a term of 5 years and exercise price of $8.00 per share.

In October 2006, in connection with the offer to noteholders for early conversion of the Convertible Promissory Notes of the WestPark Private Placement, the Company issued 10,417 warrants. These common stock purchase warrants have a term of 5 years and exercise price of $8.00 per share.

(d) Options:

The Company's Equity Participation Plan (the "Plan") permits the grant of share options and shares to its employees, Directors, consultants and advisors for up to 50,000,000 shares of common stock as stock compensation. All stock options under the Equity Participation Plan are generally granted at the fair market value of the common stock at the grant date. Employee stock options vest ratably over a period determined at time of grant and generally expire 10 years from the grant date.

Effective January 1, 2006, the Company's Plan is accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. FAS 123 (R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC")

Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

Prior to January 1, 2006, the Company accounted for similar transactions in accordance with APB No. 25 which employed the intrinsic value method of measuring compensation cost. Accordingly, compensation expense was not recognized for fixed stock options if the exercise price of the option equaled or exceeded the fair value of the underlying stock at the grant date.

While FAS No. 123 encouraged recognition of the fair value of all stock-based awards on the date of grant as expense over the vesting period, companies were permitted to continue to apply the intrinsic value-based method of accounting prescribed by APB No. 25 and disclose certain pro-forma amounts as if the fair value approach of SFAS No. 123 had been applied. In December 2002, FAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of SFAS No. 123, was issued, which, in addition to providing alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation, required more prominent pro-forma disclosures in both the annual and interim financial statements. The Company complied with these disclosure requirements for all applicable periods prior to January 1, 2006.

In adopting FAS 123(R), the Company applied the modified prospective approach to transition. Under the modified prospective approach, the provisions of FAS 123 (R) are to be applied to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The compensation cost for that portion of awards shall be based on the grant-date fair value of those awards as calculated for either recognition or pro-forma disclosures under FAS 123.

As a result of the adoption of FAS 123 (R), the Company's results for the twelve month period ended December 31, 2006 include share-based compensation expense totaling $560,465. Such amounts have been included in the consolidated statements of operations within general and administrative expenses. Stock compensation expense recorded under APB No. 25 in the consolidated statements of operations for the year ended December 31, 2005 and 2004 totaled $0.

Stock option compensation expense in 2006 is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for entire portion of the award.

The weighted average estimated fair value of stock options granted in the year ended December 31, 2006 was $6.30. The weighted average estimated fair value of stock options granted in year ended December 31, 2005 was $5.00. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. During 2006, the Company took into consideration the guidance under SFAS 123(R) and SAB No. 107 when reviewing and updating assumptions. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously such assumptions were determined based on historical data.

The range of assumptions made in calculating the fair values of options are as follows:

	Year Ended December 31, 2006	Year Ended December 31, 2005
Expected term (in years)	10	10
Expected volatility	168% - 205%	200%
Expected dividend yield	0%	0%
Risk-free interest rate	5.00%	4.50%

Stock option activity under the 2003 Equity Participation Plan is as follows:

	Number of Shares(1)	Range of Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Average Intrinsic Value
Balance at December 31, 2003	37,000	$ 3.00 - $18.00	$ 5.00		
Granted	29,850	10.00 - 15.00	$ 13.00		
Exercised	—	—	—		
Expired	—	—	—		
Cancelled	—	—	—		
Balance at December 31, 2004	66,850	3.00 - 18.00	$ 8.00		
Granted	112,000	5.00 - 10.00	$ 6.00		
Exercised	—	—	—		
Expired	—	—	—		
Cancelled	—	—	—		
Balance at December 31, 2005	178,850	3.00 - 18.00	$ 7.00		
Granted	270,750	4.40 - 25.00	$ 7.60		
Exercised	—	—	—		
Expired	—	—	—		
Cancelled	(5,000)	—	$ 6.00		
Balance at December 31, 2006	444,600	$ 3.00 - $25.00	$ 7.30	8.99	$ 643,410
Vested and Exercisable at December 31, 2006	233,017		$ 6.90	8.32	$ 354,452

(1)—All options are exercisable for a period of ten years.
Options exercisable at December 31, 2004 - 61,850 at a weighted average exercise price of $7.00
Options exercisable at December 31, 2005 - 120,850 at a weighted average exercise price of $7.00
Options exercisable at December 31, 2006 - 233,017 at a weighted average exercise price of $6.90

Exercise Price	Number Outstanding December 31, 2006	Weighted Average Remaining Contractual Life (years)	Number Exercisable December 31, 2006
$3.00 to $7.40	347,500	9.05	173,917
$7.40 to $11.80	56,000	9.03	42,000
$11.80 to $16.20	26,100	8.16	14,100
$16.20 to $20.60	3,000	6.70	3,000
$20.60 to $25.00	12,000	9.43	—
	444,600		233,017

Options are usually granted at an exercise price at least equal to the fair value of the common stock at the grant date and may be granted to employees, Directors, consultants and advisors of the Company.

As of December 31, 2006, there was approximately $1,322,000 of total unrecognized compensation costs related to unvested stock option awards which are expected to vest over a weighted average life of 1.9 years.

	Options	Weighted Average Grant Date Fair Value
Non-Vested at December 31, 2005	58,000	$ 5.00
Issued	270,750	$ 6.30
Canceled	(5,000)	$ 5.00
Vested	112,167	$ 5.10
Non-Vested at December 31, 2006	211,583	$ 6.20

The total value of shares vested during the year ended December 31, 2006 was $576,000.

On June 2, 2006 the Company accelerated the vesting dates of 52,500 stock options granted to certain officers and senior staff of the Company. The Company also adopted an Executive Officer Compensation Plan, effective as of June 2, 2006, in connection with a purchase agreement for the sale of 472,500 shares of the Company's Common Stock to seventeen accredited investors, with and pursuant to the letter agreements each officer agreed to be bound by the Executive Officer Compensation Plan. In addition to the conversion of accrued salary, the letter agreements provide for a reduction by 25% in base salary for each officer and the granting of options to purchase shares of Common Stock under the Company's 2003 Equity Participation Plan which become exercisable upon the Company achieving certain revenue milestones.

In 2006, the company recorded $576,000, as the prorated compensation expense relating to 58,000 unvested stock options outstanding at 12/31/2005 and 113,250 stock options issued in 2006 (in 2006 the Company issued 270,750 stock options however 157,500 vest based on accomplishment of various business milestones, which were not accomplished by 12/31/2006, and will not be valued for compensation purposes until such milestones are accomplished).

Note 8—Income Taxes

Net deferred tax assets consisted of the following as of December 31:

	2006	2005
Deferred tax assets:		
Net operating loss carryforwards	$ 5,427,000	$ 3,807,000
Depreciation and amortization	5,000	—
Stock option compensation	191,000	87,000
Non-employee equity compensation	318,000	—
Deferred revenue	1,000	9,000
Deferred legal and other fees	30,000	—
Deferred tax assets	5,972,000	3,903,000
Deferred tax liabilities:		
Stock option compensation	(63,000)	—
Deferred tax liability	(63,000)	—
Net deferred tax assets	5,909,000	3,903,000
Net deferred tax asset valuation allowance	(5,909,000)	(3,903,000)
	$ —	$ —

The provision for income taxes is different than the amount computed using the applicable statutory federal income tax rate with the difference for each year summarized below:

	2006	2005	2004
Federal tax benefit at statutory rate	(34.0)%	(34.0)%	(34.0)%

Change in valuation allowance	34.0%	34.0%	34.0%
Provision for income taxes	0.00%	0.00%	0.00%

The Tax Reform Act of 1986 enacted a complex set of rules limiting the utilization of net operating loss carryforwards to offset future taxable income following a corporate ownership change. The Company's ability to utilize its NOL carryforwards is limited following a change in ownership in excess of fifty percentage points during any three-year period.

Upon receipt of the proceeds from the last foreign purchasers of the Company's common stock in January 2000, common stock ownership changed in excess of 50% during the three-year period then ended. At December 31, 2006, the Company had net operating loss carryforwards of approximately $15,963,000. Included in the net operating loss carryforward is approximately $2,121,000 that has been limited by the ownership change. The tax loss carryforwards expire at various dates through 2026. The Company has recorded a full valuation allowance against its net deferred tax asset because of the uncertainty that the utilization of the net operating loss and deferred revenue and fees will be realized.

Note 9—Segment Information

Until April 30, 2001, the Company operated in two segments; as a reinsuror and as a seller of extended warranty service contracts through the Internet. The reinsurance segment has been discontinued and the Company's remaining revenues are derived from the run-off of its sale of extended warranties and service contracts via the Internet. Additionally, the Company established a new business in the banking of adult autologous stem cells sector. The Company's operations are conducted entirely in the U.S. Although the Company has realized minimal revenue from the banking of adult autologous stem cells, the Company will be operating in two segments until the "run-off" is completed.

Note 10—Related Party Transactions

On January 20, 2006, Mr. Robert Aholt, Jr. tendered his resignation as Chief Operating Officer of the Company. In connection therewith, on March 31, 2006, the Company and Mr. Aholt entered into a Settlement Agreement and General Release (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company agreed to pay to Mr. Aholt the aggregate sum of $250,000 (less applicable Federal and California state and local withholdings and payroll deductions), payable, initially over a period of two years in biweekly installments of $4,807.69 commencing on April 7, 2006, except that the first payment was in the amount of $9,615.38. In July, 2006 this agreement was amended to call for semi-monthly payments of $10,417 for the remaining 21 months. In the event the Company breaches its payment obligations under the Settlement Agreement and such breach remains uncured, the full balance owed shall become due. The Company and Mr. Aholt each provided certain general releases. Mr. Aholt also agreed to continue to be bound by his obligations not to compete with the Company and to maintain the confidentiality of Company proprietary information. At December 31, 2006, $149,439 was due Mr. Aholt pursuant to the terms of the Settlement Agreement.

Note 11—Commitments and Contingencies

On May 26, 2006, the Company entered into an employment agreement with Dr. Robin L. Smith, pursuant to which Dr. Smith serves as the Chief Executive Officer of the Company. This agreement was for a period of two years, which term could be renewed for successive one-year terms unless otherwise

terminated by Dr. Smith or the Company. The effective date of Dr. Smith's employment agreement was June 2, 2006, the date of the initial closing under the securities purchase agreement for the June 2006 private placement. Under this agreement, Dr. Smith was entitled to receive a base salary of $180,000 per year, to be increased to $236,000 after the first year anniversary of the effective date of her employment agreement. If the Company raised an aggregate of $5,000,000 through equity or debt financing (with the exception of the financing under the securities purchase agreement), Dr. Smith's base salary was to be raised to $275,000. Dr. Smith was also eligible for an annual bonus determined by the Board and monthly perquisites that total approximately $2,200 per month. Pursuant to the employment agreement, Dr. Smith's advisory agreement with the Company, as supplemented, was terminated, except that (i) the vesting of the warrant to purchase 2,400 shares of Common Stock granted thereunder was accelerated so that the warrant became fully vested as of the effective date of the employment agreement, (ii) Dr. Smith received $100,000 in cash and 10,000 shares upon the initial closing under the June 2006 private placement, (iii) if an aggregate of at least $3,000,000 was raised and/or other debt or equity financings prior to August 15, 2006 (as amended, August 31, 2006), Dr. Smith was to receive an additional payment of $50,000, (iv) a final payment of $3,000 relating to services rendered in connection with Dr. Smith's advisory agreement, paid at the closing of the June 2006 private placement, and (v) all registration rights provided in the advisory agreement were to continue in effect.

As of August 30, 2006, in excess of $3,000,000 had been raised and accordingly, Dr. Smith was entitled to a payment of $50,000. Dr. Smith elected to have $30,000 of this amount distributed to certain employees of the Company, including its Chief Financial Officer and General Counsel, in recognition of their efforts on behalf of the Company and retained $20,000. Upon the effective date of the Employment Agreement, Dr. Smith was awarded 20,000 shares of Common Stock of the Company, under the Company's 2003 Equity Participation Plan, and options to purchase 54,000 shares of Common Stock, which options expire ten years from the date of grant.

On January 26, 2007, in connection with the January 2007 private placement, the Company entered into a letter agreement with Dr. Smith, pursuant to which Dr. Smith's employment agreement dated as of May 26, 2006 was amended to provide that: (a) the term of her employment would be extended to December 31, 2010; (b) upon the first closings in the January 2007 private placement, Dr. Smith's base salary would be increased to $250,000; (c) her base salary would be increased by 10% on each one year anniversary of the agreement; (d) no cash bonus would be paid to Dr. Smith for 2007; and (e) cash bonuses and stock awards under the Company's 2003 Equity Participation Plan would be fixed at the end of 2007 for 2008, in an amount to be determined. Other than as set forth therein, Dr. Smith's original employment agreement and all amendments thereto remain in full force and effect. As consideration for her agreement to substantially extend her employment term, among other agreements contained in this amendment, on January 18, 2007 Dr. Smith was also granted an option under the Company's 2003 Equity Participation Plan to purchase 55,000 shares of the Common Stock at a per share exercise price equal to $5.00 vesting as to (i) 25,000 shares upon the first closings in the January 2007 private placement; (ii) 15,000 shares on June 30, 2007; and (iii) 15,000 shares on December 31, 2007.

Per Dr. Smith's January 26, 2007 letter agreement with the Company, upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith with good reason, the Company shall pay to Dr. Smith her base salary at the time of termination for the two year period following such termination. In addition, per Dr. Smith's May 26, 2006 employment agreement, upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith for good reason, Dr. Smith is entitled to: (i) a pro-rata bonus based on the annual bonus received for the prior year; (ii) medical insurance for a one year period; and (iii) have certain options vest. Upon termination of Dr. Smith's employment by the Company for cause or by Dr. Smith without good reason, Dr. Smith is entitled to: (i) the payment of all amounts due for services rendered under the agreement up until the termination date; and (ii) have certain options vest. Upon termination for death or disability, Dr. Smith (or her estate) is entitled to: (i) the payment of all

amounts due for services rendered under the agreement until the termination date; (ii) family medical insurance for the applicable term; and (ii) have certain options vest.

Upon a change in control of the Company, per Dr. Smith's May 26, 2006 employment agreement, Dr. Smith is entitled to: (i) the payment of base salary for one year; (ii) a pro-rata bonus based on the annual bonus received for the prior year; (iii) medical insurance for a one year period; and (iv) have certain options vest.

On February 6, 2003, Mr. Weinreb was appointed President and Chief Executive Officer of the Company and the Company entered into an employment agreement with Mr. Weinreb. On June 2, 2006, Mr. Weinreb resigned as Chief Executive Officer and Chairman of the Board, but will continue as President and a director of the Company. Mr. Weinreb's original employment agreement had an initial term of three years, with automatic annual extensions unless earlier terminated by the Company or Mr. Weinreb. Under this agreement, in addition to base salary he was entitled to an annual bonus in the amount of $20,000 for the initial year in the event, and concurrently on the date, that the Company received debt and/or equity financing in the aggregate amount of at least $1,000,000 since the beginning of his service, and $20,000 for each subsequent year of the term, without condition.

On May 4, 2005, the Board voted to approve an amendment to Mr. Weinreb's employment agreement, subject to approval of the stockholders which was obtained on July 20, 2005, pursuant to which among other things Mr. Weinreb's employment agreement was amended to (a) extend the expiration date thereof from February 2006 to December 2008; (b) change Mr. Weinreb's annual base salary of $217,800 (with an increase of 10% per annum) to an annual base salary of $250,000 (with no increase per annum); (c) grant Mr. Weinreb 30,000 shares of common stock, 10,000 shares of which shall vest on each of the date of grant and the first and second anniversaries of the date of grant; (d) commencing in August 2006, increase Mr. Weinreb's annual bonus from $20,000 to $25,000; and (e) in 2006, provide for the reimbursement of all premiums in an annual aggregate amount of up to $18,000 payable by Mr. Weinreb for life and long term care insurance covering each year during the remainder of the term of his employment.

Pursuant to and as a condition of the closing of the June 2006 private placement, Mr. Weinreb entered into a letter agreement with the Company in which he agreed to convert $121,532 of accrued salary (after giving effect to employment taxes which were paid by the Company) into 16,573 shares of Common Stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement). Mr. Weinreb further agreed to a reduction in his base salary by 25% until the achievement by the Company of certain milestones. In consideration for such compensation concessions: (i) the remaining vesting of the option shares which was scheduled to vest as to 10,000 shares each on July 20, 2006 and July 20, 2007, was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement; and (ii) a restricted stock grant of 20,000 shares of Common Stock which were also scheduled to vest as to 10,000 shares on each of July 20, 2006 and July 20, 2007, was similarly accelerated.

On January 26, 2007, the Company entered into a letter agreement with Mr. Weinreb pursuant to which Mr. Weinreb's employment agreement dated as of August 12, 2005 was supplemented with new terms which provide that: (a) upon the first closings in the January 2007 private placement, Mr. Weinreb's base salary would be paid at the annual rate of $200,000 (an annual rate which is 20% lower than the amount to which he was otherwise entitled under his employment agreement); (b) he would be entitled to quarterly bonuses of $5,000 commencing March 31, 2007; (c) he would be entitled to bonuses ranging from $3,000 to $5,000 upon the Company achieving certain business milestones; and (d) any other bonuses would only be paid upon approval by the Compensation Committee of the Board of Directors. In consideration of his agreement to a reduction in base salary, and in connection with his entering into this agreement, an option to purchase 10,000 shares of Common Stock at $6.00 per share, previously granted to

Mr. Weinreb on December 5, 2006 and tied to the opening of certain collection centers, vested upon the execution of the agreement. This supplemental agreement will terminate upon the Company achieving certain revenue, financing or adult stem cell collection milestones, or at the discretion of the Compensation Committee of the Board of Directors. Other than as set forth therein, Mr. Weinreb's original employment agreement and all amendments thereto remain in full force and effect.

Pursuant to the amendments to Mr. Weinreb's employment agreement in August 2005, in the event of termination of Mr. Weinreb's employment by the Company without cause (except for certain instances of disability), Mr. Weinreb was entitled to receive a lump sum payment equal to his then base salary and automobile allowance for a period of one year, and to be reimbursed for disability insurance for Mr. Weinreb and for medical and dental insurance for Mr. Weinreb and his family for the remainder of the term (through December 31, 2008). Per Mr. Weinreb's January 26, 2007 letter agreement with the Company, in the event of termination of his employment, severance will instead be paid in equal installments over a 12 month period in accordance with the payroll policies and practices of the Company. The January 2007 agreement is in effect until the Company achieves certain adult stem cell collection, revenue or financing milestones, or until the Compensation Committee of the Board of Directors determines to terminate the agreement. Mr. Weinreb's original employment agreement provides that in the event of certain instances of disability, Mr. Weinreb is entitled to receive his base salary for three months followed by half his base salary for another three months.

On April 20, 2005, the Company entered into a letter agreement with Catherine M. Vaczy pursuant to which Ms. Vaczy served as the Company's Vice President and General Counsel. The term of this original agreement was three years. In consideration for Ms. Vaczy's services under the letter agreement, Ms. Vaczy was entitled to receive an annual salary of $155,000 during the first year of the term, a minimum annual salary of $170,500 during the second year of the term, and a minimum annual salary of $187,550 during the third year of the term. On the date of the letter agreement, Ms. Vaczy was granted an option to purchase 1,500 shares of Common Stock pursuant to the Company's 2003 Equity Participation Plan, with an exercise price equal to $10.00 per share. The option was to vest and become exercisable as to 500 shares on each of the first, second and third year anniversaries of the date of the agreement and remain exercisable as to any vested portion thereof in accordance with the terms of the Company's 2003 Equity Participation Plan and the Company's Incentive Stock Option Agreement. Pursuant to and as a condition of the closing of the June 2006 private placement, Ms. Vaczy entered into a letter agreement with the Company in which she agreed to convert $44,711 in accrued salary (after giving effect to employment taxes which were paid by the Company) into 6,097 shares of Common Stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement). Ms. Vaczy further agreed to a reduction in her base salary by 25% until the achievement by the Company of certain milestones. In consideration for such compensation concessions, the vesting of the option to purchase 8,500 shares of Common Stock was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement.

On January 26, 2007, the Company entered into another letter agreement with Ms. Vaczy pursuant to which Ms. Vaczy continues to serve as the Company's Vice President and General Counsel. This agreement supersedes Ms. Vaczy's employment agreement dated as of April 20, 2005 and all amendments thereto. Subject to the terms and conditions of the letter agreement, the term of Ms. Vaczy's employment in such capacity will continue through December 31, 2008. In consideration for her services under the letter agreement, Ms. Vaczy will be entitled to receive a minimum annual salary of $150,000 during 2007 (such amount being 20% less than the annual salary to which Ms. Vaczy would have been entitled commencing April 20, 2007 pursuant to the terms of her original employment agreement) and a minimum annual salary of $172,500 during 2008. In consideration for such salary concessions and agreement to extension of her employment term, Ms. Vaczy is also entitled to receive a cash bonus upon the occurrence

of certain milestones and shall also be eligible for additional cash bonuses in certain circumstances, in each case as may be approved by the Compensation Committee of the Board of Directors.

Ms. Vaczy is also entitled to payment of certain perquisites and/or reimbursement of certain expenses incurred by her in connection with the performance of her duties and obligations under the letter agreement, and to participate in any incentive and employee benefit plans or programs which may be offered by the Company and in all other plans in which the Company executives participate.

Pursuant to Ms. Vaczy's amended employment agreement dated January 26, 2007, in the event Ms. Vaczy's employment is terminated prior to the end of the term (December 31, 2008), for any reason, earned but unpaid cash compensation and unreimbursed expenses due as of the date of such termination will be payable in full. In addition, in the event Ms. Vaczy's employment is terminated prior to the end of the term for any reason other than by the Company with cause or Ms. Vaczy without good reason, Ms. Vaczy or her executor of her last will or the duly authorized administrator of her estate, as applicable, will be entitled to receive severance payments equal to $187,500 in the event the employment termination date is during 2007 and $215,700 in the event the employment termination date is during 2008, paid in accordance with the Company's standard payroll practices for executives. In no event will such payments exceed the remaining salary payments in the term. In the event her employment is terminated prior to the end of the term by the Company without cause or by Ms. Vaczy for good reason, all options granted by the Company will immediately vest and become exercisable in accordance with their terms.

In connection with the Company's acquisition of the assets of NS California on January 19, 2006, the Company entered into an employment agreement with Larry A. May. Mr. May is the former Chief Executive Officer of NS California. Pursuant to Mr. May's employment agreement, he is to serve as an officer of the Company reporting to the CEO for a term of three years, subject to earlier termination as provided in the agreement. In return, Mr. May was to be paid an annual salary of $165,000, payable in accordance with the Company's standard payroll practices, and was entitled to participate in the Company's benefit plans and perquisites generally available to other executives. Mr. May was granted, on his commencement date, an employee stock option under the Company's 2003 Equity Participation Plan to purchase 1,500 shares of the Company's Common Stock at a per share purchase price equal to $5.00, the closing price of the Common Stock on the commencement date, which was scheduled to vest as to 500 shares of Common Stock on the first, second and third anniversaries of the commencement date. Pursuant to and as a condition of the closing of the June 2006 private placement, Mr. May entered into a letter agreement with the Company in which he agreed to convert $12,692 in accrued salary (after giving effect to employment taxes which were paid by the Company) into 1,731 shares of Common Stock at a per share price equal to $4.40 (the price of the shares being sold in the June 2006 private placement). Mr. May further agreed to a reduction in his base salary by 25% until the achievement by the Company of certain milestones. In consideration for such compensation concessions, the vesting of the option to purchase 1,500 shares of Common Stock was accelerated such that it became fully vested as of June 2, 2006, the date of the closing of the June 2006 private placement.

On January 26, 2007, in connection with the January 2007 private placement, the Company entered into a letter agreement with Mr. May, pursuant to which Mr. May's employment agreement dated as of January 19, 2006 was supplemented with new terms to provide that: (a) upon the first closings in the January 2007 private placement, Mr. May's base salary would be paid at the annual rate of $132,000 (an annual rate which is 20% lower than the amount to which he was otherwise entitled under his original employment agreement); and (b) any bonus would only be paid upon approval by the Compensation Committee of the Board of Directors. This supplemental agreement will terminate upon the Company achieving certain revenue, financing or adult stem cell collection milestones, at the discretion of the Compensation Committee of the Board of Directors or at such time as Mr. May is no longer the Company's Chief Financial Officer. Other than as set forth therein, Mr. May's original employment agreement and all amendments thereto remain in full force and effect.

