SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): September 23, 2010

NeoStem, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware	0-10909	22-2343568
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

420 Lexington Avenue, Suite 450, New York, New York 10170
(Address of Principal Executive Offices)(Zip Code)

(212) 584-4180
Registrant's Telephone Number

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

x Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

Agreement and Plan of Merger

The Board of Directors of NeoStem, Inc., a Delaware corporation ("NeoStem" or the "Parent") and the Board of Managers of Progenitor Cell Therapy, LLC, a Delaware limited liability company ("PCT"), have unanimously approved the merger (the "Merger") of NBS Acquisition Company LLC, a newly formed wholly-owned subsidiary of NeoStem ("Subco"), with and into PCT pursuant to an Agreement and Plan of Merger, dated September 23, 2010 (as such agreement may be amended from time to time, the "Merger Agreement"), among NeoStem, PCT and Subco. PCT, in its capacity as the limited liability company surviving the Merger, is hereinafter sometimes referred to as the "Surviving Company."

Pursuant to the terms of the Merger Agreement, all of the membership interests of PCT outstanding immediately prior to the effective time of the Merger (the "Effective Time") will be converted into the right to receive, in the aggregate, 11,200,000 shares of the common stock, par value $0.001 per share, of NeoStem (the "NeoStem Common Stock") and warrants to purchase an aggregate of no less that 1,000,000 and a maximum of 3,000,000 shares of NeoStem Common Stock, based on the following:

(i) common stock purchase warrants to purchase one million (1,000,000) shares of NeoStem Common Stock exercisable over a seven year period at an exercise price of $7.00 per share (the "$7.00 Warrants"), and which will vest only if a specified business milestone (described below) is accomplished within three (3) years of the closing date of the Merger (the "Closing Date"); and

(ii) if the volume weighted average of the closing prices of sales of NeoStem Common Stock on the NYSE-Amex for the three (3) trading days ending on the trading day that is two (2) days prior to the Closing Date (the "Parent Per Share Value") is less than $2.50, common stock purchase warrants to purchase one million (1,000,000) shares of NeoStem Common Stock exercisable over a seven year term at an exercise price of $3.00 per share (the "$3.00 Warrants"); and

(iii) if the Parent Per Share Value is less than $1.70, common stock purchase warrants to purchase one million (1,000,000) shares of NeoStem Common Stock exercisable over a seven year period at an exercise price of $5.00 per share (the "$5.00 Warrants" and, collectively with the $7.00 Warrants and the $3.00 Warrants, the "Warrants").

The $7.00 Warrants will not vest and will not become exercisable unless the Surviving Company secures, prior to the third annual anniversary of the Closing Date, one or more material binding commercial manufacturing contracts with one or more third parties, each on an arm's length basis, which commercial manufacturing contracts result in aggregate revenues to the Surviving Company in excess of $5 million per year over a period of at least three (3) years and in the reasonable judgment of the Parent's Board of Directors, the manufacturing contracts will be profitable each year during the term of such contracts in accordance with generally accepted accounting principles as in effect in the United States ("GAAP").

The shares of NeoStem Common Stock issuable in the Merger are subject to adjustment, provided that in no event will NeoStem be required to issue more than 11,200,000 shares of NeoStem Common Stock, except pursuant to exercise of any Warrants. The shares of NeoStem Common Stock issuable in the Merger (not including any NeoStem Common Stock issuable in the future upon exercise of any Warrants) are sometimes referred to herein as the "Stock Consideration." The Merger Agreement provides that to the extent that PCT's adjusted working capital (calculated in the manner described in the Merger Agreement) on the Closing Date is less than the Target Working Capital (as defined below) by more than Two Hundred Fifty Thousand Dollars ($250,000) (the "Collar"), the Stock Consideration will be decreased by the amount by which such adjusted working capital is less than the Target Working Capital minus the Collar. Any such decrease will reduce the Stock Consideration on a dollar for dollar basis, with each share of Stock Consideration valued at the Parent Per Share Value. The "Target Working Capital" is $105,593, exclusive of at least $353,860 of restricted cash (which restricted cash must also be available to the Surviving Company at the closing of the Merger (the "Closing")), but inclusive of $392,192 of deferred financing costs.

The Stock Consideration will also be reduced (and not increased) by an amount equal to the product of 250,000 shares of NeoStem Common Stock multiplied by any Net Lost Agreements. "Net Lost Agreements" is defined in the Merger Agreement to mean a number (not less than zero) equal to (i) the number of material service agreements of PCT which are terminated prior to the Closing Date, or as to which PCT receives a notice of termination prior to the Closing Date minus (ii) the number of comparable new material service agreements entered into and as to which services are provided by PCT to the counterparty between the date of the Merger Agreement and the Closing Date.

The consummation of the Merger is subject to various conditions, including the approval by NeoStem's stockholders and PCT's Members; the affirmation by NeoStem that it has $3 million available to it to repay certain indebtedness owed by PCT to an affiliate of PCT's CEO; if requested by NeoStem, the receipt by NeoStem of an updated valuation analysis; the absence of any legal proceeding preventing the consummation of the Merger and other legal and regulatory requirements.

The Merger Agreement provides that the Stock Consideration will be placed in escrow (the "Escrow Account") pursuant to an escrow agreement to be executed at the Closing, for the purpose of paying any damages payable to NeoStem in accordance with the indemnification provisions contained in the Merger Agreement. The Escrow Account will continue from the Closing until the date (the "Termination Date") which is two (2) years and one day after the Closing Date (the "Escrow Period"). Up to 25% of the shares of NeoStem Common Stock issuable to certain members of PCT who hold in the aggregate 38.4% of the membership interests in PCT may be released from the Escrow Account and distributed to those members on the 15th day of the month that is at least one month after the Closing Date and at any time thereafter, for the payment of income taxes by such members. After the date that is one (1) year after the Closing Date, a number of shares of NeoStem Common Stock will be released from the Escrow Account such that 5,600,000 shares of NeoStem Common Stock (50% of the Stock Consideration), plus any shares then being held with respect to pending indemnification claims by NeoStem, will remain in the Escrow Account. As soon as practical after the Termination Date, all shares of NeoStem Common Stock then remaining in escrow will be released and distributed to the former members of PCT; provided that NeoStem Common Stock representing 120% of the maximum amount of any claim made pursuant to the indemnification provisions of the Merger Agreement during the Escrow Period will be withheld and remain in the Escrow Account pending resolution of such claim. In addition, a number of shares of NeoStem Common Stock in the Escrow Account which is necessary to satisfy any unsatisfied claims specified in any indemnification claim previously delivered by NeoStem prior to the Termination Date with respect to facts and circumstances existing prior to the expiration of the Escrow Period, shall remain in the Escrow Account until such claims have been resolved.

Pursuant to a voting agreement (the "Voting Agreement") dated the same date as the Merger Agreement, holders of a sufficient number of membership interests of PCT to approve the Merger Agreement and the Merger have irrevocably agreed to vote in favor of the Merger Agreement and the Merger at any meeting of the Members of PCT called to approve the Merger Agreement and Merger (the "PCT Meeting") and agreed to certain transfer restrictions with respect to their membership interests prior to the Effective Time. Stockholders of NeoStem owning greater than 50% of NeoStem Common Stock on the date of the Merger Agreement have agreed to vote their shares in favor of the issuance of the NeoStem Common Stock and Warrants in the Merger at a special meeting of stockholders which will be held for such purpose.

By approval of the Merger at the PCT Meeting, each member of PCT will be deemed to have irrevocably constituted and appointed Andrew Pecora, currently the Chairman and CEO of PCT, as the "PCT Representative" under the Merger Agreement. The PCT Representative will act on behalf of all of the members of PCT in executing various closing documents and in reviewing and, if he deems it appropriate, disputing, any indemnification claims made against the Escrow Account after the Closing.

The Merger Agreement provides that as soon as reasonably practical after the Closing, Andrew Pecora will be invited to join the Board of Directors of NeoStem, and NeoStem will use its reasonable best efforts to cause Mr. Pecora to be appointed to the Board of Directors and nominated for election as a director at its annual meeting of shareholders when his initial term ends, provided however, that in order to comply with the listing standards for the NYSE-Amex, simultaneously with such appointment, and as a condition precedent, NeoStem also must find and appoint to NeoStem's Board of Directors, one (1) individual who meets all conditions of independence imposed by the Securities and Exchange Commission (the "SEC") and the NYSE-Amex, so that at all times a majority of the members of NeoStem's Board of Directors are independent. If such an independent person is not found by NeoStem, and has not agreed to be so designated and appointed, NeoStem and PCT will work together in good faith to find and designate another person acceptable to NeoStem, through the Nominating Committee of its Board of Directors, as an independent director. NeoStem has agreed that it will not delay the appointment of Mr. Pecora by reason of such need to designate another independent director for more than three (3) months after the Closing Date.

Officers of PCT

Andrew L. Pecora, MD, FACP
Chairman, Chief Executive Officer and Chief Medical Officer of PCT

Currently, Dr. Pecora, age 53, is Chairman, Chief Executive Officer and Chief Medical Officer of PCT, and is a member of the Board of Managers. He has held these positions with PCT since 1999. Upon consummation of the Merger, Dr. Pecora will serve as PCT's Chief Medical Officer.

Dr. Pecora has served as the Chairman and Director of the Cancer Center at Hackensack University Medical Center (HUMC) since 2001, and Managing Partner of the Northern New Jersey Cancer Center, which is a private physicians practice group affiliated with HUMC, since 1996. He has also been a Professor of Medicine at the University of Medicine and Dentistry of New Jersey since 2004. Additionally, Dr. Pecora is a scientific advisor for numerous state, national, and international organizations. He is a Diplomate of the American Board of Internal Medicine, subspecialty of hematology and subspecialty of oncology, a member of the National Blue Cross and Blue Shield Quality Centers for Transplant Experts Panel, a fellow of the Academy of Medicine of New Jersey, a fellow of the American College of Physicians, and a member of the American Society of Bone Marrow Transplantation, American Society of Clinical Oncology and American Society of Hematology. Dr. Pecora co-founded and serves as Chairman of Amorcyte, Inc., a biotechnology company developing cell therapies for cardiovascular disease. He serves on the board of Cancer Genetics and is chairman of the board of Tetralogics, Inc., a company developing small molecules to treat cancer. He has served on the Board of Directors of the American Society of Bone Marrow Transplant and Cytotherapy and was a member of Accreditation Committee of the Foundation for Accreditation of Hematopoietic Cell Therapy. He has been a member of several National Heart, Lung and Blood Institute/National Cancer Institute state of the science meetings in transplantation and stem cell therapies. Dr. Pecora is actively involved as principal investigator and coinvestigator in many national research studies. He has been invited to present his work at various scientific meetings and continues to contribute to the published literature. Dr. Pecora received his medical degree from the University of Medicine and Dentistry of New Jersey, graduating with honors. He went on to complete his medical education in internal medicine at New York Hospital and in hematology and oncology at Memorial Sloan-Kettering Cancer Center, both in New York City. He is board certified in internal medicine, hematology, and oncology.

Robert A. Preti, PhD
President and Chief Scientific Officer of PCT

Currently, Dr. Preti, age 53, is President and Chief Scientific Officer for PCT, and is a member of PCT's Board of Managers. He has held these positions with PCT since March 1999. Upon consummation of the Merger, Dr. Preti will serve as PCT's President.

Dr. Preti was Scientific Director of Hackensack University Medical Center's stem cell laboratory from 1996-1999. Prior to that, he served as director at the Clinical Services Division of the New York Blood Center from 1989 to 1996. He is one of the country's leading authorities on cell engineering and the principal investigator for a number of clinical trials relating to stem cell transplantation. He was a founding member and Treasurer of the International Society for Hematotherapy and Graft Engineering and served for 10 years on its Executive Committee and Board of Directors. He is now representing Cellular Therapy as a Director of the American Association of Blood Banks. Dr. Preti has authored numerous papers in the field and has been invited to speak at national and international meetings relating to the manufacturing, regulatory and quality aspects of cell therapy and regenerative medicine. In addition to having served as an inspector for the Foundation for Accreditation of Cellular Therapy, Dr. Preti also serves on professional and state committees charged with the development of regulations for cellular therapy. Dr. Preti received his Doctor of Philosophy degree from New York University, graduating with distinction. During his tenure at NYU, Dr. Preti studied and received his degrees in Cellular Biology, with a specialty in hematology, studying erythropoiesis under the mentorship of Albert S. Gordon, PhD. Immediately following his graduate work, Dr. Preti joined Marrow Tech, Inc. (which later became Advanced Tissue Sciences) where he served as Group Leader in the development Marrow Tech's proprietary three-dimensional, matrix-based hematopoietic culture system for *ex vivo* expansion of bone marrow stem cells.

Daryl LeSueur
Vice President, Manufacturing Operations of PCT

Mr. LeSueur, age 48, has served as PCT's Vice President, Manufacturing Operations since June 2007. As head of Manufacturing Operations, Mr. LeSueur is responsible for managing and supervising the day-to-day conduct of the manufacturing and packaging functions and the operational aspects of PCT's operating facilities. Mr. LeSueur will continue to serve as Vice President, Manufacturing Operations upon completion of the Merger.

Prior to joining PCT, Mr. LeSueur served as Vice President, Operations, Pomona, East Hanover, Northvale, Cincinnati, New York and New Jersey for Barr Laboratories at varying times during the period from 2004 to 2009. Mr. LeSueur brings over 25 years of experience in manufacturing operations in a regulated industry. His experience includes proven leadership and success in developing and implementating operational initiatives to reduce production costs, increase profitability and operational efficiencies. Prior to joining Barr, Mr. LeSueur served as Vice President of Pharmaceutical Production at Novartis Pharmaceutical Corporation, from 1997 to 2004. At Novartis, he was responsible for managing all North American production operations, specializing in solid dosage, raw material and transdermal systems and oversaw a $70 million budget. Prior to Novartis, Mr LeSueur was Associate Director of Pharmaceutical Production with Sandoz Pharmaceutical Company.

Mr. LeSueur has a BS in Chemistry from the State University of New York at Plattsburgh and has completed the Leadership Program, Finance Program, and Management Program at Harvard Business School.

George S. Goldberger
Chief Business and Financial Officer, Treasurer and Secretary of PCT

Mr. Goldberger, age 63, is PCT's Chief Business and Financial Officer. He has held these positions since March 1999. He will serve as PCT's Vice President, Business Development upon consummation of the Merger.

Before joining PCT, Mr. Goldberger served as President and Chief Executive Officer of Goldberger & Associates Inc., an international management consulting firm with offices in New York, Budapest, Bucharest and Kiev, assisting multinational companies in developing their business in Eastern Europe with a focus on providing a variety of health care services. Through Goldberger & Associates, Mr. Goldberger assisted National Medical Care (now part of Fresenius Medical Care) in establishing and developing dialysis center operations in Europe. Prior to that, Mr. Goldberger was in charge of mergers and acquisitions at Figgie International Inc. (now Scott Technologies Inc.), a diversified conglomerate. Before working at Figgie, Mr. Goldberger was Assistant to J. Peter Grace, then Chairman and Chief Executive Officer of W. R. Grace & Co., with corporate development and financial management responsibilities in the United States and the Far East. While at Grace, Mr. Goldberger served as project director on the Reagan Administration's President's Private Sector Survey on Cost Control, also known as the Grace Commission, and subsequently as president of Citizens Against Government Waste, a nonprofit foundation established to eliminate waste, mismanagement, and inefficiency in the federal government. He continues as the foundation's chairman of the board. Mr. Goldberger began his career as a management consultant with Booz, Allen & Hamilton.

Mr. Goldberger holds an MBA in Finance from the Wharton School of the University of Pennsylvania and a BS in Systems Engineering from the Polytechnic Institute of New York University.

Interests of Certain PCT Officers in the Merger

Dr. Pecora, Dr. Preti and Mr. Goldberger beneficially own 17.2%, 17.0% and 2.5%, respectively, of the outstanding membership interests in PCT (or, on a fully diluted basis, 17.5%, 17.0%, and 2.5%, respectively).

Employment Agreements

All or substantially all employees of PCT, including the executive officers, will remain in the employ of PCT after the Merger at comparable salaries as prior to the Merger. As a condition to the execution of the Merger Agreement, NeoStem and PCT entered into employment agreements that become effective upon consummation of the Merger (the "Commencement Date") with each of Robert Preti, Andrew Pecora, George Goldberger and Daryl LeSueur. The following is a description of these agreements:

Preti Employment Agreement

Upon consummation of the Merger, Robert Preti will serve as President of PCT and as Chairman of the to be formed Quality Assurance and Ethics Committee. The four year employment agreement dated as of September 23, 2010 between Dr. Preti, PCT and NeoStem (the "Preti Employment Agreement") provides for, among other things, (i) an initial annual base salary of $330,000, which will be increased to $350,000 upon the first annual anniversary of the Commencement Date, (ii) an option to purchase 400,000 shares of NeoStem Common Stock under the Parent's 2009 Equity Compensation Plan ("2009 Equity Plan") at an exercise price per share equal to closing price of NeoStem Common Stock on the Commencement Date (the "Commencement Price") which will vest in four equal annual installments beginning on the first annual anniversary of the Commencement Date, and (iii) eligibility for cash bonuses as determined by the compensation committee of the Parent's Board of Directors. The Preti Employment Agreement further provides that upon Termination without Cause (as defined) or Resignation for Good Reason (as defined), Dr. Preti will be entitled to certain post-termination benefits in consideration of executing a release and compliance with certain non-competition restrictive covenants, including (i) continuation of his base salary for up to twelve (12) months in accordance with customary payroll practices, (ii) reimbursement of COBRA healthcare premiums for up to twelve (12) months, and (iii) the accelerated vesting for all unvested option shares that would have vested during the twelve (12) months following termination of employment had Dr. Preti remained in the employ of PCT. The Preti Employment Agreement also gives PCT the option, in its sole discretion, to continue Dr. Preti's base salary for an additional twelve (12) months (for a total of twenty-four (24) months) in consideration for a twelve month extension of the non-competition restrictive covenants to which Dr. Preti is subject. The Company intends to secure a key man life insurance policy with respect to Dr. Preti.

Pecora Employment Agreement

In addition to serving on the Board of Directors of NeoStem, Andrew Pecora will serve as Chief Medical Officer of PCT in a part-time capacity upon consummation of the Merger. The four year employment agreement dated as of September 23, 2010 between Dr. Pecora, PCT and NeoStem (the "Pecora Employment Agreement") provides for, among other things, (i) an annual base salary of $180,000 and (ii) an option to purchase 400,000 shares of NeoStem Common Stock under the Parent's 2009 Equity Plan at the Commencement Price which will vest in four equal annual installments beginning on the first annual anniversary of the Commencement Date. The Pecora Employment Agreement further provides that upon Termination without Cause (as defined) or Resignation for Good Reason (as defined) Dr. Pecora will be entitled to continuation of his base salary for three (3) months in accordance with customary payroll practices in consideration for executing a release and compliance with certain non-competition restrictive covenants.

Goldberger Employment Agreement

Upon consummation of the Merger, George Goldberger will serve as Vice President – Business Development of PCT. The three year employment agreement dated as of September 23, 2010 between Mr. Goldberger, PCT and NeoStem (the "Goldberger Employment Agreement") provides for, among other things, (i) an annual base salary of $200,000, (ii) an option to purchase 200,000 shares of NeoStem Common Stock under the Parent's 2009 Equity Plan at the Commencement Price which will vest in three equal annual installments beginning on the first annual anniversary of the Commencement Date and (iii) eligibility for an annual cash bonus of up to 30% of his base salary. The Goldberger Employment Agreement further provides that upon Termination without Cause (as defined) or Resignation for Good Reason (as defined), in consideration for executing a release and compliance with certain non-competition restrictive covenants, Mr. Goldberger will be entitled to (i) continuation of his base salary for three (3) months in accordance with customary payroll practices and (ii) the accelerated vesting for all unvested option shares that would have vested during the twelve (12) months following termination of employment had Mr. Goldberger remained in the employ of PCT.

LeSueur Employment Agreement

Upon consummation of the Merger, Daryl LeSueur will serve as Vice President – Manufacturing Operations of PCT. The three year employment agreement dated as of September 23, 2010 between Mr. LeSueur, PCT and NeoStem (the "LeSueur Employment Agreement") provides for, among other things, (i) an annual base salary of $250,000 and (ii) an option to purchase 200,000 shares of NeoStem Common Stock under the Parent's 2009 Equity Plan at the Commencement Price which will vest in three equal annual installments beginning on the first annual anniversary of the Commencement Date. The LeSueur Employment Agreement further provides that upon Termination without Cause (as defined) or Resignation for Good Reason (as defined), Mr. LeSueur will be entitled to continuation of his base salary for one (1) month in accordance with customary payroll practices in consideration of executing a release and compliance with certain non-competition restrictive covenants. The LeSueur Employment Agreement also gives PCT the option, in its sole discretion, to continue Mr. LeSueur's base salary for up to twenty-four (24) months in consideration for Mr. LeSueur being subject to certain additional non-competition restrictive covenants for a period of up to twenty-four (24) months.

Registration Statement

In connection with the Merger, NeoStem intends to file with the SEC a registration statement on Form S-4 (including any amendments, supplements and exhibits thereto, the "S-4") to register the NeoStem Common Stock (including the NeoStem Common Stock underlying the Warrants) issuable in the Merger. The S-4 will contain a prospectus/joint proxy statement pertaining to (a) the special meeting of stockholders of NeoStem at which NeoStem's stockholders will be asked to approve the NeoStem Common Stock and Warrants issuable in the Merger and (b) the special meeting of Members of PCT at which PCT's Members will be asked to approve the Merger Agreement and Merger. It is expected that at the special meeting, NeoStem's stockholders will also be asked to vote upon a proposal to increase the number of authorized shares under NeoStem's 2009 Equity Compensation Plan.

The foregoing description of the Merger Agreement is not complete and is qualified in its entirety by reference to the Merger Agreement, which is filed as Exhibit 2.1 hereto and incorporated herein by reference. On September 23, 2010, NeoStem issued a press release announcing the execution of the Merger Agreement, a copy of which is filed as Exhibit 99.1 hereto and incorporated herein by reference.

Business of PCT

PCT is engaged in a wide range of services in the stem cell therapy market for the treatment of human disease, including but not limited to contract manufacturing, product and process development, consulting, product characterization and comparability, and storage, distribution, manufacturing and transport of cell therapy products.

The Field of Cell Therapy

All living complex organisms start as a single cell that replicates, differentiates (matures) and perpetuates in an adult through its lifetime. Cell therapy is aimed at tapping into the power of cells to prevent and treat disease, regenerate damaged or aged tissue and provide cosmetic applications. The most common type of cell therapy has been the replacement of mature, functioning cells such as through blood and platelet transfusions. Since the 1970s, bone marrow and then blood and umbilical cord-derived stem cells have been used to restore bone marrow and blood and immune system cells damaged by chemotherapy and radiation used to treat many cancers. These types of cell therapies have been approved for use worldwide and are typically reimbursed by insurance.

Over the past number of years, cell therapies have been in clinical development to treat an array of human diseases. The use of autologous (self-derived) cells to create vaccines directed against tumor cells in the body has been demonstrated to be effective and safe in clinical trials. The Dendreon Corporation's Provenge therapy for prostate cancer received Food and Drug Administration ("FDA") approval in early 2010. Companies are evaluating the effectiveness of cell therapy as a form of replacement or regeneration of cells to treat diseases of the brain and spinal cord, while others are developing cell therapies for cardiovascular disease, including for the treatment of acute myocardial infarction (heart attack) and chronic ischemia. Cell therapies are also being evaluated for safety and effectiveness to treat autoimmune diseases such as diabetes, inflammatory bowel disease and bone diseases. Finally, the development of cell therapies to supplement or replace damaged or aged tissue and organs is also under development by certain companies. While no assurances can be given regarding future medical developments, management of PCT believes that the field of cell therapy is a subset of biotechnology that holds promise to better the human experience and minimize or ameliorate the pain and suffering from many common diseases and from the process of aging.

Background

Founded in 1997 by Dr. Pecora and Dr. Preti. as a New Jersey limited liability company, PCT has become an internationally recognized cell therapy services and development company. The intent was to create a business for "as needed" development and manufacturing services for the emerging cell therapy industry and to prepare for eventual commercialization. With its cell therapy manufacturing facilities and team of professionals, PCT offers a platform that can facilitate the preclinical and clinical development and commercialization of cellular therapies for clients throughout the world. PCT offers current Good Manufacturing Practices (cGMP)-compliant cell transportation, manufacturing, storage, and distribution services and supporting clinical trial design, process development, logistics, regulatory and quality systems development services. In addition, through its network of contacts throughout the cell therapy industry, PCT has historically targeted and identified early stage development opportunities in the cell therapy field and developed cell therapies to be spun off into independent entities using PCT's core capabilities for development.

PCT began operations by acquiring the stem cell laboratory of Hackensack University Medical Center (HUMC) on March 1, 1999, and as a part of the acquisition arrangement, HUMC has agreed to use PCT as its exclusive provider of stem cell services for its cancer patients. PCT benefited from HUMC's national reputation as a leading stem cell transplant center in the United States. Dr. Preti, PCT's current President and Chief Scientific Officer, was the Scientific Director of HUMC's stem cell laboratory at the time of the acquisition.

In August 2002, PCT acquired a cell therapy manufacturing facility from the Dendreon Corporation in Mountain View, California, thus establishing a second facility and the capability of offering nationwide processing and distribution for manufactured cell therapy products. Dendreon is a biotechnology company that develops targeted therapies for cancer.

On October 6, 2004, PCT converted from a New Jersey entity into a Delaware entity by merging with and into a newly formed Delaware limited liability company carrying the same name. The Delaware company is the surviving entity of the merger.

In 2007, PCT acquired an office condominium facility in Allendale, New Jersey that has been developed into a cell therapy manufacturing facility. The facility has been qualified to be accredited by the Foundation for Accreditation of Cellular Therapy (FACT) and complies with cGMP guidelines promulgated by the FDA.

PCT Business

PCT serves the developing cell therapy industry that includes biotechnology, pharmaceutical and medical products companies, health care providers, and academic investigators from licensed cell therapy manufacturing facilities in Allendale, New Jersey and Mountain View, California. PCT supports the research of leading academic investigators designed to expedite the broad clinical application of cell therapy. PCT's core strategy is to provide a global network of cell therapy manufacturing and storage facilities and an integrated and regulatory compliant distribution capacity for the evolving cell therapy industry to meet international commercial demands.

cGMP Cell Therapy Manufacturing Experience	
HSC	Animal cell processing
HPC	CD 34 selected cells
MISC	Keratinocytes
Gene Tx	Fibroblasts
DC	DLI
APC	Cytokine cell induction
T Cell (Activated)	Ex-vivo expansion
B Cell	Cellular cultures
NK	CD 34 selection
Macrophages	Adherent neural stem cells
NSC	Porcine islets
Cell Matrix implants	Activated T-cells
Artificial Skin Membranes	

PCT has accumulated experience in the service and business of cell therapy manufacturing for clinical use. PCT has served over 100 clients and is experienced with more than 20 different cell based therapeutics, including neuronal and skin based cells for brain and spinal cord repair, myoblast, mesenchymal cells and bone marrow derived cells for heart disease, Tumor, T, B, NK and dendritic cells and monocytes for cancer treatment, cord blood, peripheral blood, bone marrow CD34+ selected cells for transplantation and islet cells for diabetes. PCT has performed over 30,000 cell therapy procedures in its cell therapy manufacturing facilities, processed and stored over 18,000 cell therapy products (including approximately 7,000 umbilical cord blood, 10,000 blood and marrow derived stem cells and 1,000 dendritic cells) and arranged the logistics and transportation for over 14,000 cell therapy products for clinical use by over 5,000 patients nationwide.

PCT's Contract Manufacturing Experience		
Hematopoietic replacement	Cancer, genetic diseases	HSC, HPC, MSC, Gene Tx
Immune modulation	Cancer, autoimmunity, infectious diseases	DC, APC, T cell, B cell, NK, HSC, MSC, Macrophages, Gene Tx
Tissue repair and regeneration	Cardiovascular, spinal, neuronal, corneal, orthopedic	HSC, MSC, NSC, Cell matrix implants
Wound healing	Ulcers, burns	Artificial skin, membranes, MSC

The management team of PCT has over 100 years of collective experience in the business and science of cell therapy. Team members are recognized experts in cell therapy product development and characterization, manufacturing, delivery, and clinical development and use. PCT's personnel have experience with the design, validation, and operation of cGMP cell therapy manufacturing facilities, participated in regulatory filings in the United States and Europe, and have contributed over 100 peer reviewed cell therapy publications. The team has extensive experience in biologics development, sales, marketing, medical practice, hospital administration, insurance contracting, and regulatory compliance. Collectively, the management team has experience in all aspects of cell therapy product and clinical development and use (other than with the use of embryonic stem cells), covering cancer, autoimmunity, infectious diseases, cardiovascular diseases, and spinal, brain, corneal, orthopedic, hormonal and skin regenerative therapies.

Affiliated Companies

Amorcyte, Inc.

PCT's strategy has historically included the periodic formation of companies intended to develop specific therapeutic products. From its vantage point in the industry, PCT sought to identify, incubate, and spin off cell therapy-based development companies that could become clients of PCT. To date, PCT has spun off Amorcyte, Inc. ("Amorcyte"). Amorcyte completed its Phase I clinical trial for a cell based product in the cardiovascular area, relying on PCT's management, scientific know how, and preclinical and clinical manufacturing resources. Amorcyte was initially formed as a wholly owned subsidiary of PCT and was spun off to its members during 2005. It is a therapeutics company pursuing cell-based therapies for cardiovascular diseases. Amorcyte's primary product, based on certain patents licensed from Baxter Healthcare Corporation and intellectual property granted to Amorcyte, is an autologous stem cell product in clinical trials for the treatment of damaged heart muscle following acute myocardial infarction (AMI).

Amorcyte is a Delaware corporation, originally formed in June 2004 as a subsidiary of PCT. In July 2005, Amorcyte was spun off so that each member of PCT acquired a direct ownership interest in Amorcyte pro rata to such member's then existing ownership interest in PCT. Certain members of management hold a small percentage of preferred stock in Amorcyte and the remainder of the outstanding preferred stock was issued to outside investors who provided equity financing to Amorcyte beginning in 2006. Amorcyte plans to develop bone marrow derived stem cell therapies to treat a variety of cardiovascular diseases using certain technology licensed from Baxter Healthcare Corporation. PCT has entered into (i) a Cell Processing Agreement with Amorcyte dated as of May 31, 2005, pursuant to which PCT is the exclusive provider of cell processing services to Amorcyte in exchange for a payment to Amorcyte of $200,000 (an "evergreen" arrangement), and (ii) a Line of Credit and Security Agreement with Amorcyte dated as of May 19, 2005, pursuant to which PCT has agreed to make up to $500,000 available to Amorcyte. While members of PCT are also stockholders of Amorcyte from the spin-off, and PCT provides Amorcyte with management services through a management agreement, Amorcyte is an independent company and its value and revenue is not included in those of PCT.

PCT has benefited from its relationship with Amorcyte as its exclusive, evergreen provider of cell processing services. For the six months ended June 30, 2010 and the year ended December 31, 2009, PCT recognized revenue under the Cell Processing Agreement with Amorcyte of $93,000 and $428,000 respectively.

During June 2010, PCT made an investment in Amorcyte in the purchase of Series A Redeemable Preferred Stock totaling $50,000.

DomaniCell, LLC

PCT formed DomaniCell, LLC ("DomaniCell") as a Delaware limited liability company in May 2005. DomaniCell is a wholly owned subsidiary of PCT which assists hospitals with providing umbilical cord blood unit collection and long-term storage services to patients for potential future therapeutic use. DomaniCell provides the front-end interface and support services to hospitals and in turn employs PCT's cell therapy manufacturing facilities network for the processing and long-term storage of umbilical cord blood units.

Market Review and Analysis of the Core Business

PCT believes that an increasing portion of healthcare spending in the United States will be directed to cell and tissue based therapies in the coming years, driven by aging baby boomers accustomed to seeing continual medical advancement within their lifetime. An excerpt from "2020: A New Vision - A Future for Regenerative Medicine" from the U.S. Department of Health and Human Services, dated January, 2005, highlights the potential of cell therapy, given present demand:

- 250,000 patients receive heart valves, at a cost of $27 billion annually; and
- 950,000 people die of heart disease or stroke, at a cost of $351 billion annually.

According to the same report, "Regenerative medicine is the vanguard of 21st century healthcare. We are on the cusp of a worldwide explosion of activity in this rapidly growing field of biomedicine that will revolutionize health care treatment. Regenerative medicine (cell therapies) will lead to the creation of fully biological or bio-hybrid tissues and organs that can replace or regenerate tissues and organs damaged by disease, injury, or congenital anomaly." Regenerative medicine offers the promise to address many of these conditions by replacing or repairing malfunctioning tissues. The same report also indicated that a large fraction of the costs cited above are attributable to tissue loss or organ failure, with approximately eight million surgical procedures being performed annually in the United States to treat these disorders. If approved and effective, cell therapies may have the effect of cutting health care cost as they may facilitate functional restoration of damaged tissues and not just abatement or moderation of symptoms.

Aside from early tissue-based therapies approved in the 1990s, e.g., therapies developed by Genzyme and Organogenesis, the regenerative medicine industry is yet to mature to the point of having a number of approved therapies available on the market. However, there are a number of companies in late-stage clinical trials and one company, PCT's former client Dendreon, has received approval from the FDA for the use of a cellular product as a cancer therapy. In addition, the growing interest in storing one's own stem cells has the potential to further fuel the cell therapy field.

The scope of the evolving field of regenerative medicine entails:

- **Cell Therapy,** which is the use of cells (adult or embryonic, donor or patient, stem or differentiated) for the treatment of many debilitating injuries and diseases. Near term, therapeutic applications include heart disease, diabetes, Parkinson's and Alzheimer's diseases, vision impairments, orthopedic diseases and spinal cord injuries. This sector also includes the development of growth factors and serums and natural reagents that promote and guide cell development.
- **Tissue Engineering**, which is the combination of cells with biomaterials (also called "scaffolds") to generate partially or fully functional tissues and organs. Some natural materials, like collagen, can be used as biomaterial, but advances in materials science have resulted in a variety of synthetic polymers with attributes that would make them uniquely attractive for certain applications. Near term, therapeutic applications include heart patch, bone re-growth, wound repair, replacement bladders, inter-vertebral disc and spinal cord repair.
- **Tools & Devices**, i.e., creating cell lines that embody genetic defects or disease characteristics that are used for the discovery and development of new drugs. This sector also includes companies developing devices that are designed and optimized for regenerative medicine techniques, such as specialized catheters for the delivery of cells, tools for the extraction of stem cells, cell-based diagnostic tools, etc.

- **Aesthetic Medicine,** which includes developing cell therapies, tissues and biomaterials for cosmetic applications. This sector comprises hair follicle cells for hair regeneration, and collagen-secreting human dermal fibroblasts for facial wrinkles and other skin disorders.

PCT believes, based on clients it has served, that PCT's manufacturing service and developmental offerings are strategically aligned to participate in all aspects of the evolving cell therapy (regenerative medicine) industry as defined above. Since its formation, PCT's goal has been to position itself as the recognized leader of cell therapy manufacturing and development services for this emerging industry.

PCT's Client Services

PCT provides services to clients who are pursuing the development and commercialization of cell therapies for a broad array of human diseases, disorders and injuries, including:

- Pre-clinical and clinical process and product development including outsourcing of cell therapy manufacturing for clinical trials by therapeutic companies;

- Processing or manufacture of cell-based products for cell therapy or tissue engineering companies or academic programs;

- Development and manufacture of stem cell lines for diagnostic purposes for pharmaceutical companies;

- Development and validation studies on behalf of tool and device companies;

- Processing and transporting hematopoietic stem cells, immune system cells and umbilical cord blood cells used for blood and marrow stem cell transplantation by academic clinical stem cell transplantation programs; and

- Consulting in the areas of FDA guideline compliance, technology evaluations, clinical trials design, process optimization and product development, product characterization, assay development, and facility or system design for therapeutics, device, or investment companies or academic programs.

PCT's Client Base

PCT's client portfolio focuses on meeting the existing needs of the cell therapy/regenerative medicine market. Clients include:

- ***Academic and Other Hospitals and Clinics*** – These clients may be conducting cell therapy research and/or treating patients with cell and tissue therapies. This includes the processing for stem cell transplant programs. For over 20 years, blood and marrow stem cell transplants have been used following radiation and/or chemotherapy for certain cancers – particularly leukemia, lymphoma and myeloma. While the number of patients diagnosed with one of these cancers in the United States has not grown significantly from year to year, growth in bone marrow transplants has grown at a faster rate, due in part to the establishment of the National Marrow Donor Program. This program facilitates cell type matching, which was previously a significant limiting factor in the use of blood and bone marrow transplants.

- ***Private Sector Customer Base*** - There are currently about 350 cell and tissue/regenerative medicine therapeutic product companies globally and over 500 companies in the sector when including technology, device, and service companies. PCT believes that a significant percentage of the therapeutic companies outside the United States are viable customer prospects for PCT and, in fact, already represent one of PCT's fastest growing customer bases. Currently, these companies retain PCT for their expansion into the United States market. If PCT is able to develop operations outside the United States within geographic proximity of such clients, the percentage of these companies that retain PCT in connection with their local markets should increase. Additionally, there is a steady stream of new entrants into the cell therapy and regenerative medicine market both in the United States and globally.

- ***Strategic Relationships*** – These are relationships into which PCT has entered with product and service providers complimentary to PCT's service offerings and intended to bolster both PCT's revenue as well as its market position. The relationships currently take the form of subsidiary or affiliated companies as well as independent companies with which PCT has a co-marketing and/or co-development relationship.

- ***Investors*** – Investors use PCT to evaluate the technologies, development capabilities, and development capacities of companies in which they are invested or potentially investing.

Management believes that PCT's long-term client base will look very similar to its current client base but is expected to also include pharmaceutical companies requiring manufacturing of stem cell lines for use in drug discovery.

For each type of client, the cell therapy sector presents unique challenges, which provide PCT with opportunities to position its expertise and services as potential solutions. For example, in pharmaceutical drug development, after FDA approval, typically, a large quantity (batch) of drug is manufactured, a sample is tested for potency and identity, and then the batch is released by the manufacturer for packaging in multiple doses, distribution and sales. Typically, a dose of a drug can be stored for prolonged periods before it is dispensed to the patient. In contrast, the cells used for cell therapy usually originate from the patient for whom the cell treatment is intended. The biologic shelf life is measured in hours to days as opposed to months to years as is the case with pharmaceutical drugs. PCT believes it has more relevant experience manufacturing and delivering cell-based therapies than most traditional pharmaceutical drug developers. PCT's facilities and personnel can create value for corporate clients that are developing a cell-based therapy by decreasing development time, optimizing the manufacturing process and saving capital otherwise needed to build and staff cGMP facilities for current and future clinical trials. PCT's offering generally decreases the time and cost of commercializing these technologies, bringing value to PCT's client base.

PCT's Operations

Facilities

PCT presently operates two cell therapy manufacturing facilities, in Allendale, New Jersey and in Mountain View, California. In 2007, PCT acquired the 30,067 square foot facility in Allendale, New Jersey which has been developed into a cell manufacturing facility. Longer-term plans could include the acquisition and development of a number of such buildings throughout the country and outside of the United States, to be developed into replicable and scalable manufacturing facilities, strategically located to best serve clients needs. Inherent in the nature of cell therapy today is the biologic shelf life of the cell therapy product itself. This limits the transit times between the time the cell product is extracted from a patient until it arrives at a PCT facility and the time that a processed product leaves the PCT facility and arrives for re-infusion in the patient. Therefore, it is preferable for cell therapy manufacturing facilities to be located in major population centers and within close proximity of major airport hubs.

PCT's Allendale facility is a 30,000 square foot facility of which 22,000 square feet have been developed. This facility is comprised of ISO Class 7, Class 10,000, ISO Class 8, Class 100,000 manufacturing suites, in addition to quality control, research and development laboratories and support facilities. It has been designed to meet the accreditation requirements of the Foundation for the Accreditation of Cellular Therapy (FACT) and to comply with the FDA's requirements, including applicable cGMP regulations, and to meet the standards of the American Association of Blood Banks (AABB). The facility is also in compliance with a range of state and federal regulatory and licensing requirements.

PCT's Mountain View facility is also a licensed cell therapy manufacturing facility, encompassing 25,024 square feet within a single building, of which 17,425 square feet is developed. The developed space is presently used for manufacturing client products. Mountain View is equipped with ISO Class 7 and Class 10,000 manufacturing suites, quality control, research and development laboratories and support facilities. PCT plans to further develop space for cell therapy manufacturing within the facility on an as needed basis. The Mountain View facility is subject to a lease agreement.

Because of the specialized nature of these cell processing facilities and the time required to conceptualize, design, build, and obtain certification and operating authority, it takes approximately nine months to go from concept to operations once space has been qualified.

PCT's Facilities

Space in Square Feet

		Present	
Manufacturing Facilities	Developed	Undeveloped	Total
Mountain View, California	17,425	7,599	25,024
Allendale, New Jersey	22,000	8,067	30,067
Total	39,425	15,666	55,091

Transportation Network

PCT believes that today's commercially available transportation systems are not set up for shipment of biological or other perishable goods and will not be able to meet the demands of the emerging cell therapy market. To succeed, the large-scale commercialization of cell therapy products will need to overcome the present weaknesses of the major air carriers, including the lack of a true point-to-point chain of control, non-controlled X-ray and inspection, no guarantee of package orientation, handling or storage conditions and in many cases no standard, documented and tracked operating procedures.

A successful transportation network for cell therapy will require a completely secure point-to-point chain of control and custody; cGMP standard operating procedures in all phases of transit; a highly specialized and trained air and ground courier network; quality assurance at each transfer point; and real-time package tracking.

PCT strives to maintain high standards in transportation and handling of client cell products. Shipments of products are tracked as PCT and its clients develop confidence in the abilities of PCT's transportation partners. PCT is laying the groundwork for such a network as part of its business development process.

While reliable ground carriers with experience in the transport of blood products already exist in major metropolitan areas of the country, air carriers meeting such needs are limited. PCT evaluated the major domestic express carriers, including Federal Express and UPS, and concluded that even their highest-level services are inadequate to meet the sector's needs. However, PCT identified and validated AirNet Systems, Inc., a specialty air carrier with a fleet of over 100 aircraft serving over 100 cities nationwide, as a transportation partner. AirNet has built its business on check delivery and other services to banks, and it now specializes in shipping medical products, including whole blood and blood products, tissue for transplantation, and diagnostic specimens. AirNet also handles cryopreserved specimens and biologics. PCT currently use the services of AirNet for its transportation needs and has a co-marketing agreement with AirNet centered on combining their logistical expertise and transportation infrastructure with PCT's point-to-point logistics and handling protocols to provide a non-integrated but complimentary and comprehensive transportation network for the shipment of cell therapy products.

Current Good Manufacturing Practices (cGMP) Standards

FDA current Good Manufacturing Practices (cGMP) requirements, set forth in Title 21, Parts 210 and 211, of the Code of Federal Regulations (21 CFR Parts 210 and 211) are federal regulations that govern the manufacture, processing, packaging and holding of drug and cell therapy products. The objective of compliance with cGMP standards is to protect the public health and safety by ensuring that:

- Products have the identity, strength, quality and purity that they purport or are represented to possess;
- Products meet their specifications; and
- Products are free of objectionable microorganisms and contamination.

A central focus of the cGMP requirements is to design and build quality into the manufacturing processes and the facilities in which products are produced. This is done by implementing quality systems and processes, such as:

- Identifying critical points that need to be controlled, monitored and tested.
- Preparing a set of written instructions or procedures, including product specifications, to ensure consistency and reproducibility of results and product characteristics.
- Designing systems and procedures to prevent contamination and ensure product integrity.
- Documentation of product testing results and procedures.
- Validating the process and test methods to ensure reliability of results and consistency in processing.
- Protecting the product from introduction of contamination or objectionable microorganisms by manufacturing in a clean room environment, which includes control of particulates and microorganisms while ensuring adequate space and proper facility controls.

PCT's processing typically occurs in class 10,000, Controlled Environment Rooms (CER) in a class 100 Biologic Safety Cabinet (BSC). Environmental monitoring, done weekly, includes air sampling, contact plates for surface monitoring, and Met One particle counts. PCT's cleaning and sanitizing program involves daily, weekly, monthly, and quarterly cleaning protocols for the equipment and the rooms with bactericidal and sporicidal agents to control introduction of microorganisms and insect and pest control procedures. PCT has ongoing equipment validation, calibration and preventive maintenance programs to ensure reproducibility and consistency of results.

PCT employs an inspection and testing program for incoming materials, and for in-process and final products, as required. PCT employs scientifically sound procedures approved by a quality assurance function, and performs product sterility testing and release assays reviewed by the quality assurance department. PCT has labeling controls to prevent product mix-ups, employs a materials management program to ensure that only approved materials are used in manufacturing and to provide forward and backward traceability; a supplier approval program to ensure that the raw materials used are made under acceptable conditions and to provide a high degree of confidence in their efficacy. A separate quality unit is charged with the responsibility for review and approval of anything that affects the identity, strength, quality, and purity of the cell therapy product.

Sales & Marketing Strategy

PCT targeted what it believes to be the most promising companies for aggressive sales and business development efforts. Among early stage regenerative medicine companies, PCT's strategy is to aggressively market the advantages of outsourcing cell and tissue manufacturing for clinical trials, testing and processing. Among later stage companies, the strategy is to explore opportunities for collaboration without compromising the ability to remain independent. PCT believes that the expertise of its founders and senior management team, combined with PCT's practical experience, provides a competitive advantage over potential competitors in marketing to our customer prospects in the private sector.

PCT's Potential to Develop Cell Therapy Products

PCT believes that it is qualified and experienced to reduce the risk of development of cell therapy products because:

- PCT has the expertise to cost efficiently and rapidly analyze the potential for product development through commercialization.
- PCT has the structure in place to develop new cell therapy products and to enable the commencement of Phase I clinical trials for such products.
- PCT has the personnel and facilities in place to offer cost effective development and manufacturing services.
- PCT has the technical, scientific, clinical, and business expertise to make timely go/no go development decisions for potential cell therapy products.
- PCT has the fiscal discipline and low incremental capital investment to cut project development early if chances for success are low thus preserving resources for future product development.

PCT's initial effort to incubate a cell therapy product development company resulted in the development, spin-off, and subsequent infusion of capital from outside investors into Amorcyte. Experience with Amorcyte has provided the management team with guidelines for key factors for future development of cell therapy products. PCT's new product development opportunities include therapies for cancer, diabetes, cardiovascular disease, neurological disorders, and skin repair.

In summary, historically the key elements of PCT's business strategy were to:

- Establish a nationwide and then international infrastructure, capacity and expertise to meet clients needs;
- Maximize penetration of startup companies in the sector;
- Optimize use of PCT's physical plants;
- Evaluate international opportunities and enter markets as necessary;
- Develop information systems, logistics and create proprietary intellectual property (e.g., process patents);
- Collaborate closely with the FDA (and other regulatory authorities as appropriate); and
- Invest in research to diversify PCT's portfolio of services.

In light of the above, PCT's business development has focused on all stages of regenerative medicine, cell and tissue therapeutic product companies, academic stem cell and other cell therapy clinical trials, device companies serving the regenerative medicine sector, investors and pharmaceutical companies with an interest in a cell or tissue therapeutic or research product, and any other client with needs in the manufacturing and development of a cell or tissue-based product. Serving such clients PCT aimed to:

- Be the global leader in services for the development, regulatory approval and commercialization of cell and tissue therapies around the world;
- Be the leader in the development and manufacture of cells and tissues as therapeutic agents in cGTP/cGMP (current Good Manufacturing Practices and current Good Tissue Practices) compliant facilities;
- Continue to expand PCT's facilities, capacity, expertise, and experience to meet the demand for quality and value-driven services for companies in the regenerative medicine sector; and
- Leverage PCT's domain experience to create product-based companies which would exclusively use PCT's services for manufacturing, delivery and commercialization.

Competition

With its core business, PCT has identified a small number of direct competitors with substantially greater resources than PCT and a number of potential competitors, classified as follows:

- **Medical and Research Centers** - Medical and research centers with interest or expertise in regenerative medicine and the handling and manipulating of cell products offer competitive services. This group includes the major blood and bone marrow transplant centers around the country, the American Red Cross and major medical research institutions. Such research institutions include the Johns Hopkins Medical Center in Baltimore, Maryland, Baylor College of Medicine in Houston, Texas, the National Institutes of Heath-funded, multi-center Production Assistance for Cellular Therapies Network, and the Fred Hutchinson Cancer Research Center in Seattle, Washington.

- **Other For-Profit Corporations –** Other for profit corporations who are our direct competitors include: the Lonza Group Ltd, with the acquisition of the bioservices division of Cambrex Corporation with cell therapy manufacturing facilities in the United States and continental Europe; Cognate Bioservices, owned by Toucan Capital and which services its own internal sister-portfolio companies, as well as offering its services to external customers, with facilities in Maryland and California; Euffets, part of the Fresenius Medical Care group, with a facility in Germany and which has an existing network of apheresis centers; Angel Biotechnology in the United Kingdom, currently restructuring to focus exclusively in cell therapies; Cell Therapies Pty Ltd in Melbourne, Australia. In addition, there are other providers of support services with a peripheral offering or interest in cell or tissue therapy development or manufacturing.

- **Divisions of Biotechnology Companies** -- The development and manufacturing divisions of selected major biotechnology companies (e.g., Genzyme and Cell Genesys) which provide services using their existing spare infrastructure to offset costs also present competition to PCT. Moreover, they may be able to offer such unused capacity as a loss leader and at lower rates than those offered by PCT.

- **Early Stage Companies.** Some early stage companies, which constitute a portion of our target market, have their own development and manufacturing facilities. These companies are competitive not only in that they may leverage their capacity by making it available to others but also in that, their decision to "build" precludes them – at least for the interim – from deciding to "buy" from PCT.

However, the decision by therapeutic companies to develop and / or manufacture their own product remains PCT's most significant competition in the early stages of this sector, other than specialized contract manufacturing organizations (CMOs). This competition is analogous to the evolution of earlier therapeutic biotechnology sectors and is expected to decrease as the sector matures. In terms of capability, efficiency and price, PCT's management believes that PCT is positioned and perceived in the marketplace to be positioned as the leading company among its direct competitors. The Lonza Group Ltd., based in Basel, Switzerland, is PCT's primary corporate competitor.

The leading bone marrow transplant centers are experienced in handling stem cells and other blood products. However, PCT believes generally that many of these centers do not operate profitably and may not be capable of doing so unless and until they gain independence from the institutions in which they currently operate. PCT is not aware of any transplant center that is planning to attain such independence. Similarly, while the larger not-for-profit research institutions are well financed, such institutions may be hampered by geographical limitations and political considerations. Finally, it is not within the mission of the organizations owning these facilities to provide large-scale manufacturing for the private sector.

Certain divisions of biotechnology companies are well financed and have existing capacity with related experience. However, most of these biotechnology product companies may not be in the manufacturing service business for the long-term despite short-term forays into the service business to offset infrastructure costs for extra capacity. In addition, because many of the larger public companies have much larger and more pressing business issues (e.g., patent expirations and pipeline management), PCT believes that they will not commit significant capital or management resources to regenerative medicines in the near term. Finally, in PCT's view, the cell and tissue manufacturing and delivery system could represent a new and challenging distribution model for these companies. PCT believes that a number of pharmaceutical and biotechnology product companies, having seen the merits of outsourced manufacturing in their traditional business, will perceive the benefits of PCT's business model as they prepare to commercialize regenerative medicines themselves.

The smaller biotech companies, which are a significant part of PCT's target market, may also decide to expand their laboratory facilities and offer their services to others. However, we expect that it is unlikely, given the relatively limited resources of such companies and the risk that such a change in strategy would detract from their core research and development efforts. It is likely that these companies, like their larger and more established peers, will very quickly be confronted with a "build versus buy" decision, and the case for outsourcing cell manufacturing will appeal to these companies.

Business of DomaniCell

Overview

DomaniCell is a wholly owned subsidiary of PCT, which assists hospitals with providing umbilical cord blood unit collection, and long-term storage services to patients for potential future therapeutic use. DomaniCell provides the front-end interface and support services to hospitals and in turn employs PCT's cell therapy manufacturing facilities network for the processing and long-term storage of umbilical cord blood units. PCT intends to leverage its position in the market place as an industry leader in cell therapy manufacturing, storage, and distribution for clinical use to expand the umbilical cord blood collection and storage business of DomaniCell.

Background and Market

Stem cells are the building blocks of the immune system and scientific evidence indicates that they may be effective in treating a variety of life-threatening diseases including leukemia, cancers, and many blood and immune disorders. Research indicates that billions of dollars are currently being spent on research that is solely focused on cellular therapy to treat the diseases of age. Medical science has shown that the body will respond best to such treatments arising from its own cells. Only your own cells are a perfect genetic match to your body – thus minimizing the toxicity associated with allogeneic (someone else's cells) cellular therapy and improving the chances of success.

As these therapies advance, a limiting factor as to their use may eventually be the availability of each individual's healthy cells. Umbilical cord blood has been shown to be a plenteous and rich source of stem cells. Each day, our stem cells get older and have been shown to become less effective with age. Our stem cells have something called "telomeres" that get shorter and shorter every day until there are no more telomeres left on the cells and then the cells die. Studies have shown that the decline in telomere length is even faster in people with disease than in people without disease. For example, people with diseases like diabetes will show a rapid decline in the quality of their stem cells. There may even be evidence that stem cells of people affected by cardiovascular disease are less healthy and decreased in quantity than in people without this disease.

PCT believes that just as people plan for their own financial future, they can plan towards their health future by storing their own stem cells for their own use. The banking of cord blood is marketed and sold to expecting parents as "biological insurance." PCT's own research showed that while this practice is gaining in acceptance, the market is still in its infancy with cord blood banking occurring for only 3.5% of total births in the United States. Patients regardless of age can choose stem cell and immune system cell collection and storage as personal insurance that their stem cells will be available for their own use if needed in the future. Based on current science, the preferable time for collection is when one is healthy and unlikely to have stem cells already programmed for disease or before the immune system is damaged by disease or toxins (drugs including chemotherapy or radiation).

However, there remains scepticism in the marketplace with recently published articles pointing out how certain doctors believe it is a waste of money to store the cord blood privately, since it gives a false sense of security to the parent at a substantial cost at times. An important advantage of the national, public cord blood collection system is that it costs nothing for patients to donate their cord blood. Additionally, major medical organizations, including the American Academy of Pediatrics (AAP), the American Medical Association (AMA), the American College of Obstetricians and Gynaecologists (ACOG), and the American Society of Blood and Marrow Transplantation (ASBMT) do not recommend private storage, except in very limited instances. Further, PCT believes that the medical community is currently supportive of public cord blood donation and of the national cord blood registry that is administered by the National Marrow Donor Program.

DomaniCell's Approach

Management of PCT believes that central to increasing market share for umbilical cord blood collection and storage is compliance with cGMP and documented experience in the clinical distribution and usage of cells as therapies. These are both advantages that PCT can offer DomaniCell. PCT intends to leverage PCT's position in the market place for cell therapy manufacturing, storage, and distribution for clinical use to expand the umbilical cord blood collection and storage business of DomaniCell.