Under Mr. May's original employment agreement, upon termination of Mr. May's employment by the Company for any reason except a termination for cause, Mr. May is entitled to receive severance payments equal to one year's salary, paid according to the same timing of salary as he is then receiving. No severance payments shall be made unless and until Mr. May executes and delivers to the Company a release of all claims against the Company. No other payments are to be made, or benefits provided, except as otherwise required by law.

On August 12, 2004 ("Commencement Date") the Company and Dr. Wayne A. Marasco, then a Company Director, entered into a Letter Agreement appointing Dr. Marasco as the Company's Senior Scientific Advisor. Dr. Marasco will be responsible for assisting the Company in reviewing and evaluating business, scientific and medical opportunities, and for other discussions and meetings that may arise during the normal course of the Company conducting business. For his services, during a three year period ("Term"), Dr. Marasco shall be entitled to annual cash compensation of $84,000 with increases each year of the Term and an additional cash compensation based on a percentage of collected revenues derived from the Company's royalty or revenue sharing agreements. Although the annual cash compensation and additional cash compensation stated above shall begin to accrue as of the Commencement Date, Dr. Marasco will not be entitled to receive any such amounts until the Company raises $1,500,000 in additional equity financing after the Commencement Date. In addition, Dr. Marasco was granted an option, fully vested, to purchase 6,750 shares of the Company's common stock at an exercise price of $10.00 per share. The shares will be subject to a one year lockup as of the date of grant. The exercise period will be ten years, and the grant will otherwise be in accordance with the Company's 2003 Equity Participation Plan and Non-Qualified Stock Option Grant Agreement.

In July 2005, Dr. Marasco's letter agreement with the Company dated August 12, 2004 was amended to (a) extend the term of the letter agreement from August 2007 to August 2008; (b) provide for an annual salary of $110,000, $125,000 and $150,000 for the years ended August 2006, 2007 and 2008, payable in each such year during the term; (c) provide for a minimum annual bonus of $12,000, payable in January of each year during the term, commencing in January 2006; (d) eliminate Dr. Marasco's right under his existing letter agreement to receive 5% of all collected revenues derived from the Company's royalty or other revenue sharing agreements (which right is subject to the limitation that the amount of such additional cash compensation and Dr. Marasco's annual salary do not exceed, in the aggregate, $200,000 per year); and (e) permit Dr. Marasco to begin receiving all accrued but unpaid cash compensation under his letter agreement upon the Company's consummation of any financing, whether equity or otherwise, pursuant to which the Company raises $1,500,000.

On January 29, 2007 the Company entered into two new agreements with Dr. Marasco pursuant to which he serves as the Chairman of the Company's Scientific Advisory Board and as a Consultant. As compensation for serving as the Chairman of the Company's Scientific Advisory Board pursuant to his January 2007 Scientific Advisory Board Agreement, upon the execution of the agreement Dr. Marasco received a grant of 5,000 shares (the "Shares") of the Company's common stock, $.001 par value (the "Common Stock") which were fully vested upon grant. In addition, upon the execution of the agreement an option was issued to Dr. Marasco under the EPP to purchase 10,000 additional shares (the "Option Shares"), which option is exercisable at a per share exercise price of $6.00 per share (the fair market value of a share of Common Stock on the date of grant), and which shall vest and become exercisable as to one-half of the Option Shares on 12/31/07 and the other one-half on 12/31/08 (each, a "Vesting Date"); provided that on each Vesting Date the Dr. Marasco continues to be providing services as an Advisor on the Company's Scientific Advisory Board and shall otherwise be subject to all of the terms of the EPP. However, if Dr. Marasco is terminated without "cause" (as defined in the EPP) prior to the end of this Agreement, all options to purchase shares shall vest immediately. This Agreement provides for a three year term commencing January 29, 2007, which may be terminated earlier by either party on 60 days' prior written notice or immediately for cause.

As compensation for serving as a Consultant to the Company pursuant to his January 2007 Consulting Agreement, Dr. Marasco shall be paid an annual fee of $125,000 payable in equal monthly installments on the last day of each month during the term of the Agreement. Effective as of January 29, 2008, Dr. Marasco's annual fee shall be increased to $145,000. Dr. Marasco shall be eligible to receive a bonus of $15,000 during the year ending 12/31/07 and up to a maximum of $30,000 during the year ending 12/31/08 based upon mutually agreed upon goals such as submission of grants, academic affiliations and alliances, patents, etc. The Consulting Agreement provides for a term commencing January 29, 2007 and ending December 31, 2008, which may be terminated earlier by either party on 30 days' prior written notice; provided, that in the event such termination is by the Company without "cause" (as such term is defined in the EPP), Dr. Marasco is entitled to receive a severance payment equal to one year's fees, paid at the same level as he is then receiving and in accordance with the Company's then standard payroll practices; provided that in no event shall such payment exceed the aggregate amount of payments remaining for the term of the Agreement.

As additional compensation for his services as a Consultant, Dr. Marasco was issued a grant of 4,000 shares (the "Shares") of the common stock which were fully vested upon grant. In addition, Dr. Marasco was issued upon the execution of the agreement an option under the EPP to purchase 8,000 additional shares (the "Option Shares"), which option is exercisable at a per share exercise price of $6.00 (the fair market value of a share of Common Stock on the date of grant), and which shall vest and become exercisable as to one-half of the Option Shares on 12/31/07 and the other one-half on 12/31/08 (each, a "Vesting Date"); provided that on each Vesting Date Dr. Marasco continues to be providing services as a Consultant and shall otherwise be subject to all of the terms of the EPP, except if Dr. Marasco is terminated without "cause" (as such term is defined in the EPP), all such options shall vest immediately.

On February 21, 2003 the Company began leasing office space in Melville, New York at an original annual rental of $18,000. The lease was renewed through March 2007 with an annual rental of approximately $22,800. This lease was terminated effective October 1, 2006 which resulted in the loss of the security deposit of $3,000 tendered when the lease was originally signed. Rent expense for this office approximated $20,400, $28,900 and $24,900 for the years ended December 31, 2006, 2005 and 2004, respectively.

Effective as of July 1, 2006, the Company entered into an agreement for the use of space at 420 Lexington Avenue, New York, New York. This space is subleased from an affiliate of Duncan Capital Group LLC (a financial advisor to and investor in the Company) and DCI Master LDC (the lead investor in the Company's June 2006 private placement). Pursuant to the terms of the Agreement, the Company will pay $7,500 monthly for the space, including the use of various office services and utilities. The agreement is on a month to month basis, subject to a thirty day prior written notice requirement to terminate. The space serves as the Company's principal executive offices. On October 27, 2006, the Company amended this agreement to increase the utilized space for an additional payment of $2,000 per month. The Company believes this space should be sufficient for its needs in the short term but anticipates that we will require additional facilities as we expand. In January 2005, NS California began leasing space at Good Samaritan Hospital in Los Angeles, California at an annual rental of approximately $26,000 for use as its stem cell processing and storage facility. The lease expired on December 31, 2005, but the Company continues to occupy the space on a month-to-month basis. This space will be sufficient for the Company's needs in the short term but we anticipate that we will require additional facilities as we expand. NS California also leased office space in Agoura Hills, California on a month-to-month basis from Symbion Research International at a monthly rental of $1,687, and we plan to continue this arrangement to fill our need for office space in California. Rent for these facilities, for the twelve months ended December 31, 2006, was approximately $79,000.

On April 22, 2004, the Company entered into an agreement with an advisor in connection with its amended private placement to provide assistance in finding qualified investors. The agreement calls for the

payment of 10% of the funds raised by the Company as a direct result of introductions made by the advisor. In addition, the Company is obligated to pay a 2% non-accountable expense allowance on all funds received that are subject to the 10% payment. For the years ended December 31, 2006, 2005 and 2004, the Company paid a total of $0, $0 and $21,000, respectively, under this agreement.

On December 12, 2003, the Company signed a royalty agreement with Parallel Solutions, Inc. "(PSI") to develop a new bioshielding platform technology for the delivery of therapeutic proteins and small molecule drugs in order to extend circulating half-life to improve bioavailability and dosing regimen, while maintaining or improving pharmacologic activity. The agreement provides for PSI to pay the Company a percentage of the revenue received from the sale of certain specified products or licensing activity. The Company is providing capital and guidance to PSI to conduct a proof of concept study to improve an existing therapeutic protein with the goal of validating the bioshielding technology for further development and licensing the technology. During the year ended December 31, 2004, the Company paid $640,000 as specified in the agreement which brought the total paid since the inception of the agreement to $720,000. The agreement also calls for the Company to pay on behalf of PSI $280,000 of certain expenses relating to testing of the bioshielding concept. During the years ended December 31, 2006, 2005 and 2004, the Company paid $0, $0 and $85,324, respectively, of such expenses and does not anticipate any further activity pursuant to the PSI agreement.

Note 12—Subsequent Events

In January 2007, the Company issued 12,000 shares of Common Stock to its intellectual property acquisition consultant, vesting as to 1,000 shares per month commencing January 2007. In February 2007, the term of the Company's financial advisory agreement with Duncan Capital Group LLC was extended through December 2007, and the Company issued to Duncan 150,000 shares of Common Stock as an advisory fee payment pursuant to the terms of the agreement. In January and February 2007, the Company raised an aggregate of $2,500,000 through the private placement of 250,000 units at a price of $10.00 per unit (the "January 2007 private placement"). Each unit was comprised of two shares of the Company's Common Stock, one redeemable seven-year warrant to purchase one share of Common Stock at a purchase price of $8.00 per share and one non-redeemable seven-year warrant to purchase one share of Common Stock at a purchase price of $8.00 per share. The Company issued an aggregate of 500,000 shares of Common Stock, and warrants to purchase up to an aggregate of 500,000 shares of Common Stock at an exercise price of $8.00 per share. Emerging Growth Equities, Ltd ("EGE"), the placement agent for the January 2007 private placement, received a cash fee equal to $171,275 and is entitled to expense reimbursement not to exceed $50,000. The Company also issued to EGE redeemable seven year warrants to purchase 34,355 shares of Common Stock at a purchase price of $5.00 per share, redeemable seven-year warrants to purchase 17,127 shares of Common Stock at a purchase price of $8.00 per share and non-redeemable seven-year warrants to purchase 17,127 shares of Common Stock at a purchase price of $8.00 per share. The net proceeds of this offering was approximately $2,301,000.

In February 2007, the Company issued 30,000 shares of its Common Stock to a financial advisor in connection with a commitment for the placement of up to $3,000,000 of the Company's preferred stock.

In March 2007, the Company engaged Trilogy Capital Partners, Inc. ("Trilogy") as a marketing and investor relations consultant. The agreement is for a 12 month period, terminable by either party after six months upon 30 days' notice, at a monthly fee of $10,000 plus reimbursement of certain budgeted or approved marketing expenses. Pursuant to this agreement, the Company issued to Trilogy warrants to purchase 150,000 shares of its Common Stock at a purchase price of $4.70 per share. Such warrants vest over a 12 month period at a rate of 12,500 per month, subject to acceleration in certain circumstances, and are exercisable until April 30, 2010.

NEOSTEM, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,058,898	$ 436,659
Accounts receivable	47,933	9,050
Prepaid expenses and other current assets	140,774	82,451
Total current assets	1,247,605	528,160
Property and equipment, net	97,169	96,145
Goodwill	558,169	558,169
Other assets	10,625	12,500
	$ 1,913,568	$ 1,194,974
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 196,035	$ 372,348
Accrued liabilities	85,192	241,388
Note payable, due related party—current portion	118,189	125,000
Notes payable	98,571	1,313
Unearned revenues	525	2,420
Convertible debentures	—	75,000
Capitalized lease obligations—current portion	21,890	20,829
Total current liabilities	520,402	838,298
Note payable, due related party—long-term portion	—	24,439
Capitalized lease obligations	32,583	40,132
Total Liabilities	552,985	902,869
Stockholders' Equity:		
Preferred stock; authorized, 5,000,000 shares Series B convertible redeemable preferred stock, liquidation value 10 shares of common stock per share; $0.01 par value; authorized, 825,000 shares; issued and outstanding, 10,000 shares	100	100
Common stock, $.001 par value; authorized, 500,000,000 shares; issued and outstanding, 2,646,419 shares at March 31, 2007 and 2,078,124 shares at December 31, 2006	2,646	2,078
Additional paid-in capital	23,931,977	20,968,358
Unearned compensation	(451,040)	(371,666)
Accumulated deficit	(22,123,100)	(20,306,765)
Total stockholders' equity	1,360,583	292,105
	$ 1,913,568	$ 1,194,974

See accompanying notes to consolidated financial statements

NEOSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenues	$ 55,895	$ 6,262
Direct costs	1,253	4,467
Gross profit	54,642	1,795
Selling, general and administrative	1,873,097	939,234
Operating loss	(1,818,455)	(937,439)
Other income (expense):		
Interest income	12,350	539
Interest expense	(10,230)	(192,610)
Interest expense—Series A mandatorily redeemable convertible preferred stock	—	(9,934)
Net loss	$ (1,816,335)	$ (1,139,444)
Net loss per common share	$ (.73)	$ (1.51)
Weighted average common shares outstanding	2,471,653	755,815

See accompanying notes to consolidated financial statements

NEOSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Cash flows from operating activities:		
Net loss	$ (1,816,335)	$ (1,139,444)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common shares issued and stock options granted for services rendered and interest expense	567,335	220,766
Depreciation	9,691	5,627
Amortization of debt discount	—	65,862
Series A mandatorily redeemable convertible preferred stock dividends	—	9,934
Deferred acquisition costs	1,253	4,467
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(57,700)	(144,852)
Accounts receivable	(38,883)	-
Unearned revenues	(1,895)	(6,262)
Accounts payable, accrued expenses,and other current liabilities	(363,760)	156,180
Net cash used in operating activities	(1,700,294)	(827,722)
Cash flows from investing activities:		
Acquisition property and equipment	(10,716)	—
Net cash used in investing activities	(10,716)	—
Cash flows from financing activities:		
Net proceeds from issuance of common stock	2,317,478	26,500
Proceeds from advances on notes payable	138,232	180,397
Payments of capitalized lease obligations	(6,489)	(5,980)
Proceeds from sale of convertible debentures	—	250,000
Repayments of notes payable	(115,972)	(83,000)
Net cash provided by financing activities	2,333,249	367,917
Net increase/(decrease) in cash and cash equivalents	622,239	(459,805)
Cash and cash equivalents at beginning of period	436,659	488,872
Cash and cash equivalents at end of period	$ 1,058,898	$ 29,067

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 10,230	$ 4,679
Supplemental Schedule of Non-cash Financing Activities:		
Net accrual of dividends on Series A preferred stock	—	9,934
Issuance of common stock for capital commitment	165,000	—
Issuance of restricted common stock for services	43,125	—

Issuance of common stock for services rendered	13,637	25,150
Issuance of common stock for compensation	53,910	—
Issuance of warrants for services	35,575	875
Compensatory element of stock options	205,817	52,022

See accompanying notes to consolidated financial statements.

NEOSTEM, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—The Company

NeoStem, Inc. ("NeoStem") was incorporated under the laws of the State of Delaware in September 1980 under the name Fidelity Medical Services, Inc.

NeoStem is in the business of operating a commercial autologous (donor and recipient are the same) adult stem cell bank and is pioneering the pre-disease collection, processing and long-term storage of adult stem cells that donors can access for their own present and future medical treatment. On January 19, 2006 we consummated the acquisition of the assets of NS California, Inc., a California corporation ("NS California") relating to NS California's business of collecting and storing adult stem cells. Effective with the acquisition, the business of NS California became our principal business, rather than our historic business of providing capital and business guidance to companies in the healthcare and life science industries. The Company provides adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for future healthcare needs.

Prior to the NS California acquisition, the business of the Company was to provide capital and business guidance to companies in the healthcare and life science industries, in return for a percentage of revenues, royalty fees, licensing fees and other product sales of the target companies. Additionally, through June 30, 2002, the Company was a provider of extended warranties and service contracts via the Internet at warrantysuperstore.com. From June, 2002 to March, 2007 the Company was engaged in the "run off" of such extended warranties and service contracts. As of March 31, 2007 the recognition of revenue from the sale of extended warranties and service contracts was completed.

On August 29, 2006, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our Common Stock at a ratio of one-for-ten shares and to change our name from Phase III Medical, Inc. to NeoStem, Inc. This reverse stock split was effective as of August 31, 2006. On June 14, 2007, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio between one-for-three and one-for-ten shares in the event it was deemed necessary by the Company's Board of Directors to be accepted onto a securities exchange. On July 9, 2007, the Board authorized the reverse stock split at a ratio of one-for-ten shares in order to satisfy the listing requirements of the American Stock Exchange, to be effective upon the initial closing of the Company's public offering in July 2007. All shares and per share amounts in the accompanying unaudited consolidated financial statements have been retroactively adjusted for all periods presented to give effect to the reverse stock splits.

Note 2—Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of March 31, 2007 and December 31, 2006, the results of operations for the three months ended March 31, 2007 and 2006 and the cash flows for the three months ended March 31, 2007 and 2006. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results to be expected for the full year.

The December 31, 2006 consolidated balance sheet has been derived from the audited consolidated financial statements at that date included in the Company's Annual Report on Form 10-K. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K.

Revenue Recognition: The Company initiated the collection and banking of autologous adult stem cells in the fourth quarter of 2006. The Company recognizes revenue related to the collection and cryopreservation of autologous adult stem cells when the cryopreservation process is completed which is generally twenty four hours after cells have been collected. Revenue related to advance payments of storage fees are recognized ratably over the period covered by the advanced payments. The Company also earns revenue, in the form of start up fees, from physicians seeking to establish autologous adult stem cell collection centers. These fees are in consideration of the Company establishing a service territory for the physician. Start up fees are recognized once the agreement has been signed and the physician has been qualified by the Company's accreditation committee.

The Company had sold, via the Internet, through partnerships and directly to consumers, extended warranty service contracts for seven major consumer products. The Company recognizes revenue ratably over the length of the contract. The Company purchased insurance to fully cover any losses under the service contracts from a domestic carrier. The insurance premium and other costs related to the sale are amortized over the life of the contract.

Recently Issued Accounting Pronouncements:

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 expands the scope of specific types of assets and liabilities that an entity may carry at fair value on its statement of financial position, and offers an irrevocable option to record the vast majority of financial assets and liabilities at fair value, with changes in fair value recorded in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact, if any; SFAS No. 159 will have on its financial statements.

Note 3—Acquisition of NS California

On January 19, 2006, the Company consummated the acquisition of the assets of NS California, Inc. (“NS California”) relating to NS California ‘s business of collecting and storing adult stem cells, issuing 40,000 shares of the Company’s common stock with a value of $200,000. In addition, the Company assumed certain liabilities of NS California’s which totaled $476,972. The underlying physical assets acquired from NS California were valued at $109,123 resulting in the recognition of goodwill in the amount of $558,169. Upon completion of the acquisition the operations of NS California were assumed by the Company and have been reflected in the Consolidated Statement of Operations since January 19, 2006. Effective with the acquisition, the business of NS California became the principal business of the Company.

Note 4—Notes Payable

On December 30, 2005, the Company sold $250,000 of convertible nine month Promissory Notes which bear 9% simple interest with net proceeds to the Company of $220,000. These convertible notes were sold in connection with a subscription agreement between the Company and certain investors and the placement agent was WestPark Capital, Inc. (“WestPark”). (The convertible notes and warrants sold in December, 2005 and January, 2006 in the transaction in which WestPark Capital, Inc. acted as the placement agent is sometimes referred to here in as the “WestPark Private Placement”) The Company recorded a debt discount associated with the conversion feature in the amount of $83,333, which was charged to interest expense during the year ended December 31, 2006. The debt discount recorded of

$83,333 did not change the amount of cash required to payoff the principal value of these Promissory Notes, at any time during the term, which was $250,000. As part of the WestPark Private Placement, these Promissory Notes had 4,167 detachable warrants for each $25,000 of debt, which entitle the holder to purchase one share of the Company’s Common Stock at a price of $12.00 per share. The warrants are exercisable for a period of three years from the date of the Promissory Note. The Promissory Notes convert to the Company’s Common Stock at $6.00 per share. The Promissory Notes are convertible at anytime into shares of Common Stock at the option of the Company subsequent to the shares underlying the Promissory Notes and the shares underlying the warrants registration if the closing price of the Common Stock has been at least $18.00 for a period of at least 10 consecutive days prior to the date on which notice of conversion is sent by the Company to the holders of the Promissory Notes. Pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible notes and the warrants sold in the WestPark Private Placement. This registration statement was not made effective by July 31, 2006 and certain additional rights have accrued to the Convertible Promissory Noteholders (see below for a detailed description of these additional rights). In 2005, the Company recorded an expense of $2,573 associated with the warrants as their fair value using the Black Scholes method.

In January 2006, the Company sold an additional $250,000 of convertible nine month Promissory Notes which bear 9% simple interest with net proceeds to the Company of $223,880 as part of the WestPark Private Placement. The Company recorded a debt discount associated with the conversion feature in the amount of $129,167. For the year ended December 31, 2006, the Company charged $127,932 of the debt discount to interest expense. The debt discount recorded of $129,167 does not change the amount of cash required to payoff the principal value of these Promissory Notes, at any time during the term, which was $250,000. These Promissory Notes also had 4,167 detachable warrants for each $25,000 of debt, which entitle the holder to purchase one share of the Company’s Common Stock at a price of $12.00 per share. The warrants are exercisable for a period of three years from the date of the Promissory Note. The Promissory Notes convert to the Company’s Common Stock at $6.00 per share. The Promissory Notes are convertible at anytime into shares of Common Stock at the option of the Company subsequent to the shares underlying the Promissory Notes and the shares underlying the warrants registration if the closing price of the Common Stock has been at least $18.00 for a period of at least 10 consecutive days prior to the date on which notice of conversion is sent by the Company to the holders of the Promissory Notes. Pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible notes and the warrants sold in the WestPark Private Placement. This registration statement was not made effective by July 31, 2006 and as a result certain additional rights accrued to the Convertible Promissory Noteholders (see below for a detailed description of these additional rights). For the year ended December 31, 2006, the Company recorded as interest expense $263,612 associated with the warrants as their fair value using the Black Scholes method.

As mentioned previously, pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible promissory notes and the warrants sold in the WestPark Private Placement. In the event the Company did not do so, (i) the conversion price of the convertible promissory notes was reduced by 5% each month, subject to a floor of $4.00; (ii) the exercise price of the warrants was reduced by 5% each month, subject to a floor of $10.00 and (iii) the warrants could be exercised pursuant to a cashless exercise provision. The Company did not have the registration statement effective by July 31, 2006 and requested that the investors in the WestPark Private Placement extend the date by which the registration statement is required to be effective until February 28, 2007. In August, 2006 the Company filed with the SEC a

registration statement registering the resale by the investors of the WestPark Private Placement of the shares of Common Stock underlying the convertible promissory notes and the warrants sold in the WestPark Private Placement which was made effective in November, 2006.

In an effort to improve the financial position of the Company, in July 2006, noteholders were offered the option of (A) extending the term of the convertible note for an additional four months from the maturity date in consideration for which (i) the Company shall issue to the investor for each $25,000 in principal amount of the convertible note 568 shares of unregistered Common Stock; and (ii) the exercise price per warrant shall be reduced from $12.00 to $8.00, or (B) converting the convertible note into shares of the Company’s Common Stock in consideration for which (i) the conversion price per conversion share shall be reduced to $4.40; (ii) the Company shall issue to the investor for each $25,000 in principal amount of the Note, 1,136 shares of Common Stock; (iii) the exercise price per warrant shall be reduced from $12.00 to $8.00; and (iv) a new warrant shall be issued substantially on the same terms as the original Warrant to purchase an additional 4,167 shares of Common Stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor was also asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement. This offer was terminated on August 31, 2006. By August 31, 2006 investors owning $237,500 of the $500,000 of convertible promissory notes had agreed to convert the convertible note into shares of the Company’s Common Stock for consideration described above and investors holding $162,500 of the $500,000 of convertible promissory notes had agreed to extend the term of the convertible note for an additional four months from the maturity date for consideration described above.