GOVERNMENT REGULATION

The health care industry is one of the most highly regulated industries in the United States. The federal government, individual state and local governments, as well as private accreditation organizations, oversee and monitor the activities of individuals and businesses engaged in the development, manufacture and delivery of health care products and services. Federal laws and regulations seek to protect the health, safety, and welfare of the citizens of the United States, as well as to prevent fraud and abuse associated with the purchase of health care products and services with federal monies. The relevant state and local laws and regulations similarly seek to protect the health, safety, and welfare of the states' citizens and prevent fraud and abuse. Accreditation organizations help to establish and support industry standards and monitor new developments. The following is a general description of the current material laws and regulations.

FDA Regulation of Cell Therapy Facilities

Manufacturing facilities that produce cellular therapies are subject to extensive regulation by the FDA. In particular, FDA regulations set forth requirements pertaining to establishments that manufacture human cells, tissues, and cellular and tissue-based products ("HCT/Ps"). Title 21, Code of Federal Regulations, Part 1271 (21 CFR Part 1271) provides for a unified registration and listing system, donor-suitability, current good tissue practices, and other requirements that are intended to prevent the introduction, transmission, and spread of communicable diseases by HCT/Ps. More specifically, key elements of Part 1271 include:

- Registration and listing requirements for establishments that manufacture HCT/Ps;
- Requirements for determining donor eligibility, including donor screening and testing;
- Current good tissue practice requirements, which include requirements pertaining to the manufacturer's quality program, personnel, procedures, manufacturing facilities, environmental controls, equipment, supplies and reagents, recovery, processing and process controls, labeling, storage, record-keeping, tracking, complaint files, receipt, pre-distribution shipment, distribution, and donor eligibility determinations, donor screening, and donor testing;
- Adverse reaction reporting;

- Labeling of HCT/Ps; and

- FDA inspection, retention, recall, destruction, and cessation of manufacturing operations.

Additional FDA laws and regulations apply to cellular therapies comprised of HCT/Ps that are regulated as a drug, biological product, or medical device. (*See* 21 CFR 1271.10(a)). These laws and regulations include requirements for current Good Manufacturing Practices ("cGMP"). In summary, FDA's cGMP requirements embody a set of principles that govern a facility's laboratory and manufacturing operations. These requirements are designed to ensure that a facility's processes – and products resulting from those processes – meet defined safety requirements and have the identity, strength, quality and purity characteristics that they are represented to have.

PCT currently collects, processes, stores and manufactures HCT/Ps, as well as manufactures cellular therapy products that are regulated as biological products. DomaniCell also collects, processes, and stores HCT/Ps. Therefore, both PCT and DomaniCell must comply with Part 1271 and with the cGMP guidelines that apply to biological products. PCT's management believes that other requirements pertaining to biological products, such as requirements pertaining to premarket approval, do not currently apply to PCT because PCT does not intend to market and sell cellular therapy products. However, these additional requirements may apply to companies that PCT incubates and spins off, such as Amorcyte, if these companies pursue marketing of cellular therapy products. Additionally, if either PCT or DomaniCell changes its business operations in the future, the FDA requirements that apply to PCT or DomaniCell may also change.

Compliance with FDA requirements can be time consuming, costly and can result in delays in product approval or product sales. Further, failure to comply with applicable FDA requirements can result in regulatory inspections and associated observations, warning letters, other requirements of remedial action, and, in the case of failures that are more serious, suspension of manufacturing operations, seizure, injunctions, product recalls, fines, and other penalties. PCT believes that its facilities are in material compliance with applicable existing FDA requirements, and intends to continue to comply with new requirements that may apply in the future.

Additionally, FDA, other regulatory agencies, or the United States Congress may be considering, and may enact laws or regulations regarding the use and marketing of stem cells, cell therapy products, or products derived from human cells or tissue. These laws and regulations can affect PCT directly or the business of some of PCT's clients and therefore the amount of business PCT receives from these clients.

State Regulation of Cell Therapy

Certain state and local governments regulate cell-processing facilities by requiring them to obtain other specific licenses. As required under applicable state law, PCT's New Jersey and California facilities are licensed, respectively, as a blood bank in New Jersey and as a drug manufacturing facility in California. PCT also maintains licenses with respect to states that require licensure of out-of-state facilities that process cell, tissue and/or blood samples of residents of such states (e.g., New York and Maryland). PCT has the relevant state licenses needed for processing and is AABB (American Association of Blood Banks) accredited for this purpose. PCT's management believes that it is in material compliance with currently applicable federal, state, and local laboratory licensure requirements, and intends to continue to comply with new licensing requirements that may become applicable in the future.

Certain states may also have enacted laws and regulations, or may be considering laws and regulations, regarding the use and marketing of stem cells or cell therapy products, such as those derived from human embryos. While these laws and regulations should not directly affect PCT's business, they could affect the business of some of PCT's clients and therefore the amount of business PCT receives from these clients.

Federal Regulation of Clinical Laboratories

The Clinical Laboratory Improvement Act Amendments of 1988 ("CLIA") extends federal oversight to clinical laboratories that examine or conduct testing on materials derived from the human body for the purpose of providing information for the diagnosis, prevention, or treatment of disease or for the assessment of the health of human beings. CLIA requirements therefore include those laboratories that handle biological matter. CLIA requires that these laboratories be certified by the government, satisfy governmental quality and personnel standards, undergo proficiency testing, be subject to biennial inspections, and remit fees. The sanctions for failure to comply with CLIA include suspension, revocation, or limitation of a laboratory's CLIA certificate necessary to conduct business, fines, or criminal penalties. Additionally, CLIA certification may sometimes be needed when an entity, such as PCT or DomaniCell, desire to obtain accreditation, certification, or license from non-government entities for cord blood collection, storage, and processing. Currently CLIA certification is not required for our facilities in New Jersey and in California. However, to the extent that any of the activities of PCT or DomaniCell (for example, with regard to processing or testing blood and blood products) require CLIA certification, PCT intends to obtain and maintain such certification and/or licensure.

Health Insurance Portability and Accountability Act – Protection of Patient Health Information

The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") require health care plans, health care providers and health care clearinghouses, collectively defined under HIPAA as "Covered Entities," to comply with standards for the use and disclosure of health information within such organizations and with third parties. These include standards for:

- Common health care transactions, such as claims information, plan eligibility, payment information and the use of electronic signatures;
- Unique identifiers for providers, employers, health plans and individuals; and
- Security and privacy of health information.

Although the obligations of HIPAA only apply directly to Covered Entities, any Covered Entity that uses third parties (referred to in HIPAA as "Business Associates") to perform functions on its behalf involving the creation or use of certain patient health information is required to have a contract with the Business Associate that limits the use and disclosure of such information by the Business Associate.

While PCT's management believes that the current business operations of PCT or DomaniCell would not cause either of them to be considered a Covered Entity, there is a risk that due to conflicting interpretations of the regulations, DomaniCell may be a Covered Entity. If DomaniCell is a Covered Entity, there is a risk of liability that DomaniCell may not be complying fully with all HIPAA requirements. PCT has signed Business Associate Agreements where requested by PCT's customers who are Covered Entities, which would require compliance with certain privacy and security requirements relating to individually identifiable health information created or used in connection with such relationships. PCT is in substantial compliance with such Business Associate Agreements. However, given its complexity and the possibility that the regulations may change and may be subject to changing and even conflicting interpretation, PCT's ability to comply fully with all of the HIPAA requirements and requirements of its Business Associate Agreements is uncertain.

Stem Cell Therapeutic and Research Act of 2005

The Stem Cell Therapeutic and Research Act of 2005 established a national donor bank of cord blood and created a national network for matching cord blood to patients. The National Marrow Donor Program (NMDP) carries out this legislation, which entails acting as the nation's Cord Blood Coordinating Center and actively recruiting parents for cord blood donations. The NMDP also administers the National Cord Blood Inventory (NCBI), which has a goal of collecting 150,000 cord blood units that could be used to treat patients all over the United States. Importantly, the legislation also authorized federal funding to support the legislation's goals for collecting cord blood units.

The existence and proliferation of this public cord blood bank may adversely affect PCT and/or the business of DomaniCell, because parents may opt to donate their newborn's cord blood to the public registry and to use the public registry if stem cells from cord blood are needed for treatment purposes. In this regard, an important advantage of the national, public cord blood collection system is that it costs nothing for patients to donate their cord blood. Additionally, major medical organizations, including the American Academy of Pediatrics (AAP), the American Medical Association (AMA), the American College of Obstetricians and Gynaecologists (ACOG), and the American Society of Blood and Marrow Transplantation (ASBMT) do not recommend private storage, except in very limited instances. Further, this national, public cord blood registry is widely accepted by the medical community, and therefore physicians and others in the health care community may be less willing to use or recommend a private cord blood facility.

Other Applicable Laws

In addition to those described above, other federal and state laws and regulations that could directly or indirectly affect PCT's ability to operate the business and/or financial performance of PCT and DomaniCell include:

- State and local licensure, registration and regulation of laboratories, the processing and storage of human cells and tissue, and the development and manufacture of pharmaceuticals and biologics;
- Other laws and regulations administered by the United States Food and Drug Administration, including the Federal Food Drug and Cosmetic Act and related laws and regulations and the Public Health Service Act and related laws and regulations;
- Laws and regulations administered by the United States Department of Health and Human Services, including the Office for Human Research Protections;
- State laws and regulations governing human subject research;
- Federal and state coverage and reimbursement laws and regulations, including laws and regulations administered by the Centers for Medicare & Medicaid Services and state Medicaid agencies;
- The federal Medicare and Medicaid Anti-Kickback Law and similar state laws and regulations;
- The federal physician self-referral prohibition commonly known as the Stark Law, and state equivalents of the Stark Law;
- Occupational Safety and Health ("OSHA") requirements;

- State and local laws and regulations dealing with the handling and disposal of medical waste; and

- The Intermediate Sanctions rules of the IRS providing for potential financial sanctions with respect to "Excess Benefit Transactions" with HUMC or other tax-exempt organizations.

Enactment of Comprehensive Health Care Reform

In late March 2010, the Federal government enacted a comprehensive health care reform package which consists of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 ("Health Reform"). Among other provisions, the Health Reform imposes individual and employer health insurance requirements, provides certain insurance subsidies (e.g., premiums and cost sharing), mandates extensive insurance market reforms, creates new health insurance access points (e.g., State-based health insurance exchanges), expands the Medicaid program, promotes research on comparative clinical effectiveness of different technologies and procedures, and makes a number of changes to how products and services will be reimbursed by the Medicare program.

There are a number of provisions in the Health Reform that may directly impact our customers and, therefore, indirectly affect us. For example, the Health Reform expands the number of individuals that will be covered by either private or public health insurance, which may, in turn, increase the pool of potential purchasers for our customers' products to the extent they are reimbursable by private or public health insurance. The Health Reform also requires health insurance issuers in the individual and small group markets to cover certain "essential health benefits," which include prescription drugs and which may increase coverage for our customers' products. In addition, the Health Reform reduces income and raises costs for our customers through, for instance, the imposition of drug price discounts for Medicare Part D enrollees in the "donut hole" and the imposition of an annual fee on prescription drug and biologic manufacturers. Such provisions may cause our customers to seek to restrain costs in other areas, including the services which we provide.

The Health Reform also authorizes the FDA to approve biosimilar products (sometimes referred to as "generic" biologic products). The new law established a period of 12 years of data exclusivity for the original, reference products in order to preserve incentives for future innovation. The statute also sets forth approval standards for biosimilars, which require a demonstration of biosimilarity via analytical and clinical studies, as well as similarities in the products' conditions for use, route of administration, and other factors. With the introduction of a pathway for the approval of biosimilars in the United States, demand for our services may increase.

The effective dates of the various provisions within the Health Reform are staggered over the next several years, with some changes occurring immediately. Much of the interpretation of the Health Reform will be subject to administrative rulemaking, the development of agency guidance, and court interpretation. Therefore, the consequences of the Health Reform on PCT's services are unknown and speculative at this point.

OTHER RELATIONSHIPS BETWEEN THE PARTIES

On January 9, 2009, PCT entered into a Cell Processing and Storage Customer Agreement (the "PCT Agreement") with NeoStem. Under the PCT Agreement, PCT will provide to NeoStem autologous adult stem cell processing and storage services utilizing cGMP standards. Such services will be provided at both PCT's California and New Jersey facilities. NeoStem agrees to use PCT for processing and storage services for commercial purposes on an exclusive basis commencing with such time as PCT completes certain preliminary services and is ready and able to start the processing and storage services as required by the agreement. PCT agreed to provide to NeoStem stem cell processing and long term storage services for NeoStem's business on an exclusive basis. Prior to commencing these services, PCT agreed to provide certain preliminary services consisting of technology transfer and protocol review and revision to ensure that the processing and storage services are cGMP compliant. The agreement sets forth agreed upon fees for the delivery of the services as well as providing for a one-time payment of $35,000 for the preliminary services which has been paid. The agreement is for a four year term, subject to earlier termination on 365 days notice as set forth in the agreement. Pursuant to the PCT Agreement, in April 2009, NeoStem's cryopreservation operations were transferred from NeoStem's California facility to PCT's California facility.

As of December 31, 2009, NeoStem, NeoStem (China), Inc., ("NeoStem China") its subsidiary, and PCT entered into an Agreement whereby NeoStem and NeoStem China engaged PCT to perform the services necessary to construct in Beijing, China a facility consisting of a clean room for adult stem cell clinical trial processing and other stem cell collections which will have the processing capacity on an annual basis sufficient for at least 10,000 samples, research and development laboratory space, collection and stem cell storage area and offices, together with the furnishings and equipment and the installation of quality control systems consisting of materials management, equipment maintenance and calibration, environmental monitoring and compliance and adult stem cell processing and preservation which comply with cGMP standards and regulatory standards that would be applicable in the United States under GTP standards, as well as all regulatory requirement applicable to the program under the laws of the People's Republic of China. The aggregate cost of the program, including the phase 1 equipment purchases, is expected to be approximately $3 million.

RISK FACTORS

You are urged to read all relevant documents filed with the SEC concerning the Merger, including, without limitation, the S-4 and the prospectus/joint proxy statement contained therein, when such documents are available, because they will contain important information about NeoStem and the proposed Merger, including risk factors relating thereto. Set forth below are certain risk factors relating to the proposed Merger of which you should be aware.

Risks Related to PCT and PCT's Business

PCT's business is highly speculative and subject to a high degree of risk. The risks and uncertainties described below are not the only ones that could affect PCT. Additional risks and uncertainties of which PCT is aware, or currently believes are immaterial, may become important factors affecting PCT's business. If any of the following risks occur, PCT's business, financial condition or operating results could be materially harmed, or differ materially from those expressed in any forward-looking statements.

Cell therapy is still a developing field and a significant global market for the services of PCT and DomaniCell is yet to emerge.

Cell therapy is still a developing area of research, with few cell therapy products approved for clinical use. At the PCT level, the current market and current contracts principally consist of providing manufacturing of cell and tissue-based therapeutic products in clinical trial and processing of stem cell products for transplantation programs. PCT's subsidiary, DomaniCell, provides services related to the collection and storage of umbilical cord blood units. There is no significant global market for stem cell processing or their collection and storage, nor is there any guarantee that such markets will develop in the near future. Major medical institutions do not recommend private storage and PCT believes that the medical community is supportive of the public cord blood collective system. Patients can donate their cord blood to the system without charge. The market for cell and tissue-based therapies is early-stage, substantially research oriented, and financially speculative. Very few companies have been successful in their efforts to develop and commercialize a stem cell product. Stem cell products in general 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 their approval or commercial use. The demand for stem cell processing and the number of people who may use cell or tissue-based therapies is difficult to forecast. As there are no real experts who can forecast this market with accuracy, there is limited data from which the future use of our services may be forecasted. The success of PCT and its subsidiary, DomaniCell is dependent on the establishment of a large global market for their products and services and their ability to capture a share of this market.

PCT has had a history of losses and may continue to incur such losses for the near future. PCT faces liquidity issues.

Since PCT began operations in 1999, cumulative expenses have exceeded our cumulative revenues, resulting in losses, accumulating to a deficit of $11,815,365 million through June 30, 2010.

PCT has not generated any significant amount of revenue nor been profitable in any quarter since inception. Operations have been funded through the sale of equity, loans from affiliates and a mortgage on PCT's property. PCT has limited working capital for development and growth; as of June 30, 2010, PCT had negative working capital of $6,143,954. PCT cannot provide any assurance that PCT will generate a profit from its operations in the near future to fund its growth.

As of June 30, 2010 and December 31, 2009, respectively, PCT had unrestricted cash balances of $775,848 and $1,127,138. See Notes to 4 and 6 of the Notes to the Consolidated Financial Statements of PCT filed as an exhibit to this Current Report on Form 8-K for outstanding loan obligations, commitments and contingencies.

A significant portion of PCT's current revenues are derived from a small number of customers.

Revenues recognized over the past two fiscal years and the six months ended June 30, 2010 received to date are concentrated with three customers. These three customers make up 20%, 13% and 15% of revenue (a total of 48% for all three) for the six months ended June 30, 2010 and 18%, 15% and 12% of revenue (a total of 45% for all three) for the year ended December 31, 2009. One of these is a related party. The loss of one or more of our customers or material changes to the contracts with or payment terms of these customers may result in significant business downturn through reduced revenues, reduced cash flows, delays in revenues or cash flows and such delays or reductions could have a material impact on the future revenue growth and profitability of PCT. See Note 11 to the PCT Consolidated Financial Statements filed as an exhibit to this Current Report on Form 8-K.

PCT and its subsidiaries will require additional funding, and there is no certainty that either will be able to obtain such financing. If PCT's capital requirements are not met, the business of PCT and its subsidiaries may be adversely affected.

PCT and its subsidiaries will require additional financing to fund ongoing operations, as current sales and revenue growth are insufficient to meet its operating costs and perhaps its maturing obligations. Its inability to obtain necessary capital or financing to fund these needs could adversely affect its business, results of operations and financial condition. Additional financing may not be available when needed or may not be available on acceptable terms. If adequate funds are not available, PCT and its subsidiaries will most likely be required to delay, scale back or eliminate one or more of its business strategies, which may affect its overall business results of operations and financial condition.

PCT may be subject to significant product liability claims and litigation.

The business of PCT exposes it to potential product liability risks inherent in the testing, processing and marketing of cell therapy products. Such liability claims may be expensive to defend and result in large judgments against PCT. PCT presently has product liability insurance limited to $2 million per incident and $2 million in annual aggregate, and also maintains errors and omissions, directors and officers, workers' compensation and other insurance appropriate to the activities of PCT and those of DomaniCell. If PCT or DomaniCell were to be subject to a claim in excess of this coverage or to a claim not covered by PCT's insurance and the claim succeeded, PCT would be required to pay the claim from its own limited resources, which could have a material adverse effect on the financial condition, results of operations and business of PCT. Additionally, liability or alleged liability could harm the business of PCT by diverting the attention and resources of management and damaging the reputation of PCT and that of its subsidiaries.

PCT and its subsidiaries may fail to compete effectively, particularly against larger, more established biotechnology and life science companies, which may adversely affect their ability to develop and market its services and products.

The biotechnology and life science industries are highly competitive. They include multinational biotechnology and life science, pharmaceutical and chemical companies, academic and scientific institutions, governmental agencies, and public and private research organizations. Many of these companies or entities have significantly greater financial and technical resources and production and marketing capabilities than PCT. The biotechnology and life science industries are characterized by extensive research and development, and rapid technological progress. Competitors may successfully develop services or products superior or less expensive than cell therapy services or products, rendering our services less valuable or marketable.

PCT has limited manufacturing capabilities.

PCT's management believes that it can provide services and produce materials for clinical trials and for human use at its existing facilities, which it believes are compliant with FDA requirements for current Good Manufacturing Practices ("cGMP") and current Good Tissue Practices ("cGTP"). PCT's management also believes that PCT has sufficient capacity to meet expected near term demand. However, PCT may need to, depending on demand, expand its manufacturing capabilities for cell therapy services and products in the future. In 2007, PCT acquired an additional facility in Allendale, New Jersey, which is a cGMP compliant facility. The demand for PCT's services and products could, at times, exceed existing manufacturing capacity. If PCT does not meet rising demand for products and services on a timely basis or is not able to maintain cGMP compliance standards then PCT's clients and potential clients may elect to obtain the products and services from competitors, which could materially and adversely affect PCT's revenues.

Current cell therapy products have a limited biologic shelf life as a result of which there are constraints on transit times between the time stem cells are extracted from a patient and the time that a processed product leaves PCT's facility and arrives for re-infusion in the patient. Thus, PCT's current business model has to assume that, in order to effectively provide many of PCT's services in a market, PCT needs to have a suitable facility that can provide timely service in such market. This could add significantly to PCT's capital requirements and be a limiting factor on the growth and profitability of PCT.

Current cell therapy products have a limited shelf life, in certain instances limited to less than 12 hours. Thus, there are constraints on transit times between the time the cell product is extracted from a patient and the product arrives at one of PCT's facilities for processing, as well as constraints on the time that a processed product leaves PCT's facility and arrives for re-infusion in the patient. Therefore, cell therapy facilities need to be located in major population centers in which patients of the cell therapy products are likely to be located and within close proximity of major airports from which they can be timely delivered. Building new facilities requires significant commitments of time and capital, which PCT may not have available in a timely manner. Even if such new facilities are established, there may be challenges to ensuring that they are compliant with cGMP, other FDA requirements, and/or applicable state or local regulatory requirements. PCT cannot be certain that it would be able to recoup the costs of establishing a facility and attaining regulatory compliances in a given market. Thus, the limited biologic shelf life of cell therapy products is a hindrance on the rate at which PCT can expand its cell processing and manufacturing services into new geographic markets and requires significant capital risk by PCT, which PCT may or may not be able to recover.

Technologies for the treatment of cancer and other diseases and processes used by PCT are subject to rapid change, and the development of treatment strategies that are more effective than PCT's products and services could render the services of PCT and its subsidiaries obsolete. Given their exclusive focus on the field of cell therapy, such obsolescence could jeopardize the success or long-term survival of PCT and/or its subsidiaries.

The activities of PCT and DomaniCell involve treatment modalities and protocols influenced by advancements in technology. Various methods for treating cancer and other diseases, of which cell therapy is but only one, currently are, and in the future may be expected to be, the subject of extensive research and development. There is no assurance that cell therapies will achieve the degree of success envisioned by PCT in the treatment of cancer and other diseases. Nor is there any assurance that new technological improvements and techniques will not render processes currently used by PCT and DomaniCell obsolete. In addition, the successful development and acceptance of any one or more alternative forms of treatment could render the need for our services obsolete. PCT is exclusively focused on cell therapy, and if this field is substantially unsuccessful, this could jeopardize the long-term survival of PCT and/or its subsidiaries.

There is a scarcity of experienced professionals in the field of cell therapy and PCT may not be able to retain key officers or employees or hire new key officers or employees needed to implement its business strategy and develop its products and businesses. For example, DomaniCell does not have any management at the current time and is being managed by PCT with assistance from outside consultants. If PCT is unable to retain or hire key officers or employees, it may be unable to continue to grow its business or to implement its business strategy, and its business may be materially and adversely affected.

Given the specialized nature of cell therapy and the fact that it is a young field, there is an inherent scarcity of experienced personnel in the field. PCT and DomaniCell are substantially dependent on the skills and efforts of current senior management of PCT for their management and operations, as well as for the implementation of their business strategy. As a result of the difficulty in locating qualified new management, the loss or incapacity of existing members of management or unavailability of qualified management or as replacements for management of PCT who resign or are terminated could adversely affect the operations of PCT or DomaniCell, as the case may be. The future success of both PCT and DomaniCell also depends upon their ability to attract and retain additional qualified personnel to support their anticipated growth. There can be no assurance that PCT will be successful in attracting or retaining personnel required by PCT to continue and grow its operations. The loss of a key employee, the failure of a key employee to perform in his or her current position or PCT's or DomaniCell's inability to attract and retain skilled employees, as needed, could result in the inability of PCT and DomaniCell to continue to grow their business or to implement their business strategy, or may have a material adverse effect on PCT's business, financial condition and operating results.

PCT, DomaniCell, and their customers conduct business in a heavily regulated industry. If one or more of these companies fail to comply with applicable current and future laws and government regulations, PCT's business and financial results could be adversely affected.

The healthcare industry is one of the most highly regulated industries in the United States. The federal government, individual state and local governments and private accreditation organizations all oversee and monitor the activities of individuals and businesses engaged in the delivery of health care products and services. Current laws, rules and regulations that could directly or indirectly affect the ability of PCT, DomaniCell and their customers to operate each of their businesses could include, without limitation, the following:

- State and local licensure, registration and regulation of laboratories, the collection, processing and storage of human cells and tissue and cord blood, and the development and manufacture of pharmaceuticals and biologics;
- The federal Clinical Laboratory Improvement Act and amendments of 1988;
- Laws and regulations administered by the FDA, including the Federal Food Drug and Cosmetic Act and related laws and regulations;
- The Public Health Service Act and related laws and regulations;
- Laws and regulations administered by the United States Department of Health and Human Services, including the Office for Human Research Protections;
- State laws and regulations governing human subject research;
- Occupational Safety and Health requirements;
- State and local laws and regulations dealing with the handling and disposal of medical waste;
- The federal Medicare and Medicaid Anti-Kickback Law and similar state laws and regulations;
- Federal and state coverage and reimbursement laws and regulations, including laws and regulations administered by the Centers for Medicare & Medicaid Services;
- The federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), including the amendments included in the American Recovery and Reinvestment Act of 2009, commonly known as the HITECH Act, and regulations promulgated thereunder;
- The federal physician self-referral prohibition, commonly known as the Stark Law, and state equivalents of the Stark Law;
- State funding decisions on stem cell research and the development of cellular therapies; and
- The Intermediate Sanctions rules of the IRS providing for potential financial sanctions with respect to "Excess Benefit Transactions" with HUMC or other tax-exempt organizations.

In addition, as PCT expands into other parts of the world, it will need to comply with the applicable laws and regulations in such foreign jurisdictions. PCT has not yet thoroughly explored the requirements or feasibility of such compliance. It is possible that it may not be permitted to expand its business into one or more foreign jurisdictions.

Although PCT intends to conduct its business in compliance with applicable laws and regulations and believes that PCT and DomaniCell are in material compliance with applicable governmental healthcare laws and regulations, the laws and regulations affecting these relationships are complex, and many aspects of such relationships have not been the subject of judicial or regulatory interpretation. Furthermore, the cell therapy industry is the topic of significant government interest, and thus the laws and regulations applicable to PCT and its business are subject to frequent change and/or reinterpretation. There also can be no assurance that the laws and regulations applicable to PCT and DomaniCell will not be amended or interpreted in a manner that adversely affects their business, financial condition, or operating results. For example, the federal government could issue tighter restrictions on private cord blood banking that prevents DomaniCell from collecting cord blood for private banking. While PCT is not aware of any such developments or that any court or federal or state government is reviewing PCT's operations, it is possible that such a review could result in a determination that would have a material adverse effect on the business, financial condition and operating results of PCT.

It is uncertain to what extent the government, private health insurers and third-party payors will approve coverage or provide reimbursement for the therapies and products to which the services of PCT and DomaniCell relate. Availability for such reimbursement may be further limited by an increasing uninsured population and reductions in Medicare and Medicaid funding in the United States.

To the extent that the health care provider customers of PCT and DomaniCell cannot obtain coverage or reimbursement for therapies and products related to which PCT and DomaniCell provide services, they may elect not to provide such therapies and products to their patients and, thus, may not need our services. Further, as cost containment pressures are increasing in the health care industry, government and private payors adopt strategies designed to limit the amount of reimbursement paid to health care providers. Such cost containment measures may include:

- Reducing reimbursement rates;
- Challenging the prices charged for medical products and services;
- Limiting services covered;
- Decreasing utilization of services;
- Negotiating prospective or discounted contract pricing;
- Adopting capitation strategies; and
- Seeking competitive bids.

Similarly, the trend toward managed health care and bundled pricing for health care services in the United States, which may accelerate under the Health Reform, could significantly influence the purchase of healthcare services and products, resulting in lower prices and reduced demand for cancer therapies.