In September 2006, a new offer was extended to the remaining noteholders to convert the convertible note into shares of the Company's Common Stock in consideration for which (i) the conversion price per conversion share shall be reduced to $4.40; (ii) the exercise price per warrant shall be reduced from $12.00 to $8.00 and (iii) a new warrant shall be issued substantially on the same terms as the original Warrant to purchase an additional 4,167 shares of Common Stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor is also being asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement.

By December 31, 2006, investors owning $425,000 convertible promissory notes agreed to convert the convertible note into shares of the Company's Common Stock for consideration described above. The Company issued 107,386 shares of Common Stock with a fair value of $692,896. In addition, the Company issued 60,417 warrants with a fair value of $472,741 for noteholders that agreed to an early conversion of their convertible promissory notes. The Company also issued 3,693 shares of Common Stock as consideration for extending the term of the convertible notes, totaling $162,500, for an additional four months with a fair value of $21,023. The fair value of this Common Stock has been accounted for as interest expense. Amounts in excess of the face value of the convertible promissory notes and the fair value of the warrants issued as the result of early conversion have been accounted for as interest expense. The balance, $75,000, of convertible promissory notes was paid off in January, 2007.

In connection with the NS California acquisition, the Company assumed a 6% note due to Tom Hirose, a former officer of NS California in the amount of $15,812. As of December 31, 2006, $1,313 remains unpaid. Final payment will be made in 2007.

The Company has financed certain insurance polices and has notes payable at March 31, 2007 in the amount of $97,258 related to these policies. These notes require monthly payments and mature in less than one year.

Note 5—Series A Mandatorily Redeemable Convertible Preferred Stock

In connection with the settlement of securities class action litigation in 1994, the Company issued 1,000,000 shares of Series A $0.07 Convertible Preferred Stock (the "Series A Preferred Stock") with an

aggregate value of $1,000,000. The following summarizes the terms of Series A Preferred Stock. The Series A Preferred Stock had a liquidation value of $1 per share, was non-voting and convertible into common stock of the Company at a price of $5.20 per share. Holders of Series A Preferred Stock were entitled to receive cumulative cash dividends of $0.07 per share, per year, payable semi-annually. At December 31, 2005 there were 681,171 shares of Series A Preferred Stock outstanding.

On March 17, 2006, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permits the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay $538,498 (or $.79 per share) in accrued dividends thereon, a total of 54,494 shares of Common Stock (eight hundredths (.08) shares of Common Stock per share of Series A Preferred Stock). Pursuant thereto, all outstanding shares of Series A Preferred Stock were cancelled and converted into Common Stock. Therefore at March 31, 2007 and December 31, 2006 and there were no shares of Series A Preferred Stock outstanding.

Note 6—Stockholders' Equity

Common Stock:

In January 2007, the Company issued 12,000 shares of Common Stock to its intellectual property acquisition consultant, vesting as to 1,000 shares per month commencing January 2007.

In January 2007, the Company issued an aggregate of 9,000 shares of Common Stock, pursuant to the Company's Equity Participation Plan, to Wayne Marasco pursuant to Dr. Marasco's agreements to serve as Chairman of the Company's Scientific Advisory Board and consultant to the Company.

In February 2007, the term of the Company's financial advisory agreement with Duncan Capital Group LLC was extended through December 2007, and the Company issued to Duncan 15,000 shares of Common Stock as an advisory fee payment vesting monthly through December 2007.

In January and February 2007, the Company raised an aggregate of $2,500,000 through the private placement of 250,000 units at a price of $10.00 per unit (the "January 2007 private placement"). Each unit was comprised of two shares of the Company's Common Stock, one redeemable seven-year warrant to purchase one share of Common Stock at a purchase price of $8.00 per share and one non-redeemable seven-year warrant to purchase one share of Common Stock at a purchase price of $8.00 per share. The Company issued an aggregate of 500,000 shares of Common Stock, and warrants to purchase up to an aggregate of 500,000 shares of Common Stock at an exercise price of $8.00 per share. Emerging Growth Equities, Ltd ("EGE"), the placement agent for the January 2007 private placement, received a cash fee equal to $171,275 and is entitled to expense reimbursement not to exceed $50,000. The Company also issued to EGE redeemable seven year warrants to purchase 34,255 shares of Common Stock at a purchase price of $5.00 per share, redeemable seven-year warrants to purchase 17,127 shares of Common Stock at a purchase price of $8.00 per share and non-redeemable seven-year warrants to purchase 17.127 shares of Common Stock at a purchase price of $8.00 per share. The net proceeds of this offering was approximately $2,317,500.

In February 2007, the Company issued 30,000 shares of its Common Stock, resulting in a charge to operations of $165,000, to a financial advisor in connection with a commitment for the placement of up to $3,000,000 of the Company's preferred stock.

Warrants:

The Company has issued common stock purchase warrants from time to time to investors in private placements, certain vendors, underwriters, and directors and officers of the Company. A total of 1,340,653 shares of common stock are reserved for issuance upon exercise of outstanding warrants as of March 31, 2007 at prices ranging from $4.70 to $12.00 and expiring through February 2014.

In connection with the January 2007 private placement the Company issued warrants to purchase up to an aggregate of 500,000 shares of Common Stock at an exercise price of $8.00 per share. The Company also issued to EGE redeemable seven year warrants to purchase 34,255 shares of Common Stock at a purchase price of $5.00 per share, redeemable seven-year warrants to purchase 17,127 shares of Common Stock at a purchase price of $8.00 per share and non-redeemable seven-year warrants to purchase 17,127 shares of Common Stock at a purchase price of $8.00 per share.

In March 2007, the Company engaged Trilogy Capital Partners, Inc. ("Trilogy") as a marketing and investor relations consultant. Pursuant to this agreement, the Company issued to Trilogy warrants to purchase 150,000 shares of its Common Stock at a purchase price of $4.70 per share. Such warrants vest over a 12 month period at a rate of 12,500 per month, subject to acceleration in certain circumstances, and are exercisable until April 30, 2010. During the three months ended March 31, 2007 the Company recognized $35,575 as consulting expense related to the vesting of these warrants.

At March 31, 2007 the outstanding warrants by range of exercise prices are as follows:

Exercise Price	Number Outstanding March 31, 2007	Weighted Average Remaining Contractual Life (years)	Number Exercisable March 31, 2007
$4.70 to $6.20	185,755	3.77	35,755
$6.20 to $9.10	1,122,905	5.25	1,122,905
$9.10 to $12.00	31,992	1.76	31,992
	1,340,652		1,190,652

Options:

The Company's Equity Participation Plan (the "Plan") permits the grant of share options and shares to its employees, Directors, consultants and advisors for up to 2,500,000 shares of common stock as stock compensation. Stock options under the Equity Participation Plan are generally granted at the fair market value of the common stock at the grant date. Employee stock options vest ratably over a period determined at time of grant and generally expire 10 years from the grant date.

The Company's results for the three month periods ended March 31, 2007 and 2006 include share-based compensation expense totaling $205,817 and $52,022, respectively. Such amounts have been included in the consolidated statements of operations within general and administrative expenses.

Stock option compensation expense is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for the entire portion of the award.

The range of assumptions made in calculating the fair values of options are as follows:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Expected term (in years)	10	10
Expected volatility	137% - 152%	200%
Expected dividend yield	0%	0%
Risk-free interest rate	4.51% to 4.90%	4.50%

Stock option activity under the 2003 Equity Participation Plan is as follows:

	Number of Shares (1)	Range of Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at December 31, 2006	444,600	$ 3.00 - $25.00	$ 7.30		
Granted	117,000	$ 2.70 - $8.00	$ 5.60		
Exercised	—	—	—		
Expired	—	—	—		
Cancelled	—	—	—		
Balance at March 31, 2007	561,600	$ 2.70 - $25.00	$ 6.90	8.98	$ 103,740
Vested and Exercisable at March 31, 2007	276,550		$ 6.80	8.34	$ 66,640

(1) All options are exercisable for a period of ten years.

Exercise Price	Number Outstanding March 31, 2007	Weighted Average Remaining Contractual Life (years)	Number Exercisable March 31, 2007
$2.70 to $7.20	458,500	9.06	217,450
$7.20 to $11.60	62,000	8.88	42,000
$11.60 to $16.10	26,100	7.92	14.100
$16.10 to $20.50	3,000	6.46	3,000
$20.50 to $25.00	12,000	9.18	—
	561,600		276,550

Options are usually granted at an exercise price at least equal to the fair value of the common stock at the grant date and may be granted to employees, Directors, consultants and advisors of the Company.

As of March 31, 2007, there was approximately $1,759,000 of total unrecognized compensation costs related to unvested stock option awards which are expected to vest over a weighted average life of 1.54 years.

	Options	Weighted Average Grant Date Fair Value
Non-Vested at December 31, 2006	211,583	$ 6.30
Issued	117,000	$ 5.40
Canceled	—	—
Vested	(43,533)	$ 6.00
Non-Vested at March 31, 2007	285,050	$ 6.00

The total value of shares vested during the three months ended March 31, 2007 was $205,817.

Note 7—Segment Information

Until April 30, 2001, the Company operated in two segments; as a reinsuror and as a seller of extended warranty service contracts through the Internet. The reinsurance segment has been discontinued and the Company's remaining revenues are derived from the run-off of its sale of extended warranties and service contracts via the Internet. Additionally, the Company established a new business in the banking of adult autologous stem cells sector. The Company's operations are conducted entirely in the U.S. Although the Company has realized minimal revenue from the banking of adult autologous stem cells, the Company

will be operating in two segments until the "run-off" is completed. As of March 31, 2007 the run off of the sale of extended warranties and service contracts was completed.

Note 8—Related Party Transactions

On January 20, 2006, Mr. Robert Aholt, Jr. tendered his resignation as Chief Operating Officer of the Company. In connection therewith, on March 31, 2006, the Company and Mr. Aholt entered into a Settlement Agreement and General Release (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company agreed to pay to Mr. Aholt the aggregate sum of $250,000 (less applicable Federal and California state and local withholdings and payroll deductions), payable, initially over a period of two years in biweekly installments of $4,807.69 commencing on April 7, 2006, except that the first payment was in the amount of $9,615. In July, 2006 this agreement was amended to call for semi-monthly payments of $10,417 for the remaining 21 months. In the event the Company breaches its payment obligations under the Settlement Agreement and such breach remains uncured, the full balance owed shall become due. The Company and Mr. Aholt each provided certain general releases. Mr. Aholt also agreed to continue to be bound by his obligations not to compete with the Company and to maintain the confidentiality of Company proprietary information. At March 31, 2007, $118,189 was due Mr. Aholt pursuant to the terms of the Settlement Agreement.

Note 9—Subsequent Events

In April 2007, the Company received two provisional licenses from the State of New York. The first license permits the Company's California facility to collect, process and store hematopoetic progenitors cells ("HPCs") collected from New York residents. The second license permits solicitation in New York relating to the collection of HPCs. Each license is subject to certain limitations stated therein.

1,270,000 Units

NeoStem, Inc.

NeoStem

Your Cells. Your Use. Your Life.

MERCER
CAPITAL, LTD.

No dealer, salesperson, or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representatives. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Until , 2007, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

Item 24. Indemnification of Directors and Officers

We are incorporated under the laws of the State of Delaware. Under the General Corporation Law of Delaware, a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he or she is or was our director, officer, employee or agent, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

In addition, the Delaware GCL also provides that we also may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in our right to procure a judgment in our favor by reason of the fact that he or she is or was our director, officer, employee or agent, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to our best interests. However, in such an action by or on our behalf, no indemnification may be made in respect of any claim, issue or matter as to which the person is adjudged liable to us unless and only to the extent that the court determines that, despite the adjudication of liability but in view of all the circumstances, the person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Our certificate of incorporation is consistent with the Delaware GCL. Each of our directors, officers, employees and agents will be indemnified to the extent permitted by the Delaware GCL. We also maintain insurance on behalf of our directors and officers against liabilities asserted against such persons and incurred by such persons in such capacities, whether or not we would have the power to indemnify such persons under the Delaware GCL.

Item 25. Other Expenses of Issuance and Distribution

The following table sets forth an itemized estimate of fees and expenses payable by the Registrant in connection with the offering of the securities described in this registration statement, none of which will be paid by the selling securityholders:

SEC registration fee	$ 500
Blue Sky	$ 10,000
Legal fees and expenses	$ 100,000
Accounting fees and expenses	$ 27,500
Printing expenses	$ 40,000
Miscellaneous	$ 32,000
Total	$ 210,000

Item 26. Recent Sales of Unregistered Securities

In September 2002, the Company sold to accredited investors pursuant to Regulation D promulgated under the Securities Act of 1933, as amended, five 60-day promissory notes in the principal sum of $25,000

each, resulting in net proceeds to the Company of $117,500, net of offering costs. The notes bore interest at 15% per annum payable at maturity. The terms of the notes included a default penalty pursuant to which if the notes were not paid on the due date, the holder had the option to purchase 250 shares of the Company's common stock for an aggregate purchase price of $125. If the non payment continued for 30 days, then on the 30th day, and at the end of each successive 30-day period until the note was paid in full, the holder had the option to purchase an additional 250 shares of the Company's common stock for an aggregate purchase price of $125. As of December 31, 2003, because the notes remained unpaid, a total of 10,000 of such shares were issued, resulting in net proceeds to the Company of $5,000. As of December 31, 2004, options to purchase an additional 18,750 shares of common stock at an aggregate purchase price of $9,375 were exercised pursuant to the default penalty. As of December 31, 2004 all but two of these notes and related interest had been repaid and there were no additional options to purchase common stock outstanding.

The two outstanding notes described above totaling $50,000, were sold to an unrelated third party who agreed to cancel the two notes and replace them with a new note which did not contain the default penalty. This new note also included a previous note of $25,000 which was issued on August 26, 2003 in exchange for a loan from a then consultant of the Company. On October 1, 2004 a new promissory note in the amount $75,000 bearing interest at 8% per annum was executed. This note, plus accrued interest, was due June 30, 2005 and extended to August 31, 2005. On November 30, 2005, this note was converted into 12,750 shares of common stock (as described later in this section).

On March 17, 2003, the Company commenced a private placement offering, pursuant to Regulation D, to raise up to $250,000 in 6-month promissory notes in increments of $5,000 bearing interest at 15% per annum. The Company raised the full $250,000 through the sale of such promissory notes, resulting in net proceeds to the Company of $225,000. The notes contained a default provision which raised the interest rate to 20% if the notes were not paid when due. The due date of these notes had been extended to August 31, 2005. As of December 31, 2005, $70,000 of the principal amount of these notes had been converted into 11,900 shares of common stock and $80,000 of the principal amount of these notes remained outstanding bearing interest at 20% (of which $15,000 was paid in January 2006). The due date was extended to September 30, 2006 and the remaining balance was paid in September 2006.

On September 22, 2003, the Company commenced an equity private placement pursuant to Regulation D to raise up to $4,000,000 through the sale of up to 400,000 shares of its common stock in increments of $5,000 or 500 shares. The private placement closed on December 31, 2003 upon the sale of 28,250 shares, resulting in net proceeds to the Company of $214,781. The investment banker, Robert M. Cohen & Company, was issued a five year warrant to purchase 2,825 shares of common stock at an exercise price of $12.00 per share. The warrant contains piggyback registration rights. In January 2004, the Company amended the private placement and sold additional shares of common stock thereunder, which offering closed on July 31, 2004. As of July 31, 2004, 121,329 shares of common stock had been sold with net proceeds to the Company of $1,105,000. Of these shares, 72,829 shares were purchased by Robert Aholt, Jr., the Company's then Chief Operating Officer, for $650,000.

In March 2004, the Company sold a 30 day 20% note pursuant to Regulation D in the amount of $50,000 to one of its directors to fund current operations. As of December 31, 2004, $25,000 had been repaid and as of December 31, 2005 the remaining $25,000 had been repaid.

In March 2004, the Company issued 300 shares of common stock to two noteholders who were accredited investors in payment of interest.

In July 2004, the Company sold a five month 20% note in the amount of $25,000 and two six month 20% notes totaling $80,000 to three accredited investors to fund current operations. As of December 31, 2004 the $25,000 note had been repaid together with accrued interest. The due date was extended to

August 31, 2005 on the remaining two notes for $80,000, which were subsequently converted into 13,600 shares of common stock (as described later in this section). All interest has been paid.

In August 2004, the Company sold a 30 day 20% note in the amount of $30,000 and a six month 20% note in the amount of $25,000 to two accredited investors to fund current operations. As of December 31, 2004, $30,000 had been repaid. The due date was extended to August 31, 2005 as to the remaining $25,000, which subsequently converted into 4,250 shares of common stock (as described later in this section). All interest payments have been made.

In August 2004, the Company sold a six month 20% $100,000 convertible note to Robert J. Aholt, Jr. This note at maturity was to be converted into shares of the Company's common stock at 85% of the average price as quoted on the NASD Over-the-Counter Bulletin Board for the five days prior to the maturity date of the note. In February 2005, this note was converted into 19,608 shares of common stock. All interest payments were made on the note.

In each of the months August 2004 to December 2004, the Company issued 375 shares (for a total of 1,875 shares) of common stock to Consulting for Strategic Growth Ltd., the Company's investor relations firm for services rendered.

In each of the months August 2004 to January 2005, the Company issued warrants to purchase 250 shares of common stock (for a total of 1,500 shares) at $5.00 per share to Consulting for Strategic Growth Ltd, the Company's investor relations firm. Such warrants are each exercisable for three years from the date of issue.

In September 2004, 72,829 shares of common stock were purchased by Robert Aholt, Jr. for an aggregate purchase price of $650,000.

In December 2004 the Company sold a 60 day 8% note in the amount of $35,000 to its President and then Chief Executive Officer, a 180 day 15% note in the amount of $25,000 to a related party, a 180 day 20% note in the amount of $15,000, of which $5,000 has been repaid and a 90 day 8% note in the amount of $25,000 to a Director, all accredited investors, totaling $100,000. The due dates of the notes were extended to August 31, 2005 except for the $15,000 note which was extended to September 30, 2005. As of December 31, 2005, $85,000 converted into 14,450 shares of common stock (as later described in this section). The due date of the remaining $10,000 was extended to September 30, 2006 and was repaid in January 2006. All interest payments have been made.

On January 1, 2005, the Company issued to Robert J. Aholt, Jr. 4,777 shares of unregistered common stock in partial payment of salary as per his employment agreement dated September 13, 2004. Pursuant to this agreement, in partial consideration for Mr. Aholt's services thereunder, on January 1, 2005 and on the first day of each calendar quarter thereafter during the term thereof, Mr. Aholt was entitled to such number of shares of common stock, with a dollar value of $26,750, $27,625 and $28,888 during the first, second and third years of the term, respectively, at a per share price equal to the average closing price of one share of common stock on the OTC Bulletin Board for the five (5) consecutive trading days immediately preceding the date of grant of such shares. Mr. Aholt's employment agreement was subsequently amended pursuant to which effective as of September 30, 2005 he was compensated solely in cash.

On each of January and February 20, 2005, the Company issued 375 shares of its common stock, for a total of 750 shares, as compensation to Consulting for Strategic Growth Ltd, its public relations firm.

In January 2005, the Company sold a six month 20% note in the amount of $25,000 to an accredited investor to fund current operations. This note was subsequently converted into 4,250 shares of common stock as described later in this section. In February 2005, the Company sold a six month 20% note in the amount of $10,000 to an accredited investor to fund current operations (for which the due date was extended until September 30, 2005). This note was subsequently converted into 1,700 shares of common stock as described later in this section. All interest payments have been made.

On February 20, 2005, the Company issued 19,608 shares of its common stock in exchange for the conversion of a promissory note held by its then Chief Operating Officer.

In March 2005, the Company sold a 30 day 8% note in the amount of $17,000 to its President and then Chief Executive Officer (for which the due date was extended until August 31, 2005) and a one year 15% note in the amount of $20,000 (which was subsequently converted into 3,400 shares of common stock as described later in this section) to two accredited investors to fund current operations. All interest payments on these notes were current. The due date on the note in the amount of $17,000 was extended to September 30, 2006, and it was paid in full in January 2006.

On April 1, 2005, the Company issued 8,009 shares of its common stock to Robert J. Aholt, Jr., in partial payment of salary as per Mr. Aholt's Employment Agreement.

On April 20, 2005, the Company and Catherine M. Vaczy, the Company's Vice President and General Counsel, entered into a stock purchase agreement pursuant to which the Company sold to Ms. Vaczy 16,667 shares of common stock in exchange for $100,000. This agreement also gave her the right to purchase up to an additional $200,000 of common stock at a per share price equal to 85% of the average closing price of one share of common stock on the OTC Bulletin Board for the five (5) consecutive trading days immediately preceding the date of Ms. Vaczy's notice exercising the option; provided, that in no event would the price be less than $6.00 Ms. Vaczy subsequently exercised this option and on July 18, 2005, the Company sold to Ms. Vaczy 12,500 shares of common stock at a per share purchase price of $6.00 for aggregate consideration of $75,000.

In April, 2005, the Company also sold to Ms. Vaczy a one year 15% note in the amount of $100,000. Ms. Vaczy had the option to convert the note into shares of common stock at any time up until the 90th day after the date of the note at a per share price equal to 85% of the average closing price of one share of common stock on the Bulletin Board, provided, that in no event would the price be less than $6.00. Following the 90th day after the date of the note, Ms. Vaczy was obligated, at any time prior to the date of maturity of the note, to convert the note into shares of common stock unless Ms. Vaczy shall have provided to the Company a notice terminating her employment with the Company pursuant to her employment agreement. Effective as of November 30, 2005, the note was converted into 17,000 shares of common stock in the exchange offer described later in this section.

On May 4, 2005, the Company sold 1,000 shares of its common stock to an unrelated third party at a price of $6.00 per share resulting in net proceeds to the Company of $6,000.

On May 19, 2005, the Company, and Joseph D. Zuckerman, a Director of the Company, entered into a subscription agreement pursuant to which the Company sold to Dr. Zuckerman 1,000 shares of unregistered common stock in exchange for $6,000.

On May 26, 2005, the Company and Wayne A. Marasco, the Company's Senior Scientific Advisor and then a Director of the Company, entered into a subscription agreement pursuant to which the Company sold to Dr. Marasco 2,500 shares of unregistered common stock in exchange for $15,000.

On June 8, 2005, the Company entered into a subscription agreement pursuant to which the Company sold to an investor 4,167 shares of common stock in exchange for $25,000.

On July 1, 2005, the Company issued 6,687 shares of unregistered common stock to Mr. Aholt in partial payment of salary based on the formula in his employment agreement.

On July 1, 2005, the Company issued to Consulting for Strategic Growth Ltd., its investor relations and public relations consultant, 167 shares of unregistered common stock pursuant to the terms of its consulting agreement in partial consideration for services thereunder.

On each of August 1, 2005 and September 1, 2005, the Company issued to Consulting for Strategic Growth Ltd, its investor relations and public relations consultant, 167 shares of its unregistered common stock pursuant to the terms of its consulting agreement in partial consideration for services thereunder.

On August 16, 2005, the Company entered into a subscription agreement with Wayne A. Marasco pursuant to which the Company sold to Dr. Marasco 8,333 shares of unregistered common stock in exchange for $50,000.

Pursuant to the terms of a letter agreement dated as of August 12, 2005 and entered into between the Company and Catherine M. Vaczy on August 12, 2005 the Company issued to Ms. Vaczy 4,123 shares of unregistered common stock in payment of $24,740 in salary accrued during the period April 20, 2005 through August 12, 2005 at a per share price of $6.00, the closing price of one share of common stock on the Bulletin Board on August 12, 2005. On October 3, 2005, the Company issued to Ms. Vaczy pursuant to the letter agreement, 2,608 shares of unregistered common stock in payment of $10,433 in salary accrued during the period August 15, 2005 through September 30, 2005 at a per share price of $4.00, the closing price of one share of common stock on the Bulletin Board on September 30, 2005.

In August 2005, the Company sold an 8% note in the amount of $10,000 to its President and then Chief Executive Officer, which was due on demand. The due date was extended to September 30, 2006, and the note was paid in full in January 2006.