PCT currently receives a small portion of its revenues from services rendered to patients enrolled in federal health care programs, such as Medicare, and DomaniCell may also directly or indirectly receive revenues from federal health care programs. Federal health care programs are subject to changes in coverage and reimbursement rules and procedures, including retroactive rate adjustments. These contingencies could materially decrease the range of services covered by such programs or the reimbursement rates paid directly or indirectly for our products and services. To the extent that any health care reform favors the reimbursement of other cancer therapies over stem cell therapies, such reform could affect the ability of PCT to sell its services, which may have a material adverse effect on its revenues.

The limitation on reimbursement available from private and government payors may reduce the demand for, or the price of, the services of PCT, which would have a material adverse effect on their revenues. Additional legislation or regulation relating to the health care industry or third-party coverage and reimbursement may be enacted in the future which could adversely affect the revenues generated from the sale of the products and services of PCT.

Furthermore, there has been a trend in recent years towards reductions in overall funding for Medicare and Medicaid. There has also been an increase in the number of people who do not have any form of health care coverage in recent years and who are not eligible for or enrolled in Medicare, Medicaid or other governmental programs. The extent to which the reforms brought about under Health Reform may be successful in reducing the number of such uninsured is unclear, and the reduced funding of governmental programs and increase in uninsured populations could have a negative impact on the demand for the services of PCT to the extent they relate to products and services which are reimbursed by government and private payors.

Health care companies have been the subjects of federal and state investigations, and PCT or DomaniCell, could become subject to investigations in the future.

Both federal and state government agencies have heightened civil and criminal enforcement efforts. There are numerous ongoing investigations of health care companies, as well as their executives and managers. In addition, amendments to the Federal False Claims Act, including under Health Reform, have made it easier for private parties to bring "qui tam" (whistleblower) lawsuits against companies under which the whistleblower may be entitled to receive a percentage of any money paid to the government. The Federal False Claims Act provides, in part, that an action can be brought against any person or entity that has knowingly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim approved. The government has taken the position that claims presented in violation of the federal anti-kickback law, Stark Law or other healthcare–related laws, including laws enforced by the FDA, may be considered a violation of the Federal False Claims Act. Penalties include substantial fines for each false claim, plus three times the amount of damages that the federal government sustained because of the act of that person or entity and/or exclusion from the Medicare program. In addition, a majority of states have adopted similar state whistleblower and false claims provisions.

PCT's management is not aware of any government investigations involving any of the facilities or management of PCT or DomaniCell. While management believes that PCT and DomaniCell are in material compliance with applicable governmental healthcare laws and regulations, any future investigations of PCT, DomaniCell or their executives or managers could result in significant liabilities or penalties, as well as damage to the reputation of both companies.

Failure to comply with applicable licensure, registration, certification, and accreditation standards may result in loss of licensure, certification or accreditation or other government enforcement actions.

FDA laws and regulations provide for registration and listing requirements for establishments that manufacture human cells, tissues, and cellular and tissue-based products ("HCT/Ps"), and additional FDA requirements may apply to HCT/Ps, or products comprised of HCT/Ps, that are regulated as a drug, biological product, or medical device. This includes the cellular therapy products that PCT may manufacture for itself or on behalf of its customers. In addition, certain state and local governments regulate stem cell laboratories by requiring them to be licensed or to register with the state or locality. Currently, PCT is licensed as a blood bank with respect to its activities in New Jersey, as a tissue bank with respect to its activities in New York and as a drug manufacturer with respect to its facility in California. PCT's management believes that PCT and DomaniCell are in material compliance with current federal, state, and local stem cell laboratory licensure requirements. However, the licensing requirements in the states where it is currently licensed may change, and PCT and/or DomaniCell may become subject to the additional licensing, registration and/or compliance requirements of other states, local governments and/or the federal government as it expands its network and as new regulations are implemented. If PCT and/or DomaniCell fails to comply with the various licensure requirements, certification and accreditation standards to which it is subject, PCT and/or DomaniCell may be subject to a loss of licensure, certification, or accreditation that could adversely affect them.

Additionally, certain non-government entities have promulgated standards for certification, accreditation, and licensing of cord blood businesses that may apply to PCT and/or DomaniCell's operations. These organizations include, but may not be limited to, AABB (formerly the American Association of Blood Banks), the Foundation for the Accreditation of Cellular Therapy (FACT), and the American Association of Tissue Banks (AATB). While currently these standards are voluntary, in some cases compliance with them may be necessary for a cord blood business to be accepted and competitive in the marketplace. Compliance with these standards and obtaining the applicable accreditation, certification, or license can be costly and time-consuming. These accreditation, certification, or license requirements may also change and new standards may be developed. If PCT fails to comply with applicable standards, or fail to obtain or maintain applicable accreditations, certifications, or licenses, PCT and/or DomaniCell may be adversely affected.

Unintended consequences of recently adopted health reform legislation in the U.S. may adversely affect PCT's business.

The healthcare industry is undergoing fundamental changes resulting from political, economic and regulatory influences. In the U.S., comprehensive programs are under consideration that seek to, among other things, increase access to healthcare for the uninsured and control the escalation of healthcare expenditures within the economy. On March 23, 2010, health reform legislation was approved by Congress and has been signed into law. While PCT does not believe this legislation will have a direct impact on its business, the legislation has only recently been enacted and requires the adoption of implementing regulations, which may have unintended consequences or indirectly impact PCT's business. For instance, the scope and implications of the recent amendments pursuant to the Fraud Enforcement and Recovery Act of 2009 ("FERA"), have yet to be fully determined or adjudicated and as a result it is difficult to predict how future enforcement initiatives may impact PCT's business. Also, in some instances PCT's clients may be health insurers that will be subject to limitations on their administrative expenses and new federal review of "unreasonable" rate increases which could impact the prices they pay for PCT's services. If the legislation causes such unintended consequences or indirect impact, it could have a material adverse effect on our business, financial condition and results of operations.

Recent legislation regarding the establishment and funding of public cord blood collection and storage may adversely affect the business of DomaniCell.

The Stem Cell Therapeutic and Research Act of 2005 established requirements for a national donor bank of cord blood and for a national network for matching cord blood to patients. The federal government has entered into contracts with the National Marrow Donor Program (NMDP) to carry out the provisions of this legislation. Under these contracts, the NMDP acts as the nation's Cord Blood Coordinating Center and actively recruits parents for cord blood donations. The NMDP also administers the National Cord Blood Inventory (NCBI), which has a goal of collecting 150,000 cord blood units that may be used for patients throughout the United States. The legislation also authorized federal funding to support its goals and requirements.

Parents may opt to donate their newborn's cord blood to the public registry and to use the public registry if stem cells from cord blood are needed for treatment purposes. In this regard, an important advantage of the national, public cord blood collection system is that it costs nothing for patients to donate their cord blood. This national, public cord blood registry has also been widely accepted and supported by the medical community, so physicians and others in the health care community may be less willing to use or recommend a private cord blood facility when public collection is available. Additionally, major medical organizations, including the American Academy of Pediatrics (AAP), the American Medical Association (AMA), the American College of Obstetricians and Gynaecologists (ACOG), and the American Society of Blood and Marrow Transplantation (ASBMT) do not recommend private storage, except in very limited instances. Further, PCT believes that the medical community is currently supportive of public cord blood donation and the national cord blood registry that is administered by the National Marrow Donor Program. For these reasons, a significant amount of patients may choose to use to donate their cord blood to the national, public cord registry instead of privately banking cord blood. The medical community could also issue stronger recommendations and opinions that favor the use of the national registry. Therefore, the existence and proliferation of the national registry may adversely affect the business of PCT and/or DomaniCell.

DomaniCell is an early-stage company and faces substantial risks and challenges, which could negatively affect the overall value of PCT.

DomaniCell was formed in 2005 and, as any company with a short history of operations, it is subject to all of the risks that similar entities are subject to, including:

- The ability to attract and retain competent and experienced management and operating personnel;
- The ability to secure appropriate debt and equity capital to finance desired growth;
- The ability to develop and protect intellectual property through patents, trademarks and other protective methods and licenses;
- The maintenance and development of good relations with referral sources;
- The efficient management of its everyday business operations; and
- The ability to implement its growth strategy.

PCT is yet to hire permanent management for DomaniCell and intends to continue to manage and fund the operations of DomaniCell until it has its own management and generates enough revenues to sustain its own operations. There can be no assurance that DomaniCell will be able to grow its business or achieve profitability in the near future and may, in fact, continue to generate losses, which would negatively affect the overall value of PCT.

If PCT's processing and storage facilities are damaged or destroyed, the business, programs, and prospects of DomaniCell could be negatively affected and could adversely affect the value of PCT as a whole.

PCT processes and stores the umbilical cord blood of customers of DomaniCell at PCT's facility in Allendale, New Jersey, and may do so at PCT's Mountain View, California facility in the future. If these facilities or the equipment in these facilities was to be significantly damaged or destroyed, PCT could suffer a loss of some or all of the stored cord blood units. Depending on the extent of loss, such an event could reduce the ability of DomaniCell to provide cord blood stem cells when requested, could expose DomaniCell to significant liability from its cord blood banking customers, and could affect its ability to continue to provide umbilical cord blood preservation services. While PCT believes that it has insured against losses from damage to or destruction of its facilities consistent with typical industry practices, if PCT has underestimated its insurance needs, PCT may not have sufficient insurance to cover losses beyond the limits on its policies. Such events could have a material adverse effect on the value of PCT as a whole.

Competitors of DomaniCell, may have greater resources or capabilities or better technologies than DomaniCell, or may succeed in developing better service than DomaniCell, and DomaniCell may not be successful in competing with them.

The private umbilical cord banking business is a relatively new, highly competitive, and an evolving field. DomaniCell competes with companies such as ViaCell, Inc., a subsidiary of the Perkin-Elmer Corporation, CBR Systems, Cryo-Cell International, Inc., CorCell, Inc., a subsidiary of Cord Blood America Inc., and LifeBank USA, a division of Celgene Cellular Therapeutics, a wholly owned subsidiary of Celgene Corporation. Any of these companies may choose to invest more in sales, marketing, and research and product development than DomaniCell.

DomaniCell will also have to compete with the national, public program, which has the support of the medical community and which receives federal funding. In this regard, DomaniCell also competes with public cord blood banks such as the New York Blood Center (National Cord Blood Program), University of Colorado Cord Blood Bank, Milan Cord Blood Bank, Dusseldorf Cord Blood Bank, and other public cord blood banks around the world. Public cord blood banks provide families with the option of donating their cord blood for public use at no cost. The Stem Cell Therapeutic Act provides financing for a national system of public cord blood banks in the United States to encourage cord blood donations from an ethnically diverse population. In addition, many states are evaluating the feasibility of establishing cord blood repositories for transplantation purposes. An increase in the number and diversity of publicly available cord blood units from public banks would increase the probability of finding suitably matched cells for a family member, which may result in a decrease in the demand for private cord blood banking. If the science of human leukocyte antigens, or HLA, typing advances, then unrelated cord blood transplantation may become safer and more efficacious, similarly reducing the clinical advantage of related cord blood transplantation. Such events could negatively affect our forecasts regarding the business and revenues of DomaniCell and of PCT.

Commercially available transportation systems are not set up for shipment of biological or other perishable goods and will not be able to meet the demands of the emerging cell therapy market. To succeed, the large-scale commercialization of cell therapy products will need to overcome the present weaknesses of the major air carriers.

PCT has determined that the weaknesses in existing transportation carriers include the lack of a true point-to-point chain of control, non-controlled X-ray and inspection, no guarantee of package orientation, handling or storage conditions and in many cases no standard, documented and tracked operating procedures. While reliable ground carriers with experience in the transport of blood products already exist in major metropolitan areas of the country, air carriers meeting such needs are limited. PCT evaluated the major domestic express carriers, and concluded that even their highest-level services are inadequate to meet the sector’s needs. However, PCT identified and validated only one specialty air carrier as a transportation partner, which specializes in shipping medical products, including whole blood and blood products, tissue for transplantation, and diagnostic specimens There are presently no alternative sources for the safe transportation of cell therapy products. If this carrier should cease its medical shipping operations or otherwise be unable to properly meet PCT's transportation needs. The lack of access to safe and effective transportation options could adversely affect PCT's business.

PCT is required to comply with good manufacturing practice requirements an its failure to do so may subject it to fines and other penalties that will delay or prevent PCT or its affiliates and related parties from marketing and selling their products and services.

FDA current Good Manufacturing Practices (cGMP) requirements, set forth in Title 21, Parts 210 and 211, of the Code of Federal Regulations (21 CFR Parts 210 and 211) are federal regulations that govern the manufacture, processing, packaging and holding of drug and cell therapy products. PCT must comply with cGMP, requirements demanded by customers and enforced by the FDA through its facilities inspection program. These requirements include quality control, quality assurance and the maintenance of records and documentation. PCT may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. These requirements may change over time and PCT or third party manufacturers may be unable to comply with the revised requirements. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval. If the safety of any quantities supplied by third-parties is compromised due to their failure to adhere to applicable laws or for other reasons, PCT may not be able to obtain regulatory approval for or successfully commercialize product candidates that it may develop.

PCT has a limited marketing staff and budget.

The degree of market acceptance of PCT's services depends upon a number of factors, including the strength of its sales and marketing support. If PCT's marketing is not effective, its ability to generate revenues could be significantly impaired. Due to capital constraints, PCT's marketing and sales activities are somewhat limited and thus PCT may not be able to make its services known to a sufficient number of potential customers and partners. Limitations in PCT's marketing and sales activities, and the failure to attract enough customers, will affect PCT's ability to operate profitably.

The demand for PCT's services depends in part on its customers' research and development and marketing efforts. PCT's business, financial condition and results of operations may be harmed if its customers spend less on, or are less successful in, these activities.

Many of PCT's customers are engaged in research, development, production and marketing. The amount of customer spending on research, development, production and marketing has a large impact on PCT's revenues and profitability, particularly the amount customers choose to spend on outsourcing. Customers determine the amounts that they will spend based upon, among other things, available resources and their need to develop new products, which, in turn, is dependent upon a number of factors, including their competitors' research, development and production initiatives, and the anticipated reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which PCT's customers operate may have an impact on such spending as customers integrate acquired operations, including research and development departments and their budgets. PCT's customers finance their research and development spending from private and public sources. A reduction in spending by PCT's customers could have a material adverse effect on its business, financial condition and results of operations. If PCT's customers are not successful in attaining or retaining product sales due to market conditions, reimbursement issues or other factors, PCT's results of operations may be materially impacted

The nature and duration of PCT contracts can yield varying revenues and profits.

PCT's contracts with customers may be subject to repeated renegotiation and amendments which change the objectives of PCT's work and the milestones which determine when revenues are received by PCT. Due to the fact that PCT's customers are engaged in businesses that are in many instances experimental, the objectives of such customer relationships with PCT are subject to change as customer research and development and business models develop. Additionally, most of these customers are subject to regulatory controls and approval processes over their businesses and products. If such customers fail to comply with such processes or do not receive necessary approvals, PCT may be required to alter or halt the activities for which such customers have contracted with PCT. Each of these factors may have an adverse affect on PCT's revenues.

The mortgage on PCT's Allendale facility contains various covenants that limit its ability to take certain actions and PCT's failure to comply with any of the covenants could have a material adverse effect on PCT's business.

The mortgage on PCT's Allendale facility a contains debt coverage and total debt to tangible net worth financial covenants which limit its ability to incur additional debt and make capital expenditures. The mortgage note is secured by substantially all of the assets of PCT, including a first mortgage on the Allendale facility. In connection with the mortgage PCT assigned an amount approximately equal to 18 months debt service to be held in escrow.

Risks Relating to the Merger

The consummation of the transactions contemplated by the Merger Agreement is dependent upon NeoStem and PCT obtaining all relevant and necessary consents and approvals.

A condition to consummation of the Merger is that NeoStem or PCT obtains certain consents or approvals from third parties. In addition, the stockholders of NeoStem must approve the issuance of the securities to be issued in the Merger and the Members of PCT must approve the Merger Agreement and Merger. There can be no assurance that NeoStem or PCT will be able to obtain all such relevant consents and approvals on a timely basis or at all. NeoStem has incurred, and expects to continue to incur, significant costs and expenses in connection with the proposed Merger. Any failure to obtain, or delay in obtaining, the necessary consents or approvals would prevent NeoStem from being able to consummate, or delay the consummation of, the transactions contemplated by the Merger Agreement, which could materially adversely affect the business, financial condition and results of operations of NeoStem. There is no guarantee that such approvals will be obtained or that such conditions will be satisfied.

Failure to satisfy closing conditions and complete the Merger could cause NeoStem's stock price to decline and could harm NeoStem's business and operating results.

The Merger Agreement contains conditions which NeoStem must meet in order to consummate the Merger, including that NeoStem affirm to PCT that it has $3 million available to repay certain indebtedness owed by PCT to an affiliate of PCT's CEO. No assurance can be given that the condition will be satisfied. In addition, the Merger Agreement may be terminated by either NeoStem or PCT under certain circumstances. If the Merger is not completed for any reason, NeoStem may be subject to a number of risks, including the following:

- the market price of NeoStem Common Stock may decline to the extent that the relevant current market price previously reflected a market assumption that the Merger will be completed;
- many costs related to the Merger, such as legal, accounting and financial printing fees, must be paid regardless of whether the Merger is completed; and
- there may be substantial disruption to the business of NeoStem and distraction of its workforce and management team.

The announcement of the Merger may adversely affect NeoStem and PCT.

In response to the announcement of the Merger, customers or suppliers of NeoStem and/or PCT may delay, defer or cancel purchase or other decisions. Any delay, deferral or cancellation in purchase or other decisions by customers or suppliers could harm the business of the relevant company, regardless of whether the Merger is completed. Similarly, current and prospective NeoStem and/or PCT employees may experience uncertainty about their future roles with NeoStem or PCT until the Merger is completed. As a result, the ability of NeoStem and/or PCT to attract and retain key management, sales, marketing and technical personnel could suffer. Any such disruption of purchases and/or orders, as well as any uncertainty regarding professional roles, could harm the business, financial condition and operating results of the constituent entities, and such setbacks could carry over into the combined entity.

Any acquisition exposes a company to additional risks.

Acquisitions may entail numerous risks for NeoStem, including:

- difficulties in assimilating acquired operations, technologies or products, including the loss of key employees from acquired businesses;
- diversion of management's attention from NeoStem's core business;
- risks of entering markets in which NeoStem has limited or no prior experience;
- competing claims for capital resources; and
- NeoStem's management team has limited experience in purchasing and integrating new businesses.

NeoStem's failure to successfully complete the integration of PCT could have a material adverse effect on NeoStem's business, financial condition and operating results.

Failure of the Merger to achieve potential benefits could harm the business and operating results of the combined company.

NeoStem and PCT expect that the combination of their businesses will result in potential benefits for the combined company. Achieving these potential benefits will depend on a number of factors, some of which include:

- retention of key management, marketing and technical personnel after the Merger;
- the ability of the combined company to increase its customer base and to increase the sales of products and services; and
- competitive conditions in the industry surrounding the collection, processing, and storage of stem cells.

The failure to achieve anticipated benefits could harm the business, financial condition and operating results of the combined company.

NeoStem will need additional financing to continue operations successfully.

The historic NeoStem business will require additional capital to fund NeoStem's current operating plan for NeoStem's business, including the development of NeoStem's VSEL technology. The PCT business also will require financing. 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 NeoStem's intellectual property portfolio, including potential litigation costs and liabilities. Additional financing may not be available when needed or may not be available on terms acceptable to us. The combined company's inability to obtain necessary capital or financing to fund these needs could adversely affect the combined company's business, results of operations and financial condition.

NeoStem's outstanding warrants may negatively affect NeoStem's ability to raise additional capital.

As part of the Merger, NeoStem will be issuing warrants to purchase up to an additional 3,000,000 shares of NeoStem Common Stock. NeoStem already had, at June 30, 2010, approximately 29.9 million stock options and warrants outstanding. Holders of NeoStem's outstanding warrants are given the opportunity to profit from a rise in the market price of NeoStem Common Stock. So long as these warrants are outstanding, the terms on which NeoStem could obtain additional capital may be adversely affected. The holders of these warrants might be expected to exercise them at a time when NeoStem 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 these warrants.

If the market for the combined company's products and/or technology does not experience significant growth or if the combined company's products and/or technology do not achieve broad acceptance, the combined company's operations will suffer.

NeoStem and PCT cannot accurately predict the future growth rate or the size of the market for the combined company's products and technology. The expansion of this market depends on a number of factors, such as:

- the cost, performance and reliability of the combined company's products/technologies, and the products/technologies offered by competitors;
- customers' perceptions regarding the benefits of the combined company's products and technologies;
- public perceptions regarding the use of the combined company's products and technologies;
- customers' satisfaction with the products and technologies; and
- marketing efforts and publicity regarding the products and technologies.

If the combined company is unable to manage growth in its business, its prospects may be limited and its future results of operations may be adversely affected.

The combined company intends to expand its sales and marketing programs, its manufacturing capacity, and its provision of innovative therapies as needed to meet future demand. Any significant expansion may strain the combined company's managerial, financial and other resources. If the combined company is unable to manage its growth, its business, operating results and financial condition could be adversely affected. The combined company will need to continually improve its operations, financial and other internal systems to manage its growth effectively, and any failure to do so may lead to inefficiencies and redundancies, and result in reduced growth prospects and diminished operational results.

The Merger will result in dilution of the ownership interests of current NeoStem stockholders.

As a result of the Merger, the equity holders of PCT will own approximately 16.5% of the NeoStem Common Stock outstanding immediately after the Merger (exclusive of the warrants to be issued to the PCT equity holders). This represents dilution of the ownership interests and voting power of the current NeoStem stockholders.

Future sales of the combined company's common stock may depress its stock price.

The shares of NeoStem Common Stock issued to PCT and distributed to PCT's equity holders will be freely tradable in the public market once released from escrow (approximately 10% one month after Closing, 40% one year after Closing and 50% two years after Closing). The market price of NeoStem Common Stock could fall in response to sales of a large number of shares of NeoStem Common Stock in the market after the release of the shares or in response to the perception that sales of a large number of shares could occur. In addition, these sales could create the perception by the public of difficulties or problems with NeoStem's products and services. As a result, these sales also might make it more difficult for NeoStem to sell equity or equity-related securities in the future at a time and price that its board of directors deems appropriate.

Safe Harbor for Forward-Looking Statements

This Current Report on Form 8-K contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are typically preceded by words such as "believes," "expects," "anticipates," "intends," "will," "may," "should," or similar expressions. These forward-looking statements are subject to risks and uncertainties that may cause actual future experience and results to differ materially from those discussed in these forward-looking statements. Important factors that might cause such a difference include, but are not limited to, costs related to the Merger; failure of NeoStem's stockholders to approve the issuance of NeoStem securities in the Merger; NeoStem's or PCT's inability to satisfy the conditions of the Merger; NeoStem's inability to maintain its American Stock Exchange listing; the inability to integrate NeoStem's and PCT's businesses successfully; the need for outside financing to meet capital requirements; and other events and factors disclosed previously and from time to time in NeoStem's filings with the SEC, including NeoStem's Annual Report on Form 10-K for the year ended December 31, 2009, as amended (the "10-K"), Quarterly Reports on Form 10-Q filed after such 10-K and, when filed with the SEC, the S-4. NeoStem does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

This Current Report on Form 8-K may be deemed to be solicitation material in respect of the proposed Merger. The directors and executive officers of each of NeoStem and PCT may be deemed to be participants in the solicitation of proxies from the holders of NeoStem Common Stock in respect of the proposed transaction. Information about the directors and executive officers of NeoStem is set forth in the NeoStem Form 10-K. Investors may obtain additional information regarding NeoStem and its directors and executive officers, and PCT and its Board of Managers and executive officers, in connection with the proposed Merger by reading the S-4 and the prospectus/joint proxy statement contained therein, when it becomes available.

Item 9.01. Financial Statements and Exhibits.

The following financial statements and exhibits are filed with this Current Report on Form 8-K.

(a) Financial Statements of Businesses Acquired:

Progenitor Cell Therapy, LLC and Subsidiaries Consolidated Financial Statements for the Years Ended December 31, 2009, 2008 and 2007 and the Six Months Ended June 30, 2010 and 2009 (Unaudited)

(b) Pro Forma Financial Information:

Unaudited Pro Forma Condensed Combined Financial Statements

(d) Exhibits:

Exhibit 2.1 – Agreement and Plan of Merger, dated as of September 23, 2010, by and among NeoStem, PCT and Subco.*
Exhibit 23.1 – Consent of EisnerAmper LLP.
Exhibit 99.1 – Press release, dated September 23, 2010.

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* The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. NeoStem will furnish copies of any schedules to the SEC upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, NeoStem has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

NEOSTEM, INC.

By: /s/ Catherine Vaczy
Name: Catherine M. Vaczy
Title: Vice President and General Counsel

Date: September 23, 2010

PROGENITOR CELL THERAPY, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007
AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Progenitor Cell Therapy, LLC and Subsidiaries
Allendale, New Jersey

We have audited the accompanying consolidated balance sheet of Progenitor Cell Therapy, LLC and Subsidiaries as of December 31, 2009, 2008 and 2007 and the related consolidated statements of income, changes in stockholders' equity, comprehensive income (loss) and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial position of Progenitor Cell Therapy, LLC and Subsidiaries as of December 31, 2009, 2008 and 2007 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP
Hackensack, New Jersey
September 17, 2010

PROGENITOR CELL THERAPY, LLC
CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (unaudited)	December 31, 2009	December 31, 2008	December 31, 2007
ASSETS				
Current Assets				
Cash and cash equivalents	$ 775,848	$ 1,127,138	$ 1,582,026	$ 1,214,035
Accounts receivable, less allowance for doubtful accounts of $67,255, $67,255, $67,255 and $67,255, at June 30, 2010 and December 31, 2009, 2008 and 2007, respectively	768,882	1,534,447	1,051,436	814,374
Prepaid expenses and other current assets	488,099	446,824	235,248	213,045
Deferred project costs	3,315,945	2,116,118	450,329	953,434
Total Current Assets	5,348,774	5,224,527	3,319,039	3,194,888
Property and equipment, net of accumulated depreciation	9,728,815	7,519,638	6,686,212	7,317,976
Other Assets				
Restricted cash and cash equivalents	353,860	353,860	353,860	353,860
Other assets	196,090	146,090	99,646	200,449
	$ 15,627,539	$ 13,244,115	$ 10,458,757	$ 11,067,173
LIABILITIES AND MEMBERS' EQUITY				
Current Liabilities				
Current maturities of long term debt	$ 106,165	$ 103,521	$ 98,413	$ 1,093,128
Borrowings under line of credit - related party	3,400,000	1,080,000	500,000	-
Accounts payable	1,590,295	1,032,974	559,106	480,562
Accrued expenses and other current liabilities	336,941	672,497	309,456	302,859
Due to Amorcyte, Inc.	500,000	500,000	500,000	500,000
Deferred revenues	5,559,327	4,295,965	1,606,923	3,118,433
Total Current Liabilities	11,492,728	7,684,957	3,573,898	5,494,982
Long-term debt, net of current maturities	2,763,222	2,817,172	2,920,704	3,011,747
Deferred lease liability	107,393	108,642	96,838	49,628
Total Liabilities	14,363,343	10,610,771	6,591,440	8,556,357
Commitments and Contingencies				
Members' Equity				
Members' contributions and other, net	13,079,561	12,678,399	12,104,722	9,961,784
Accumulated deficit	(11,815,365)	(10,045,055)	(8,237,405)	(7,456,365)
Total Members' Equity	1,264,196	2,633,344	3,867,317	2,505,419
	$ 15,627,539	$ 13,244,115	$ 10,458,757	$ 11,061,776

See accompanying notes to consolidated financial statements.