In September 2005, the Company sold two 8% notes in the amounts of $6,000 and $15,000 to its President and then Chief Executive Officer, which were due on demand. The due dates were extended to September 30, 2006, and they were paid in full in January 2006.

On September 14, 2005, the Company issued to Dr. Robin L. Smith (now Chief Executive Officer and Chairman of the Board) 5,000 shares of the Company's unregistered common stock pursuant to the terms of a consulting agreement with Dr. Smith pursuant to which she served as the Chairman of the Company's Advisory Board. Dr. Smith was also issued three year warrants to purchase 2,400 shares of common stock at $8.00 per share. Such warrants were scheduled to vest at the rate of 200 per month; however, in connection with the June 2006 private placement the vesting of such warrants was accelerated such that they vested in their entirety as of June 2, 2006.

On September 29, 2005, the Company entered into a subscription agreement pursuant to which the Company sold to an investor 1,429 shares of unregistered common stock in exchange for $10,000.

Pursuant to the terms of Mr. Aholt's employment agreement dated September 13, 2004, as amended by a letter agreement dated July 20, 2005, on October 3, 2005, the Company issued to Mr. Aholt, 4,612 shares of unregistered common stock in payment of accrued salary. The shares issued had an aggregate dollar value of $26,750, and the price per share was equal to the average closing price of one share of common stock on the Bulletin Board for the five (5) consecutive trading days immediately preceding the date of grant of such shares.

On each of October 1, 2005 and November 1, 2005, 167 shares of the Company's common stock were issued to Consulting for Strategic Growth Ltd., the Company's investor relations and public relations firm, as compensation for work to be performed in October and November 2005.

On October 6, 2005, the Company sold 2,500 shares of its common stock to an accredited investor at a price of $4.00 per share resulting in gross proceeds to the Company of $10,000.

On October 6, 2005, the Company sold 5,000 shares of its common stock to a member of its Advisory Board, an accredited investor, at a price of $5.00 per share resulting in gross proceeds to the Company of $25,000.

On October 28, 2005, the Company issued 500 shares of common stock to a hospital in exchange for advertising in an event journal. Such shares were valued at $3,500.

On November 10, 2005, the Company sold a total of 8,333 shares of its common stock to two accredited investors at a price of $6.00 per share resulting in gross proceeds to the Company of $50,000.

On November 28, 2005, the Company entered into a subscription agreement pursuant to which the Company sold to an investor 62,500 shares of unregistered common stock and short term warrants for an aggregate purchase price of $500,000.

Effective as of November 30, 2005, the Company effected the exchange of an aggregate of $445,000 in outstanding indebtedness of the Company represented by certain promissory notes for an aggregate of 75,650 shares of common stock of the Company. The rate at which the notes were exchanged for shares of common stock was 170 shares of common stock for every $1,000 of indebtedness represented by the notes. Of the notes, an aggregate of $160,000 was held by certain officers and directors of the Company and exchanged into 27,200 shares of common stock. The offer and sale by the Company of the securities described above were made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act for exchange offers. The offer and sale of such securities were made without general solicitation or advertising and no commissions were paid.

On November 20, 2005, the Company issued to an employee an aggregate of 600 shares of its restricted common stock in payment of an aggregate of $3,000 in accrued salary.

On January 19, 2006, the Company effected the issuance of 50,000 shares of unregistered common stock to NS California (of which 10,000 shares were subsequently returned to the Company) in connection with the purchase of the NS California assets (see "Business"). In addition, the Company issued an aggregate of 20,122 shares of common stock to various parties in satisfaction of $82,000 of $465,000 in assumed liabilities of NS California in connection with the acquisition, of which 6,752 shares were issued to Denis Rodgerson (subsequently the Company's Director of Stem Cell Science) and 962 shares were issued to Larry A. May (subsequently the Company's Chief Financial Officer).

On December 1, 2005, the Company issued to its investor relations consultant 167 shares of unregistered common stock pursuant to the terms of its consulting agreement in partial consideration for services thereunder.

On December 22, 2005, the Company issued to its Vice President and General Counsel an aggregate of 4,167 shares of its restricted common stock in payment of an aggregate of $25,000 in accrued salary.

On December 30, 2005, the Company effected the exchange of $20,000 in outstanding indebtedness of the Company represented by a promissory note, for 3,400 shares of its common stock.

Effective as of each of January 10, 2006 and January 11, 2006, respectively, the Company effected the exchange of an aggregate of $45,000 in outstanding indebtedness of the Company represented by certain promissory notes for an aggregate of 7,650 shares of restricted common stock of the Company. The rate at which the notes were exchanged for shares of common stock was 170 shares of common stock for every $1,000 of indebtedness represented by the notes.

The offer and sale by the Company of the securities described in the two immediately preceding paragraphs were made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act for exchange offers. The offer and sale of such securities were made without general solicitation or advertising and no commissions were paid.

On December 30, 2005, and in January 2006, the Company entered into Subscription Agreements with certain accredited investors and consummated the sale of Units consisting of convertible promissory notes and detachable warrants under Regulation D under the Securities Act ("the Westpark Private Placement"). Gross proceeds raised were $250,000 on December 30, 2005 and $250,000 in January 2006, totaling an aggregate of $500,000 in gross proceeds. Each unit was comprised of: (a) a nine month note in the principal amount of $25,000 bearing 9% simple interest, payable semi-annually, with the 2nd payment paid upon maturity, convertible into shares of the Company's common stock at a conversion price of $6.00 per share; and (b) 4,167 detachable three year warrants, each for the purchase of one share of common stock at an exercise price of $12.00 per share. The notes were subject to mandatory conversion by the Company if the closing price of the common stock had been at least $18.00 for a period of at least 10 consecutive trading days prior to the date on which notice of conversion was sent by the Company to the holders of the promissory notes, and if the underlying shares were then registered for resale with the SEC. Holders of the units are entitled to certain registration rights (see below). The Company issued to WestPark Capital, Inc., the placement agent for the Westpark Private Placement, (i) 5,000 shares of common stock (2,500 shares on December 30, 2005 and 2,500 shares in January 2006); and (ii) warrants to purchase an aggregate of 8,334 shares of the Company's common stock (4,167 on December 30, 2005 and 4,167 in January 2006).

Pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of common stock underlying the convertible promissory notes and the warrants sold in the WestPark Private Placement. In the event the Company did not do so, (i) the conversion price of the convertible promissory notes would be reduced by 5% each month, subject to a floor of $4.00; (ii) the exercise price of the warrants would be reduced by 5% each month, subject to a floor of $10.00; and (iii) the warrants could be exercised pursuant to a cashless exercise provision. The Company did not have the registration statement effective by July 31, 2006 and requested that the investors in the WestPark Private Placement extend the date by which the registration statement was required to be effective until February 28, 2007. The Company also offered to the investors the option of (A) extending the term of the convertible note for an additional four months from the maturity date in consideration for which (i) the Company would issue to the investor for each $25,000 in principal amount of the convertible note 568 shares of unregistered common stock; and (ii) the exercise price per warrant would be reduced from $12.00 to $8.00, or (B) converting the convertible note into shares of the Company's common stock in consideration for which (i) the conversion price per conversion share would be reduced to $4.40; (ii) the Company would issue to the investor for each $25,000 in principal amount of the convertible note, 1,136 shares of common stock; (iii) the exercise price per warrant would be reduced from $12.00 to $8.00; and (iv) a new warrant would be issued substantially on the same terms as the original Warrant to purchase an additional 4,167 shares of common stock for each $25,000 in principal amount of the convertible note at an exercise price of $8.00 per share. Pursuant to this, the investor was also being asked to waive any and all penalties and liquidated damages accumulated as of the date of the agreement. In September 2006, the Company revised the offer relating to the option of conversion by eliminating the issuance of the additional 1,136 shares of common stock for each $25,000 in principal amount of the note converted. As of October 30, 2006, investors holding $425,000 of the $500,000 of convertible promissory notes had agreed to convert their notes, and accordingly, the following securities were issued: 96,591 shares of common stock in conversion of the notes, an additional 10,796 shares of common stock, and warrants to purchase an additional 70,834 shares of common stock at $8.00 per share. Also as of October 30, 2006, investors holding $162,500 of convertible promissory notes (of which $137,500 in principal amount was subsequently transferred and converted by the transferees, the securities issued being included in the totals above) had agreed to extend the term of the convertible promissory notes on the terms set forth above, and an additional 3,693 shares of common stock were therefore issued to such investors. In January 2007, the remaining outstanding $75,000 of convertible promissory notes were paid.

In March 2006, the Company issued warrants to purchase 1,200 shares of common stock at a price of $10.00 per share to its marketing consultant. These warrants were scheduled to vest as to 200 per month for six months and to expire three years from date of issue. In June 2006, the agreement with the marketing consultant was terminated and warrants to purchase 400 shares of common stock were cancelled.

In March 2006, the Company sold 6,023 shares of its common stock to five accredited investors at a per share price of $4.40 resulting in gross proceeds to the Company of $26,500.

On March 17, 2006, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permitted the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay $538,498 (or $.79 per share) in accrued dividends thereon, a total of 54,494 shares of common stock (0.08 of a share of common stock per share of Series A Preferred Stock). Pursuant thereto, all outstanding shares of Series A common stock were cancelled and converted into 54,494 shares of common stock. The offer and sale by the Company of the securities described was made in reliance upon the exemption from registration provided by Section 3(a)(9) of the Securities Act.

On March 27, 2006, the Company sold 1,000 shares of its common stock to an Advisory Board member at a price of $5.30 per share resulting in net proceeds to the Company of $5,300.

In April and May 2006, the Company sold an aggregate of 35,132 shares of its common stock to eleven accredited investors at a price of $4.40 per share, resulting in gross proceeds to the Company of $154,581.

In May and June 2006, the Company issued an aggregate of 4,805 shares of common stock (valued at $21,140) in conversion of accounts payable and certain employee's reimbursable expenses.

On June 2, 2006, as part of the June 2006 private placement described in "Business-2006 Financing Activities," the Company issued an aggregate of 472,500 shares of common stock to the June 2006 investors pursuant to the securities purchase agreement, at a price per share of $4.40, for an aggregate offering price of $2,079,000. The Company also issued to each June 2006 investor, in addition to the shares of common stock, five-year warrants to purchase up to an aggregate of 236,250 shares of common stock, at an exercise price of $8.00 per share. In connection with the June 2006 private placement, on June 2, 2006 the Company also entered into a registration rights agreement with each of the June 2006 investors (the "June 2006 registration rights agreement"). Pursuant to the June 2006 registration rights agreement, the Company was obligated to prepare and file no later than June 30, 2006 a registration statement with the SEC to register the shares of common stock and the warrants issued in the June 2006 private placement. The Company and the June 2006 investors agreed to amend the registration rights agreement and extend the due date of the registration statement to August 31, 2006. A registration statement was filed and subsequently declared effective on November 6, 2006.

In connection with the June 2006 private placement and pursuant to the terms of the securities purchase agreement, the Company issued an aggregate of 37,998 shares of common stock to certain officers of the Company for conversion of an aggregate of $278,654 of accrued salary (less adjustments for applicable payroll and withholding taxes). The Company also issued to its Chief Financial Officer 2,897 shares of common stock in conversion of certain expenses that the Company was required to reimburse.

Also on June 2, 2006, the Company issued 10,000 shares of unregistered common stock to Dr. Robin L. Smith, the Company's Chief Executive Officer and Chairman of the Board, in connection with financial advisory services rendered to the Company under her advisory agreement in connection with the initial closing under the June 2006 private placement. The advisory agreement was terminated upon Dr. Smith entering into her employment agreement.

Pursuant to the Company's financial advisory agreement with Duncan Capital Group LLC, the Company issued to Duncan 24,000 shares of Common Stock in connection with the initial closing under the June 2006 private placement. In August 2006, the Company issued to Duncan 1,705 shares of common stock as an advisory fee payment pursuant to the terms of this agreement.

In July and August 2006, the Company sold an aggregate of 397,727 shares of common stock to 34 accredited investors at a per share price of $4.40 resulting in gross proceeds to the Company of $1,750,000. In connection with this transaction, the Company issued 198,864 common stock purchase warrants with a term of five years and per share exercise price of $8.00.

In July and August 2006, the Company issued an aggregate of 8,341 shares of common stock in conversion of an aggregate of $40,657 in accounts payable owed to certain vendors. The per share conversion price ranged from $4.40 to $5.60. In addition, in August 2006, the Company issued 4,167 shares of common stock to a service provider in payment for services rendered equal to $25,000, at a per share price of $6.00.

In August 2006, the Company issued warrants to purchase an aggregate of 17,000 shares of common stock at $8.00 per share to four persons under advisory agreements. Such warrants are each exercisable for five years from the date of issue.

On October 1, 2006, the Company issued to its investor relations consultant 3,400 shares of common stock pursuant to the terms of a Consulting Agreement entered into as of October 1, 2006.

In December 2006, the Company issued 1,042 shares to a service provider in payment for services rendered equal to $6,250, at a per share price of $6.00.

In January 2007, the Company issued 12,000 shares of common stock to its intellectual property acquisition consultant, vesting as to 1,000 shares per month commencing January 2007.

In February 2007, the term of the Company's financial advisory agreement with Duncan Capital Group LLC was extended through December 2007, and the Company issued to Duncan 15,000 shares of common stock as an advisory fee payment pursuant to the terms of the agreement, vesting as to 1,364 shares per month.

In January 2007 and February 2007 and as described in "Business—2007 Financing Activities," the Company entered into Subscription Agreements with certain accredited investors, pursuant to which the Company issued units each comprised of two shares of its common stock, one redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share and one non-redeemable seven-year warrant to purchase one share of common stock at a purchase price of $8.00 per share (the "January 2007 private placement"). The Company issued an aggregate of 250,000 units at a per unit price of $10.00 per unit, for an aggregate purchase price of $2,500,000. The Company thus issued an aggregate of 500,000 shares of common stock, and Warrants to purchase up to an aggregate of 500,000 shares of common stock at an exercise price of $8.00 per share. The Company also issued to Emerging Growth Equities, Ltd ("EGE"), the placement agent for the January 2007 private placement, redeemable seven-year warrants to purchase 34,355 shares of common stock at a purchase price of $5.00 per share, redeemable seven-year warrants to purchase 17,127 shares of common stock at a purchase price of $8.00 per share and non-redeemable seven-year warrants to purchase 17,127 shares of common stock at a purchase price of $8.00 per share.

In February 2007, the Company issued 30,000 shares of its common stock to a financial advisor in connection with a commitment for the placement of up to $3,000,000 of the Company's preferred stock.

In March 2007, in connection with the engagement by the Company of Trilogy Capital Partners, Inc. as a marketing and investor relations consultant, the Company issued to Trilogy warrants to purchase 150,000 shares of its common stock at a purchase price of $4.70 per share. Such warrants vest over a

12 month period at a rate of 12,500 per month, subject to acceleration in certain circumstances, and are exercisable until April 30, 2010.

In April 2007, the Company issued 3,688 shares of common stock to its public relations consultant in payment for services rendered equal to $22,500 at a per share price of $6.10.

In May 2007 the Company issued 15,000 shares of common stock to an investor relations consultant in partial payment for services being rendered under a consulting agreement. Also in May 2007, the Company issued warrants to purchase 10,000 shares of common stock to the consultant as additional compensation which warrants vest in their entirety on December 31, 2007 subject to consultant's fulfillment of services under the agreement, and are exercisable at a per share exercise price of $4.90.

On May 1, 2007, June 1, 2007 and July 1, 2007, the Company issued 1,087 shares of common stock, 1,064 shares of common stock and 909 shares of common stock, respectively, to the lessor of the Company's executive offices in payment of $5,000 due for rent for each of May 2007, June 2007 and July 2007 pursuant to the terms of an agreement.

In May 2007, the Company issued 1,000 shares of common stock to a consultant for services rendered.

In June 2007, the Company issued 12,000 shares of common stock to a consultant in payment of services rendered in 2007 which shares vest monthly on a pro rata basis as to 1/12 of such shares of common stock during 2007.

In June 2007, the Company issued to a design consultant a warrant to purchase 4,000 shares of common stock which warrants are exercisable at a per share price of $6.10.

Unless otherwise noted, the offer and sale by the Company of the securities described in this section were made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, for transactions by an issuer not involving a public offering. The offer and sale of such securities were made without general solicitation or advertising to "accredited investors," as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

ITEM 27. EXHIBITS

Exhibit	Description	Reference
1(a)	Underwriting Agreement(4)	
3(a)	Amended and Restated Certificate of Incorporation dated August 29, 2006(16)	3.1
(b)	Amended and Restated By-laws(2)	3.1
(c)	First Amendment to Amended and Restated By-laws(3)	3.2
4(a)	Form of Underwriter's Warrant(4)	
(b)	Form of Class A Warrant Agreement and Certificate(4)	
(c)	Form of Promissory Note—September 2002 Offering(5)	4.1
(d)	Form of Promissory Note—February 2003 Offering(5)	4.2
(e)	Form of Promissory Note—March 2003 Offering(5)	4.3
5(e)	Opinion re: legality (4)	

10(a)	Employment Agreement dated as of February 6, 2003 by and between Corniche Group Incorporated and Mark Weinreb(6)	99.2
(b)	Stock Option Agreement dated as of February 6, 2003 between Corniche Group Incorporated and Mark Weinreb(6)	99.3
(c)	Form of Stock Option Agreement(5)	10.2

(d)	Royalty Agreement, dated as of December 5, 2003, by and between Parallel Solutions, Inc. and Phase III Medical, Inc.(5)(6)	10.1
(e)	Employment Agreement dated as of September 13, 2004 between Phase III Medical, Inc. and Robert Aholt, Jr.(7)	10.3
(f)	Letter Agreement dated as of August 12, 2004 by and between Phase III Medical, Inc. and Dr. Wayne A. Marasco(7)	10.6
(g)	Board of Directors Agreement by and between Phase III Medical, Inc. and Joseph Zuckerman(7)	10.8
(h)	Stock Purchase Agreement, dated April 20, 2005, between Phase III Medical, Inc. and Catherine M. Vaczy(1)	10.1
(i)	Promissory Note made by the Company in favor of Catherine M. Vaczy(1)	10.2
(j)	Letter Agreement, dated April 20, 2005, between Phase III Medical, Inc. and Catherine M. Vaczy(1)	10.3
(k)	Stock Option Agreement dated April 20, 2005, between Phase III Medical, Inc. and Catherine M. Vaczy(1)	10.4
(l)	Amendment dated July 18, 2005 to Stock Purchase Agreement with Catherine M. Vaczy dated April 20, 2005(2)	10.1
(m)	Amendment dated July 20, 2005 to Employment Agreement with Mark Weinreb dated February 6, 2003(2)	10.2
(n)	Amendment dated July 20, 2005 to Employment Agreement with Wayne A. Marasco dated August 12, 2004(2)	10.3
(o)	Amendment dated July 20, 2005 to Employment Agreement with Robert Aholt dated September 13, 2004(2)	10.4
(p)	Form of Option Agreement dated July 20, 2005(2)	10.5
(q)	Form of Promissory Note Extension(2)	10.6
(r)	Letter Agreement dated August 12, 2005 with Catherine M. Vaczy(2)	10.7
(s)	Restricted Stock Agreement with Mark Weinreb(8)	10.8
(t)	Asset Purchase Agreement dated December 6, 2005 by and among Phase III Medical, Inc., Phase III Medical Holding Company, and NeoStem, Inc.(9)	99.1
(u)	Letter Agreement dated December 22, 2005 between Phase III Medical, Inc. and Catherine M. Vaczy(10)	10(y)
(v)	Form of Convertible Promissory Note(11)	10.1
(w)	Form of Warrant(11)	99.1
(x)	Employment Agreement between the Company and Larry A. May dated January 19, 2006(12)	10.1
(y)	Employment Agreement between the Company and Denis O. Rodgerson dated January 19, 2006(12)	10.2
(z)	Letter Agreement dated January 30, 2006 between Phase III Medical, Inc. and Catherine M. Vaczy(10)	10(cc)
(aa)	Settlement Agreement and General Release dated March 31, 2006 between Phase III Medical, Inc. and Robert Aholt, Jr.(10)	10(dd)

(bb)	Advisory Agreement dated May 2006 between Phase III Medical, Inc. and Duncan Capital Group LLC(13)	10(ee)
(cc)	Securities Purchase Agreement, dated June 2, 2006, between Phase III Medical, Inc. and certain investors listed therein(14)	10.1
(dd)	Registration Rights Agreement, dated June 2, 2006, between Phase III Medical, Inc. and certain investors listed therein(14)	10.2

(ee)	Form of Warrant to Purchase Shares of Common Stock of Phase III Medical, Inc(14)	10.3
(ff)	Employment Agreement between Phase III Medical, Inc. and Dr. Robin L. Smith, dated May 26, 2006(14)	10.4
(gg)	Letter Agreement between Phase III Medical, Inc. and Mark Weinreb effective as of June 2, 2006(14)	10.5
(hh)	Letter Agreement between Phase III Medical, Inc. and Catherine M. Vaczy effective as of June 2, 2006(14)	10.6
(ii)	Letter Agreement between Phase III Medical, Inc. and Larry A. May effective as of June 2, 2006(14)	10.7
(jj)	Letter Agreement between Phase III Medical, Inc. and Wayne A. Marasco effective as of June 2, 2006(14)	10.8
(kk)	NeoStem, Inc. 2003 Equity Participation Plan(15)	B-1
(ll)	Form of Phase III Medical, Inc. Securities Purchase Agreement from July/August 2006(16)	10.1
(mm)	Form of Phase III Medical, Inc. Registration Rights Agreement from July/August 2006(16)	10.2
(nn)	Form of Phase III Medical, Inc. Warrant to Purchase Shares of Common Stock from July/August 2006(16)	10.3
(oo)	Form of Amendment Relating to Purchase by Investors in Private Placement of Convertible Notes and Warrants December 2005 and January 2006(16)	10.4
(pp)	Second Form of Amendment Relating to Purchase by Investors in Private Placement of Convertible Notes and Warrants December 2005 and January 2006(17)	10.1
(qq)	NeoStem, Inc. 2003 Equity Participation Plan, as amended(17)	10.2
(rr)	Sublease Agreement dated October 27, 2006 between NeoStem, Inc. and DC Associates LLC(17)	10.3
(ss)	Form of Subscription Agreement among NeoStem, Inc, Emerging Growth Equities, Ltd. and certain investors listed therein(18)	10.1
(tt)	Form of Redeemable Warrant to Purchase Shares of Common Stock of NeoStem, Inc.(18)	10.2
(uu)	Form of Non-Redeemable Warrant to Purchase Shares of Common Stock of NeoStem, Inc. (18)	10.3
(vv)	January 26, 2007 Amendment to Employment Agreement of Robin Smith(19)	10.1
(ww)	January 26, 2007 Amendment to Employment Agreement of Mark Weinreb(19)	10.2
(xx)	January 26, 2007 Amendment to Employment Agreement of Larry A. May(19)	10.3
(yy)	January 26, 2007 Employment Agreement with Catherine M. Vaczy(19)	10.4

(zz)	Stem Cell Collection Services Agreement dated December 15, 2006 between the Company and HemaCare Corporation(20)	10.1
(aaa)	Amendment dated February 1, 2007 to Advisory Agreement dated May 2006 between Phase III Medical, Inc. and Duncan Capital Group LLC(20)	10.2
(bbb)	Amendment to sublease agreement between NeoStem, Inc. and DC Associates LLC dated May 22, 2007(4)	
(ccc)	Amendment to sublease agreement between NeoStem, Inc. and DC Associates LLC dated June 2007(4)	
21(a)	Subsidiaries of the Registrant(20)	21.1
23(a)	Consent of Holtz Rubenstein Reminick LLP(4)	23.1
(b)	Consent of Lowenstein Sandler PC (included as part of Exhibit 5)	
24(a)	Power of Attorney(21)	24(a)

Notes:

(1) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated April 20, 2005, which exhibit is incorporated here by reference.

(2) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the quarterly report of the Company on Form 10-Q for the quarter ended June 30, 2005, which exhibit is incorporated here by reference.

(3) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated August 1, 2006, which exhibit is incorporated here by reference.

(4) Filed herewith.

(5) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the annual report of the Company on Form 10-K for the year ended December 31, 2003, which exhibit is incorporated here by reference. Certain portions of Exhibit 10(d) (10.1) were omitted based upon a request for confidential treatment, and the omitted portions were filed separately with the Securities and Exchange Commission on a confidential basis.

(6) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated February 6, 2003, which exhibit is incorporated here by reference.

(7) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended December 31, 2004, which exhibit is incorporated here by reference.

(8) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the quarterly report of the Company on Form 10-Q for the quarter ended September 30, 2005, which exhibit is incorporated here by reference.

(9) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated December 6, 2005, which exhibit is incorporated here by reference.

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(10) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended December 31, 2005, which exhibit is incorporated here by reference.

(11) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated December 31, 2005, which exhibit is incorporated here by reference.

(12) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated January 19, 2006, which exhibit is incorporated here by reference.

(13) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the quarterly report of the Company on Form 10-Q for the quarter ended March 31, 2006, which exhibit is incorporated herein by reference.

(14) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated June 2, 2006, which exhibit is incorporated here by reference.

(15) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Preliminary Proxy Statement on Schedule 14A, dated July 18, 2006, which exhibit is incorporated here by reference.

(16) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's Registration Statement on Form S-1, File No. 333-137045, which exhibit is incorporated here by reference.

(17) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to Pre-Effective Amendment No. 1 to the Company's Registration Statement on Form S-1, File No. 333-137045, which exhibit is incorporated here by reference.

(18) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the current report of the Company on Form 8-K, dated January 26, 2007, which exhibit is incorporated here by reference.

(19) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the second current report of the Company on Form 8-K, dated January 26, 2007, which exhibit is incorporated here by reference.

(20) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's annual report on Form 10-K for the year ended December 31, 2006, which exhibit is incorporated here by reference.

(21) Filed with the Securities and Exchange Commission as an exhibit, numbered as indicated above, to the Company's Registration Statement on Form SB-2, File No. 333-142923, which exhibit is incorporated here by reference.

Item 28. Undertakings

The undersigned registrant hereby undertakes to:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act of 1933, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be deemed to be the initial bona fide offering thereof.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or paid by a director, officer or controlling person of the small business issuer in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by

controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(5) For determining liability of the undersigned small business issuer under the Act to any purchaser in the initial distribution of securities, the undersigned small business issuer undertakes that in a primary offering of securities of the undersigned small business issuer pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned small business issuer will be a seller to the purchaser and will be considered to sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned small business issuer relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned small business issuer or used or referred to by the undersigned small business issuer;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned small business issuer or its securities provided by or on behalf of the undersigned small business issuer; and

(iv) Any other communication that is an offer in the offering made by the undersigned small business issuer to the purchaser.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized this amendment to registration statement to be signed on its behalf by the undersigned, in the City of New York, State of New York on July 10, 2007.

NEOSTEM, INC.

By: /s/ CATHERINE M. VACZY
Name: Catherine M. Vaczy
Title: *Vice President and General Counsel*

In accordance with the requirements of the Securities Act of 1933, this amendment to registration statement was signed by the following persons in the capacities and on the dates stated:

Signature	Title	Date
* Robin L. Smith	Director, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	July 10, 2007
* Larry A. May	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	July 10, 2007
* Mark Weinreb	Director and President	July 10, 2007
* Joseph Zuckerman	Director	July 10, 2007
* Richard Berman	Director	July 10, 2007
* Steven S. Myers	Director	July 10, 2007

*By: /s/ CATHERINE M. VACZY
Catherine M. Vaczy
as Attorney-in-fact

NEOSTEM. INC.

EXHIBIT INDEX

EXHIBIT	DESCRIPTION	NO.
1(a)	Underwriting Agreement	1.1
4(a)	Form of Underwriter’s Warrant	4.1
4(b)	Form of Class A Warrant	4.2
5(e)	Opinion re: legality	5.1
10(bbb)	Amendment to sublease agreement between NeoStem, Inc. and DC Associates LLC dated May 22, 2007	10.1

10(ccc)	Amendment to sublease agreement between NeoStem, Inc. and DC Associates LLC dated June 2007	10.2
23(a)	Consent of Holtz Rubenstein Reminick LLP	23.1

Exhibit 1(a)

PUBLIC OFFERING UNDERWRITING AGREEMENT NEOSTEM, INC.

Units Consisting of Common stock and Warrants ($0.001 par value) _______, 2007

FOR DISCUSSION PURPOSES ONLY

Mercer Capital Ltd.
40 Wall Street, 31st Floor
New York, New York 10005

Ladies/Gentlemen:

NEOSTEM, INC., a Delaware corporation (the "Company") hereby confirms its agreement with Mercer Capital Ltd., (the "Underwriter") regarding the participation by the Underwriter in the Public Offering (hereinafter defined), and agrees, as follows:

SECTION 1 Description of Securities

1.01. Public Offering. The Company represents, covenants, warrants, and agrees that its authorized, issued and outstanding capitalization, when the Public Offering (hereinafter defined) contemplated hereby is permitted to commence (but adjusted for the contemplated one-for-ten reverse stock split) and at the Closing Date (hereinafter defined), will be as set forth in the Registration Statement (as such terms are hereinafter defined or described). The Company proposes to issue, and engages Underwriter to offer and sell by Public Offering pursuant to the registration provision of the Securities Act of 1933, as amended provided by Form SB-2 thereunder, Units consisting of duly authorized $0.001 par value Common Stock of the Company and warrants to purchase $0.001 par value Common Stock of the Company on a "best efforts" basis. Each Unit shall consist of (i) one share of $0.001 par value Common Stock of the Company, and (ii) one-half warrant to purchase one-half share of the Company's $0.001 par value Common Stock at an exercise price of [$6.50] per share (the "Warrants"). The Warrants shall be exercisable for a period of five years from the date of issuance. The Warrants contain a call provision, as described in the Registration Statement, which will require, upon 30 days notice to the record holder of the Warrants, that the holder exercise all or any part of the Warrants or redeem them for $0.001 at the end of the 30-day period. The maximum Units offered pursuant to this offering is 1,270,000 Units for a total sales price of $6,985,000.

The Units to be authorized, issued, offered and sold pursuant to the Public Offering contemplated by this Agreement shall be offered and sold at a price of [$5.50] per Unit on the terms hereinafter set forth. No odd numbers of units shall be sold to any person.

SECTION 2

Representations and Warranties of the Company

In order to induce the Underwriter to enter into this Agreement, the Company hereby represents, warrants, and covenants to and agrees with the Underwriter as follows:

2.01. Registration Statement. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form SB-2 (File No. 333-142923), including a preliminary prospectus, relating to the Shares to be sold in the Public Offering. Such registration statement, as amended at the time that it becomes effective, is referred to collectively in this Agreement as the "Registration Statement," and the prospectus in the form filed with the Commission as part of the Registration Statement or pursuant to its Rule 424(b) filing, if any, after the Registration Statement becomes effective is referred to collectively as the "Prospectus." As used in this Agreement, the term "Registration Statement" refers to and means said Registration Statement and all amendments thereto, including all exhibits and financial statements, when it becomes final (the "Offering Commencement Date"). The term "Registration Statement" refers to and means the Registration Statement on the Offering Commencement Date; and the term "Preliminary Registration Statement" refers to and means any preliminary Registration Statement before it becomes final.

2.02. Preliminary Prospectus. Each preliminary Prospectus that is filed as part of the Registration Statement in the form in which it becomes effective and also in such form as it may be when any post-effective amendment of the Registration Statement becomes effective and distributed by the Underwriter or a selected dealer to potential purchasers complied, when so filed, in all material respects with the provisions of the Securities Act, except that this representation and warranty does not apply to statements in or omissions from information relating to the Underwriter in the last paragraph on the front cover of the Prospectus and in the section of the Prospectus entitled "Plan of Distribution" and "Underwriter" that were made in reliance upon and conformity with information furnished to the Company by the Underwriter expressly for use therein.

2.03. Accuracy of the Registration Statement. The Registration Statement in the form in which it becomes effective and also in such form as it may be when any post-effective amendment thereto shall become effective, and the Prospectus filed as part of such Registration Statement and in the form first filed with the Commission under its Rule 424(b) filing, if any, and when any supplement thereto is filed with the Commission, will comply in all material respects with the provisions of the Securities Act and will not contain at any such times an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that this representation and warranty does not apply to lack of pricing information in any preliminary Prospectus nor to statements in or omissions from information relating to the Underwriter in the last paragraph on the front cover of the Prospectus and in the section of the Prospectus entitled "Plan of Distribution" and

“Underwriter” that were made in reliance upon and conformity with information furnished to the Company by the Underwriter expressly for use therein.

2.04. Financial Statements. The Company’s financial statements, together with related schedules and notes, forming part of the Registration Statement and the Prospectus, present fairly the financial position and the results of operations of the Company at the respective dates or for the respective periods to which they apply; such statements and related notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein; and the financial and statistical information and data set forth in the Registration Statement and the Prospectus is fairly presented and prepared on a basis consistent with such financial statements and the books and records of the Company; provided, however, that any interim unaudited financial statements of the Company included in the Registration Statement and the Prospectus are subject to normal year-end adjustments and lack footnotes and other presentation items. The Company has no material contingent obligations that are not disclosed in the Registration Statement and the Prospectus (or any amendment or supplement thereto).

2.05. No Material Adverse Change. Except as may be reflected in or contemplated by the Registration Statement and the Prospectus, subsequent to the dates as of which information is given in the Registration Statement and the Prospectus, and prior to the Closing Date, (i) there shall not be any material adverse change in the condition, financial or otherwise, of the Company or in its business taken as a whole; (ii) there shall not have been any material transaction entered into by the Company other than transactions in the ordinary course of business; (iii) the Company shall not have incurred any material obligation, contingent or otherwise, which are not disclosed in the Registration Statement and the Prospectus; (iv) there shall not have been nor will there be any material change in the capital stock or long-term debt (except current payments) of the Company other than preemptive rights, option grants or stock awards under Board approval, securities issued under existing obligations, such as to the Company’s IR firms or other service providers or consultants (or other securities with Board approval not to exceed 1,000,000 (prior to the reverse stock split described in the registration statement) shares of Common Stock or their equivalent), or securities issued in connection with a merger or acquisition, or nominal payments for preferred shares, intellectual property rights, employees to be hired who are considered by the Company to be essential, or transactions contemplated at the time of the Underwriting Agreement; and (v) the Company has not and will not have paid or declared any dividends or other distributions on its capital stock.

2.06. No Defaults. The Company is not in default in the performance of any obligation, agreement, or condition contained in any debenture, note or other evidence of indebtedness, or any indenture or loan agreement of the Company, other than as set forth in the Registration Statement and the Prospectus. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated, and compliance with the terms of this Agreement, will not conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the articles of incorporation, as amended, or bylaws of the Company, or any note, indenture,

mortgage, deed of trust, or other agreement or instrument to which the Company is a party or by which the Company or any of its property is bound, or any existing law, order, rule, regulation, writ, injunction, or decree of any government, governmental instrumentality, agency or body, arbitration tribunal or court, domestic or foreign, having jurisdiction over the Company or its property. The consent, approval, authorization, or order of any court or governmental instrumentality, agency, or body is not required for the consummation of the transactions herein contemplated except such as may be required under Form SB-2 or other federal securities laws, the rules, if applicable, of the American Stock Exchange, the National Association of Securities Dealers (“NASD”) or other stock exchange or securities regulatory agency, or under the blue sky or securities laws of any state or jurisdiction.

2.07. Incorporation and Standing. The Company is, and at the Closing Date will be, duly incorporated and validly existing in good standing as a corporation under the laws of its jurisdiction of incorporation, with an authorized and outstanding capital stock as set forth in the Registration Statement and the Prospectus, and with full power and authority (corporate and other) to own its property and conduct its business, as described in the Registration Statement and the Prospectus; the Company has full power and authority to enter into this Agreement; the Company owns, free and clear of any lien, charge, or encumbrance, all of its property and rights to property except set forth in the Registration Statement and the Prospectus; and the Company is duly qualified and in good standing as a foreign corporation in each jurisdiction in which it owns or leases real property or transacts business requiring such qualification.

2.08. Legality of Outstanding Stock. The outstanding common stock of the Company has been duly and validly authorized and issued, is fully paid and non-assessable, and will conform to all statements with regard thereto contained in the Registration Statement and the Prospectus (subject to consummation of the one-for-ten reverse stock split). Except as set forth in the Registration Statement and the Prospectus, there are no outstanding options, warrants, or other rights to subscribe for, purchase, or receive shares of the Company’s common stock or any other security convertible into common stock.

2.09. Legality of Units. The Common Stock and warrants included in the Units have been duly and validly authorized and when issued, are fully paid and non-assessable. The securities constituting the Units, upon issuance, will not be subject to the preemptive rights of any shareholders of the Company. A sufficient number of shares of stock have been reserved for issuance upon exercise of the Warrants with regard thereto in the Registration Statement and the Prospectus.

2.10. Prior Sales. No restricted securities of the Company have been sold by the Company within three years prior to the date hereof, except as set out in the Registration Statement and the Prospectus.

2.11. Litigation. Except as set forth in the Registration Statement and the Prospectus, there is, and at the Closing Date there will be, no action, writ, or proceeding before any court or governmental agency, authority or body pending or to the knowledge of the

Company, threatened, which might result in judgments against the Company not adequately covered by insurance and which collectively might result in any material adverse change in the condition (financial or otherwise), the business or the prospects of the Company, or would materially affect the properties or assets of the Company.

2.12. Common Stock. Upon delivery of and payment for the Units to be sold by the Company as set forth in Section 1.01 of this Agreement, the purchasers will receive good and marketable title thereto, free and clear of all liens, encumbrances, charges, and claims whatsoever except as created by the Purchasers; and the Company will have on the Offering Commencement Date and at the time of delivery of such Units, full legal right and power and all authorization and approval required by law to sell, transfer, and deliver such Units, including the Company's Common Stock and Warrants in the manner provided hereunder.

2.13. Finder. The Company and the Underwriter represent to each other that no person has acted as a finder in connection with the transactions contemplated herein and each will indemnify the other party with respect to any claim for finder's fees in connection herewith.

2.14. Exhibits. There are no contracts or other documents which are required to be included as exhibits to the Registration Statement and the Prospectus by Form SB-2 or by the Rules and Regulations which have not been so included and each contract to which the Company is a party which is described in the Registration Statement and the Prospectus has been duly and validly executed by the Company, and is in full force and effect in all material respects in accordance with its terms, and none of such contracts has been assigned by the Company; and the Company knows of no present situation or condition of fact which would prevent compliance with the terms of such contracts, as amended to date. Except for amendments or modifications of such contracts in the ordinary course of business, the Company has no intention of exercising any right which it may have to cancel any of its obligations under any of such contracts, and has no knowledge that any other party to any of such contracts has any intention not to render full performance under such contracts.

2.15. Tax Returns. The Company has filed all federal and state tax returns which are to be filed, and has paid all taxes shown on such returns and on all assessments received by it to the extent such taxes have become due. All taxes with respect to which the Company is obligated have been paid or adequate accruals have been set up to cover any such unpaid taxes.

2.16. Property. Except as otherwise set forth in or contemplated by the Registration Statement and the Prospectus, the Company has good title, free and clear of all liens, encumbrances, and defects, except liens for current taxes not due and payable, to all property and assets which are described in the Registration Statement and the Prospectus as being owned by the Company, subject only to such exceptions as are not material and do not adversely affect the present or prospective business of the Company.

2.17. Licenses and Permits. To the best of its knowledge, and subject to the description in the Registration Statement the Company holds all material licenses, certificates and permits from governmental authorities that are necessary to the current conduct of its businesses; and to the best of its knowledge, the Company has not infringed any patents, patent rights, trade names, trademarks or copyrights in any manner material to the business of the Company taken as a whole.

2.18. Internal Accounting Controls. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2.19. Price of any Security. The Company has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

2.20. Related Parties. No relationship, direct or indirect, exists between or among the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand, that is required to be described in the Prospectus and the Registration Statement that is not so fully and accurately described.

2.21. Investment Company. The Company is not and, after giving effect to the offer and sale of the Shares, will not be an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

2.22. Accuracy of Statistical and Market-Related Data. Any statistical and market-related data included in the Prospectus and the Registration Statement are based on or derived from sources that the Company believes to be reliable and accurate.

2.23. Authority. The execution and delivery by the Company of this Agreement has been duly authorized by all necessary corporate action and this contract is the valid, binding, and legally enforceable obligation of the Company.

SECTION 3
Issue, Sale and Delivery of the Units; Post Closing Agreements

3.01.01. The Company hereby appoints the Underwriter as its exclusive agent from the Offering Commencement Date for a period of sixty (60) days from the date of the Registration Statement, which period may be extended for not more than an additional

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thirty (30) days upon the mutual agreement of the Underwriter and the Company. The Underwriter, on the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, accepts such appointment and agrees to use its best efforts to find purchasers for the Units. "Best efforts" as used in this Agreement in connection with the Underwriter shall mean that effort which would be employed by a reasonably diligent broker-dealer in the position of the Underwriter. The price at which the Underwriter shall sell the Units in public offering transactions, as agent for the Company, shall be $[5.50] per Unit, and the Company shall pay the Underwriter a commission of seven percent (7%) of the offering price for each share and other compensation as described in this Underwriting Agreement.

3.01.02. Upon completion of the Public Offering, the Company will issue to the Underwriter warrants to purchase common shares of the Company equal to five percent (5%) of the common shares sold in the Public Offering at a strike price of [$7.15] per share. Such Underwriter warrants will not be exercised before one year from the date of their issuance and not after five years from the date of their issuance. The shares underlying the Underwriters Warrants shall be registered in the Registration Statement. The Underwriter's Warrants shall not be sold during the offering or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the effective date of the Registration Statement, except to any member participating in the offering and the officers or partners thereof, or as otherwise permitted under 2710(g)(2) of the NASD's Corporate Financing Rule and only if the warrants so transferred remain subject to the one-year lock-up restriction for the remainder of the lock-up period.

3.01.03. Engraved certificates in such form that they can be negotiated by the purchasers thereof (issued in such denominations and in such names as the Underwriter may direct the transfer agent to issue) for the common stock and warrants to purchase common stock shall be made available by the Company to the Underwriter for checking and packaging at the offices of the transfer agent at least two full business days prior to the date required for delivery, it being understood that the directions from the Underwriter to the transfer agent shall be given at least three full business days prior to the such date.

3.01.04. An Escrow Account shall be established at U.S. Bank National Association, 60 Livingston Avenue, Mail Code EP-MN-WS3C, St. Paul, Minnesota 55107-2292 (the Escrow Agent). During the period of the offering contemplated hereby, payment for Units shall be in clearing house funds, and the Underwriter and selected dealers shall request that all checks and other orders in payment for the Units be made payable to the order of NEOSTEM, INC., Escrow Account, U.S. Bank National Association Such checks and orders shall be transmitted by the Underwriter and selected dealers to the Escrow Account at U.S. Bank National Association by noon of the next business day following receipt. Funds may be wired to the Escrow Account via U.S. Bank National Association ABA [ ] at the Account Number issued by U.S. Bank National Association for the Escrow for further credit to NEOSTEM, INC. Interim closings may be held during the term of the offering or otherwise as fixed by notice in writing to be given by the Underwriter to the Company and the Escrow Agent.

3.01.05. The time and date of delivery and payment hereunder are herein called a "Closing Date" and shall take place at the office of the Company on such dates as will be

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fixed by notice in writing to be given by the Underwriter to the Company and the Escrow agent. The Closing Dates and places may be changed by the agreement of the Underwriter and the Company.

3.01.06. The certificates so delivered for the Warrants and Common Stock comprising the Units shall be registered in the names of the purchasers thereof for the number of shares purchased by each, as may be required by the Underwriter in the notice.

3.02. The Company shall reimburse the Underwriter for its expenses and overhead in the form of a nonaccountable expense allowance in an amount equal to two percent (2%) of the total proceeds realized from the sale of the Units in the offering, but shall not include the following, all of which will be paid by the Company: all costs and expenses incident to the issuance, offer, sale and delivery of the Units including all expenses and fees incident to the Registration Statement and the "COBRA" filing of the Public Offering with NASD Corporate Finance; the costs and counsel fees of qualification under state securities laws (subject to a maximum or cap of $10,000 on counsel fees, exclusive of filing fees and expenses); fees and disbursements of counsel and accountants for the Company; costs of preparing, printing and mailing as many copies of the Registration Statement and/or Prospectus, related exhibits, blue sky memoranda, underwriting agreements, selected dealer agreements and other underwriting documents, as the Underwriter may deem necessary, including all amendments and supplements of the Registration Statement. To date, the Company has paid the Underwriter $35,000 toward the non-accountable allowance. In addition, the Company shall pay all of the following costs: (i) during the period specified in Section 6.05 below but not exceeding nine months after the date on which the Units are first offered to the public, cost of delivery to the Underwriter and dealers through whom Shares may be sold (including postage, air freight and the expenses of counting and packaging) of such copies of the Registration Statement, the Prospectus, each preliminary Prospectus and amendments or supplements to the Registration Statement and the Prospectus as may be requested for use by the Underwriter or by dealers through whom Shares may be sold in connection with the offering and sale of the Shares and during such period of time thereafter as the Prospectus is required, in the judgment of the Company or in the opinion of counsel for the Underwriter, to be delivered in connection with the offer and sale of the Shares by the Underwriter and by dealers, (ii) the costs of all informational and/or investor due diligence meetings and (iii) the performance by the Company of its other obligations under this Agreement. The Underwriter shall pay its own costs and expenses except as otherwise provided in this Agreement.

3.03. The parties hereto respectively covenant that as of the Closing Date the representations and warranties herein contained and the statements contained in all the certificates theretofore or simultaneously delivered by any party to another, pursuant to this Agreement, shall in all respects be true and correct.

3.04. The Underwriter covenants that, reasonably promptly after the Closing Date, it will supply the Company with all information required from the Underwriter as the Company may reasonably request to be supplied to the securities commissions of such states in

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which the Units have been qualified for sale or such other regulatory or reporting agencies as may be required.

3.05. The Company agrees that Underwriter has the right to place tombstone advertisements describing its services to the Company under this agreement in its website as well as in financial and other newspapers and journals at its own expense following the date on which the Public Offering closes. Notwithstanding the foregoing, the Placement Agent shall provide the Company with a copy of any such advertisement for its approval (which shall not be unreasonably withheld or delayed) no less than three (3) business days before the public release of the advertisement.

3.06. The Underwriter shall have the right to appoint an observer to attend regularly scheduled board meetings for two (2) years following the Closing Date.

SECTION 4
Offering of the Units on Behalf of the Company

4.01. In offering the Units for sale, the Underwriter shall offer the Units solely as an agent for the Company, and such offer shall be made upon the terms and subject to the conditions set forth in the Registration Statement and the Prospectus. The Underwriter shall commence making such offer as an agent for the Company as soon after the Offering Commencement Date as it may deem advisable.

4.02. The Underwriter may invite registered dealers selected by it ("Participating Dealers") to offer and sell the shares for the account of the Company pursuant to a form of Selected Dealers Agreement, pursuant to which the Underwriter may allow such concession (out of its underwriting commission and Underwriter Warrants) as it may determine, within the limits set forth in the Registration Statement and the Prospectus, and all such sales by Participating Dealers shall be as agents for the accounts of their customers.

4.03. On each sale by the Underwriter of any of the Units by Participating Dealers, the Underwriter shall require the Participating Dealer offering any Units to agree to offer the shares on the terms and conditions of the offering set forth in the Registration Statement and the Prospectus.

SECTION 5 Registration Statement

5.01. The Company will procure, at its expense, as many printed copies of the Registration Statement as the Underwriter may reasonably require for the purposes contemplated by this Agreement and shall deliver said printed copies of the Registration Statement to the Underwriter as soon as practical after the Offering Commencement Date.