PROGENITOR CELL THERAPY, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND JUNE 30, 2009 (UNAUDITED)
AND THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)	(unaudited)			
Revenues					
Clinical services	$ 4,271,316	$ 4,372,862	$ 8,238,159	$ 9,741,581	$ 6,990,443
Operating expenses					
Clinical services	2,762,598	2,474,681	5,479,897	6,618,197	4,978,891
Selling, general and administrative expenses	2,944,514	2,147,255	4,369,808	3,688,919	5,050,646
Total operating expenses	5,707,112	4,621,936	9,849,705	10,307,116	10,029,537
Loss from operations	(1,435,796)	(249,074)	(1,611,546)	(565,535)	(3,039,094)
Other income (expense)					
Interest income	1,335	3,048	5,502	16,487	142,987
Interest expense	(335,849)	(76,694)	(280,220)	(247,663)	(56,426)
Other income (expense)	-	(460)	(460)	15,671	(2,690)
Gain on asset disposal	-	-	79,074	-	-
Net loss	$ (1,770,310)	$ (323,180)	$ (1,807,650)	$ (781,040)	$ (2,955,223)

See accompanying notes to consolidated financial statements.

PROGENITOR CELL THERAPY, LLC
CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
AND SIX MONTHS ENDED JUNE 30, 2010 (UNAUDITED)

	Number of Units	Contributions and other, net	Accumulated Deficit	Total
Balance at January 1, 2007	6,820,843	$ 10,211,968	$ (4,501,142)	$ 5,710,826
Distributions to Members	-	(257,424)	-	(257,424)
Stock-based compensation	-	7,240	-	7,240
Net loss for the year ended December 31, 2007	-	-	(2,955,223)	(2,955,223)
Balance at December 31, 2007	6,820,843	9,961,784	(7,456,365)	2,505,419
Contributions from members	322,458	2,125,000	-	2,125,000
Stock-based Compensation	-	17,938	-	17,938
Net loss for the year ended December 31, 2008	-	-	(781,040)	(781,040)
Balance at December 31, 2008	7,143,301	12,104,722	(8,237,405)	3,867,317
Contributions from members	42,719	229,444	-	229,444
Stock-based Compensation	-	17,938	-	17,938
Beneficial conversion feature of issued warrant	-	326,295	-	326,295
Net loss for the year ended December 31, 2009	-	-	(1,807,650)	(1,807,650)
Balance at December 31, 2009	7,186,020	12,678,399	(10,045,055)	2,633,344
Stock-based Compensation (unaudited)	-	8,970	-	8,970
Beneficial conversion feature of issued warrant (unaudited)	-	392,192	-	392,192
Net loss for the six months ended June 30, 2010 (unaudited)	-	-	(1,770,310)	(1,770,310)
Balance at June 30, 2010 (unaudited)	7,186,020	$ 13,079,561	$ (11,815,365)	$ 1,264,196

See accompanying notes to consolidated financial statements.

PROGENITOR CELL THERAPY, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007 AND
THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)	(unaudited)			
Cash Flows from Operating Activities					
Net loss	$ (1,770,310)	$ (323,180)	$ (1,807,650)	$ (781,040)	$ (2,955,223)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	475,016	430,124	848,979	882,832	730,989
Provision for doubtful accounts	-	125,000	-	-	-
Non-cash compensation for services	8,970	8,969	17,938	17,938	7,240
Amortization of deferred financing costs	206,081	-	120,214	-	-
Deferred lease liability	(1,249)	13,054	11,805	47,210	42,528
Net gain from sale of fixed assets	-	-	(79,074)	-	-
(Increase) decrease in:					
Accounts receivable	765,565	56,072	(483,011)	(237,062)	80,105
Prepaid expenses and other current assets	144,837	131,462	(5,495)	(22,203)	94,297
Deferred project costs	(1,199,827)	(782,032)	(1,665,789)	503,105	(533,088)
Increase (decrease) in:					
Accounts payable	557,321	44,382	473,867	78,544	(288,692)
Accrued expenses and other current liabilities	(335,556)	39,426	363,041	6,597	(207,437)
Deferred revenue	1,263,362	669,957	2,689,042	(1,511,510)	1,113,482
Net Cash Provided by (Used in) Operating Activities	114,210	413,234	483,867	(1,015,589)	(1,915,799)
Cash Flows from Investing Activities					
Payments for purchases of property and equipment	(2,684,194)	(298,126)	(1,753,331)	(251,068)	(5,457,998)
Restricted cash and cash equivalents	-	-	-	-	120,775
Proceeds from sale of equipment	-	-	150,000	-	-
Change in other assets	(50,000)	(13,207)	(46,444)	100,803	(69,991)
Net Cash Used in Investing Activities	(2,734,194)	(311,333)	(1,649,775)	(150,265)	(5,407,214)
Cash Flows from Financing Activities					
Proceeds from notes payable	2,320,000	-	1,080,000	1,500,000	4,120,000
Principal payments of notes payable	(51,306)	(540,859)	(598,424)	(2,085,758)	(15,128)
Principal payments on capital lease obligations	-	-	-	(5,397)	(8,968)
Distributions to members	-	-	-	-	(257,424)
Contributions from members	-	229,444	229,444	2,125,000	-
Net Cash Provided by (Used in) Financing Activities	2,268,694	(311,415)	711,020	1,533,845	3,838,480
Net change in cash and cash equivalents	(351,290)	(209,514)	(454,888)	367,991	(3,484,533)
Cash and cash equivalents - beginning of period	1,127,138	1,582,026	1,582,026	1,214,035	4,698,568
Cash and cash equivalents - ending of period	$ 775,848	$ 1,372,512	$ 1,127,138	$ 1,582,026	$ 1,214,035
Supplementary Disclosures of Cash Flow Information					
Cash paid during the period for interest	$ 129,768	$ 76,694	$ 160,006	$ 246,849	$ 52,000
Beneficial conversion feature of warrant issuance	$ 392,192	$ -	$ 326,295	$ -	$ -

See accompanying notes to consolidated financial statements.

NOTE 1 - NATURE OF OPERATIONS AND LIQUIDITY

Nature of Operations

Progenitor Cell Therapy, LLC ("PCT" or the "Company") was originally organized as a New Jersey limited liability company. The Company was formed on December 16, 1997 and began operations on February 27, 1999 pursuant to an operating agreement (the "Operating Agreement") entered into by the members (the "Members"). Effective August 31, 2004, PCT was merged into Progenitor Cell Therapy, LLC, a Delaware limited liability company. Members are not personally liable for any debts or losses of PCT in excess of the Members' capital contributions. PCT is engaged in a wide range of services in the stem cell therapy market for the treatment of human disease. Substantially all of the Company's operations are in New Jersey and California.

DomaniCell, LLC ("DomaniCell") is a Delaware limited liability company and is wholly owned by its sole member, PCT. DomaniCell was formed on May 10, 2005 and began its operations thereafter. DomaniCell is engaged in the collection and storage of stem cells derived from umbilical cord blood units for the treatment of human disease.

PCT Allendale, LLC ("Allendale") is a New Jersey limited liability company and is wholly owned by its sole member, PCT. Allendale was formed on August 22, 2007 and is the owner of the Company's building in Allendale, New Jersey.

Liquidity

The Company has experienced net losses in the past and has limited capital resources to fund its operations. An affiliated company of our CEO has provided short term financing as needed. The Company believes there is adequate liquidity at June 30, 2010 combined with projected operating results to fund future operations; however, the Company operates in a competitive industry and should projected future operations be negatively impacted for any reason, future operations would need to be scaled back or discontinued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying interim consolidated financial statements of the Company as of June 30, 2010 and for the six months ended June 30, 2010 and 2009 are unaudited, but in the opinion of management, reflect all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of the results for the interim period. Accordingly, they do not include all information and notes required by generally accepted accounting principles for complete financial statements. The results of operations for interim periods are not necessarily indicative of results to be obtained for a full fiscal year.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of PCT, DomaniCell, Allendale; all intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company enters into contracts with corporations, hospitals, private physicians, physicians' practices and medical centers for the processing of human cells in patient specimens. The cell processing involves multiple related sequential procedures. The Company recognizes revenue from cell processing of patient specimens as a multiple element arrangement in accordance with Codification Topic 605: "Revenue Recognition." In accordance with Topic 605, the Company recognizes revenue when there is persuasive evidence of an arrangement, title and risk of loss have passed, product is shipped or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured.

Thus, revenue resulting from the processing of a patient's specimen is recognized upon completion of the processing. If revenue is deferred because such processing is not complete, the associated costs, if material, are also deferred and are classified as deferred costs on the accompanying Consolidated Balance Sheets. Milestone contract billings in excess of revenue recognized are included in deferred revenue on the balance sheet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

The Company also provides a cell storage service, for which a separate defined fee is charged. Revenue for cell storage services is deferred and recognized ratably over the storage period. In certain instances, the Company will charge a customer a single fee, which will include cell processing and storage. In these situations, the fair value fee of the storage is separated from the total fee, and is deferred and recognized pro rata over the cell storage period.

The Company has adopted the requirements of ASC Codification Topic 605: "Revenue Recognition," for recognizing revenue on reimbursed program costs. This pronouncement allows the Company to record its contractual expense reimbursements as a component of its revenue on a gross basis, since it is the primary obligor of the reimbursable costs, has discretion over the supplier choice and bears the underlying credit risk. The Company will reflect the expense reimbursements received as revenue and the related expenses as a contra revenue account.

Interest income is recognized as earned.

Accounts Receivable and Allowance for Doubtful Accounts

The Company extends credit to certain customers, primarily with terms up to 30 days. Bad debts are provided on the allowance method based on management's evaluation of outstanding accounts receivable based on the length of time the receivables are outstanding, the current business environment and historical experience. Accounts are written off when they are deemed uncollectible. The Company does not require collateral from its customers.

Property and Equipment

Laboratory and office equipment, computers, building and improvements, and furniture and fixtures are stated at cost and are depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are stated at cost and are amortized on a straight-line basis over the life of the lease or of the improvement, whichever is shorter.

Expenditures for maintenance and repairs that do not materially extend the useful lives of the assets are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the respective accounts and any gain or loss is recognized in operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments that have maturities of three months or less, when acquired, to be cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of $353,860 at June 30, 2010, and December 31, 2009, 2008 and 2007 is related to amounts held in escrow as required under the mortgage agreement which is described in **Note 4**.

Deferred Rent

The Company recognizes rental expense for leases with scheduled rent increases on a straight-line basis over the life of the lease. The Company records a deferred rent liability to account for the difference between the actual payments and the straight-line expense, which will reverse in future years when the actual payments will exceed the straight-line expense.

Income Taxes

PCT, Allendale and DomaniCell are organized as limited liability companies, which are treated as partnerships for income tax purposes. Accordingly, there is no provision for income taxes in the accompanying financial statements. Individual owners have the responsibility to include their share of taxable income or to deduct their share of the Company's losses in their own income tax return.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

On July 1, 2007, the Financial Accounting Standards Board ("FASB") issued ASC 740-10, "Income Taxes" ("ASC 740-10"). ASC 740-10 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions that meet the more likely than not threshold are then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. It also provides guidance on derecognition, measurement, and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standard. The Company adopted Topic 7401-0 on January 1, 2009. The adoption of Topic 740-10 did not have a material impact on the Company's financial position and results of operation.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include useful lives of fixed assets, estimates used to test asset impairments, deferred project costs, collectibility of accounts receivable and valuation of the Company's equity-based instruments. Actual results could differ from those estimates.

Equity-Based Compensation

The Company follows ASC Codification Topic 718: "Compensation – Stock Compensation," which requires that compensation cost relating to share based payment awards made to employees and directors be recognized in the financial statements. The cost for awards issued is measured at the grant date based on the calculated fair value of the award. The value of the portion of the award that is ultimately expected to vest is recognized over the requisite service periods (generally the vesting period of the equity award) in the accompanying Consolidated Statements of Operations.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008 and 2007 were approximately $63,000, $68,000, $86,000, $152,000 and $284,000, respectively.

Fair Value Measurement

The Company's financial instruments include cash and cash equivalents, accounts receivable from customers, accounts payable, and accruals which are short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximates their fair value. We believe the carrying value of our notes payable approximates their fair value given the interest rates charged and other terms of the instruments.

The Company adopted ASC 820 *Fair Value Measurements* ("ASC 820") in January 2009. ASC 820 defines fair value, establishes a common framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements for assets and liabilities. ASC 820 does not require additional assets or liabilities to be accounted for at fair value beyond that already required under other U.S. GAAP accounting standards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In April 2010, the FASB issued ACS *Topic 605, Milestone Method of Revenue Recognition.* FASB Topic 605 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones, and each milestone should be evaluated individually to determine if it is substantive. FASB Topic 605 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The adoption of FASB Topic 605 is not expected to have a material impact on the Company's financial position and results of operations.

In June 2009, the FASB issued FASB ASC Topic 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Company has updated references to GAAP in its financial statements issued for the period ended December 31, 2009. The adoption of FASB ASC Topic did not impact the Company's financial position or results of operations.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	Estimated Useful Lives	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Computer equipment	3 years	$ 325,110	$ 292,661	$ 259,034	$ 244,559
Laboratory and office equipment*	7 years	3,209,289	2,938,007	2,667,467	2,497,311
Furniture and fixtures	12 years	181,789	179,311	174,279	173,007
Leasehold improvements	Life of lease	2,647,055	2,632,526	2,450,180	2,429,230
Building and improvements	25 years	7,862,673	5,503,038	4,332,585	4,298,280
		14,225,916	11,545,543	9,883,545	9,642,387
Less, Accumulated depreciation and amortization		(4,497,101)	(4,025,905)	(3,197,333)	(2,324,411)
		$ 9,728,815	$ 7,519,638	$ 6,686,212	$ 7,317,976

Depreciation and amortization expense for the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007 was approximately $475,000, $430,000, $849,000, $883,000, and $731,000, respectively.

*Net of approximately $823,000 as of June 30, 2010, December 31, 2009 and 2008, and $813,000 as of December 31, 2007, with respect of grant received (see **Note 10** – Grant Agreement).

NOTE 4 - LONG-TERM DEBT

Mortgage

On October 31, 2007, the Company entered into a note to borrow $3,120,000 (the "Note") in connection with its $3,818,500 purchase of condominium units of an existing building in Allendale, New Jersey (the "Property") that the Company intends to use as a laboratory and stem cell processing facility.

NOTE 4 - LONG-TERM DEBT (continued)

Mortgage (continued)

The Note is payable in 239 consecutive monthly payments of principal and interest, based on a 20 year amortization schedule; and one final payment of all outstanding principal plus accrued interest then due. The current monthly installment is $20,766, which includes interest at an initial rate of 5.00%; the interest rate and monthly installments payments are subject to adjustment on October 1, 2017. On that date, upon prior written notice, the lender shall have the option to declare the entire outstanding principal balance, together with all outstanding interest, due and payable in full. The Note is secured by substantially all of the assets of the Company, including a first mortgage on the Property and assignment of an amount approximately equal to eighteen months debt service held in escrow (see **Note 2** – Restricted Cash and Cash Equivalents). The Note matures on October 1, 2027 if not called by the lender on October 1, 2017. The Note is subject to certain debt service coverage and total debt to tangible net worth financial covenant ratios. The Company was not in compliance with such covenants through June 30, 2010, and has obtained a covenant waiver letter from the lender for all periods through June 30, 2010. The outstanding balance was approximately $2,869,000 at June 30, 2010 and $2,921,000, $3,019,000 and $3,105,000 at December 31, 2009, 2008 and 2007, respectively.

Northern New Jersey Cancer Associates

On March 14, 2008 the Company arranged for a $2,000,000 line of credit with Northern New Jersey Cancer Associates ("NNJCA"). The Company's Chief Executive Officer is also Co-Managing Partner of NNJCA. The term of the agreement is one year and interest on amounts drawn down from the line of credit will accrue at the prime rate plus 2% and will be payable monthly. NNJCA may elect to receive payment of the outstanding balance in cash or in membership interest of PCT. For calculating the membership interest that NNJCA will receive if it so chooses, the Company will be valued at the valuation offered to investors with the Company's next round of equity financing. A one-time origination fee of $20,000 was paid in April 2008 for the line-of-credit.

On March 26, 2008, the Company borrowed $1,500,000 against the NNJCA line of credit and used $1,000,000 of the proceeds to repay in full the StemCells, Inc. loan borrowed in December 2007. The balance remaining at December 31, 2008 was $500,000. As of April 14, 2009, the entire amount of the loan was re-paid.

On September 14, 2009, the Company entered into a line of credit and security agreement with NNJCA for $3,000,000. The credit line has an interest rate of 5.5% accruing on the first $2,000,000 and 6% thereafter. The advance and accrued interest is due and payable on June 30, 2010. The Note is secured by substantially all of the assets of the Company. In conjunction with this credit line warrant to purchase shares were issued by the company to NNJCA. The holder is entitled to purchase, at its option, up to 73,052 Shares of Limited Liability Company Interests at an exercise price of $6.16 per Share. The warrant is for seven years and expires September 14, 2016. The warrant is accounted for under the Black-Scholes pricing model. This resulted in deferred financing cost of approximately $326,000, which will be amortized to interest expense over the tem of the loan. During 2009, approximately $120,000 was amortized; in the six months ended June 30, 2010, approximately $206,000 was amortized.

On June 30, 2010, the above agreement with NNJCA was amended. The revised credit line is $3,400,000; the entire amount with accrued interest is due and payable on June 30, 2011. The remaining $400,000 of availability under the credit line, which was drawn on June 30, 2010, is subject to an interest rate of 6%. The amended agreement entitled the holder to purchase at its option, up to 85,000 units of Limited Liability Company interest at an exercise price of $4.00 per Unit. The warrant is accounted for under the Black-Scholes pricing model. This resulted in deferred financing cost of approximately $392,000, which will be amortized to interest expense over the term of the loan.

Interest expense related to the NNJCA loan for the six months ended June 30, 2010 and 2009, and the year ended December 31, 2009 and 2008 was approximately $57,400, $8,000, $12,500, and $76,900, respectively.

NOTE 4 - LONG-TERM DEBT (continued)

Other Loans

On December 3, 2007, the Company borrowed $1,000,000 from StemCells, Inc, one of its customers. The note carries an interest rate of 5.00% and was due in full by the maturity date of July 30, 2008. The Company repaid the entire amount of the loan on April 7, 2008.

Future maturities of long-term debt, including the borrowings under the NNJCA facility, at June 30, 2010 are:

12 Months Ended June 30,	June 30, 2010
2011	$ 3,506,165
2012	111,295
2013	117,449
2014	123,543
2015	129,954
Thereafter	2,280,981
	6,269,387
Less: current maturities	3,506,165
Long-term portion	$ 2,763,222

NOTE 5 - MEMBERS' EQUITY

In October, 1998, the founding Members entered into a Formation Agreement and contributed a total of $82,564. Pursuant to the Operating Agreement (see **Note 1**), as amended on August 4, 1999, each Member is required to make an initial capital contribution in exchange for a percentage ownership interest in the Company ("Membership Interest") and to make future contributions as determined by the Members. New Members may be admitted to the Company, subject to approval of the Company's Board of Managers, upon execution of the Operating Agreement and payment of a contribution determined by the Board of Managers. Membership interests entitle each Member to the Member's share of the Company's net profits, net losses and the right to receive distributions of the Company's assets in the event of liquidation and to vote, as defined. There are 10,000,000 units authorized, and 7,186,020, 7,186,020, 7,143,301, and 6,820,843 are issued and outstanding at June 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

On April 30, 2009, with the receipt of $229,444, the Company closed out Private Placement #4 (the "Offering"). In connection with the offering, the Company sold a total of 365,177 units for gross proceeds of $2,354,444 from 2008 to 2009. The Company received $2,125,000 during the fourth quarter of 2008.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Operating Leases

On April 1, 1999, the Company entered into an operating lease with Hackensack University Medical Center ("HUMC"), a member – see **Note 7**, for stem cell laboratory and office space at HUMC (the "HUMC Lease"). The HUMC Lease has a term of 10 years with an option, by the Company, for renewal for an additional five-year period. The HUMC Lease provides for an escalation of base rent on the fifth anniversary date and for additional charges for operating expenses and real estate taxes (the "Additional Charges"). Upon expiration of the 10 year term, the Company began renewing the lease on a month-to-month basis. Rent expense for the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007 was approximately $107,000, $110,000, $110,000, $110,000 and $50,000, respectively.

In October 2004, PCT entered into a two-year lease for laboratory space in the Jurist Institute in Hackensack, New Jersey (the "Jurist Lease"). The lease provides for monthly base rent which includes a provision for certain utilities. The lease has been extended several times, most recently through December 2010 at a monthly base rent of $3,174.

NOTE 6 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

In September 2005, PCT entered into a one-year lease directly with Vanni Business Park, LLC, the landlord for the Mountain View, California laboratory space (the "Vanni Lease"), leasing the entire building. A portion of this space was previously occupied by PCT under the "Jurist Lease", which is described above. This new lease commenced July 1, 2006, with a monthly base rent of $26,275. In July 2006, PCT entered into an agreement to amend this lease and extended the term through June 30, 2012, for an initial monthly base rent of $33,782, with yearly escalations thereafter.

In February 2006, PCT entered into a five-year lease agreement for its new office headquarters location in Hackensack, New Jersey (the "Court Plaza Lease"). The Court Plaza Lease term commenced April 1, 2006 with a base rent of $77,500 per annum, subject to a real estate tax and operating expense escalation adjustment to be determined annually. The lease included two months of free rent that is being expensed ratably over the life of the lease.

In June 2010, PCT sublet the above mentioned headquarters office space in Hackensack, New Jersey to Springstead & Maurice, LLC for the remaining term of the Court Plaza lease. The sublease is for approximately $3,500 per month.

For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, rent expense under all operating leases was approximately $479,000, $454,000, $715,000, $728,000 and $696,000, respectively. As of June 30, 2010 and December 31, 2009, 2008 and 2007 the total rent expense recognized in excess of scheduled rent payments, referred to as "deferred lease liability", totaled approximately $107,000, $109,000, $97,000 and $49,000, respectively.

Future minimum rental payments under the operating leases noted above are approximately:

12 months Ended June 30,	Amount
2011	$ 604,000
2012	278,000
	$ 882,000

Capital Leases

The Company leases certain equipment under various non-cancelable capital lease agreements (the "Capital Leases"). The Capital Leases are for periods ranging from two to four years, after which the Company: (i) either has the option or is required to purchase the equipment at defined monthly amounts, (ii) may extend the lease upon agreed-upon terms at defined monthly amounts, or (iii) is required to return the equipment as per the respective lease agreement. Leased equipment included as a component of fixed assets at June 30, 2010 and December 31, 2009, 2008 and 2007 was $88,000 at all dates. Related accumulated depreciation was $88,000, $88,000, $87,000 and $82,000 for the same dates. The capital leases were paid in full in 2009.

Funding Obligation - Amorcyte

On May 19, 2006, the Company entered into a line of credit agreement with Amorcyte Inc. ("Amorcyte"), an entity which was spun out of the Compaony in 2006, whereby PCT agreed to loan Amorcyte up to $500,000 at an annual interest rate of 5%. The line of credit agreement was a condition to Amorcyte closing the Series A Preferred Stock Financing rounds completed during 2006, and therefore could be required to be funded by the Company at the discretion of Amorcyte. The Company did not loan any amount to Amorcyte under this agreement through June 30, 2010; however, the maximum obligation of $500,000 was recorded as a liability.

The line of credit agreement expires on the earlier of (i) the date on which the Company declares the outstanding principal and accrued interest due and payable based on an event of default as defined within the agreement, or (ii) the date of closing of the first debt or equity financing of Amorcyte following the initial borrowing of the principal. These events have not occurred to date.

NOTE 6 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The Company may be subject to legal proceedings, claims and litigation arising in the ordinary course of business, including one case of alleged breach of employment contract with a former employee. In 2007, the Company paid approximately $70,000 of severance pay plus interest in connection with this case; this amount was recorded as an accrued expense in the Company's 2006 financial statements and was paid during 2007. In February 2009, the parties have reached a settlement to resolve all claims under which the former employee paid the Company $54,000 to purchase 0.23% of PCT's fully diluted equity.

NOTE 7 - RELATED PARTY TRANSACTIONS

Hackensack University Medical Center – Services Agreements

In connection with the Company's LLC agreement, HUMC is entitled to a seat on the Company's Board of Managers as long as it remains a member. On February 27, 1999, the Company and HUMC, a Member, entered into two services agreements

(i) A Stem Cell Services Agreement, under which HUMC agreed to use the Company as the sole provider of stem cell services as long as HUMC remains a Member. During the term of the Stem Cell Services Agreement, the Company will provide such services, and related supply and testing expenses, at its cost, which will be paid monthly by HUMC. In the event HUMC is able to obtain stem cell services below the Company's cost, the Company will have the right to meet the lower price. Either party may terminate the Stem Cell Services Agreement upon written notice of breach by the other party that is not cured within 30 days. For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, revenue recognized under the Stem Cell Services Agreement amounted to approximately $1,078,000, $1,009,000, $2,003,000, $2,220,000 and $1,970,000, respectively. At June 30, 2010 and December 31, 2009, 2008 and 2007 approximately $129,000, $94,000, $156,000 and $267,000 respectively, related to the Stem Cell Services Agreement were recorded as accounts receivable.

(ii) A Support Services Agreement, under which HUMC will be the exclusive provider of support services, as defined, for the Company's stem cell laboratory at HUMC as long as HUMC remains a Member. During the term of the Support Services Agreement, HUMC will provide services to the Company at its cost, payable monthly. Either party may terminate the Support Services Agreement without cause upon 90 days' written notice or upon written notice of breach by the other party that is not cured within 30 days. For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, expense recognized under the Support Services Agreement amounted to approximately $18,500, $39,000, $76,900, $93,500 and $48,100, respectively. At June 30, 2010 and December 31, 2009, 2008 and 2007, approximately $13,600, $17,400, $6,900 and $8,800, respectively, related to the Support Services Agreement were recorded as accounts payable.

Nexell of California, Inc.

On August 4, 1999, the Company and Nexell, a Member, entered into a Supply Agreement (the "Nexell Supply Agreement") under which the Company will purchase, exclusively from Nexell, all supplies, as defined, required by the Company for use in its stem cell processing and storage business, subject to certain exceptions, as defined. The Nexell Supply Agreement will continue as long as Nexell remains a Member and may be extended upon mutual written agreement of the parties. Either party may terminate the Nexell Supply Agreement upon written notice of breach by the other party that is not cured within ten days. During 2002, the parties agreed that Nexell's obligations under this agreement will be fulfilled by Baxter International, Inc., which assumed the obligations of Nexell. For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, expense recognized under the Nexell Supply Agreement amounted to approximately $106,400, $64,000, $153,000, $5,100 and $12,200, respectively. At June 30, 2010 and December 31, 2009, 2008 and 2007, approximately $25,000, $33,100, $300 and $700, respectively, related to the Nexell Supply Agreement were recorded as accounts payable.

NOTE 7 - RELATED PARTY TRANSACTIONS (continued)

Amorcyte, Inc.

On May 31, 2005, the Company entered into a Cell Processing Agreement with Amorcyte (the "Amorcyte Agreement") whereby Amorcyte engaged PCT to be its exclusive provider of cell processing procedures and related services at rates specified within the agreement that include a monthly fee during the clinical trial period for oversight services. The term of the Amorcyte Agreement extends beyond the initial clinical period (defined within the agreement as of one year from initiation of clinical trials), after which time the service rates can be renegotiated.

In the event of commercialization of any product of Amorcyte, PCT and Amorcyte shall mutually agree upon charges for services related to such commercialization. In the event that the parties are unable to agree on such charges, then Amorcyte shall pay to PCT an amount equal to 125% of PCT's direct and indirect costs in connection with the services provided. Also pursuant to the Amorcyte Agreement, PCT paid $200,000 to Amorcyte in 2006 as consideration for exclusivity granted to PCT under the Amorcyte Agreement. This amount is being amortized over the minimum estimated benefit period of the exclusivity, which is the completion of Amorcyte's Phase I clinical trials. For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, $0, $0, $0, $50,000 and $95,000, respectively, of the consideration was recorded as expense. The intangible asset was fully amortized as of December 31, 2008.