5.02. If during such period of time as in the opinion of the Underwriter or its counsel a Registration Statement relating to this Public Offering is required to be delivered under

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Form SB-2, or any event occurs or any event known to the Company relating to or affecting the Company shall occur as a result of which the Registration Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary at any time after the Offering Commencement Date of the Registration Statement to amend or supplement the Registration Statement to comply with Form SB-2, the Company will forthwith notify the Underwriter thereof and prepare and file with the securities commissions of such states in which the offering is qualified for sale such further amendment to the Registration Statement or supplemented or amended Registration Statement as may be required and furnish and deliver to the Underwriter and to others whose names and addresses are designated by the Underwriter, all at the cost of the Company, a reasonable number of copies of the amended or supplemented Registration Statement which as so amended or supplemented will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the Registration Statement not misleading in the light of the circumstances when it is delivered to a purchaser or prospective purchaser, and which will comply in all respects with Form SB-2 and the Act.

5.03. The Company authorizes the Underwriter and the Participating Dealers, if any, in connection with the distribution of the Units and all dealers to whom any of the Units may be sold by the Underwriter or by any Participating Dealer, to use the Registration Statement, as from time to time amended or supplemented, in connection with the offering and sale of the Units and in accordance with the applicable provisions of Form SB-2, the applicable Rules and Regulations and applicable state blue sky or securities laws.

SECTION 6 Covenants of the Company

The Company covenants and agrees with the Underwriter that:

6.01. The Company will endeavor to cause the Registration Statement to become effective and will advise the Underwriter promptly and, if requested by the Underwriter, will confirm such advice in writing (i) when the Registration Statement has become effective and when any amendment thereto thereafter becomes effective, (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Shares for offering or sale in any state or jurisdiction, or the initiation or contemplation of any proceeding for such purposes and (iv) within the period of time referred to in Section 6.04 below, of the happening of any event that makes any statement made in the Registration Statement or the Prospectus (as then amended or supplemented) untrue in any material respect or that requires the making of any addition to or change in the Registration Statement or the Prospectus (as then amended or supplemented) to state a material fact required to be stated therein or necessary to make the statements therein not misleading or of the necessity to amend or

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supplement the Prospectus (as then amended or supplemented) to comply with the Securities Act or any other law. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible time.

6.02. The Company will not file any amendment to the Registration Statement or make any amendment or supplement to the Prospectus of which the Underwriter shall not have been advised previously or to which the Underwriter shall reasonably object in writing promptly after being so advised.

6.03. Prior to the effective date of the Registration Statement, the Company has delivered or will deliver to the Underwriter, without charge, in such quantities as the Underwriter has requested or may hereafter reasonably request, copies of each form of preliminary Prospectus. The Company consents to the use, in accordance with the provisions of the Securities Act and with the securities or blue sky laws of the jurisdictions in which the Shares are offered by the Underwriter and by dealers to whom Shares may be sold, prior to the effective date of the Registration Statement, of each preliminary Prospectus so furnished by the Company.

6.04. On the effective date of the Registration Statement and thereafter from time to time, for such period as in the opinion of counsel for the Underwriter a Prospectus is required by law to be delivered in connection with sales by an Underwriter or a dealer, the Company will deliver to the Underwriter and each dealer through whom Shares may be sold, without charge (except as provided below), as many copies of the Prospectus (and of any amendment or supplement thereto) as they may reasonably request. The Company consents to the use of such Prospectus (and of any amendment or supplement thereto) in accordance with the provisions of the Securities Act and with the securities or blue sky laws of the jurisdictions in which the Shares are offered by the Underwriter and by dealers through whom Shares may be sold, both in connection with the offering or sale of the Shares and for such period of time thereafter as the Prospectus is required by law to be delivered in connection therewith. If during such period of time any event shall occur that in the judgment of the Company, or in the opinion of counsel for the Underwriter, requires that a material fact be stated in the Prospectus (as then amended or supplemented) in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Prospectus to comply with the Securities Act or any other law, the Company, at its own expense (except as provided below), will forthwith prepare and file with the Commission an appropriate amendment or supplement thereto, and will furnish to the Underwriter and each dealer through whom Shares may be sold, without charge (except as provided below), a reasonable number of copies thereof.

6.05. The Company will cooperate with the Underwriter and the Underwriter's counsel in connection with the registration or qualification of the Units for offer and sale by the Underwriter and by dealers through whom Units may be sold under the securities or blue sky laws of such jurisdictions as the Underwriter may reasonably designate and will file such consents to service of process or other documents as may be necessary in order to

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effect such registration or qualification; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to the service of process in suits, other than those arising out of the offer and sale of the Shares, in any jurisdiction where it is not now so subject. At the cost of the Company (not to exceed $10,000 for counsel fees), the attorneys for the Underwriter shall prepare for and deliver to the Underwriter a "Blue Sky Memorandum" describing and opining upon the states in which qualification for sale or exemption from registration or qualification has taken place.

6.06. The Company will file all reports and other information that it is required to file after the Closing Date pursuant to Section 13 or Section 15(d), as the case may be, of the Exchange Act as necessary to permit the Underwriter to serve, in its sole discretion, as a market maker with respect to the Common Stock.

6.07. The Company will make generally available to its security holders an earnings statement, which need not be audited, covering a 12-month period commencing after the effective date of the Registration Statement and ending no later than 15 months thereafter, as soon as practicable after the end of such period, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and any applicable regulation.

6.08. During the period of five years hereafter, the Company will furnish to the Underwriter, without charge, as soon as available, a copy of each report of the Company mailed to shareholders or filed with the Commission and from time to time such other proper information concerning the business and financial condition of the Company as the Underwriter may reasonably request.

SECTION 7 Effectiveness of Agreement

7.01. This Agreement shall become effective at 7:00 A.M., New York time, on the first business day the Public Offering is determined to be final and available for sale by mutual agreement of the Company and the Underwriter (the "Offering Commencement Date" for purposes of this agreement). Such Offering Commencement Date shall be printed on the front cover of the Registration Statement.

SECTION 8

Conditions of the Underwriter's Obligations

The Underwriter's obligations to act as agent of the Company hereunder and to find purchasers for the Units and to make payment to the Company hereunder on the Closing Date shall be subject to the accuracy, as of the Closing Date, of the representations and warranties on the part of the Company herein contained, to the fulfillment of or compliance by the Company with all covenants and conditions hereof, and to the following additional conditions:

8.01. On or prior to the Closing Date, no order suspending offers or sales pursuant to the Registration Statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the Commission or any state regulatory agency and no statements in the Registration Statement nor any amendment thereto shall have been included to which counsel to the Underwriter shall have not given their consent.

8.02. The Underwriter shall not have disclosed in writing to the Company that the Registration Statement or any amendment thereof or supplement thereto contains an untrue statement of a fact which, in the opinion of counsel to the Underwriter, is material, or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein, or is necessary to make the statements therein not misleading.

8.03. Between the date hereof and the Closing Date, the Company shall not have sustained any loss on account of terrorist activity, fire, explosion, flood, accident, calamity or any other cause, of such character as to materially adversely affect its business or property considered as an entity, whether or not such loss is covered by insurance.

8.04. Between the date hereof and the Closing Date, there shall be no litigation instituted or threatened against the Company and there shall be no proceeding instituted or threatened against the Company before or by any federal or state commission, regulatory body or administrative agency or other governmental body, domestic or foreign, wherein an unfavorable ruling, decision or finding would materially adversely affect the business, franchises, licenses, operations, financial condition or income of the Company considered as a whole.

8.05. Except as contemplated herein or as set forth in the Registration Statement, during the period subsequent to the date of the last audited balance sheet included in the Registration Statement and prior to the Closing Date, the Company (i) shall have conducted its business in the usual and ordinary manner as the same was being conducted on the date of the most recent balance sheet included in the Registration Statement, and (ii) except in the ordinary course of its business, shall not have incurred any liabilities or obligations (direct or contingent), disposed of any of its assets, or entered into any material transaction or suffered or experienced any substantially adverse change in its condition, financial or otherwise. At the Closing Date, the capital stock and surplus accounts of the Company shall be substantially the same as at the date of the most recent balance sheet included in the Registration Statement, without considering the proceeds from the sale of the Units, other than as may be set forth in the Registration Statement other than preemptive rights, option grants or stock awards under Board approval, securities issued under existing obligations, such as to the Company's IR firms or other service providers or consultants (or other securities with Board approval not to exceed 1,000,000 shares of Common Stock or their equivalent), or securities issued in connection with a merger or acquisition, or nominal payments for preferred shares, intellectual property rights, employees to be hired who are considered by the Company to be essential, or transactions contemplated at the time of the Underwriting Agreement, and except that the Company shall have filed with the Secretary of State of Delaware a Certificate of Amendment to its Certificate of Incorporation to effect (as of the initial Closing Date) the one-for-ten reverse stock split described in the Registration Statement.

8.06. The authorization of the stock, the Registration Statement and all corporate proceedings and other legal matters incident thereto and to this Agreement shall be reasonably satisfactory in all respects to counsel to the Underwriter, and the Company shall have furnished such counsel such documents as they may have requested to enable them to pass upon the matter referred to in this subparagraph.

8.07. The Company shall have furnished to the Underwriter the opinion, dated the Closing Date, addressed to the Underwriter, of counsel to the Company, to the effect that:

(i) The Company is a validly existing corporation in good standing under the laws of the State of Delaware, with full corporate power and authority to own and operate its properties and to carry on its business as set forth in the Registration Statement.

(ii) The Company is duly qualified to transact business in the state of New York.

(iii) The Company has an authorized capitalization as set forth in the Registration Statement (subject to filing the Certificate of Amendment effecting the one-for-ten reverse stock split); the Units and underlying securities, and the outstanding common stock of the Company conform to the statements concerning them in the Registration Statement; the outstanding common stock of the Company contains no preemptive rights in its organization documents; the stock and warrants making up the Units have been duly and validly authorized and, upon issuance thereof and payment therefore in accordance with this Agreement, will be duly and validly issued, fully paid and non-assessable, free and clear of all liens, encumbrances, equities and claims whatsoever except as created by the Purchasers and will not be subject to the statutory preemptive rights of any shareholder of the Company.

(iv) The certificates for the Shares are in proper legal form.

(v) Except for the order of the Commission making the Registration Statement effective and any permits and similar authorizations required under rules of the American Stock Exchange or NASD (if applicable) and other securities or blue sky laws, no consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body that in our experience is normally applicable to transactions of the type contemplated by the Underwriting Agreement is required for the consummation of the sale of the Shares to the purchasers through the Underwriter as contemplated by this Agreement.

(vi) The issuance and sale of the Units and the consummation of the transactions herein contemplated and compliance with the terms of this Agreement will not conflict with or result in a breach of any of the terms, conditions, or provisions of, or constitute a default under, the articles of incorporation (as amended), or bylaws of the Company, or any material note, indenture, mortgage, deed of trust, or other agreement listed as an exhibit to the Registration Statement or any existing law, order, rule, regulation, writ, injunction, or decree known to such counsel of any government, governmental instrumentality, agency, body, arbitration tribunal, or court, domestic or foreign, having jurisdiction over the Company or its property.

(vii) The Registration Statement has been declared effective by the Commission under the Securities Act and, to the best of the knowledge of such counsel, no order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated by the Commission or any state regulatory agency, and the Registration Statement and each amendment and supplement thereto, comply as to form in all material respects with the requirement of Form SB-2 and the Rules and Regulations thereunder (except that no opinion need be expressed as to financial statements and financial data contained in the Registration Statement nor as to regulatory matters nor patent or other intellectual property rights), and such counsel is familiar with all contracts annexed to in the Registration Statement as exhibits and such contracts are sufficiently summarized or disclosed therein or included therewith.

(viii) This Agreement has been duly authorized, executed and delivered by the Company.

(ix) To the knowledge of such counsel, there are no pending or threatened legal or governmental proceedings to which the Company is a party or of which any property of the Company is the subject, which, if determined adversely to the Company, would individually or in the aggregate have a material adverse effect on the financial position or results of operations of the Company.

8.08. The Company shall have furnished to the Underwriter a certificate of the President and the Treasurer of the Company in their capacities as such, and not in their individual capacities, dated as of the Closing Date, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct at and as of the Closing Date, and the Company has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date.

(ii) The Registration Statement has become effective and no order suspending the effectiveness of the Registration Statement has been issued and to the best of the knowledge of the respective signers, no proceeding for that purpose has been initiated or is threatened by the Commission.

(iii) The respective signers have each carefully examined the Registration Statement and any amendments and supplements thereto and to the best of their knowledge the Registration Statement and any amendments and supplements thereto contain all statements required to be stated and correct, and neither the Registration Statement nor any amendment or supplement thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, since the Offering Commencement Date of the Registration Statement, there has occurred no event required to be set forth in an amended or a supplemented Registration Statement which has not been so set forth.

(iv) Except as set forth in the Registration Statement, since the respective dates as of which information is given in the Registration Statement and prior to the date of such certificate, (i) there has not been any materially adverse change, financial or otherwise, in the affairs or condition of the Company, and (ii) the Company has not incurred any liabilities, direct or contingent, or entered into any transaction, other than in the ordinary course of business.

(v) Subsequent to the respective dates as of which information is given in the Registration Statement, no dividends or distributions whatsoever have been declared and/or paid on or with respect to the common stock of the Company, except for the reverse stock split.

(vi) The Company has not received any amendment or modification of the letter from the American Stock Exchange (“Amex”) dated July 6, 2007 approving its shares for listing, and the Company has satisfied all conditions to listing specified by Amex in such letter, including with respect to minimum stockholders equity.

8.09. All of the Units being offered by the Company shall be tendered for delivery in accordance with the terms and provisions of this Agreement.

8.10. The Units shall be qualified and the Blue Sky Memorandum and opinion provided as provided in Section 6.06 of this Agreement, and each qualification shall be in effect and not subject to any stop order or other proceeding on the Closing Date.

8.11. All opinions, letters, certificates, and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions thereof only if they are in form and substance satisfactory to counsel to the Underwriter, whose approval shall not be unreasonably withheld.

8.12. The Company shall also supply such other good standing, tax, incumbency and other certificates, as the Underwriter shall reasonably request.

8.13. Any certificate signed by an officer of the Company and delivered to the Underwriter or to counsel for the Underwriter will be deemed a representation and warranty by the Company to the Underwriter as to the statements made therein.

SECTION 9 Termination

9.01. This Agreement may be terminated by the Underwriter by notice to the Company in the event that the Company shall have materially failed or been unable to materially comply with any of the terms, conditions, or provisions of this Agreement on the part of the Company to be performed, complied with or fulfilled (including but not limited to those specified in Sections 2, 3, 5, 6 and 9 hereof) within the respective times herein provided, unless compliance therewith or performance or satisfaction thereof shall have been expressly waived by the Underwriter in writing.

9.02. This Agreement may be terminated by the Underwriter by notice to the Company at any time if, in the sole judgment of the Underwriter, solicitation for sale of, payment for and/or delivery of the Units is rendered impracticable or inadvisable because (i) additional material governmental restrictions not in force and effect on the date hereof shall have been imposed upon the trading in securities generally, or trading in securities generally on any established stock exchange or over the counter markets shall have been

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suspended, or a general moratorium shall have been established by federal or state authorities, or (ii) any material adverse change in market conditions, including but not limited to terrorist activities, war or other national calamity, shall have occurred, or (iii) the condition of the market generally is such that it would be undesirable, impracticable, or inadvisable, in the sole judgment of the Underwriter, to proceed with this Agreement or with the Public Offering.

9.03. Except as to the reimbursement of actual out of pocket expenses incurred by the Underwriter pursuant to Paragraph 3.02 hereof, any termination of this Agreement pursuant to this Section 9 shall be without liability of any character (including, but not limited to, loss of anticipated profits or consequential damages) on the part of any party thereto. No party shall be liable under this Agreement or for any matter related to the Public Offering for loss of anticipated profits or consequential damages.

SECTION 10

Underwriter's Representations and Warranties

The Underwriter represents and warrants to and agrees with the Company that:

10.01. Registered Broker-Dealer. The Underwriter is registered as a broker-dealer with the Securities and Exchange Commission and is registered as a broker-dealer in the State of New York and is a member in good standing of the National Association of Securities Dealers, Inc.

10.02. Anti-Money Laundering Compliance Programs. The Underwriter represents to the Company that the Underwriter has established and implemented anti-money laundering compliance programs in accordance with NASD Rule 3011 and Section 352 of the Money Laundering Abatement Act, which among other things, are reasonably expected to detect and cause the reporting of suspicious transactions in connection with the sale of the Units.

10.03. Customer Identification Program ("CIP"). The Underwriter represents to the Company that the Underwriter has established and implemented a customer identification program meeting the requirements of the PATRIOT Act and the CIP Rule.

10.04. Limitation of Offer. The Underwriter will offer the Units only to persons who meet the financial qualifications set forth in the applicable Registration Statement or in any suitability letter or memorandum sent to it by the Company and will only make offers to persons in the states in which it is advised in writing that the Units are qualified for sale or that such qualification is not required.

10.05. Privacy Laws. The Underwriter agrees to abide by and comply with (i) the privacy standards and requirements of the Gramm-Leach-Bliley Act of 1999 ("GLB Act"), (ii) the privacy standards and requirements of any other applicable federal or state law, and (iii) its own internal privacy policies and procedures, each as may be amended from time to

time. The Underwriter agrees to refrain from the use or disclosure of nonpublic personal information (as defined under the GLB Act) of all customers who have opted out of such disclosures except as necessary to service the customers or as otherwise necessary or required by applicable law.

SECTION 11

Indemnification and Contribution; Third Party Beneficiary.

All agreements, indemnities, representations, warranties and covenants of the Company contained herein relating to the Offering of Units, which agreements, indemnities, representations, warranties and covenants, by their terms, run to Agents other than the Underwriter, may be relied upon and enforced by such Agents as third party beneficiaries hereunder and thereunder.

11.01. The Company agrees to indemnify and hold the Underwriter and each of the Participating Dealers ("other Agents," and collectively with the Underwriter, "Agents") and any shareholders, officers, directors and employees of the Underwriter and such other Agents including, any controlling person (as defined in either Section 15 of the Securities Act, or in Section 20 of the Exchange Act) ("Controlling Person") of the Underwriter and such other Agents, harmless against any and all losses, claims, damages or liabilities or expense whatsoever (including legal fees and expenses and court costs) to which they may become subject in connection with any action, suit, proceeding or claim, public or private, caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement and the Prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities or expenses are caused by any untrue statement or omission or alleged untrue statement or omission based upon information relating to the Underwriter or any other Agent where such information is furnished to the Company specifically for inclusion in such Registration Statement and the Prospectus by or on behalf of the party to which the information relates.

11.02. Each Agent (including the Underwriter) severally agrees as to itself to indemnify and hold the Company or any shareholders, officers, directors or employees of the Company or any Controlling Person of the Company harmless against any and all losses, claims, damages, liabilities or expenses whatsoever (including legal fees and expenses and court costs) to which the Company may become subject in connection with any action, suit, proceeding or claim, public or private, to the same extent as the foregoing indemnity from the Company to the Agents, but only with reference to information relating to any Agent furnished to the Company by or on behalf of such Agent specifically for inclusion in the Registration Statement and the Prospectus.

11.03. Each Agent (including the Underwriter) severally agrees as to itself to indemnify and hold the Company or any shareholders, officers, directors or employees of the Company or any Controlling Person of the Company harmless against any losses, claims, damages or liabilities or expense whatsoever (including legal fees and expenses and court

costs) to which the Company may become subject in connection with any action, suit, proceeding or claim, public or private, arising out of, relating to or in connection with (i) any actual or alleged breach or violation by the Agent or the Underwriter of any of its representations, warranties, covenants or agreements contained in this Agreement or the Escrow Agreement or (ii) any actual breach by the Agent or the Underwriter of any applicable federal or state law, rule or regulation, or the requirements of any securities self-regulatory organizations of which the Agent or the Underwriter is a member.

11.04. Promptly after receipt by an indemnified party under subsection 11.01, 11.02, or 11.03 above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party, provided, however, that an indemnifying party shall be relieved from liability under any subsection of this Section 11 to the extent that it has been prejudiced by such omission. In case any such action shall be brought against any indemnified party, it shall notify the indemnifying party of the commencement thereof, and the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ one separate counsel (and local counsel as necessary) if the named parties to such proceeding include both the indemnifying party and the indemnified party and, in the reasonable judgment of the indemnified party, representation of both parties by such counsel would be inappropriate due to actual or potential differing interests between them, and in that event the reasonable fees and expenses of such separate counsel shall be paid by the indemnifying party. No indemnifying party shall be liable for any settlement effected without its prior written consent, which consent shall not be unreasonably withheld. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any proceeding unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

11.05. To the extent the indemnification provided in this Section 11 is unavailable or insufficient to hold harmless an indemnified party under subsection 11.01, 11.02, or 11.03 above in respect of any losses, claims, damages or liabilities or expense whatsoever that are subject to such indemnification, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities or expenses (including legal fees and expenses) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Agents on the other from the offering of the Units to which such action, suit,

proceeding or claim relates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Agents on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities or expenses (including legal fees and expenses), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Agents on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company to the total discounts and commissions received by the Agents. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Agents and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and each Agent agree that it would not be just and equitable if contribution pursuant to this subsection 11.05 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection 11.05. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities and expenses referred to above in this subsection 11.05 shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person who has violated Rule 10b-5 under the Exchange Act shall be entitled to contribution from any person who has not violated such Rule.

11.06. In addition to the indemnification and contribution provisions contained in subsections 11.01 through 11.05 hereof, in the event any legal or administrative proceedings or actions are instituted or are reasonably believed by the Company to be threatened under the law of any jurisdiction which bring into issue the ability of any Agent to make available Units to its customers in such jurisdiction(s) (the “Affected Jurisdiction(s)”), then, in addition to any other remedies available to the Company, upon written notice from the Company following consultation with any applicable Agent, the applicable Agent or Agents shall forthwith cease to make Units available to customers in the Affected Jurisdiction(s).

11.07. The Company and each Agent agree to promptly notify the other parties hereto of the threat or commencement of any action, suit, proceeding or claim by or before any state or federal court or administrative agency, of which it obtains knowledge, which may give rise to a claim of indemnification under this Section 11, under the indemnity provisions of any applicable Participation Agreement or the Escrow Agreement, or which would be reasonably likely to preclude or restrict an Offering.

11.08. In any proceeding relating to the Registration Statement, any preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 11 hereby consents to the

jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him or it as an additional defendant in any such proceeding in which such other contributing party is a party.

11.09. The indemnity and contribution agreements contained in this Section 11 and the respective agreements, representations, warranties and other statements of the Company or its officers and the Underwriter set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Underwriter or the Company or any person controlling the Underwriter, the Company or its directors, officers (or any person controlling the Company), (ii) acceptance of any Shares and payment therefore hereunder and (iii) any termination of this Agreement. A successor of the Underwriter or the Company or its directors or officers referred to above (or of any person controlling the Underwriter or the Company) shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 11.

SECTION 12 Notice

Except as otherwise expressly provided in this Agreement:

12.01. Whenever Notice is required by the provisions of this Agreement to be given to the Company, such notice shall be in writing and mailed, delivered or telecopied and addressed to the Company as follows:

NEOSTEM, INC.
420 Lexington Avenue, Suite 450
New York, New York 10170
Attn: Catherine, M. Vaczy, Vice President

Copies of Communications to:

Alan Wovsaniker, Esq.
Lowenstein Sandler, PC.
65 Livingston Avenue
Roseland, New Jersey 07068

12.02 Whenever notice is required by the provisions of this Agreement to be given to the Underwriter, such notice shall be given in writing and mailed, delivered or telecopied and addressed to the Underwriter as follows:

Andrew Dorman
Mercer Capital Ltd.

40 Wall Street, 31st Floor
New York, New York 10005.

Copies of Communications to:

Andrea I. Weinstein
Schonfeld & Weinstein, L.L.P.
80 Wall Street, Suite 815
New York, New York 10005

SECTION 13 Miscellaneous

13.01. Benefit. This Agreement is made solely for the benefit of the Underwriter, the Company, their respective officers and directors and any controlling person referred to in Section 15 of the Act, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term “successor” or the term “successors and assigns” as used in this Agreement shall not include any purchasers, as such, of any of the Units.