For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, revenue recognized under the Amorcyte Agreement amounted to $93,000, $253,000, $428,000, $327,000 and $415,000, respectively. At June 30, 2010 and December 31, 2009, 2008 and 2007, approximately $115, $300, $500 and $47200, respectively, due from Amorcyte were recorded as accounts receivable.

During June 2010, PCT made an investment in Amorcyte in the purchase of Series A Redeemable Preferred Stock totaling $50,000, which is included in other assets on the accompanying consolidated balance sheet.

Becton, Dickinson and Company

On August 25, 2006, the Company and Becton, Dickinson and Company ("BD"), a Member, entered into a one year Consulting and Product Development Services Agreement (the "BD Agreement"), whereby the Company will provide consulting and product development services and advice to BD for fees not to exceed $480,000, plus reimbursement for approved out-of-pocket expenses. On February 20, 2008, the parties entered into a subsequent agreement whereby PCT agrees to provide a laboratory investigational study service to BD. For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, revenue recognized under the BD Agreement, amounted to $0, $35,000 $35,000, $25,000 and $230,000, respectively. Amounts recorded as revenue for reimbursement for approved out-of-pocket expenses under the BD Agreement for the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, totaled approximately $0, $0, $0, $0 and $141,000. At June 30, 2010 and December 31, 2009, 2008 and 2007, approximately $0, $0, $2,500 and $29,500, respectively, due from BD were recorded as accounts receivable.

NOTE 7 - RELATED PARTY TRANSACTIONS (continued)

StemCells, Inc.

On March 2, 2006, the Company entered into a Cell Processing Agreement with StemCells Inc. whereby Stem Cells engaged PCT to be its exclusive provider of cell processing procedures and related services at rates specified within the agreement that include a monthly fee during the clinical trial period for oversight services. For the six months ended June 30, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, revenue recognized from Stem Cells amounted to approximately $723,000, $761,000, $1,724,000, $1,460,000 and $1,303,000, respectively. As further explained in **Note 4**, the Company borrowed $1,000,000 from StemCells, Inc. on December 3, 2007 and repaid the entire amount of the loan on April 7, 2008.

All of the Company's related parties, with the exception of StemCells, Inc., are also unit holders.

NOTE 8 - OPTIONS TO ACQUIRE MEMBER'S UNITS ("STOCK OPTIONS")

In August 2007 the Company entered into agreements with five individuals to serve on the Wellness Advisory Board (the "WAB") of Domani, all of whom are non-employees of the Company. The WAB members agree to serve as advisors on the development of Domani's stem cell banking program and related business activities. The term of the WAB Agreement is three years and can be terminated by either party by written notice at any time and for any reason. The Company paid four of the WAB members an initiation fee of $10,000 upon execution of the WAB Agreement; one member received an option to acquire 961 member units of PCT ("Shares") at an exercise price of $10.41 per share in lieu of the $10,000 cash payment. These 961 share options vested immediately.

As consideration of their service on the WAB, the Company has issued options to purchase 3,756 member units of PCT to each of the five members of the WAB at an exercise price of $10.41 per share. Options vest in tranches of 313 shares, with the first tranche vesting on the last day of the fiscal quarter following the fiscal quarter in which the options were granted and an additional tranche vesting on the last day of each subsequent consecutive fiscal quarter. Options are fully vested three years after the date of grant and are exercisable within ten years after the date of grant. The weighted average fair value of the options on the date of grant was $2.87, which was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.61%
Expected life	6.00 years
Expected volatility	82.47%
Expected dividends	None

The Company had no historical data to use in determining its expected life assumption and therefore used the simplified method for determining expected life that is described in SEC Staff Accounting Bulletin No. 107. The simplified method is used when companies have difficulty making an estimate of the expected term and under this method the expected term would equal the vesting term plus the contractual term divided by two. Additionally, the Company had no historical data to determine expected volatility and therefore estimated its volatility assumptions based on the volatility of comparable companies. The Company did not calculate the forfeiture rate for the stock options since there were only five grants issued to WAB members and no forfeiture is forecasted.

Stock based compensation recognized in the financial statements during for the six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008 and 2007 amounted to approximately $9,000, $9,000, $18,000, $18,000 and $7,200, respectively. At June 30, 2010 total unrecognized stock based compensation amounted to approximately $4,500. The intrinsic value of stock options outstanding at December 31, 2009 is minimal.

NOTE 8 - OPTIONS TO ACQUIRE MEMBER'S UNITS ("STOCK OPTIONS") (continued)

A summary of changes in the stock options outstanding for the three years ended December 31, 2009 and the six months ended June 30, June 30, 2010 is as follows:

	Number of options	Weighted Average Exercise Price
Outstanding at December 31, 2006	48,930	$ 6.37
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at December 31, 2007	48,930	$ 6.37
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at December 31, 2008	48,930	$ 6.37
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at December 31, 2009	48,930	$ 6.37
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at June 30, 2010	48,930	$ 6.37

Summarized information about stock options outstanding as of June 30, 2010 is as follows:

	Options Outstanding		Options Exercisable
Exercise Price	Number of Options	Weighted Average Remaining Life (in Years)	Number of Options
$ 1.00	20,660	No expiry date	20,660
$ 10.00	8,529	3.16	8,529
$ 10.41	19,741	7.62	8,786
Total	48,930		37,975

NOTE 9 - PHANTOM EQUITY PLAN

On April 13, 2000 the Company adopted a Phantom Equity Plan (the "Plan"), under which a committee of the Board of Managers (the "Committee") may grant to officers, full-time employees and independent contractors of the Company (the "Grantee") a right to receive in cash, or property of equal value, the difference in the (a) fair value of the award on the date of grant and (b) the fair value of the award on the date the award is exercised by the Grantee (the "Award"). The fair value of an Award shall be equal to the product of: (a) either the total value of the Company's equity as most recently determined by the Committee prior to the date of grant or payout, or an amount determined by a triggering event, as defined, and (b) the percentage interest represented by the Award. Awards vest on a straight-line basis over five years, unless specified otherwise by the Committee, and may only be exercised in the last two months of a fiscal year. Upon the occurrence of a triggering event, all Awards will become immediately vested. Upon termination of service by a Grantee, the Company, at the discretion of the Committee, may choose to pay out the fair value of the terminated Grantee's vested balance. Cash payments made under the Plan are subject to limitation clauses, whereby the amount payable at any time will be limited to defined thresholds. The Plan may be terminated at any time by the Committee, in which case the terms of all outstanding Awards will continue until exercised or forfeited. As of December 31, 2009, 2008 and 2007 and June 30, 2010 there are no outstanding awards under this plan.

NOTE 10 - GRANT AGREEMENT

On August 26, 2005, the Company entered into a $900,000 grant agreement (the “Grant”) with the New Jersey Economic Development Authority (the "EDA"), a department of the State of New Jersey, to design and develop a software system dealing with cell product testing and storage (the “Project”). $810,000 of the Grant was advanced to the Company in 2005, and the remaining final disbursement of $90,000 was received by the Company in April 2007. All costs for the Project in excess of $900,000 are the sole responsibility of the Company. For financial reporting purposes, the Grant proceeds reduced the amount capitalized as internally developed software.

All Grant funds advanced to PCT are included in current liabilities until actual Project costs are incurred. Project costs are capitalized as assets when incurred and are offset by the amount remaining in the Grant liability. Through December 31, 2009, costs of approximately $ 823,000, were incurred with respect to the Project, and at June 30, 2010 and December 31, 2009 was $77,000 of unexpended Grant funds are included in deferred revenue.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. At June 30, 2010, the Company held its cash and cash equivalents principally in two financial institutions, respectively. The Company cash balances may exceed federally insured limits at times during the year.

Major Customers

The Company enters into contracts for the processing and storing of human cells. In 2010 and 2009, the Company’s revenue is mainly derived from agreements with Hackensack University Medical Center (“HUMC”), StemCells, Inc., and Sangamo Biosciences, Inc. These three customers make up 20%, 13% and 15% of revenue (total of 48% for all three customers) for the six months ended June 30, 2010, and 19%, 15% and 13% of revenue (total of 47% for all three customers) for the six months ended June 30, 2009, respectively. These three customers make up 18%, 15% and 12% of revenue (total of 45% for all three customers) for the year ended December 31, 2009. In 2008, the Company’s revenue is mainly derived from HUMC, StemCells, Inc., and Microislet, Inc. These three customers make up 23%, 12% and 11% of revenue (total of 46% for all three customers) for the year ended December 31, 2008. In 2007, the Company’s revenue is mainly derived from agreements with HUMC and Dendreon Corporation. These two customers make up 28% and 23% (total of 51% for both customers) for the year ended December 31, 2007. The only major customer that is also currently a related party is HUMC.

Four customers, one of which is a related party, made up 24%, 16%, 11% and 11% of total accounts receivable (a total of 62%) at June 30, 2010. The significant customer base may change from year to year as projects are completed and new contracts are entered into.

Major customers are considered to be those who accounted for more than 10% of total sales.

NOTE 12 - SUBSEQUENT EVENTS

In August 2010, the members of the Company agreed in principle to be acquired by a publicly traded international biopharmaceutical company. However, there can be no assurances that the transaction will be successfully consummated.

Unaudited Pro Forma Condensed Combined Balance Sheets
June 30, 2010
(in $000's)

	NeoStem	Progenitor Cell Therapy		Proforma Adjustments		Pro Forma
ASSETS						
Current assets:						
Cash and cash equivalents	$ 10,958.8	$ 775.8		$ -		$ 11,734.6
Short term investments	294.0	-		-		294.0
Restricted Cash	4,096.2	353.9		-		4,450.1
Accounts receivable trade, less allowances for doubtful accounts	6,013.8	768.9		-		6,782.7
Inventories	16,381.6	-		-		16,381.6
Deferred project costs	-	3,316.0		2,223.7	(d)	5,539.7
Prepaid expenses and other current assets	1,015.4	488.1		(392.2)	(k)	1,111.3
Total current assets	38,759.8	5,702.7		1,831.5		46,294.0
Property, plant and equipment, net	30,192.1	9,728.9	(e)	-		39,921.0
Prepaid land use rights, net	4,659.0	-		-		4,659.0
Goodwill	34,425.7	-		12,139.0	(b)	46,564.7
Intangible assets, net	15,493.1	-		11,000.0	(c)	26,493.1
Other assets	317.8	196.1	(e)	-		513.9
	$ 123,847.5	$ 15,627.7		$ 24,970.5		$ 164,445.7
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Notes payable and credit line	$ 10,902.3	$ 3,400.0	(e)	$ -		$ 14,302.3
Due to Amorcyte, Inc.	-	500.0	(e)	-		500.0
Accounts payable	9,350.1	1,590.3		-		10,940.4
Accrued liabilities	4,993.1	337.0		-		5,330.1
Current maturities of long-term debt		106.2	(e)	-		106.2
Unearned revenues	1,432.5	5,559.3	(e)	-		6,991.8
Total current liabilities	26,678.0	11,492.8		-		38,170.8
Long-term liabilities						
Long term debt	-	2,763.2	(e)	-		2,763.2
Deferred tax liability	4,319.5	-		5,289.5	(f)	9,609.0
Unearned revenues	203.7	-		-		203.7
Deferred lease liability	-	107.4	(e)	-		107.4
Amount due related party	7,855.2	-		-		7,855.2
EQUITY						
Shareholders' equity:						
Series B convertible redeemable preferred stock	0.1	-		-		0.1
Common stock	56.7	-		11.2	(a)	67.9
Members' contributions	-	13,079.7		(13,079.7)	(l)	-
Additional paid-in capital	129,485.7	-		20,934.1	(a)	150,419.8
Accumulated deficit	(81,839.6)	(11,815.4)		11,815.4	(l)	(81,839.6)
Accumulated other comprehensive loss	99.8	-		-		99.8
Total shareholders' equity	47,802.7	1,264.3		19,681.0		68,748.0
Non-controlling interests	36,988.4	-		-		36,988.4
Total equity	84,791.1	1,264.3		19,681.0		105,736.4
	$ 123,847.5	$ 15,627.7		$ 24,970.5		$ 164,445.7

Unaudited Pro Forma Condensed Combined Statements of Operations
For the Six Months Ended June 30, 2010
(in $000's)

	NeoStem	Progenitor Cell Therapy	Proforma Adjustments		Pro Forma
Revenues	$ 35,240.7	$ 4,271.3	$ (822.8)	(h), (i)	$ 38,689.2
Costs and expenses:					
Cost of revenue	23,763.4	2,762.6	525.0	(g)	26,743.1
			(21.7)	(i)	
			(286.2)	(h)	
Research and development	3,433.5	-	(1.4)	(i)	3,432.1
Selling, general and administrative	14,155.0	2,944.5	75.0	(g)	17,400.5
			226.0	(j)	
Operating loss	(6,111.2)	(1,435.8)	(1,339.5)		(8,886.5)
Other income (expense):					
Other income (expense)	(14.5)	1.3	-		(13.2)
Interest expense	(14.7)	(335.8)	206.1	(k)	(144.4)
	(29.2)	(334.5)	206.1		(157.6)
Loss from operations before provision for income taxes and non-controlling interests	(6,140.4)	(1,770.3)	(1,133.4)		(9,044.1)
Provision for income taxes	905.2	-	(240.0)	(g)	665.2
Net loss	(7,045.6)	(1,770.3)	(893.4)		(9,709.3)
Less - Net income attributable to non-controlling interests	2,940.2	-	-		2,940.2
Net loss attributable to controlling interests	(9,985.8)	(1,770.3)	(893.4)		(12,649.5)
Preferred dividends	153.5	-	-		153.5
Net loss attributable to common shareholders	$ (10,139.3)	$ (1,770.3)	$ (893.4)		$ (12,803.0)
Basic and diluted loss per share					
Weighted average common shares outstanding	44,419,734				55,619,734 (m)
Net loss attributable to common shareholders	$ (0.23)				$ (0.23)

Unaudited Pro Forma Condensed Combined Statements of Operations
For the Twelve Months Ended December 31, 2009
(in $000's)

	NeoStem	Progenitor Cell Therapy	Proforma Adjustments		Pro Forma
Revenues	$ 11,565.1	$ 8,238.2	$ (270.0)	(i)	$ 19,533.3
Costs and expenses:					
Cost of revenues	9,504.2	5,479.9	1,050.0	(g)	15,902.9
			(131.2)	(i)	
Research and development	4,318.8	-	(8.1)	(i)	4,310.7
Selling, general and administrative	23,431.2	4,369.8	150.0	(g)	28,272.3
			(130.7)	(i)	
			452.0	(j)	
Operating loss	(25,689.1)	(1,611.5)	(1,652.0)		(28,952.6)
Other income (expense):					
Other income (expense)	(1.4)	84.1	-		82.7
Interest expense	(37.8)	(280.2)	120.2	(j)	(197.8)
	(39.2)	(196.1)	120.2		(115.1)
Loss from operations before provision for income taxes and non-controlling interests	(25,728.3)	(1,807.6)	(1,531.8)		(29,067.7)
Provision for income taxes	64.2	-	(480.0)	(g)	(415.8)
Net loss	(25,792.5)	(1,807.6)	(1,051.8)		(28,651.9)
Less - Net income attributable to non-controlling interests	300.5	-	-		300.5
Net loss attributable to controlling interests	(26,093.0)	(1,807.6)	(1,051.8)		(28,952.4)
Preferred dividends	5,612.0	-	-		5,612.0
Net loss attributable to common shareholders	$ (31,705.0)	$ (1,807.6)	$ (1,051.8)		$ (34,564.4)
Basic and diluted loss per share					
Weighted average common shares outstanding	13,019,518				24,219,518(m)
Net loss attributable to common shareholders	$ (2.44)				$ (1.43)

Notes to the NeoStem Unaudited Proforma Condensed Combined Financial Statements

On September 16, 2010, the Board of Directors of NeoStem, Inc., a Delaware corporation ("NeoStem") and on September 22, 2010 the Board of Managers of Progenitor Cell Therapy, LLC, a Delaware limited liability company ("PCT"), unanimously approved the merger (the "Merger") of NBS Acquisition Sub Co., LLC, a newly formed wholly-owned subsidiary of NeoStem ("Subco"), with and into PCT pursuant to an Agreement and Plan of Merger, dated September 23, 2010 (as such agreement may be amended from time to time, the "Agreement and Plan of Merger"), among NeoStem, PCT and Subco.

Pursuant to the terms of the Agreement and Plan of Merger, all of the membership interests of PCT outstanding immediately prior to the effective time of the Merger (the "Effective Time") will be converted into the right to receive, in the aggregate, 11,200,000 shares of the common stock, par value $0.001 per share, of NeoStem (the "NeoStem Common Stock" or the "Parent Common Stock") and, subject to the satisfaction of certain conditions, warrants to purchase up to an aggregate of 3,000,000 shares of NeoStem Common Stock, as follows:

(i) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock exercisable over a seven year period at an exercise price of $7.00 per share (the "$7.00 Warrants"), and which will vest only if a specified business milestone is accomplished within three (3) years of the closing date of the Merger; and

(ii) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock exercisable over a seven year term at an exercise price of $3.00 per share (the "$3.00 Warrants"), if the volume weighted average of the closing prices of sales of Parent Common Stock on the NYSE-Amex for the three (3) trading days ending on the trading day that is two (2) days prior to the closing date of the Merger (the "Parent Per Share Value") is less than $2.50; and

(iii) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock exercisable over a seven year period at an exercise price of $5.00 per share (the "$5.00 Warrants" and, collectively with the $7.00 Warrants and the $3.00 Warrants, the "Warrants"), if the Parent Per Share Value is less than $1.70.

The shares of Parent Common Stock issuable in the Merger are subject to adjustment, provided that in no event will NeoStem be required to issue more than 11,200,000 shares of NeoStem Common Stock.

Pursuant to a consent and voting agreement dated the same date as the Agreement and Plan of Merger, holders of a sufficient number of membership interests of PCT to approve the Agreement and Plan of Merger and the Merger have irrevocably consented to the Agreement and Plan of Merger and the Merger and agreed to certain transfer restrictions with respect to their membership interests prior to the Effective Time. Stockholders of NeoStem owning greater than 50% of NeoStem Common Stock on the date of the Agreement and Plan of Merger have agreed to vote their shares in favor of the issuance of the NeoStem Common Stock and Warrants in the Merger at a special meeting of stockholders which will be held for such purpose.

The statements contained in this section may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are intended to be covered by the safe harbor to "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by the words "believe," "expect, "anticipate," "intend," "estimate" and similar expressions. These forward-looking statements are based largely on management's expectations and are subject to a number of uncertainties. Actual results could differ materially from these forward-looking statements. NeoStem, Inc. does not undertake any obligation to update publicly or revise any forward-looking statements.

Basis of Presentation

The unaudited pro forma condensed combined financial statements set forth above have been prepared by NeoStem and give effect to the following transactions:

1) The acquisition of the membership interests of PCT for aggregate consideration of approximately $20.9 million, and;
2) The issuance of 11.2 million shares of common stock and 3 million common stock purchase warrants.

The unaudited condensed combined proforma results of operations for the six months ended June 30, 2010 and the year ended December 31, 2009 are presented to give effect to the acquisition of PCT as if it had occurred on January 1, 2009. The unaudited condensed combined proforma balance sheet is presented to give effect to the acquisition of PCT as if it had occurred on June 30, 2010. This proforma information is based on, derived from, and should be read in conjunction with, the historical consolidated financial statements of NeoStem for the year ended December 31, 2009, included in our Annual Report on Form 10-K filed on March 31, 2010 and for the quarter ended June 30, 2010 included in our Quarterly Report on Form 10-Q filed on August 16, 2010 and the historical financial statements of PCT for the year ended December 31, 2009, and as of and for the unaudited six months ended June 30, 2010, which are included elsewhere in this document. We have not adjusted the historical financial statements of either entity for any costs recognized during the year that may be considered to be nonrecurring.

All unaudited interim financial statements incorporated by reference or furnished herein reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods presented. All such adjustments are of a normal and recurring nature.

The unaudited proforma condensed combined financial statements were prepared using the assumptions described below and in the related notes.

The unaudited proforma condensed combined financial statements are provided for illustrative purposes only. They do not purport to represent what NeoStem's consolidated results of operations and financial position would have been had the transaction actually occurred as of the dates indicated, and they do not purport to project NeoStem' future consolidated results of operations or financial position.

The actual adjustments to our consolidated financial statements upon the closing of the acquisition of PCT will depend on a number of factors, including additional information that becomes available. Therefore, the actual adjustments will differ from the unaudited pro forma adjustments, and the differences may be material.

The acquisition of PCT will be accounted for under the acquisition method of accounting. For the purposes of determining the unaudited pro forma adjustments, the assets and liabilities of PCT have been measured based on various preliminary estimates using assumptions that NeoStem management believes are reasonable utilizing information currently available.

The process for estimating the fair values of in-process research and development, identifiable intangible assets, and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows, developing appropriate discount rates, and estimating the costs, timing and probability of success to complete in-process projects. Transaction costs are not included as a component of consideration transferred. The excess of the purchase price (consideration transferred) over the estimated amounts of identifiable assets and liabilities of PCT as of the effective date of the acquisition will be allocated to goodwill. The purchase price allocation is subject to finalization of NeoStem's analysis of the fair value of the assets and liabilities of PCT as of the effective date of the acquisition. Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial statements presented above is preliminary and will be adjusted upon completion of the final valuation. Such adjustments could be material. The final valuation is expected to be completed as soon as practicable but no later than one year after the consummation of the acquisition.

For purposes of measuring the estimated fair value of the assets acquired and liabilities assumed as reflected in the unaudited pro forma condensed combined financial statements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. As a result, NeoStem may be required to value assets at fair value measures that do not reflect NeoStem's intended use of those assets. Use of different estimates and judgments could yield different results.

In connection with the Merger, four PCT executives have entered into employment agreements with PCT that will become effective on the closing date of the Merger. These employment agreements are specific to each executive and specify the employment term (3 to 4 years), salary levels and in certain circumstances performance bonuses. Each employment agreement contains non-compete provisions and each individual will be granted a NeoStem stock option vesting over term of the agreement. A total of 1,200,000 stock options will be granted to these individuals.

When these transactions are completed, NeoStem will account for these transactions in accordance with Accounting Standards Codification 805-10 ("ASC 805-10"). ASC 805-10 provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. ASC 805-10 also requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If the fair value of an asset or liability cannot be determined, the asset or liability that arises from a contingency, the asset or liability would be recognized in accordance with Accounting Standards Codification 30-1 ("ASC 30-1") and if the fair value is not determinable no asset or liability would be recognized. At the present time, we are not in possession of all of the information to apply ASC 805-10 or ASC 30-1 to these unaudited proforma condensed combined financial statements and will not be in possession of such information until the Effective Date. Therefore, for the purposes of preparing these unaudited proforma condensed combined financial statements we have established an estimated fair value of the equities being offered in this transaction as of September 10, 2010. The preliminary purchase price allocation is based on management's estimate of acquired tangible and intangible assets and will be adjusted based on the final valuation to be completed within one year from the acquisition date. The excess of the total purchase price over the fair value of the net assets acquired, including the estimated fair value of the identifiable intangible assets, has been allocated to goodwill. We expect that the fair value of current assets and remaining machinery and equipment will approximate the book value of these assets and that the excess of purchase price over net deficit will be assigned to Goodwill and intangible assets including, customer lists, in process research and development, specialized manufacturing knowledge and any non-compete agreements. The useful lives of these intangible assets are expected to range between 5 years and 10 years based on the useful lives of the various assets.

Calculation of Estimated Consideration Transferred and Preliminary Allocation of Consideration Transferred to Net Assets Acquired

The fair value of equity securities issued as consideration transferred will be measured using the market price of NeoStem common stock on the closing date. As of September 10, 2010 the estimated fair value of the various equities being issued is as follows:

Calculation of Estimated Consideration Transferred (in $000's)

	Number of Shares	Fair Value Per Share at September 10, 2010	Fair Value at September 10, 2010
Common Stock	11,200,000	$ 1.73	$ 19,376.0
Common Stock Purchase Warrants	3,000,000		1,569.3
			$ 20,945.3

Based on the terms and conditions of each of the warrants to be issued, we have determined that all warrants are to be accounted for as an equity instrument and included in the purchase price based on the probability that each warrant will be issued or vested**.**

Assuming a $0.50 change in NeoStem's closing common stock price, the estimated consideration transferred would increase or decrease by approximately $5.6 million which would have a corresponding offset to estimated goodwill.

Preliminary Allocation of Consideration Transferred to Net Assets Acquired (in $000's)	
Identifiable intangible assets	$ 11,000.0
Property, plant and equipment	9,728.9
Deferred costs	5,539.7
Other non-current assets	196.1
Current assets, excluding deferred costs	1,994.5
Current liabilities	(11,492.8)
Deferred income taxes	(5,289.5)
Long-term debt, net of current maturities	(2,763.2)
Deferred lease liability	(107.4)
Goodwill	12,139.0
Estimated purchase price to be allocated	$ 20,945.3

Proforma Adjustments for the Unaudited Proforma Condensed Combined Financial Statements (Dollar amounts in $000's):

(a) This entry records the acquisition of the membership interests of PCT for aggregate consideration of approximately $20,945.3, through the issuance of 11,200,000 shares of NeoStem common stock and 3,000,000 common stock purchase warrants.

(b) This entry records the estimated goodwill that will be recorded in connection with the Merger.

(c) This entry records the intangible assets management expects to acquire in the Merger. The preliminary purchase price allocation is based on management's estimate of acquired tangible and intangible assets and will be adjusted based on the final valuation to be completed within one year from the acquisition date. The excess of the total purchase price over the fair value of the net assets acquired, including the estimated fair value of the identifiable intangible assets, has been allocated to goodwill. Below is a preliminary summary of the significant intangible assets that NeoStem expects to acquire in the Merger:

Preliminary Summary of Intangible Assets (in $000's)

	Estimated Value	Useful Life	Estimated Annual Amortization
Customer list and other related intangibles	$ 1,500.0	10	$ 150.0
In process R&D	500.0	*	-
Non-compete agreements	1,500.0	5	300.0
Knowledge related to manufacturing clinical and patient specific therapeutics	7,500.0	10	750.0
	$ 11,000.0		$ 1,200.0

* This amount will be capitalized and accounted for as an indefinite-life intangible asset, subject to impairment testing. NeoStem will evaluate this intangible asset at least annually to determine if any impairment has occurred.

(d) This entry records the capitalization of estimated gross profit associated with PCT projects in process at June 30, 2010 based on the total estimated gross profit to be earned and the estimated percentage of completion for each project at June 30, 2010.

(e) For the purposes of these proforma combined financial statements it is assumed that the carrying value of this asset or liability approximates its fair value.

(f) This entry records the estimated tax liability to be paid in the future due to the non-deductibility of the identifiable intangible assets and increase in deferred project costs expected to be acquired in the Merger.

(g) This entry reflects the impact of amortizing the estimated value of the intangible assets that will be acquired in the Merger and realization of the related deferred tax liability. The amortization is based on the estimated useful lives of these intangibles ranging between 5 and 10 years.

(h) On December 31, 2009, NeoStem and PCT entered into a construction management agreement for the construction of NeoStem's stem cell laboratory in Beijing, China. This transaction has been reflected on NeoStem's balance sheet at June 30, 2010 in property, plant and equipment, and PCT reflected this transaction in revenue and cost of revenue in its statement of operations for the six months ended June 30, 2010. This entry eliminates the intercompany revenue and intercompany profit that exists on these transactions.

(i) On January 9, 2009, NeoStem and PCT entered into an agreement which calls for PCT to provide stem cell cryopreservation services and stem cell storage services, and on March 6, 2009, NeoStem and PCT entered into a consulting agreement in connection with the design of a stem cell laboratory in Beijing, China. This entry eliminates the intercompany sales and intercompany profit that exists on these transactions for the year ended December 31, 2009 and the six months ended June 30, 2010.