13.02. Survival. The respective indemnities, agreements, representations, warranties, covenants and other statements of the Company or its officers as set forth in or made pursuant to this Agreement and the indemnity agreements of the Company and the Underwriter contained in Section 7 hereof shall survive and remain in full force and effect, regardless of (i) any investigation made by or on behalf of the Company or the Underwriter or any such officer or director thereof or any controlling person of the Company or of the Underwriter, (ii) delivery of or payment for Units, or (iii) the Closing, and any successor of the Company and the Underwriter or any controlling person, officer or director thereof, as the case may be, shall be entitled to the benefit thereof.

13.03. Governing Law and Venue. The validity, interpretation and construction of this Agreement and of each part hereof will be governed by the laws of the State of New York. Any action arising from or related to this Agreement or the Public Offering of the Units shall be brought and shall have venue only in the District Court in and for the County of New York, State of New York, or the United States District Court for the Southern District of New York.

13.04. Underwriter’s Information. The statements with respect to the Public Offering of the Units on the cover page of the Registration Statement and under the caption “Plan of Distribution” and “Underwriter” in the Registration Statement constitute the written information furnished by or on behalf of the Underwriter referred to in subsection 2.02 hereof.

13.05. Counterparts. This Agreement may be executed in any number of counterparts, each of which may be deemed an original and all of which together will constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the Agreement between Spencer Edwards, Inc. and the Company.

Very truly yours,

NEOSTEM, INC.

By: ______________________________
Name, Title

We hereby confirm, as of the date hereof, that the above letter sets forth the agreement between the NeoStem, Inc., and Mercer Capital, Ltd.:

MERCER CAPITAL, LTD.

By: ______________________________
Name, Title

Exhibit 4(a)

UNDERWRITER'S WARRANT AGREEMENT

THIS AGREEMENT, made as of July , 2007 between NeoStem, Inc., a Delaware corporation, with offices at 420 Lexington Avenue, Suite 450, New York, New York 10170 ("Company"), and Mercer Capital Ltd., a , with offices at 40 Wall Street, 31st Floor, New York, NY 10005 ("Underwriter").

WHEREAS, the Company is engaged in a public offering ("Public Offering") of Units ("Units"), and in connection therewith, has determined to issue and deliver up to 1,270,000 Units at a price of $ per unit **[**in the range of $5.00 - $5.50 per unit**]**, through the Underwriter and other broker/dealers (arranged by the Underwriter) who are members of the National Association of Securities Dealers (NASD). Each Unit consists of one share of the Company's common stock and one-half a Class A warrant to purchase one-half share of the Company's common stock, par value $0.001 per share.

WHEREAS, in connection with the Public Offering, the Company has determined to issue and deliver to the Underwriter up to [95,250] Class A Underwriter Warrants ("Underwriter Warrants") [5% of the shares sold]; and

WHEREAS, each Underwriter Warrant will entitle the holder to purchase one share of the Company's common stock for $ **[**in the range of $6.50 - $7.15**]**; and

WHEREAS, the Company has filed, on July, 2007 with the Securities and Exchange Commission a Registration Statement on Form SB-2/A, No. 333-142923 as Pre-Effective Amendment No.3 ("Registration Statement"), for the registration, under the Securities Act of 1933, as amended ("Act") of, among other securities, the Underwriter Warrants and the common stock issuable upon exercise of the Underwriter Warrants; and

WHEREAS, the Company desires to provide for the form and provisions of the Underwriter Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights, and immunities of the Company and the Underwriter; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Underwriter Warrants, when executed on behalf of the Company and countersigned by or on behalf of the Underwriter, as provided herein, the valid, binding and legal obligations of the Company, and to authorize the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1: WARRANTS

1.1. Registration.

1.1.1. Underwriter Warrant Register. The Company shall maintain books ("Warrant Register"), for the registration of original issuance and the registration of transfer of the Underwriter Warrants. Upon the initial issuance of the Underwriter Warrants, the Company shall issue and register the Underwriter Warrants in the names of the respective holders thereof in such denominations as determined by the Company.

1.1.2. Registered Holder. Prior to due presentment for registration of transfer of any Underwriter Warrant, the Company may deem and treat the person in whose name such Underwriter Warrant shall be registered upon the Warrant Register ("registered holder"), as the absolute owner of such Underwriter Warrant and of each Underwriter Warrant represented thereby (notwithstanding any notation of ownership or other writing on the Warrant Certificate made by anyone other than the Company), for the purpose of any exercise thereof, and for all other purposes, and neither the Company shall be affected by any notice to the contrary.

SECTION 2: TERMS AND EXERCISE OF WARRANTS

2.1. Warrant Price. Each Underwriter Warrant shall, when countersigned by the Company, entitle the registered holder thereof, subject to the provisions of such Underwriter Warrant and of this Warrant Agreement, to purchase from the Company the number of shares of Common Stock stated therein, at the price of $ per share **[**in the range of $6.50 - $7.15**]** (the "Warrant Price"), subject to **(i)** the adjustments provided in Section 3 hereof, and **(ii)** subject to redemption as provided in Section 5 hereof. The term "Warrant Price" refers to the price per share at which common stock may be purchased at the time an Underwriter Warrant is exercised.

2.2 Duration of Underwriter Warrants. An Underwriter Warrant may be exercised only during the period ("Exercise Period") commencing one year following the initial closing of Units in the Public Offering and thereafter until 5:00 PM New York time on , 2012 [the date five (5) years after the effective date of the Public Offering], unless earlier redeemed ("Expiration Date"). Except with respect to the right to receive the Redemption Price (as set forth in Section 6 hereunder), each Underwriter Warrant not exercised on or before the Expiration Date shall become void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease at the close of business on the Expiration Date. The Company in its sole discretion may extend the duration of the Underwriter Warrants by delaying the Expiration Date.

2.3. Exercise of Underwriter Warrants.

2.3.1. Payment. Subject to the provisions of the Underwriter Warrant and this Warrant Agreement, an Underwriter Warrant, may be exercised by the registered holder thereof by surrendering it, at the office of the Company, in the Borough of Manhattan, City and State of New York, with the subscription form, as set forth in the Underwriter Warrant, duly executed, and by paying in full, in lawful money of the United States, in cash, good certified check or good bank draft payable to the order of the Company, the Warrant Price for each full share of Common Stock as to which the Underwriter Warrant is exercised and any and all applicable taxes due in connection with the exercise of the Underwriter Warrant, the exchange of the Underwriter Warrant for the Common Stock, and the issuance of the Common Stock.

2.3.2. Cashless Exercise. This Warrant may also be exercised at such time by means of a "cashless exercise" in which the holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing [(A-B)(X)] by (A), where:

(A) = the closing sales price on the Trading Day immediately preceding the date of such election;

(B) = the Exercise Price of this Warrant, as adjusted; and

(X) = the number of Warrant Shares issuable upon exercise of this Warrant in accordance with the terms of this Warrant by means of a cash exercise rather than a cashless exercise.

2.3.3. Issuance of Certificates. As soon as practicable after the exercise of any Underwriter Warrant and the clearance of the funds in payment of the Warrant Price, the Company shall issue to the registered holder of such Underwriter Warrant a certificate or certificates for the number of full shares of Common Stock to which he is entitled, registered in such name or names as may be directed by him, and if such Underwriter Warrant shall not have been exercised in full, a new countersigned Underwriter Warrant for the number of shares as to which such Underwriter Warrant shall not have been exercised. Notwithstanding the foregoing, the Company shall not be obligated to deliver any securities pursuant to the exercise of an Underwriter Warrant unless a registration statement under the Act with respect to the Common Stock is effective. Underwriter Warrants may not be exercised by, or securities issued to, any registered holder in any state in which such exercise would be unlawful.

2.3.4. Valid Issuance. All shares of Common Stock issued upon the proper exercise of an Underwriter Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

2.3.5. Date of Issuance. Each person in whose name any such certificate for shares of Common Stock is issued shall for all purposes be deemed to have become the holder of record of such shares on the date on which the Underwriter Warrant was surrendered and payment of the Warrant Price was made, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

SECTION 3: ADJUSTMENTS

3.1. Stock Dividends—Split-Ups. If after the date hereof, and subject to the provisions of Section 3.6 below, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock, or by a split-up of shares of Common Stock, or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares issuable on exercise of each Underwriter Warrant shall be increased in proportion to such increase in outstanding shares.

3.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 3.6, the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares issuable on exercise of each Underwriter Warrant shall be decreased in proportion to such decrease in outstanding shares.

3.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of the Underwriter Warrants is adjusted, as provided in Section 3.1 and 3.2 above, the Warrant Price shall be adjusted (to the nearest cent) by multiplying such Warrant Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of the Underwriter Warrants immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

3.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than a change covered by Section 3.1 or 3.2 hereof or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Underwriter Warrant holders shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Underwriter Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by a Warrant holder of the number of shares of Common Stock of the Company obtainable upon exercise of the Underwriter Warrants immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Section 3.1 or 3.2, then such adjustment shall be made pursuant to Sections 3.1, 3.2, 3.3 and this Section 3.4. The provisions of this Section 3.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

3.5. Notices of Changes in Warrant. Upon every adjustment of the Warrant Price or the number of shares issuable on exercise of an Underwriter Warrant, the Company shall give written notice thereof to the Underwriter, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of an Underwriter Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in Sections 3.1, 3.2, or 3.4, then, in any such event, the Company shall give written notice to the Underwriter Warrant holder, at the last address set forth for such holder in the warrant register, of the record date or the effective date of the event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

3.6. Fractional Shares. Notwithstanding any provision contained in this Warrant Agreement to the contrary, the

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Company shall retain the option not to issue fractional shares upon exercise of Underwriter Warrants. If, by reason of any adjustment made pursuant to this Section 4, the holder of any Underwriter Warrant would be entitled, upon the exercise of such Underwriter Warrant, to receive a fractional interest in a share, the Company may, upon such exercise, either deliver fractional shares of Common Stock to be issued to the Underwriter Warrant holder, or round to the nearest whole share, or pay the fractional share in cash at the market price at the close of business on the date the Underwriter Warrant is exercised.

3.7. Form of Warrant. The form of Underwriter Warrant need not be changed because of any adjustment pursuant to this Section 3, and Underwriter Warrants issued after such adjustment may state the same Warrant Price and the same number of shares as is stated in the Underwriter Warrants initially issued pursuant to this Agreement. However, the Company may at any time in its sole discretion make any change in the form of Underwriter Warrant that the Company may deem appropriate and that does not affect the substance thereof, and any Underwriter Warrant thereafter issued or countersigned, whether in exchange or substitution for an outstanding Underwriter Warrant or otherwise, may be in the form as so changed.

SECTION 4: TRANSFER AND EXCHANGE OF WARRANTS

4.1. Procedure for Surrender of Underwriter Warrants. Underwriter Warrants may be surrendered to the Company, together with a written request for exchange or transfer, and thereupon the Company shall issue in exchange therefor one or more new Underwriter Warrants as requested by the registered holder of the Underwriter Warrants so surrendered, representing an equal aggregate number of Underwriter Warrants; provided, however, that in the event that an Underwriter Warrant surrendered for transfer bears a restrictive legend, the Company shall not cancel such Underwriter Warrant and issue new Underwriter Warrants in exchange therefor until the Company has received an opinion of counsel for the Company stating that such transfer may be made and indicating whether the new Underwriter Warrants must also bear a restrictive legend.

4.2. Service Charges. No service charge shall be made for any exchange or registration of transfer of Underwriter Warrants.

4.3 Limits on Transfer. This Underwriter Warrant shall not be sold during the offering or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the Public Offering, except to any member participating in the offering and the officers or partners thereof, or as otherwise permitted under 2710(g)(2) of the NASD's Corporate Financing Rule and only if the warrants so transferred remain subject to the one-year lock-up restriction for the remainder of the lock-up period.

SECTION 5: REDEMPTION

5.1. Redemption. All or any part of the outstanding Underwriter Warrants may be redeemed, at the option of the Company, at any time after they become exercisable and prior to their expiration, at the office of the Company, upon the notice referred to in Section 5.2, at the price of $.001 per Underwriter Warrant ("Redemption Price"), provided that the Company's stock closes at a price equal to or exceeding $ **[**in the range of $8.00 - $8.50**]** for 20 consecutive trading days on its principal trading market.

5.2. Date Fixed for, and Notice of, Redemption. In the event the Company shall elect to redeem all or any part of the Underwriter Warrants, the Company shall fix a date for the redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than 30 days prior to the date fixed for redemption to the registered holders of the Underwriter Warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the registered holder received such notice.

5.3. Exercise After Notice of Redemption. The Underwriter Warrants may be exercised in accordance with Section 2 of this Agreement at any time after notice of redemption shall have been given by the Company pursuant to Section 5.2. hereof and prior to the time and date fixed for redemption, which time shall be 5:00 PM New York time. On and after the redemption date, the record holder of the Underwriter Warrants shall have no further rights except to receive, upon surrender of the Underwriter Warrants, the Redemption Price.

SECTION 6. OTHER PROVISIONS RELATING TO RIGHTS OF UNDERWRITER WARRANT HOLDERS

6.1. No Rights as Stockholder. An Underwriter Warrant does not entitle the registered holder thereof to any of the rights of a stockholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as stockholders in respect of the meetings of stockholders or the election of directors of the Company or any other matter.

6.2. Lost, Stolen, Mutilated, or Destroyed Underwriter Warrants. If any Underwriter Warrant is lost, stolen, mutilated, or destroyed, the Company may on such terms as to indemnity or otherwise as they may in their discretion impose

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(which may include a surety bond and shall, in the case of a mutilated Underwriter Warrant, include the surrender thereof), issue a new Underwriter Warrant of like denomination, tenor, and date as the Underwriter Warrant so lost, stolen, mutilated, or destroyed. Any such new Underwriter Warrant shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Underwriter Warrant shall be at any time enforceable by anyone.

6.3. Reservation of Common Stock. The Company shall at all times reserve and keep available a number of its authorized but unissued shares of Common Stock that will be sufficient to permit the exercise in full of all outstanding Underwriter Warrants issued pursuant to this Agreement.

SECTION 7. MISCELLANEOUS PROVISIONS

7.1. Payment of Taxes. The Company will from time to time promptly pay all taxes and charges that may be imposed upon the Company in respect of the issuance or delivery of shares of Common Stock upon the exercise of Underwriter Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Underwriter Warrants or such shares.

7.2. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Underwriter shall bind and inure to the benefit of their respective successors and assigns.

7.3. Notices. Any notice, statement or demand authorized by this Warrant Agreement to be given or made by the holder of any Underwriter Warrant to or on the Company shall be sufficiently given or made if sent by certified mail, or private courier service, postage prepaid, addressed (until another address is filed in writing by the Company), as follows:

NeoStem, Inc.
420 Lexington Avenue

Suite 450
New York, New York 10170
Attn: Catherine Vaczy, Vice President and General Counsel

with a copy to:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, New Jersey 07068
Attn: Alan Wovsaniker, Esq.

Any notice, statement or demand authorized by this Agreement to be given or made by the holder of any Underwriter Warrant to the Company shall be sufficiently given or made if sent by certified mail or private courier service, postage prepaid, addressed (until another address is filed in writing by the holder), as follows:

Mercer Capital, Ltd.
40 Wall Street, 31st Floor,
New York, NY 10005
Attn:

with a copy in to:

Weinstein & Schonfield , L.L.P.
80 Wall Street
New York, NY 1005-3601
Attn: Andrea Weinstein, Esq.

7.4 Applicable law. The validity, interpretation, and performance of this Agreement and of the Underwriter Warrants shall be governed in all respects by the laws of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it arising out of or relating in any way to this Warrant Agreement shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenience forum. Any such process or

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summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 7.2 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim.

7.5. Persons Having Rights under this Agreement. Nothing in this Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the parties hereto and the registered holders of the Underwriter Warrants any right, remedy, or claim under or by reason of this Warrant Agreement or of any covenant, condition, stipulation, promise, or agreement hereof. All covenants, conditions, stipulations, promises, and agreements contained in this Warrant Agreement shall be for the sole and exclusive benefit of the parties hereto and their successors and assigns.

7.6 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

7.7. Effect of Headings. The Section headings herein are for convenience only and are not part of this Warrant Agreement and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

Attest: **NEOSTEM, INC.**

_______________________ By: _______________________

Attest: **MERCER CAPITAL, LTD.**

_______________________ By: _______________________

Exhibit 4(b)

WARRANT AGREEMENT

THIS AGREEMENT, made as of July __, 2007 between NeoStem, Inc., a Delaware corporation, with offices at 420 Lexington Avenue, Suite 450, New York, New York 10170 ("Company"), and Continental Stock Transfer & Trust Company, a New York corporation, with offices at 17 Battery Place, New York, New York 10004 ("Warrant Agent").

WHEREAS, the Company is engaged in a public offering ("Public Offering") of Units ("Units"), and in connection therewith, has determined to issue and deliver up to 1,270,000 Units at a price of $_____ per unit **[**in the range of $5.00 - $5.50 per unit**]**, through Mercer Capital Ltd. (the "Underwriter") and other broker/dealers (arranged by the Underwriter) who are members of the National Association of Securities Dealers (NASD). Each Unit consists of one share of the Company's common stock and one-half a Class A warrant to purchase one-half share of the Company's common stock, par value $0.001 per share.

WHEREAS, in connection with the Public Offering, the Company has determined to issue and deliver up to 635,000 Class A Warrants ("Warrants"); and

WHEREAS, the Warrants will trade only as a part of a Unit for 60 days following the final closing of the offering unless separate trading is authorized earlier by the Underwriter. Each Warrant will entitle its owner to purchase one share of the Company's common stock for $_____ **[**in the range of $6.00 - $6.50**]**; and

WHEREAS, the Company has filed. on July ___, 2007 with the Securities and Exchange Commission a Registration Statement on Form SB-2/A, No. 333-142923 as Pre-Effective Amendment No.3 ("Registration Statement"), for the registration, under the Securities Act of 1933, as amended ("Act") of, among other securities, the Warrants and the common stock issuable upon exercise of the Warrants; and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange, redemption and exercise of the Warrants; and

WHEREAS, the Company desires to provide for the form and provisions of the Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights, and immunities of the Company, the Warrant Agent, and the holders of the Warrants; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Warrants, when executed on behalf of the Company and countersigned by or on behalf of the Warrant Agent, as provided herein, the valid, binding and legal obligations of the Company, and to authorize the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1: APPOINTMENT OF WARRANT AGENT

1.1 Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company for the Warrants, and the Warrant Agent hereby accepts such appointment and agrees to perform the same in accordance with the terms and conditions set forth in this Agreement.

SECTION 2: WARRANTS

2.1. Form of Warrant. Each Warrant shall be issued in registered form only, shall be in substantially the form of the Warrant Certificate annexed as **Exhibit A** hereto, the provisions of which are incorporated herein and shall be signed by, or bear the facsimile signature of, the Chairman of the Board or President and Treasurer or Secretary of the Company and shall bear a facsimile of the Company's seal. In the event the person whose facsimile signature has been placed upon any Warrant shall have ceased to serve in the capacity in which such person signed the Warrant before such Warrant is issued, it may be issued with the same effect as if he or she had not ceased to be such at the date of issuance.

2.2. Effect of Countersignature. Unless and until countersigned by the Warrant Agent pursuant to this Agreement, a Warrant shall be invalid and of no effect and may not be exercised by the holder thereof.

2.3. Registration.

2.3.1. Warrant Register. The Warrant Agent shall maintain books ("Warrant Register"), for the registration of original issuance and the registration of transfer of the Warrants. Upon the initial issuance of the Warrants, the Warrant Agent shall issue and register the Warrants in the names of the respective holders thereof in such denominations and otherwise in accordance with instructions delivered to the Warrant Agent by the Company.

2.3.2. Registered Holder. Prior to due presentment for registration of transfer of any Warrant, the Company and the Warrant Agent may deem and treat the person in whose name such Warrant shall be registered upon the Warrant Register ("registered holder"), as the absolute owner of such Warrant and of each Warrant represented thereby (notwithstanding any notation of ownership or other writing on the Warrant Certificate made by anyone other than the Company or the Warrant Agent), for the purpose of any exercise thereof, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

2.4. Detachability of Warrants. The securities comprising the Units will not be separately transferable until 60 days after the date hereof unless the Underwriter informs the Company of its decision to allow earlier separate trading.

SECTION 3: TERMS AND EXERCISE OF WARRANTS

3.1. Warrant Price. Each Warrant shall, when countersigned by the Warrant Agent, entitle the registered holder thereof, subject to the provisions of such Warrant and of this Warrant Agreement, to purchase from the Company the number of shares of Common Stock stated therein, at the price of $_____ per share **[**in the range of $6.00 - $6.50**]** (the "Warrant Price"), subject to **(i)** the adjustments provided in Section 4 hereof, and **(ii)** subject to redemption as provided in Section 6 hereof. The term "Warrant Price" refers to the price per share at which common stock may be purchased at the time a Warrant is exercised.

3.2 Duration of Warrants. A Warrant may be exercised only during the period ("Exercise Period") commencing on the date the Warrants become separately tradable pursuant to Section 2.4 of this Warrant Agreement and thereafter until 5:00 PM New York time on _____, 2012 [the date five (5) years after the effective date of the Public Offering], unless earlier redeemed ("Expiration Date"). Except with respect to the right to receive the Redemption Price (as set forth in Section 6 hereunder), each Warrant not exercised on or before the Expiration Date shall become void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease at the close of business on the Expiration Date. The Company in its sole discretion may extend the duration of the Warrants by delaying the Expiration Date.

3.3. Exercise of Warrants.

3.3.1. Payment. Subject to the provisions of the Warrant and this Warrant Agreement, a Warrant, when countersigned by the Warrant Agent, may be exercised by the registered holder thereof by surrendering it, at the office of the Warrant Agent, or at the office of its successor as Warrant Agent, in the Borough of Manhattan, City and State of New York, with the subscription form, as set forth in the Warrant, duly executed, and by paying in full, in lawful money of the United

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States, in cash, good certified check or good bank draft payable to the order of the Company, the Warrant Price for each full share of Common Stock as to which the Warrant is exercised and any and all applicable taxes due in connection with the exercise of the Warrant, the exchange of the Warrant for the Common Stock, and the issuance of the Common Stock.

3.3.2. Issuance of Certificates. As soon as practicable after the exercise of any Warrant and the clearance of the funds in payment of the Warrant Price, the Company shall issue to the registered holder of such Warrant a certificate or certificates for the number of full shares of Common Stock to which he is entitled, registered in such name or names as may be directed by him, and if such Warrant shall not have been exercised in full, a new countersigned Warrant for the number of shares as to which such Warrant shall not have been exercised. Notwithstanding the foregoing, the Company shall not be obligated to deliver any securities pursuant to the exercise of a Warrant unless a registration statement under the Act with respect to the Common Stock is effective. Warrants may not be exercised by, or securities issued to, any registered holder in any state in which such exercise would be unlawful.

3.3.3. Valid Issuance. All shares of Common Stock issued upon the proper exercise of a Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

3.3.4. Date of Issuance. Each person in whose name any such certificate for shares of Common Stock is issued shall for all purposes be deemed to have become the holder of record of such shares on the date on which the Warrant was surrendered and payment of the Warrant Price was made, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

SECTION 4: ADJUSTMENTS

4.1. Stock Dividends—Split-Ups. If after the date hereof, and subject to the provisions of Section 4.6 below, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock, or by a split-up of shares of Common Stock, or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares issuable on exercise of each Warrant shall be increased in proportion to such increase in outstanding shares.

4.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 4.6, the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares issuable on exercise of each Warrant shall be decreased in proportion to such decrease in outstanding shares.

4.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of the Warrants is adjusted, as provided in Section 4.1 and 4.2 above, the Warrant Price shall be adjusted (to the nearest cent) by multiplying such Warrant Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of the Warrants immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

4.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than a change covered by Section 4.1 or 4.2 hereof or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Warrant holders shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by a Warrant holder of the number of shares of Common Stock of the Company obtainable upon exercise of the Warrants immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Section 4.1 or 4.2, then such adjustment shall be made pursuant to Sections 4.1, 4.2, 4.3 and this Section 4.4. The provisions of this Section 4.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

4.5. Notices of Changes in Warrant. Upon every adjustment of the Warrant Price or the number of shares issuable on exercise of a Warrant, the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in Sections 4.1, 4.2, or 4.4, then, in any such event, the Company shall give written notice to the Warrant holder, at the last address set forth for such holder in the warrant register, of the record date or the effective date of the event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

4.6. Fractional Shares. Notwithstanding any provision contained in this Warrant Agreement to the contrary, the Company shall retain the option not to issue fractional shares upon exercise of Warrants. If, by reason of any adjustment made pursuant to this Section 4, the holder of any Warrant would be entitled, upon the exercise of such Warrant, to receive a fractional interest in a share, the Company may, upon such exercise, either deliver fractional shares of Common Stock to be issued to the Warrant holder, or round to the nearest whole share, or pay the fractional share in cash at the market price at the close of business on the date the Warrant is exercised.