(j) In connection with the Merger, four PCT executives have entered into employment agreements with PCT that will become effective on the closing date of the Merger. These employment agreements are specific to each executive and specify the employment term (3 to 4 years), salary levels and in certain circumstances performance bonuses. Each employment agreement contains non-compete provisions and each individual will be granted NeoStem stock options vesting over term of the agreement. A total of 1,200,000 stock options will be granted to these individuals. This entry records the stock option compensation associated with these collective grants.

(k) On September 14, 2009, PCT entered into a line of credit for $3.0 million. The credit line has an interest rate of 5.5% accruing on the first $2.0 million and 6% thereafter. The advance and accrued interest was due and payable on June 30, 2010. In conjunction with the original credit line, a warrant to purchase shares were issued by PCT to the lender. The holder is entitled to purchase, at its option, up to 73,052 Shares of Limited Liability Company Interests (PCT's ownership interests are expressed as shares of ownership with a maximum of 10,000,000 ownership shares authorized to be issued) at an exercise price of $6.16 per Share. NeoStem has agreed to payoff this credit line shortly after the Closing Date. The warrant is for seven years and expires September 14, 2016. The warrant was accounted for as deferred financing costs and valued using the Black-Scholes pricing model. This resulted in deferred financing cost of approximately $326 thousand which was amortized as interest expense over the term of the loan ($120.2 thousand in 2009 and $206.1 thousand in 2010). On June 30, 2010, PCT increased the maximum amount of the line of credit from $3.0 million to $3.4 million and the line of credit now has a revised maturity date of June 30, 2011. In connection with the revision of the credit line PCT issued a warrant for 85,000 Shares of Limited Liability Company Interests that had a fair value of $392.2 thousand and has been reflected on PCT's balance sheet as deferred financing costs categorized within prepaids and other current assets. This entry reverses the expense charges associated with the warrant issued in June 2009, that were recognized in 2009 and 2010, since the charges will not continue after the close of the Merger. In addition, this entry also eliminates the value of the warrant issued in June 2010 for the extension of the credit line. In accordance with the terms of the Merger Agreement these warrants will be cancelled and not replaced with equity instruments issued by NeoStem.

(l) This entry eliminates the equity accounts of PCT.

(m) At the conclusion of this transaction, an additional 11,200,000 common shares will have been issued and for the purposes of calculating the unaudited proforma earnings/(loss) per share it has been assumed that these shares were outstanding as of January 1, 2009.

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of September 23, 2010, is by and among **NEOSTEM, INC.**, a Delaware corporation (the "Parent" or "NeoStem"), **NBS ACQUISITION COMPANY LLC**, a Delaware limited liability company ("Subco") and **PROGENITOR CELL THERAPY, LLC,** a Delaware limited liability company ("PCT").

RECITALS

WHEREAS, PCT and its subsidiaries are engaged in a wide range of services in the stem cell therapy market for the treatment of human disease, including but not limited to contract manufacturing, product and process development, consulting, product characterization and comparability, and storage, distribution, manufacturing and transport of Cell Therapy Products (as heretofore practiced by PCT, the "PCT Business");

WHEREAS, NeoStem desires to acquire the PCT Business through the merger of Subco with and into PCT, with PCT as the surviving entity (the "Merger"). Each of the parties has determined that the Merger is consistent with and in furtherance of its respective long-term business strategies and desires to combine their respective businesses and for the Members to have a continuing equity interest in the combined NeoStem/PCT businesses through the ownership of NeoStem securities;

WHEREAS, pursuant to the terms and subject to the conditions set forth in this Agreement, as consideration in the Merger, NeoStem shall issue to the Members (inclusive of Members holding any membership interests issued upon exercise of any PCT Options or PCT Warrants prior to the Closing) the following:

1. 11,200,000 shares of Parent Common Stock; and

2. Subject to certain conditions, certain Warrants to purchase an aggregate of up to 3,000,000 shares of Parent Common Stock on terms described herein; and

WHEREAS, the respective Boards of Directors or Managers of NeoStem, Subco and PCT have determined that the Merger, in the manner contemplated herein, is advisable and in the best interests of their respective equity holders and, by resolutions duly adopted, have approved and adopted this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions set forth herein, the parties hereto hereby agree as follows:

ARTICLE I

Definitions; Interpretations

Section 1.1 *Definitions*. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto.

"Affiliated Members" means Andrew Pecora, Robert Preti, Hackensack University Medical Center, BioScience 2002 LLC, George Goldberger, Marc Beer and Dempsey Gable.

"Agreement" means this Agreement and Plan of Merger.

"Balance Sheet Date" means June 30, 2010.

"Benefit Arrangement" means each (i) employee benefit plan, as defined in Section 3(3) of ERISA, (ii) employment contract and (iii) bonus, deferred compensation, incentive compensation, performance compensation, stock purchase, stock option, stock appreciation, restricted stock, phantom stock, savings, profit sharing, severance, termination pay (other than statutory or common law requirements for reasonable notice), health or other medical, salary continuation, cafeteria, dependent care, vacation, sick leave, overtime, holiday pay, fringe benefit, reimbursement, life insurance, disability or other (whether insured or self-insured) insurance, supplementary unemployment, pension retirement, supplementary retirement, welfare or other plan, program, policy or arrangement, whether written or unwritten, formal or informal, to which any employee or consultant of the PCT Business participates in or is covered under, or is otherwise a party.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks in New York City are open for the general transaction of business.

"Cell Therapy Product" means each of (i) human cells, tissues, and cellular- and tissue- based products as defined under 21 C.F.R. § 1271, specifically, articles, containing or consisting of human cells or tissues that are intended for implantation, transplantation, infusion, or transfer into a human recipient, including but not limited to hematopoietic stem/progenitor cells derived from peripheral and cord blood; (ii) human cellular- and tissue-based products PCT produces that are more than minimally manipulated for non-homologous use combined with at least one other article that raises new clinical safety concerns and/or has systemic effect on the metabolic activity of living cells for its primary function and are applicable to the prevention, treatment, or cure of a disease or condition of human beings; (iii) somatic cell-based products that are procured from a donor and intended for manipulation and/or administration as it is defined by the America Association of Blood Banks; and (iv) any definition proscribed by applicable state, local, or other Non-governmental Regulatory Body.

"Charter Members" means Andrew L. Pecora; Robert A. Preti; Hackensack University Medical Center; BioScience 2002 LLC; George S. Goldberger; Harry D. Harper; Andrew A. Jennis; Mark S. Pascal; Richard J. Rosenbluth; and Stanley E. Waintraub.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract" means any contract, agreement, indenture, note, bond, mortgage, loan, instrument, lease, license, commitment or other arrangement, understanding, undertaking, commitment or obligation, whether written or oral.

"Environmental Laws" means any federal, state or local law, statute, ordinance, rule, regulation, license, permit, authorization, approval, consent, court order, judgment, decree, injunction, code requirement or agreement with any Governmental Authority (x) relating to pollution (or the cleanup thereof or the filing of information with respect thereto), human health or the protection of air, surface water, ground water, drinking water supply, land (including land surface or subsurface), plant and animal life or damages for injury or loss of natural resources, or (y) concerning exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production or disposal of Regulated Substances, in each case as amended and as now or hereafter in effect. The term "Environmental Laws" includes, without limitation, any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to or threatened as a result of the presence of, exposure to, or ingestion of, any Regulated Substance.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means, the PCT Group and any other Person that, together with PCT, would be treated as a single employer under Section 414 of the Code.

"Escrow Account" means the escrow account established with the Escrow Agent in accordance with the Escrow Agreement to hold the Stock Consideration for up to two (2) years after Closing, as further described in Section 8.4.

"Escrow Agent" means Continental Stock Transfer, or any successor thereto acting as escrow agent under the Escrow Agreement.

"Excluded Liabilities" means the following liabilities or obligations of the PCT Group (whether or not relating to the PCT Business, and whether known or unknown, absolute, accrued, contingent or otherwise, or whether due or to become due, arising out of events or transactions or facts occurring on or prior to, the Closing Date):

(i) all liabilities and obligations of any kind existing as of the Closing Date owed or owing by PCT or its Subsidiaries to any Member or any Affiliate of a Member;

(ii) all liabilities and obligations of any kind existing as of the Closing Date of a nature properly characterized under GAAP as a long-term liability, including all Indebtedness properly characterized under GAAP as a long-term liability, other than the Real Estate Mortgage Loan and the NNJCA Obligation in the amount of up to $3 million;

(iii) all liabilities and obligations, whether absolute, accrued, contingent or otherwise, for Taxes, including, without limitation, any such liability or obligation for any income, sales, use or similar Taxes resulting from the transactions contemplated by this Agreement with respect to any period, other than currently due sales taxes for the second quarter reflected on the June 30, 2010 balance sheet or related to sales after June 30, 2010;

(iv) all damages, losses, liabilities, actions, claims, costs and expenses (including, without limitation, closure costs, fines, penalties, expenses of investigation and remediation and ongoing monitoring and reasonable attorneys' fees) directly or indirectly based upon, arising out of, resulting from or relating to (a) any violation of any Environmental Law by the PCT Group or any Person or entity acting on behalf of the PCT Group or any Person from or through which the PCT Group acquired title on or prior to the Closing Date (including, without limitation, any failure to obtain or comply with any permit, license or other operating authorization under provisions of any Environmental Law), (b) any violation of any rule, regulation or promulgation of the FDA by the PCT Group or any Person or entity acting on behalf of the PCT Group or any Person from or through which PCT Group acquired title on or prior to the Closing Date, (c) any act, omission, event, condition or circumstance occurring or existing, in connection with the PCT Business or otherwise, as of or prior to the consummation of the Closing relating to (X) removal, remediation, containment, cleanup or abatement of the presence of any Regulated Substance, whether on-site or off-site, or (Y) any claim by any third party, including without limitation, tort suits for personal or bodily injury, property damage or injunctive relief or (d) any failure to comply with any escheat law;

(v) all liabilities and obligations arising out of any lawsuit, action, proceeding, inquiry, claim, order or investigation by or before any Governmental Authority arising out of events, transactions, facts, circumstances, acts or omissions which occurred prior to or on the Closing Date, including, without limitation, personal injury or property damage, product liability or strict liability;

(vi) all liabilities or obligations of the PCT Group, related to the PCT Business or otherwise, not disclosed in the GAAP Financial Statements (or not arising in the Ordinary Course of PCT's Business after the Balance Sheet Date), of any kind or nature, whether known or unknown, absolute, accrued, contingent or otherwise, or whether due or to become due, arising out of events, transactions, facts, acts or omissions which occurred prior to or on the Closing Date; and

(vii) all liabilities that PCT, any Subsidiary of PCT and any Member may have with respect to PCT Expenses in excess of $200,000.

"FDA" means the United States Food and Drug Administration or any successor agency performing similar functions.

"FDA Package" means the FDA and state regulatory filings, approvals, correspondence and audit reports previously sent by PCT to Parent and its counsel.

"GAAP" means generally accepted accounting principles as in effect in the United States on the date of this Agreement.

"Governmental Authority" means any national, federal, state, provincial, county, municipal or local government, foreign or domestic, or the government of any political subdivision of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other quasi-governmental entity established to perform any of such functions.

"Indebtedness" means at a particular time, without duplication, (i) any obligations under any indebtedness for borrowed money (including, without limitation, all principal, interest, premiums, penalties, fees, expenses, indemnities and breakage costs), (ii) any indebtedness evidenced by any note, bond, debenture or other debt security, (iii) any commitment by which a Person assures a creditor against loss (including contingent reimbursement obligations with respect to letters of credit), (iv) any indebtedness pursuant to a guarantee, (v) any obligations under capitalized leases or with respect to which a Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or with respect to which obligations a Person assures a creditor against loss, and (vi) any indebtedness secured by a Lien on a Person's assets.

"Intellectual Property" any and all worldwide rights in, arising from or associated with the following, whether protected, created or arising under the Laws of the United States or any other jurisdiction or under any international convention: (i) all patents and applications therefor, including continuations, divisionals, continuations-in-part, or reissues of patent applications and patents issuing thereon, and all similar rights arising under the Laws of any jurisdiction (collectively, "Patents"), (ii) all trademarks, service marks, trade names, service names, brand names, corporate names, trade dress rights, logos, rights to use Internet domain names, and other general intangibles of a like nature, together with the goodwill associated with any of the foregoing, and all applications, registrations and renewals thereof (collectively, "Marks"), (iii) copyrights and registrations and applications therefor, works of authorship and mask work rights (collectively, "Copyrights"), (iv) discoveries, concepts, ideas, research and development, know-how, formulae, inventions, compositions, technical data, procedures, designs, drawings, specifications, databases, and other proprietary and confidential information, including, without limitation, lists and databases of attendees, speakers, exhibitors and sponsors, customer lists, supplier lists, pricing and cost information, and business and marketing plans and proposals, in each case excluding any rights in respect of any of the foregoing that comprise or are protected by Copyrights or Patents (collectively, "Trade Secrets"), (v) all Software and Technology and (vi) all rights to any of the foregoing pursuant to any Intellectual Property License.

"Intellectual Property License" means (i) any grant to a third Person of any right to use any of the PCT Group Intellectual Property, and (ii) any grant to the PCT Group of a right to use a third-person's Intellectual Property.

"Knowledge" means the actual knowledge, after due inquiry, of each of the managers and executive officers of PCT, including but not limited to the following individuals (the "Knowledge Group"): Andrew Pecora, Robert Preti, Daryl LaSueur, George Goldberger, Marc Beer, and Dempsey Gable; except when Knowledge refers to the knowledge of NeoStem, the Knowledge Group means Robin Smith, Larry May and Catherine Vaczy.

"Law" means any foreign, federal, state or local law (including common law), statute, code, ordinance, rule, regulation or other requirement.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits, investigations, proceedings or claims by or before a Governmental Authority.

"Lien" or "Liens" means any mortgage, pledge, security interest, right of first refusal, option, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), any sale of receivables with recourse against PCT or any of its Subsidiaries, any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code or any similar statute (other than to reflect ownership by a third party of property leased to PCT or any of its Subsidiaries under a lease which is not in the nature of a conditional sale or title retention agreement), any subordination arrangement in favor of another Person, or voting trusts, proxies or restrictions (other than restrictions imposed by federal or state securities laws) of any kind.

"Material Adverse Effect" means, with respect to any Person, any change, occurrence or development that individually or in the aggregate has or would reasonably be expected to have a material adverse effect on the business, results of operations, assets, liabilities, operations, or financial condition of such party and its subsidiaries taken as a whole, but does not include any event, circumstance, change or effect that individually or in the aggregate results from (a) any event, condition or circumstance affecting the industry in which the Person is engaged, provided such Person is not disproportionately adversely impacted thereby, (b) the announcement or pendency of the transactions contemplated by this Agreement, (c) with respect to PCT, any action taken by PCT at NeoStem's request or pursuant to this Agreement, (d) acts of war or terrorism, and (e) general economic, political or financial market conditions.

"Member" means an equity holder of PCT.

"NNJCA Obligation" means the working capital loan due to Northern New Jersey Cancer Associates ("NNJCA") from PCT with a current principal balance of $3,400,000 and which shall have been reduced to a total claim (whether for principal, interest or otherwise) of $3,000,000 immediately prior to Closing.

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.

"Ordinary Course of PCT's Business" means the ordinary and usual course of day-to-day operations of the PCT Business through the date hereof consistent with past practice.

"Parent Common Stock" shall mean shares of common stock, par value $0.001 per share, of NeoStem, Inc.

"Parent Per Share Value" shall mean, with respect to Parent Common Stock, the volume weighted average of the closing prices of sales of Parent Common Stock on the NYSE-Amex for the three trading days ending on the trading day that is two days prior to the Closing Date.

"PCT Documents" means this Agreement and each other agreement, document, instrument or certificate to be executed by PCT or any of the Subsidiaries or Members in connection with the consummation of the transactions contemplated hereby.

"PCT Expenses" means all costs and expenses incurred by PCT or any Subsidiary in connection with the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated hereby or obtaining any requisite consents or approvals of the Agreement or the transactions contemplated hereby, including any brokerage, investment bankers or similar fees and any attorneys' or accounting fees.

"PCT Group" means PCT, each of its Subsidiaries and any other entity that is controlled by PCT or any of its Subsidiaries or under common control (but not Amorcyte, Inc.). Unless the context expressly indicates to the contrary, each reference herein to the PCT Group constitutes a reference to PCT and each other Person that is part of the PCT Group both conjunctively and disjunctively. Any reference herein to a "Person in the PCT Group" shall be broadly interpreted, and refers to PCT, each of its Subsidiaries and any other entity that is a Person in the PCT Group.

"PCT Group Intellectual Property" means all rights, including but not limited to, rights of ownership and rights under license from any Person, of the PCT Group with respect to any Intellectual Property. Notwithstanding the foregoing, PCT Group Intellectual Property does not include patents owned by Amorcyte, Inc. or one patent owned by Robert Preti, each as described on **Schedule 4.15(a)**.

"PCT Options and PCT Warrants" shall mean (a) all options to acquire equity of PCT issued to former or current employees or consultants of PCT and (b) all other options, warrants or rights or agreements to acquire or commitments to issue the equity of PCT.

"PCT Product" means any product or service offering of the PCT Group or product or service marketed, sold, licensed or distributed by the PCT Group.

"PCT Representative" shall mean Andrew Pecora.

"Permits" means any approvals, authorizations, consents, licenses, permits or certificates of a Governmental Authority and any non-governmental regulatory body licenses, certifications or accreditations, such as those from the American Association of Blood Banks (AABB) and the Foundation for the Accreditation of Cellular Therapy (FACT).

"Person" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust or joint venture, or a governmental agency or political subdivision thereof.

"Purchaser Documents" means this Agreement and each other agreement, document, instrument or certificate to be executed by the Parent or Subco in connection with the consummation of the transactions contemplated hereby.

"Real Estate Mortgage Loan" means the mortgage loan secured by PCT's real estate in Allendale, New Jersey with a principal balance of approximately $2.9 million as of July 31, 2010 due to TD Bank.

"Regulated Substances" means pollutants, contaminants, hazardous or toxic substances, compounds or related materials or chemicals, hazardous materials, hazardous waste, flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products (including, but not limited to, waste petroleum and petroleum products) as regulated under applicable Environmental Laws.

"Software" means any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (iv) all documentation including user manuals and other training documentation related to any of the foregoing.

"Subsidiary" means any entity (a) the accounts of which are required as of the date hereof or as of the Closing Date to be consolidated with those of PCT in PCT's consolidated financial statements pursuant to GAAP; or (b) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests or more than 50% of the profits or losses are, as of the date hereof or as of the Closing Date, owned, controlled or held by PCT or one or more Subsidiaries of PCT, and shall include, but not be limited to PCT Allendale LLC, DomaniCell LLC and Athelos Corporation.

"Tax," "tax," "Taxes" or "taxes" means (i) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, alternative minimum or add-on minimum tax, gross income, gross receipts, capital, paid-up capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, environmental, windfall profits, customs duties, fees, or other like assessments and charges of any kind whatsoever, (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Taxing Authority in connection with any item described in clause (i) and (iii) any transferee liability in respect of any items described in clauses (i) and/or (ii) payable by reason of Contract, assumption, transferee liability, operation of Law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Law) or otherwise, in each case whether or not disputed.

"Taxing Authority" means the Internal Revenue Service and any other Governmental Authority responsible for the administration of any Tax.

"Tax Return" or "tax return" means any return, report or statement filed or required to be filed with respect to any Tax (including any attachments thereto, and any amendment thereof) including any information return, claim for refund, amended return or declaration of estimated Tax, and including, where permitted or required, combined, consolidated or unitary returns for any group of entities that includes any Person within the PCT Group or any Affiliate of any Person within the PCT Group.

"Technology" means, collectively, (i) all designs, formulae, algorithms, procedures, methods, techniques, ideas, know-how, research and development, technical data, programs, subroutines, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, (ii) all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of any of the foregoing, in any form whether or not specifically listed herein, and (iii) all related technology that is used in, incorporated in, embodied in, displayed by or relate to any of the foregoing or is otherwise owned or used by the PCT Group (except that it is understood that the PCT Group does not own customer-owned Technology used by it in the PCT Business).

"Transaction Documents" means Purchaser Documents and PCT Documents.

"Warrants" means collectively any of the following common stock purchase warrants of Parent which may be issued to the Members at the Closing: the $3.00 Warrants, the $5.00 Warrants and the $7.00 Warrants.

Section 1.2 *Other Definitions*. The following table identifies the sections in this Agreement where certain other definitions are set forth:

Defined Term	Section
$3.00 Warrants	Section 3.1(b)
$3.00 Warrant Condition	Section 3.1(d)
$5.00 Warrants	Section 3.1(b)
$5.00 Warrant Condition	Section 3.1(e)
$7.00 Warrants	Section 3.1(b)
$7.00 Warrant Condition	Section 3.1(c)
Adjusted Stock Consideration	Section 3.3(b)
Adjusted Closing Working Capital	Section 3.3(c)
Adjusted Closing Working Capital Statement	Section 3.3(c)
Balance Sheet	Section 4.9(a)
Bankruptcy/Equity Exception	Section 4.2
Business Consultant	Section 4.18(b)
Business Employees	Section 4.18(a)
Business Property	Section 4.7(b)
Certificate of Merger	Section 2.2
Closing	Section 2.2
Closing Balance Sheet	Section 3.3(c)
Closing Date	Section 2.2
Collar	Section 3.3(b)
Company Benefit Plan	Section 4.17
Company Disclosure Letter	Article IV - First Paragraph
Company Employees	Section 4.17
Competitive Business	Section 6.6(a)
Confidential Information	Section 6.6(b)
Control	Section 1.1, Definition of “Affiliate”
Copyrights	Section 1.1, Definition of “Intellectual Property”
Damages	Section 8.2(a)
DLLCA	Section 2.1
Effective Time	Section 2.2
EisnerAmper	Section 4.9(a)
Employee Claims	Section 3.6(a)
Escrow Agreement	Section 3.2
Escrow Period	Section 8.4(a)
Exchange Act	Section 4.27
Exchange	Section 7.1(f)
Fair Market Value	Section 8.4(b)
Final Submission	Section 2.5(b)(iii)
FINRA	Section 4.28
GAAP Financial Statements	Section 4.9(a)
Indemnified Party	Section 8.2(c)
Indemnifying Party	Section 8.2(c)
Key Employees	Section 7.2(i)

Leased Property	Section 4.7(a)
Lock-Up Member	Section 4.11(c)
Marks	Section 1.1, Definition of “Intellectual Property”
Merger	Second Recital
Material Contracts	Section 4.16(a)
Multiemployer Plan	Section 4.17(b)
NBS Acquisition Proposal	Section 6.5(b)
NeoStem	Opening Paragraph
NeoStem Meeting	Section 4.27
Net Lost Agreements	Section 3.3(h)
NNJCA	Section 1.1; Definition of NNJCA Obligation
Off-The-Shelf Software	Section 4.15(f)
Owned Property	Section 4.7(a)
Parent	Opening Paragraph
Parent Indemnified Parties	Section 8.2(a)
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PCT Business	First Recital
PCT Claims	Section 6.10(a)
PCT Indemnified Parties	Section 8.2(b)
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Survival Period	Section 8.1(a)
Surviving Company	Section 2.1
Target Working Capital	Section 3.3(b)
Termination Date	Section 8.4(a)
Threshold	Section 8.2(d)
Trade Secrets	Section 1.1, Definition of “Intellectual Property”
Valuation Report	Section 6.2(b)
Voting Agreement	Section 4.11(c)

Section 1.3 *Interpretation*. Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, "herein," "hereto," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular Section or paragraph hereof; (ii) words importing the masculine gender shall also include the feminine and neutral genders, and vice versa; and (iii) words importing the singular shall also include the plural, and vice versa.

ARTICLE II

The Merger

Section 2.1 *The Merger.* Upon the terms and subject to the conditions hereof, and in accordance with the provisions of the Delaware Limited Liability Company Act (the "DLLCA"), Subco shall be merged with and into PCT at the Effective Time. As a result of the Merger, the separate existence of Subco shall cease and PCT shall continue its existence under the laws of the State of Delaware as a wholly-owned Subsidiary of NeoStem. PCT, in its capacity as the limited liability company surviving the Merger, is hereinafter sometimes referred to as the "Surviving Company."

Section 2.2 *Effective Time.* The parties shall cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a certificate of merger (the "Certificate of Merger") in such form as is required by Section 18-209 of DLLCA and executed in accordance with the DLLCA. The Merger shall become effective (the "Effective Time") when the Certificate of Merger has been filed with the Delaware Secretary of State, which filing shall occur on the Closing Date, or at such later time as shall be agreed upon by NeoStem and PCT and specified in the Certificate of Merger. Prior to the filing referred to in this Section 2.2, a closing (the "Closing") shall be held at the offices of Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey 07068 or such other place as the parties may agree, as soon as practicable (but in any event within five Business Days) following the date upon which all conditions set forth in Article VII hereof have been satisfied or waived, or at such other date as NeoStem and PCT may agree, provided that the conditions set forth in Article VII have been satisfied or waived at or prior to such date. The date on which the Closing takes place is referred to herein as the "Closing Date." For all tax purposes, the Closing shall be effective at the end of the day on the Closing Date.

Section 2.3 *Effects of the Merger.* From and after the Effective Time, the Merger shall have the effects set forth in Section 18-209(g) of the DLLCA.

Section 2.4 *Certificate of Formation and Operating Agreement.* At the Effective Time, (i) the certificate of formation of the Surviving Company as in effect immediately prior to the Effective Time shall be amended as of the Effective Time so as to contain the provisions, and only the provisions, contained immediately prior thereto in the certificate of formation of PCT (with any modifications reasonably requested by Parent), and (ii) the limited liability company agreement of Subco in effect immediately prior to the Effective Time shall be the limited liability company agreement of the Surviving Company; in each case until amended in accordance with applicable law. All obligations of the Members of PCT under the Operating Agreement, including obligations to PCT with respect to confidentiality and competition, to the extent applicable to any Member, shall remain in full force and effect for the time periods set forth in the Operating Agreement for the continued benefit of the Surviving Company, and no release from those obligations is intended by reason of the Merger.

Section 2.5 *Managers and Officers of the Surviving Company.* From and after the Effective Time, individuals designated by NeoStem prior to the Effective Time shall be the officers and managers of the Surviving Company, in each case until their respective successors are duly elected and qualified. On or prior to the Closing Date, PCT shall deliver to NeoStem a written resignation, in form and substance satisfactory to NeoStem, from each manager and officer of PCT, effective as of the Effective Time.

ARTICLE III

Conversion and Distribution of Securities

Section 3.1 *Conversion of Capital Stock.* At the Effective Time, by virtue of the Merger and without any action on the part of NeoStem, Subco or PCT or their respective stockholders or members, as the case may be:

(a) Each membership interest of Subco issued and outstanding immediately prior to the Effective Time shall be converted into a membership interest of the Surviving Company. Such membership interests shall thereafter constitute all of the issued and outstanding equity of the Surviving Company, so that NeoStem shall own all of the membership interests in, and equity of, the Surviving Company.

(b) Subject to the other provisions of this Article III, all of the membership interests of PCT issued and outstanding immediately prior to the Effective Time (inclusive of any PCT Membership Interest issued upon exercise of any PCT Options or Warrants) shall be cancelled and converted into the right to receive in the aggregate the following securities of NeoStem:

(i) 11,200,000 shares of Parent Common Stock, adjusted as set forth in Section 3.3 (the "Stock Consideration"), and

(ii) Subject to satisfaction of certain conditions described below, (x) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock over a seven year period at an exercise price of $3.00 per share (the "$3.00 Warrants"), (y) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock over a seven year period at an exercise price of $7.00 per share (the "$7.00 Warrants"), and which vest only if the $7.00 Warrant Condition is satisfied within three (3) years of the Closing Date, and (z) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock over a seven year period at an exercise price of $5.00 per share (the "$5.00 Warrants").