4.7. Form of Warrant. The form of Warrant need not be changed because of any adjustment pursuant to this Section 4, and Warrants issued after such adjustment may state the same Warrant Price and the same number of shares as is stated in the Warrants initially issued pursuant to this Agreement. However, the Company may at any time in its sole discretion make any change in the form of Warrant that the Company may deem appropriate and that does not affect the substance thereof, and any Warrant thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant or otherwise, may be in the form as so changed.

SECTION 5: TRANSFER AND EXCHANGE OF WARRANTS

5.1 Registration of Transfer. The Warrant Agent shall register the transfer, from time to time, of any outstanding Warrant upon the Warrant Register, upon surrender of such Warrant for transfer, properly endorsed with signatures properly guaranteed and accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant representing an equal aggregate number of Warrants shall be issued and the old Warrant shall be cancelled by the Warrant Agent. The Warrants so cancelled shall be delivered by the Warrant Agent to the Company from time to time upon request.

5.2. Procedure for Surrender of Warrants. Warrants may be surrendered to the Warrant Agent, together with a written request for exchange or transfer, and thereupon the Warrant Agent shall issue in exchange therefor one or more new Warrants as requested by the registered holder of the Warrants so surrendered, representing an equal aggregate number of Warrants; provided, however, that in the event that a Warrant surrendered for transfer bears a restrictive legend, the Warrant Agent shall not cancel such Warrant and issue new Warrants in exchange therefor until the Warrant Agent has received an opinion of counsel for the Company stating that such transfer may be made and indicating whether the new Warrants must also bear a restrictive legend.

5.3. Fractional Warrants. The Warrant Agent shall issue nor be required to effect any registration of transfer or exchange which will result in the issuance of a warrant certificate for a fraction of a warrant.

5.4. Service Charges. No service charge shall be made for any exchange or registration of transfer of Warrants.

5.5. Warrant Execution and Countersignature. The Warrant Agent is hereby authorized to countersign and to deliver, in accordance with the terms of this Agreement, the Warrants required to be issued pursuant to the provisions of this Section 5, and the Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose.

SECTION 6: REDEMPTION

6.1. Redemption. Subject to Section 6.4 hereof, all or any part of the outstanding Warrants may be redeemed , at the option of the Company, at any time after they become exercisable and prior to their expiration, at the office of the Warrant Agent, upon the notice referred to in Section 6.2, at the price of $.001 per Warrant ("Redemption Price"), provided that the Company's stock closes at a price equal to or exceeding $________ **[**in the range of $8.00 - $8.50**]** for 20 consecutive trading days on its principal trading market.

6.2. Date Fixed for, and Notice of, Redemption. In the event the Company shall elect to redeem all of the Warrants, the Company shall fix a date for the redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than 30 days prior to the date fixed for redemption to the registered holders of the Warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the registered holder received such notice.

6.3. Exercise After Notice of Redemption. The Warrants may be exercised in accordance with Section 3 of this Agreement at any time after notice of redemption shall have been given by the Company pursuant to Section 6.2. hereof and prior to the time and date fixed for redemption, which time shall be 5:00 PM New York time. On and after the redemption date, the record holder of the Warrants shall have no further rights except to receive, upon surrender of the Warrants, the Redemption Price.

SECTION 7. OTHER PROVISIONS RELATING TO RIGHTS OF WARRANT HOLDERS

7.1. No Rights as Stockholder. A Warrant does not entitle the registered holder thereof to any of the rights of a stockholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as stockholders in respect of the meetings of stockholders or the election of directors of the Company or any other matter.

7.2. Lost, Stolen, Mutilated, or Destroyed Warrants. If any Warrant is lost, stolen, mutilated, or destroyed, the Company and the Warrant Agent may on such terms as to indemnity or otherwise as they may in their discretion impose (which may include a surety bond and shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination, tenor, and date as the Warrant so lost, stolen, mutilated, or destroyed. Any such new Warrant shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Warrant shall be at any time enforceable by anyone.

7.3. Reservation of Common Stock. The Company shall at all times reserve and keep available a number of its authorized but unissued shares of Common Stock that will be sufficient to permit the exercise in full of all outstanding Warrants issued pursuant to this Agreement.

SECTION 8. CONCERNING THE WARRANT AGENT AND OTHER MATTERS

8.1. Payment of Taxes. The Company will from time to time promptly pay all taxes and charges that may be imposed upon the Company or the Warrant Agent in respect of the issuance or delivery of shares of Common Stock upon the exercise of Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Warrants or such shares.

8.2. Resignation, Consolidation, or Merger of Warrant Agent.

8.2.1. Appointment of Successor Warrant Agent. The Warrant Agent, or any successor to it hereafter appointed, may resign its duties and be discharged from all further duties and liabilities hereunder after giving sixty (60) days' notice in writing to the Company. If the office of the Warrant Agent becomes vacant by resignation or incapacity to act or otherwise, the Company shall appoint in writing a successor Warrant Agent in place of the Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after it has been notified in writing of such resignation or incapacity by the Warrant Agent or by the holder of the Warrant (who shall, with such notice, submit his Warrant for inspection by the Company), then the holder of any Warrant may apply to the Supreme Court of the State of New York for the County of New York for the appointment of a successor Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or by such court, shall be a corporation organized and existing under the laws of the State of New York, in good standing and having its principal office in the Borough of Manhattan, City and State of New York, and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. After appointment, any successor Warrant Agent shall be vested with all the authority, powers, rights, immunities, duties, and obligations of its predecessor Warrant Agent with like effect as if originally named as Warrant Agent hereunder, without any further act or deed; but if for any reason it becomes necessary or appropriate, the predecessor Warrant Agent shall execute and deliver, at the expense of the Company, an instrument transferring to such successor Warrant Agent all the authority, powers, and rights of such predecessor Warrant Agent hereunder; and upon request of any successor Warrant Agent the Company shall make, execute, acknowledge, and deliver any and all instruments in writing for more fully and effectually vesting in and confirming to such successor Warrant Agent all such authority, powers, rights, immunities, duties, and obligations.

8.2.2. Notice of Successor Warrant Agent. In the event a successor Warrant Agent shall be appointed, the

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Company shall give notice thereof to the predecessor Warrant Agent and the transfer agent for the Common Stock not later than the effective date of any such appointment.

8.2.3. Merger or Consolidation of Warrant Agent. Any corporation into which the Warrant Agent may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party shall be the successor Warrant Agent under this Agreement without any further act.

8.3. Fees and Expenses of Warrant Agent.

8.3.1. Remuneration. The Company agrees to pay the Warrant Agent reasonable remuneration for its services as such Warrant Agent hereunder and will reimburse the Warrant Agent upon demand for all expenditures that the Warrant Agent may reasonably incur in the execution of its duties hereunder.

8.3.2. Further Assurances. The Company agrees to perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments, and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing of the provisions of this Agreement.

8.4. Liability of Warrant Agent.

8.4.1. Reliance on Company Statement. Whenever in the performance of its duties under this Warrant Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement signed by the President or Chairman of the Board of the Company and delivered to the Warrant Agent. The Warrant Agent may rely upon such statement for any action taken or suffered in good faith by it pursuant to the provisions of this Agreement.

8.4.2. Indemnity. The Warrant Agent shall be liable hereunder only for its own negligence, willful misconduct or bad faith. The Company agrees to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the execution of this Agreement except as a result of the Warrant Agent's negligence, willful misconduct, or bad faith.

8.4.3. Exclusions. The Warrant Agent shall have no responsibility with respect to the validity of this Agreement or with respect to the validity or execution of any Warrant (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant; nor shall it be responsible to make any adjustments required under the provisions of Section 4 hereof or responsible for the manner, method, or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock to be issued pursuant to this Agreement or any Warrant or as to whether any shares of Common Stock will when issued be valid and fully paid and nonassessable.

8.5. Acceptance of Agency. The Warrant Agent hereby accepts the agency established by this Agreement and agrees to perform the same upon the terms and conditions herein set forth and among other things, shall account promptly to the Company with respect to Warrants exercised and concurrently account for, and pay to the Company, all moneys received by the Warrant Agent for the purchase of shares of the Company's Common Stock through the exercise of Warrants.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns.

9.2. Notices. Any notice, statement or demand authorized by this Warrant Agreement to be given or made by the Warrant Agent or by the holder of any Warrant to or on the Company shall be sufficiently given or made if sent by certified mail, or private courier service, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

NeoStem, Inc.
420 Lexington Avenue
Suite 450

New York, New York 10170
Attn: Catherine Vaczy, Vice President and General Counsel

Any notice, statement or demand authorized by this Agreement to be given or made by the holder of any Warrant or by the Company to or on the Warrant Agent shall be sufficiently given or made if sent by certified mail or private courier service, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company), as follows:

Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
Attn: Compliance Department

with a copy in each case to:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, New Jersey 07068
Attn: Alan Wovsaniker, Esq.

9.3. Applicable law. The validity, interpretation, and performance of this Agreement and of the Warrants shall be governed in all respects by the laws of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it arising out of or relating in any way to this Agreement shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenience forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9.2 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim.

9.4. Persons Having Rights under this Agreement. Nothing in this Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the parties hereto and the registered holders of the Warrants any right, remedy, or claim under or by reason of this Warrant Agreement or of any covenant, condition, stipulation, promise, or agreement hereof. All covenants, conditions, stipulations, promises, and agreements contained in this Warrant Agreement shall be for the sole and exclusive benefit of the parties hereto and their successors and assigns and of the registered holders of the Warrants.

9.5. Examination of the Warrant Agreement. A copy of this Agreement shall be available at all reasonable times at the office of the Warrant Agent in the Borough of Manhattan, City and State of New York, for inspection by the registered holder of any Warrant. The Warrant Agent may require any such holder to submit his Warrant for inspection by it.

9.6 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

9.7. Effect of Headings. The Section headings herein are for convenience only and are not part of this Warrant Agreement and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

Attest: **NEOSTEM, INC.**

By:

Attest: **CONTINENTAL STOCK TRANSFER & TRUST COMPANY**

By:

EXHIBIT A

[FORM OF FACE OF WARRANT CERTIFICATE]

_________ Warrants

VOID AFTER ___________, 2012

WARRANT CERTIFICATE FOR PURCHASE
OF COMMON STOCK

NEOSTEM, INC.

THIS CERTIFIES THAT, for value received. ____ is the registered holder of a Warrant or Warrants expiring _________, 2012 (the "Warrant") to purchase one fully paid and non-assessable share of Common Stock, par value $.001 per share ("Shares"), of NeoStem, Inc., a Delaware corporation (the "Company") for each Warrant evidenced by this Warrant Certificate. The Warrant entitles the holder thereof to purchase from the Company commencing on the date the Warrants become separately tradable pursuant to Section 2.4 of the Warrant Agreement and thereafter until five (5) years after the date hereof , such number of shares of the Company at the price of $_____ per share (the "Warrant Price"), upon surrender of this Warrant Certificate and payment of the Warrant Price at the office or agency of the Warrant Agent, Continental Stock Transfer & Trust Company, but only subject to the conditions set forth herein and in the Warrant Agreement between the Company and Continental Stock Transfer & Trust Company dated ______, 2007 (the "Warrant Agreement"). The Warrant Agreement provides that upon the occurrence of certain events the Warrant Price and the number of Warrant Shares purchasable hereunder, set forth on the face hereof, may, subject to certain conditions, be adjusted. The term Warrant Price as used in this Warrant Certificate refers to the price per Share at which Shares may be purchased at the time the Warrant is exercised.

The Company is not required to issue any fraction of a Share upon any exercise of a Warrant. If the holder of a Warrant would be entitled to receive a fraction of a Share upon any exercise of a Warrant, the Company shall, upon such exercise, either deliver fractional shares of Common Stock to be issued to the Warrant holder, or round to the nearest whole share, or pay the fractional share in cash at the market price at the close of business on the date the Warrant is exercised.

Upon any exercise of the Warrant for less than the total number of full Shares provided for herein, there shall be issued to the registered holder hereof or his assignee a new Warrant Certificate covering the number of Shares for which the Warrant has not been exercised.

Warrant Certificates, when surrendered at the office or agency of the Warrant Agent by the registered holder hereof in person or by attorney duly authorized in writing, may be exchanged in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants.

Upon due presentment for registration of transfer of the Warrant Certificate at the office or agency of the Warrant Agent, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any applicable tax or other governmental charge.

The Company and the Warrant Agent may deem and treat the registered holder as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the registered holder, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

This Warrant does not entitle the registered holder to any of the rights of a Stockholder of the Company.

The Company reserves the right to redeem the Warrant, at any time prior to its exercise, with a notice of redemption in writing to the Warrantholders of Record, giving 30 days' notice of such redemption at any time after the Warrant becomes exercisable if the Company's common stock closes at a price equal to or exceeding $______ per share on each of the 20 consecutive trading days on its principal trading market. The redemption price of the Warrants is to be $.001 per Warrant.

Any Warrant either not exercised, or tendered back to the Company by the end of the date specified in the notice of redemption, shall be canceled on the books of the Company and have no further value except for the $.001 redemption price.

This Warrant Certificate shall be governed and construed in accordance with the laws of the State of New York.

This Warrant Certificate is not valid unless countersigned by the Warrant Agent.

The terms and provisions of the Warrant Agreement are hereby incorporated by reference into this Warrant Certificate.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed, manually or in facsimile, by an officer of the Company thereunto duly authorized and a facsimile of its corporate seal to be imprinted hereon.

Dated: _______-

NEOSTEM, INC.

By: ______________________________
Name:
Title:

[seal]

Countersigned:

CONTINENTAL STOCK TRANSFER AND TRUST COMPANY

By: ______________________________
Authorized Officer

[FORM OF REVERSE OF WARRANT CERTIFICATE]

SUBSCRIPTION FORM

To Be Executed by the Registered Holder in Order to Exercise Warrants

The undersigned Registered Holder irrevocably elects to exercise _____________ Warrants represented by this Warrant Certificate, and to purchase the shares of Common Stock issuable upon the exercise of such Warrants, and requests that Certificates for such shares shall be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

____
____
____

[please print or type name and address]

and be delivered to:

____
____
____

[please print or type name and address]

and if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

Dated: ______________

X ______________________________
____
____
____
Address

Taxpayer Identification Number

Signature Guaranteed

ASSIGNMENT

To Be Executed by the Registered Holder in Order to Assign Warrants

For Value Received,__________________________________hereby sell, assign, and transfer unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

_____________________ of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitute and appoint _______________________ Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated: __________________________ X _______________________________

Signature Guaranteed

THE SIGNATURE TO THE ASSIGNMENT OF THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE OR CHICAGO STOCK EXCHANGE.

July 10, 2007

NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, NY 10107

Re: Registration Statement on Form SB-2 under the Securities Act of 1933, as amended

Ladies and Gentlemen:

We have acted as counsel for NeoStem, Inc. (the "Company") in connection with the preparation and filing of a Registration Statement on Form SB-2, as amended (File No. 333-142923) (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder, relating to the issuance and sale by the Company of up to 1,270,000 Units, with each Unit consisting of one (1) share of common stock (the "Shares"), par value $.001 per share ("Common Stock"), of the Company plus a warrant to purchase an additional one-half share of Common Stock of the Company. There are 635,000 Shares (the "Warrant Shares") which are issuable upon exercise of the warrants included as part of the Units, substantially in the form filed as Exhibit 4(b) to the Registration Statement (collectively, the "Warrants").

We understand that the Units are to be sold by Mercer Capital, Ltd. (the "Underwriters") to the public as described in the Registration Statement and pursuant to an underwriting agreement to be entered into among the Company and the Underwriters, substantially in the form to be filed as Exhibit 1(a) to the Registration Statement (the "Underwriting Agreement").

In connection with this opinion, we have examined the Registration Statement. We have also examined such corporate records, certificates and other documents and such questions of law as we have considered necessary or appropriate for the purpose of this opinion. We have assumed: (A) the genuineness and authenticity of all documents submitted to us as originals and (B) the conformity to originals of all documents submitted to us as copies thereof. As to certain factual matters, we have relied upon certificates of officers of the Company and have not sought independently to verify such matters.

Based on the foregoing, and subject to the limitations set forth herein, we are of the opinion that:

1. the issuance and sale of the Units, and the Common Stock and the Warrants included therein, has been duly authorized and, when issued and sold in the manner described in the Registration Statement and in accordance with the Underwriting Agreement, the Units, and the Common Stock and Warrants included therein, will be validly issued, fully paid and nonassessable; and

2. the Warrant Shares have been duly authorized and, when issued in accordance with the terms and conditions of the Warrants (including the due payment of any exercise price therefor specified in the Warrants), will be validly issued, fully paid and non-assessable.

Our opinion herein is expressed solely with respect to the federal laws of the United States and the laws of the State of New Jersey and the General Corporation Law of Delaware. Our opinion is based on these laws as in effect on the date hereof.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to us under the caption "Legal Matters" in the prospectus that is a part of the Registration Statement. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act.

Very truly yours,

/s/ LOWENSTEIN SANDLER PC
Lowenstein Sandler PC

This letter agreement shall describe the basic terms of our mutual understanding pursuant to which DC Associates ("DC") will license to NeoStem, and its successors ("NeoStem") executive office space and related services pursuant to its rights to do so under its lease with the landlord for the subject premises.

Commencement Date:	November 1, 2006
Term:	Month to month
Terminable:	By either party on 30 days prior written notice
Location:	420 Lexington Avenue Suite 450 New York, New York 10170
Executive Offices:	Four furnished inner offices and three desks in common space and use of conference room and other common space as per provided floorplan plus separate work space mutually agreeable to both parties as well as the name on the door and the hall.
Monthly Fee:	$9,500 which includes the cost of telephone, internet, photocopier, scanner, fax, coffee and soft drinks, mail usage, hosting of e-mail, shared receptionist and use of conference room(s). NeoStem will pay for office supplies in the amount of $500 monthly.
Monthly Cash Payment Due:	First business day of each month during the term.

Agreed and Accepted:

DC Associates	NeoStem, Inc.
By: \s\Michael Crow	By: \s\Robin Smith
Name: Michael Crow	Name: Robin L. Smith
Title: Chief Executive Officer	Title: Chief Executive Officer
Date: October , 2006	Date: October , 2006

May 22, 2007

DC Associates
420 Lexington Avenue
Suite 450
New York, NY 10107
Attention: Mr. Michael Crow, CEO

Dear Michael:

Reference is made to that certain October 2006 letter agreement (the "Letter Agreement") between DC Associates ("DC") and NeoStem, Inc. ("NeoStem") describing the basic terms of NeoStem's use of space located at 420 Lexington Avenue, Suite 450, New York, NY which had a commencement date of November 1, 2006.

The Letter Agreement is hereby amended to provide that commencing as of May 1, 2007:

1. The utilized space shall be expanded to immediately include two additional inner furnished offices, work station and reception area. Another furnished office will become available for use during the summer.

2. The monthly fee shall be (i) a cash payment of $10,000; and (ii) $5,000 of the Company's common stock, $.001 par value (the "Common Stock Payment"). The number of shares issued for the Common Stock Payment shall be based on the fair market value of the common stock on the first day of the month to which the payment relates. The shares issued for the Common Stock Payment shall have standard piggy-back registration rights.

In connection with the foregoing, DC makes the following representations:

(a) DC hereby represents and warrants to the Company that DC is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Specifically, DC certifies that DC is one of the following:

A bank as defined in Section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in Section

3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act; an investment company registered under the Investment Company Act of 1940 (the "Investment Company Act") or a business development company as defined in Section 2(a)(48) of the Investment Company Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.

An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000.

A director or executive officer of the Company.

A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds $1,000,000.

A natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) (i.e., a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment).

An entity in which all of the equity owners are accredited investors.

(b) DC hereby certifies that DC is not a non-resident alien for purposes of income taxation (as such term is defined in the Internal Revenue Code of 1986, as amended, and Income Tax Regulations). DC hereby agrees that if any of the information in this section changes, DC will notify the Company within 60 days thereof. DC understands that the information contained in this Section 2.4(b) may be disclosed to the Internal Revenue Service by the Company and that any false statement contained in this Section 2.4(b) could be punished by fine, imprisonment or both.

(c) DC will not sell or otherwise transfer the Shares without registration under the Securities Act or an exemption therefrom, and fully understands and agrees that DC must bear the economic risk of the investment for an indefinite period of time because, among other reasons, the Shares have not been registered under the Securities Act or under the securities laws of certain states and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities laws of such states or an exemption from such registration is available. DC understands that the Company is under no obligation to register the Shares on DC's behalf or to assist DC in complying with any exemption from such registration under the Securities Act, except that if any sale proposed by DC is exempt from registration, the Company will cause its counsel, at the Company's expense, to provide an appropriate opinion to that effect to the Company's transfer agent. It also understands that sales or transfers of the Shares are further restricted by state securities laws.

(d) DC acknowledges that in making a decision to subscribe for the Shares, DC has relied solely upon independent investigations made by DC and the representations contained herein. DC understands the business objectives and policies of, and the strategies which may be pursued by, the Company. DC's investment in the Shares is consistent with the investment purposes and objectives and cash flow requirements of DC and will not adversely affect DC's overall need for diversification and liquidity. DC acknowledges that DC is not subscribing pursuant hereto for any Shares as a result of or subsequent to (a) any advertisement, article, notice or other communications published on-line, in any newspaper, magazine or similar media

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or broadcast over television or radio, or (b) any seminar or meeting whose attendees, including DC, had been invited as a result of, subsequent to or pursuant to any of the foregoing.

(e) DC has not reproduced, duplicated or delivered this Agreement to any other person, except professional advisors to DC or as instructed by the Company.

(f) DC has such knowledge and experience in financial and business matters that DC is capable of evaluating the merits and risks of DC's investment in the Shares and is able to bear such risks, and has obtained, in DC's judgment, sufficient information from the Company or its authorized representatives to evaluate the merits and risks of such investment. DC has evaluated the risks of investing in the Shares and has determined that the Shares is a suitable investment for DC.

(g) DC can afford a complete loss of the investment in the Shares.

(h) DC is acquiring the Shares subscribed for herein for DC's own account, for investment purposes only and not with a view to distribute or resell such Shares in whole or in part.

(i) DC agrees and is aware that:

(1) the Company has a limited operating history under its current business plan;

(2) no federal or state agency has passed upon the Shares or made any findings or determination as to the fairness of this investment; and

(3) there are substantial risks of loss of investment incidental to the purchase of the Shares.

(j) DC and DC's advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Shares, which have been requested by DC. DC and DC's advisors, if any, have been afforded the opportunity to ask questions of the Company and have received satisfactory answers to any such inquiries. Except as set forth in this Agreement, the Company has made no representation or warranty on which DC has relied to enter into this Agreement and acquire the Shares.

(k) DC does not have a present intention to sell the Shares nor a present arrangement or intention to effect any distribution of any of the Shares to or through any person or entity for purposes of selling, offering, distributing or otherwise disposing of any of the Shares.

Except as set forth above, the Letter Agreement shall remain unchanged.

NeoStem, Inc.

By: /s/Robin Smith
Robin Smith, CEO

DC Associates

By: /s/Michael Crow

Michael Crow, CEO

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement of NeoStem, Inc. (formerly known as Phase III Medical, Inc.) on Pre-Effective Amendment No. 3 to Form SB-2/A of our report dated March 27, 2007 except for the Stock Split Disclosure in Note 1, as to which the date is July 9, 2007, appearing in the Prospectus, which is part of this Registration Statement with respect to the consolidated financial statements of NeoStem, Inc. and Subsidiary for the year ended December 31, 2006.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/S/ HOLTZ RUBENSTEIN REMINICK LLP
Holtz Rubenstein Reminick LLP
Melville, New York
July 10, 2007