(c) Exercise of the $7.00 Warrants shall be subject to a performance condition such that the $7.00 Warrants will not vest and will not become exercisable unless the Surviving Company secures, prior to the third annual anniversary of the Closing Date, one or more material binding commercial manufacturing contracts with one or more third parties, each on an arm's length basis, which commercial manufacturing contracts result in aggregate revenues to the Surviving Company in excess of $5 million per year over a period of at least 3 years and in the reasonable judgment of Parent's Board of Directors the manufacturing contracts will be profitable each year during the term of such contracts in accordance with GAAP (the "$7.00 Warrant Condition")**.**

(d) Issuance of the $3.00 Warrants will not be required nor occur, and all references to the $3.00 Warrants shall be deemed to be eliminated from this Agreement, if the Parent Per Share Value is $2.50 or greater (the "$3.00 Warrant Condition").

(e) Issuance of the $5.00 Warrants will not be required nor occur, and all references to the $5.00 Warrants shall be deemed eliminated from this Agreement, if the Parent Per Share Value is $1.70 or greater (the "$5.00 Warrant Condition").

(f) Transfer of any shares issued upon exercise of the Warrants will be restricted until the date one year after the Closing Date pursuant to the terms of the Warrants. The $7.00 Warrants will vest only if and after the $7.00 Warrant Condition is satisfied. The Warrants otherwise shall be on customary terms for Parent common stock purchase warrants as set forth in **Exhibit C.**

(g) PCT covenants that, prior to the Closing Date, it will cause all PCT Options and PCT Warrants to have been cancelled or exercised, without liability to PCT or Parent, so that no amounts will be due to holders of PCT Options and PCT Warrants unless they exercise such instruments prior to Closing and receive their portion of the Stock Considerations and Warrants as a Member of PCT.

Section 3.2 *Payments by the Parent*. Upon the terms and subject to the conditions of this Agreement and on the basis of the representations, warranties and agreements contained herein, at the Closing, the Parent shall cause its transfer agent to issue the Stock Consideration in the name of the Escrow Agent, as agent for the Members, and to deliver the Stock Consideration to the Escrow Agent, to be held and disbursed by the Escrow Agent pursuant to the terms and conditions of an escrow agreement in the form and substance of the escrow agreement annexed hereto as **Exhibit B**, subject to such modifications thereof as the Escrow Agent shall reasonably request prior to the Closing and as shall be accepted by the Parent and PCT (such acceptance not to be unreasonably denied) (as so modified, the "Escrow Agreement"). The stock certificates representing such shares of Parent Common Stock shall bear restrictive legends as set forth in the Escrow Agreement. Parent also shall issue the Warrants in the name of the Members. The Escrow Agreement shall prohibit transfers of interests in the Escrow Account or any of the Stock Consideration, directly or indirectly, until released from the Escrow Account.

Section 3.3 *Adjustment to Total Consideration.*

(a) At Closing, PCT shall provide the Parent with an estimated balance sheet of PCT's Business as of the close of business on the Closing Date (the "Estimated Closing Balance Sheet") and a statement of the estimated Adjusted Closing Working Capital (as defined in Section 3.3(c) below), derived from the Estimated Closing Balance Sheet (the "Estimated Adjusted Closing Working Capital"). The Estimated Closing Balance Sheet shall reflect all payments required to be made by PCT on or as of the Closing Date (including, without limitation, the PCT Expenses).

(b) If the Estimated Adjusted Closing Working Capital is less than the Target Working Capital (as defined below) by more than Two Hundred Fifty Thousand Dollars ($250,000) (the "Collar") , the Stock Consideration payable at Closing will be decreased by the amount by which the Estimated Adjusted Closing Working Capital is less than the Target Working Capital minus the Collar. The decrease will reduce the Stock Consideration on a dollar for dollar basis, with each Share of Stock Consideration valued at the Parent Per Share Value. The "Target Working Capital" shall be $105,593, exclusive of at least $353,860 of restricted cash securing the Mortgage (which restricted cash must also be available to the Surviving Company at Closing) and inclusive of $392,192 of deferred financing costs. The term "Adjusted Stock Consideration", as used in Section 3.3, shall mean the Stock Consideration as decreased (if at all) by this Section 3.3.

(c) The Adjusted Stock Consideration shall be further adjusted as provided herein after the Closing to reflect the difference, if any, between the Adjusted Closing Working Capital determined pursuant to this Section 3.3(c) and the Estimated Adjusted Closing Working Capital. "Adjusted Closing Working Capital" means the Current Assets of PCT's Business (including cash, cash equivalents, prepaid expenses and other current assets, and accounts receivable but, for these purposes, not including the $353,860 of restricted cash or deferred project costs) less the sum of the Current Liabilities of the Business (but not included, for these purposes, the following line items: current maturity of long-term debt, borrowings under line of credit-related party, due to Amorcyte, Inc. and deferred revenues). Except as otherwise specified in the definition, each of the elements of Adjusted Closing Working Capital shall be determined as of the close of business on the Closing Date and in accordance with GAAP applied consistently with the GAAP Financial Statements (except that no fair value adjustment required by acquisition accounting shall be made to any of PCT's assets or liabilities and for the purposes of this calculation the above referred to deferred financing costs at Closing shall remain at $392,192 irrespective of the amortization of deferred financing costs or cancellation of the warrants) and reflect all payments required to be made by PCT on or as of the Closing Date (including, without limitation, the PCT Expenses). Within sixty (60) calendar days following the Closing Date, the Parent shall deliver to the PCT Representative a balance sheet of PCT's Business as of the open of business on the Closing Date (the "Closing Balance Sheet") and a statement setting forth the Adjusted Closing Working Capital derived from the Closing Balance Sheet (the "Adjusted Closing Working Capital Statement"). To the extent the Parent fails to deliver the Closing Balance Sheet to the PCT Representative within such sixty (60) day period, then the Estimated Closing Balance Sheet shall be final, conclusive and binding on upon all parties.

(d) The Closing Balance Sheet and the Adjusted Closing Working Capital Statement (and the computation of the Adjusted Closing Working Capital indicated thereon) delivered by the Parent to the PCT Representative shall be conclusive and binding upon the parties unless the PCT Representative, within thirty (30) calendar days after receipt by the PCT Representative of the Closing Balance Sheet and the Adjusted Closing Working Capital Statement, notifies the Parent in writing that the PCT Representative disputes any of the amounts set forth therein, specifying the nature of the dispute and the basis therefor. The parties shall in good faith attempt to resolve any dispute, in which event the Closing Balance Sheet and the Adjusted Closing Working Capital Statement (and the computation of Adjusted Closing Working Capital indicated thereon), as amended to the extent necessary to reflect the resolution of the dispute, shall be conclusive and binding on the parties. If the parties do not reach agreement in resolving any and all such disputes within twenty (20) calendar days after notice is given by the PCT Representative to the Parent pursuant to the second preceding sentence, the parties shall, within twenty (20) days thereafter, jointly select and engage an independent accounting firm (other than the Parent's or the PCT Representative's accounting firm) (the "Firm") to resolve any remaining disputes regarding the Closing Balance Sheet and the Adjusted Closing Working Capital Statement. Promptly, but no later than twenty (20) calendar days after acceptance of its appointment as the Firm, the Firm shall determine (it being understood that in making such determination, the Firm shall be functioning as an expert and not as an arbitrator), based solely on written submissions by the Parent and the PCT Representative, each containing a computation of Adjusted Closing Working Capital (the final submission made by the Parent and the PCT Representative to the Firm being referred to herein as such Party's "Final Submission"), and not by independent review, only those issues in dispute and shall render a written report as to the resolution of the disputes and the resulting computation of the Adjusted Closing Working Capital. Such written report shall be conclusive and binding on the parties. All proceedings conducted by the Firm shall take place in New York, New York. In resolving any disputed item, the Firm (x) shall be bound by the provisions of this Section 3.3(d) and (y) may not assign a value to any item greater than the greatest value for such item claimed by either Party or less than the smallest value for such item claimed by either Party. The fees, costs and expenses of the Firm shall be borne solely by the Party whose calculation of Adjusted Closing Working Capital, as reflected in such Party's Final Submission, is furthest in amount, whether positive or negative, from the amount of Adjusted Closing Working Capital as determined by the Firm.

(e) Upon final determination of the Adjusted Closing Working Capital as provided in Section 3.3(d), if the Adjusted Closing Working Capital is less than the Estimated Adjusted Closing Working Capital, the Adjusted Stock Consideration shall be further decreased by the lesser of (i) the excess of the Estimated Adjusted Closing Working Capital over the Adjusted Closing Working Capital or (ii) the excess of (x) the Target Working Capital minus the collar over (y) the Adjusted Closing Working Capital. Parent shall direct the Escrow Agent to return to Parent, within five (5) Business Days of such determination, Shares of Parent Stock representing such amount with each Share of stock valued at the Parent Per Share Value as of the payment date.

(f) Upon final determination of the Adjusted Closing Working Capital as provided in Section 3.3(d), if the Adjusted Closing Working Capital is greater than the Estimated Adjusted Closing Working Capital, the Adjusted Stock Consideration shall be increased by the lesser of (x) the excess of the Adjusted Closing Working Capital over the Estimated Adjusted Closing Working Capital and (y) the dollar amount of the adjustment to the Adjusted Stock Consideration made pursuant to paragraph (b) above (and in any case limited so that the Stock Consideration may never exceed 11.2 million shares). Parent shall, within five (5) Business Days of such determination, return to the Escrow Agent Shares of Parent Stock representing such amount with each Share of stock valued at the Parent Per Share Value as of the payment date.

(g) PCT undertakes and covenants to make all payments required in the Ordinary Course of PCT's Business through the Closing Date, including the payment of all accounts payable, the payment of $400,000 to NNJCA and other obligations, when due. It is understood that payment in the Ordinary Course of PCT's Business would not require payment prior to the Closing Date of (i) accounts payable which are less than 60 days past due as of the Closing Date, and (ii) accounts payable which are currently in dispute and listed on **Schedule 3.3(g)**; provided, however, that all expenses of PCT (including those that might be less than 60 days past due at Closing) have been accounted for in the Working Capital Adjustment. The Surviving Company will obtain the benefit of all cash and accounts receivable of PCT (including without limitation, approximately $353,860 held in escrow with TD Bank and all amounts in PCT's operating accounts), and will be responsible for all PCT accounts payable incurred in the Ordinary Course of PCT's Business subject to Article VIII.

(h) **Schedule 3.3(h)** lists all material service agreements to which PCT is currently a party. The Stock Consideration shall be reduced (and not increased) by an amount equal to the product of 250,000 shares of Parent Common Stock multiplied by the Net Lost Agreements. "Net Lost Agreements" means a number (not less than zero) equal to (i) the number of material service agreements listed on **Schedule 3.3(h)** which are terminated prior to the Closing Date, or as to which PCT receives a notice of termination prior to the Closing Date minus (ii) the number of comparable new material service agreements entered into and as to which services are provided by PCT to the counterparty between the date hereof and the Closing Date.

Section 3.4 *Distributions; Exchange Ratio; Fractional Shares; Adjustments*.

(a) Pursuant to the Voting Agreement, dated as of the date hereof, the Lock-Up Members have irrevocably agreed to vote in favor of the Merger, the Merger Agreement and the Escrow Agreement and agreed to certain transfer restrictions with respect to their membership interests in the Company prior to the Effective Time.

(b) Each Member shall receive, for its membership interest in PCT, a percentage of the Adjusted Stock Consideration and Warrants equal to its membership percentage interest. At the Closing, PCT shall deliver to the Parent and the Escrow Agent a certification from Andrew Pecora and Robert Preti with respect to each Member's membership percentage interests, which certification shall be conclusive and binding on the Members (the "Percentage Certification").

(c) No certificates for fractional shares of Parent Common Stock or Warrants to purchase fractional shares of Parent Common Stock shall be issued. In lieu of any fractional shares or Warrants to purchase a fractional share to which the Members would otherwise be entitled as a result of the distributions provided for herein or in the Escrow Agreement based on the Percentage Certification, all stock issuances of Parent Common Stock or Warrant amounts shall be rounded up or down to the nearest whole share, so that no more than the whole number of shares represented by the Adjusted Stock Consideration and no more than 1,000,000 Warrants of each class shall ever be issued.

(d) In the event that, subsequent to the date hereof and prior to the Effective Time, NeoStem shall declare a stock dividend or other distribution payable in shares of Parent Common Stock or securities convertible into shares of Parent Common Stock or effect a stock split, reclassification, combination or other change with respect to shares of Parent Common Stock, the Adjusted Stock Consideration and Warrants shall be proportionately adjusted to reflect such dividend, distribution, stock split, reclassification, combination or other change.

Section 3.5 *Delivery of Certificates to Escrow Agent.* Promptly following the Effective Time, NeoStem shall deposit with the Escrow Agent, for distribution in accordance with the Escrow Agreement, certificates representing 11,200,000 shares of the Parent Common Stock in the name of the Escrow Agent for eventual distribution to the Members consistent with the Escrow Agreement. So long as any shares of Parent Common Stock are held in escrow, the Escrow Agreement shall provide that the shares of Parent Common Stock be voted on any matter presented to the shareholders of NeoStem by the Escrow Agent as directed by the Board of Directors of NeoStem.

Section 3.6 *Document Deliveries at the Closing*.

(a) *Document Deliveries by PCT and the Members*. Upon the terms and subject to the conditions of this Agreement and on the basis of the representations, warranties and agreements contained herein, PCT, the other Persons in the PCT Group and/or the Members, as the case may be, shall execute and deliver, or cause to be executed and delivered, as the case may be, the following documents at or prior to the Closing:

(i) The Certificate of Merger.

(ii) PCT shall cause its counsel, Epstein Becker, to deliver to Parent and Subco an opinion of counsel, in the form and substance of the opinion letter annexed hereto as **Exhibit D**, which shall be dated as of the Closing Date.

(iii) PCT shall execute and deliver to Parent and Subco a certificate of amendment to PCT's certificate of formation, if requested by Parent.

(iv) PCT shall execute and deliver to Parent and Subco a certificate, in form reasonably satisfactory to the Parent, stating that each of the conditions set forth in Section 7.2(a), (b) and (c) has been satisfied.

(v) PCT shall deliver to Parent and Subco evidence of the termination, without any liability to PCT, Parent or the Surviving Company, of (x) the employment agreements with key Employees (other than those consented to by Parent on or at after the date hereof, and (y) those other employment agreements set forth on **Schedule 4.16(a)**, and (z) all options, warrants and other rights to acquire equity of PCT, effective on or prior to the Closing Date, in form and substance reasonably satisfactory to the Parent.

(vi) PCT shall deliver releases, in form and substance satisfactory to the Parent, duly executed by each of the Key Employees, other officers and Affiliated Members of PCT, which unconditionally and irrevocably release, waive and forever discharge the Parent, Subco, PCT, PCT's Subsidiaries and each of their past and present members, directors, officers, employees, agents, predecessors, successors, assigns, Subsidiaries and Affiliates, from any and all claims, demands, damages, judgments, causes of action and liabilities of any nature whatsoever, whether or not known, suspected or claimed, arising directly or indirectly from any act, omission, event or transaction occurring (or any circumstances existing) with respect to PCT or any of its Subsidiaries on or prior to the Closing (collectively, "Employee Claims"), including without limitation any and all Employee Claims arising out of or relating to any contract, agreement or other arrangement (whether written or verbal) with PCT or any of its Subsidiaries entered into or established prior to the Closing, including any equity purchase agreements, employment agreements or compensation arrangements.

(vii) PCT shall deliver (x) all Permits relating to, or necessary to the conduct of, the PCT Business by the Surviving Company and proof reasonably satisfactory to Parent of their continuing validity and (y) proof reasonably satisfactory to Parent that no modification or assignment of any Material Contract is required by virtue of the Merger (or an appropriate executed assignment or modification).

(viii) PCT shall execute and shall cause the PCT Representative to execute the Escrow Agreement and deliver it to Parent and the Escrow Agent.

(ix) PCT shall deliver to Parent forms of letters of transmittal to be sent to the Members as soon as practical after the Closing. The letters of transmittal will provide that each Member, as a condition to receipt of its pro rata portion of the Warrants and the Adjusted Stock Consideration, shall execute and deliver to the Parent a letter of transmittal (a) providing the Parent and its transfer agent with its address, tax identification number and other information reasonably requested, (b) releasing PCT and the Parent from all claims other than claims pursuant to this Agreement, and (c) acknowledging that their shares of Parent Common Stock are subject to the Escrow Agreement and the appointment of the PCT Representative. If any Member has not delivered an acceptable letter of transmittal to the Parent within two (2) years after the Closing Date (i.e. upon the date when all shares of Parent Common Stock would be released by the Escrow Agent unless held for then pending disputes), the Escrow Agent may be directed by the Parent and the PCT Representative to return such shares to Parent for cancellation.

(x) PCT shall deliver to Parent an affidavit of non-foreign status of PCT dated as of the Closing Date that complies with section 1445 of the Code.

(b) *Document Deliveries by Parent*. Upon the terms and subject to the conditions of this Agreement and on the basis of the representations, warranties and agreements contained herein, Parent and Subco shall execute and deliver the following documents at or prior to the Closing:

(i) Parent and Subco shall execute and deliver to PCT a certificate, in form reasonably satisfactory to PCT, stating that each of the conditions set forth in Section 7.3(a) has been satisfied.

(ii) Parent shall execute and deliver the Escrow Agreement to PCT and the Escrow Agent.

Section 3.7 *Allocation of the Consideration.* Following the Closing, the Parent shall determine the final tax allocation of the Adjusted Stock Consideration and Warrants and shall provide the PCT Representative with such tax allocation. The PCT Representative shall have the opportunity to review and evaluate such allocation. Unless the PCT Representative reasonably objects to such allocation, the Parent and the PCT Representative agree that such tax allocation will be binding on all parties for federal income tax purposes in connection with the Merger and will be consistently reflected by each party on its respective income Tax Returns. The Parent and PCT agree to prepare and timely file all applicable Internal Revenue Service forms, including Form 8594 (Asset Acquisition Statement), and other governmental forms, to cooperate with each other in the preparation of such forms and to furnish each other with a copy of such forms prepared in draft, within a reasonable period prior to the filing due date thereof. In the event the PCT Representative reasonably objects to such allocation, the Parent shall engage a third party accounting firm, which is reasonably acceptable to the PCT Representative to provide advice on the tax allocation. Such allocation will then be binding on all parties.

Section 3.8 *Insurance*. Prior to Closing, PCT shall cause the Parent to be named as an additional insured on all insurance policies existing as of the date of this Agreement (true and complete copies of which have been previously provided to the Parent) and/or purchase such new or amended insurance coverages as are acceptable to Parent in its reasonable discretion after discussions with its insurance agents.

ARTICLE IV

Representations and Warranties of PCT

Except as set forth in the correspondingly numbered section of the disclosure schedule delivered by PCT to the Parent and Subco prior to the execution of this Agreement (the "Company Disclosure Letter"), PCT represents and warrants to the Parent and Subco as follows (after review by each member of the Knowledge Group):

Section 4.1 *Organization, Good Standing and Qualification*. PCT and each of its Subsidiaries is a limited liability company or corporation duly organized, validly existing and in good standing under the laws of its respective state of formation, with full power and authority to own or lease its property and assets and to carry on the PCT Business as presently conducted, and is duly qualified to do business as a foreign limited liability company or corporation and is in good standing in each jurisdiction where the failure to be so qualified would have a Material Adverse Effect. **Schedule 4.1** lists each jurisdiction in which PCT and each Subsidiary is so qualified. The only Subsidiaries of PCT are PCT Allendale, DomaniCell and Athelos Corporation.

Section 4.2 *Authorization*. PCT has full power and authority to execute and deliver this Agreement. PCT has full power and authority to execute and deliver each other PCT Document to be executed by it, and to consummate the transactions contemplated by the PCT Documents. The execution, delivery and performance by PCT of this Agreement and the execution, delivery and performance by PCT of the other PCT Documents to be executed by PCT have been duly authorized by all necessary action on behalf of PCT. This Agreement has been, and each other PCT Document will be at or prior to the Closing, duly executed and delivered by PCT and, if applicable, the appropriate Subsidiaries or Members, and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and each other PCT Document when so executed and delivered will constitute, the legal, valid and binding obligation of PCT and, if applicable, its Subsidiaries and Members, enforceable against PCT and, if applicable, its Subsidiary and Members in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity) (the "Bankruptcy/Equity Exception"). The Members executing the Voting Agreement own over 51% of the Membership Interests of PCT, have the authority to grant all consents of Members required with respect to this Agreement and will grant such consents at the PCT Special Meeting pursuant to the Voting Agreement.

Section 4.3 *Non-contravention*. Neither the execution or delivery by PCT and, if applicable, the Subsidiaries or any Members, of this Agreement nor the other PCT Documents referred to herein nor the performance by PCT or, if applicable, the Subsidiaries or any Members of their obligations hereunder and thereunder will (i) contravene any provision contained in the certificate of formation, PCT LLC Agreement or other organizational documents of PCT or any Subsidiary, (ii) violate or result in a breach (with or without the lapse of time, the giving of notice or both) of or constitute a default under (A) any Material Contract or (B) any judgment, order, decree, law, rule or regulation or other restriction of any Governmental Authority, in each case to which any entity within the PCT Group or any of the Members is a party or by which any entity within the PCT Group or any of the Members is bound or to which any of the assets or properties of any entity within the PCT Group are subject, (iii) result in the creation or imposition of any lien, claim, charge, encumbrance, equity, restriction or right on any of the assets or properties of any entity within the PCT Group, or (iv) result in the acceleration of, or permit any Person to accelerate or declare due and payable prior to its stated maturity, any Liability of any Person in the PCT Group (except where the result of such acceleration would not cause a Material Adverse Effect).

Section 4.4 *No Consents*. Except as set forth in **Schedule 4.4**, no notice to, filing with, or authorization, registration, consent or approval of, any Governmental Authority or other Person is necessary for the execution, delivery or performance of this Agreement or any other PCT Document or the consummation of the transactions contemplated hereby or thereby by PCT or, to the extent applicable, the Members, except for the Proxy Statement/Prospectus to be filed with the SEC on Form S-4.

Section 4.5 *PCT Assets*. PCT has good title to, or leasehold interest in, all properties and assets (real, personal or mixed, tangible or intangible) which are used or held for use in the conduct of the PCT Business. No third party (including any Affiliate of PCT other than the Subsidiaries) owns or has any interest by lease, license or otherwise in any of assets.

Section 4.6 *Personal Property*. PCT has delivered to the Parent true, correct and complete copies of the all leases of personal property used in the PCT Business, together with all amendments, modifications or supplements thereto. Each of such leases is in full force and effect and none of the Persons in the PCT Group has received or given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by any of the Persons in the PCT Group under any of such leases and, to the Knowledge of PCT, no other party is in default thereof. All material items of personal property used in the PCT Business are in good operating condition and fit for operation in the Ordinary Course of PCT's Business (subject to normal wear and tear) with no defects that could reasonably be expected to interfere with the conduct of the normal operation of such items and are suitable for the purposes for which they are currently being used.

Section 4.7 *Real Property*.

(a) **Schedule 4.7** sets forth a true, correct and complete list of all real property and interests in real property owned in fee by the PCT Group (an "Owned Property") or leased by the PCT Group (a "Leased Property") and used, held for use or intended to be used primarily in the operation or conduct of the PCT Business, and identifies the landlord of any Leased Property and any material reciprocal easement or operating agreements of PCT relating and/or beneficial thereto.

(b) The applicable Person in the PCT Group has good and marketable fee title to all Owned Property or a valid leasehold interest in all Leased Property (an Owned Property or Leased Property being sometimes referred to herein, individually, as a "Business Property"), in each case free and clear of all Liens, except (i) the Real Estate Mortgage Loan, (ii) easements, covenants, rights of way and other similar restrictions of record, (iii) any conditions that may be shown by a current, accurate American Land Title Association survey or physical inspection of any Business Property made prior to Closing and (iv) zoning, building and other similar restrictions. None of the items set forth in clauses (ii), (iii) or (iv) above, individually or in the aggregate, could reasonably be expected materially to impair the continued use and operation of the property to which they relate in the conduct of the Business as presently conducted.

(c) There (i) is adequate access between each Business Property and public roads, and there are no pending or, to PCT's Knowledge, threatened Legal Proceedings that could have the effect of impairing or restricting such access, (ii) are sufficient parking spaces on each Business Property to comply with all applicable provisions of any agreements to which such Business Property is subject, local zoning requirements and all other Applicable Laws, (iii) are no material defects in the roof, foundation, sprinkler mains, structural, mechanical and HVAC systems and masonry walls in any of the improvements upon each Business Property, no significant repairs thereof are required, and all periodic maintenance has been done and is being done consistent with commercially reasonable maintenance standards for real property of similar size and age in the vicinity of such Business Property.

(d) PCT has made available to Parent true, legible and complete copies of all title insurance policies, title reports, surveys, certificates of occupancy, appraisals, permits, Liens, title documents, leases and other documents relating to or otherwise affecting each Business Property which are in the possession of PCT. The copies of the leases to all Leased Properties provided by PCT are correct and complete in all material respects, and no oral understandings exist with respect to any Leased Property not reflected in the written materials supplied by PCT. The leases to all Leased Properties, including all renewals, extensions, modifications or supplements to any of the foregoing or substitutions for any of the foregoing, are valid and in full force and effect, without default (or event which with notice or passage of time or both would constitute a default) on the part of PCT or to its Knowledge any other party to such leases. PCT is in peaceful and undisturbed possession of the respective Business Property, and has no Knowledge of any contractual or legal restrictions that preclude or restrict in any material way the ability to use any Business Property for the purposes for which it is currently being used. No Person other than PCT has any right to the use, occupancy or enjoyment of any Business Property or any portion thereof. To PCT's Knowledge, there are no material defects and there are no adverse physical conditions affecting any Business Property or any of the facilities, buildings, structures, erections, improvements, fixtures, fixed assets and personality of a permanent nature annexed, affixed or attached to, located on or forming part of any Business Property that materially interfere with the use of such Business Property for the purposes for which it is currently being used. To PCT's Knowledge, there is no material violation of any Applicable Law (including any building, planning or zoning Law) relating to any Business Property materially affecting the current use or operation of the Business. All Business Property is in material compliance with all applicable deed restrictions and covenants and all applicable building, zoning, subdivision, health, safety and other laws, including the Americans with Disabilities Act and the Occupational Safety and Health Act, and no Person in the PCT Group has received notification of any alleged violation.

(e) All brokerage commissions and other similar compensation and fees payable in connection with any Business Property have been paid in full by PCT and no additional brokerage commissions or other similar compensation and fees are or will be due in the future thereunder. Since January 1, 2009, PCT has not exercised or given any notice of exercise of any option or right pertaining to the purchase, expansion, renewal, extension, termination or relocation of any Leased Properties. All leases for Leased Properties will continue to be legal, binding, and enforceable and in full force and effect immediately following the Closing Date in accordance with the terms in effect immediately prior to the Closing Date.

(f) Neither the whole nor any portion of any Business Property is subject to any governmental decree or order to be sold nor have any Legal Proceedings for the condemnation, expropriation or other taking of all or any portion of any Business Property been instituted or, to PCT's Knowledge, threatened by any Governmental Entity, with our without payment therefor.

(g) Each Business Property is occupied under a valid and current certificate of occupancy or similar permit and, to PCT's Knowledge, there are no facts that would prevent such Business Property from continuing to be occupied and used by the PCT Group after the Closing in the same manner as occupied and used by the PCT Group immediately prior to the Closing.

(h) To PCT's Knowledge, no improvements on any Owned Property and none of the current uses and conditions thereof violate in any material respect any Liens, applicable deed restriction or other applicable covenant, restriction, contract, existing site plan approval, zoning or subdivision regulation or urban redevelopment plan as modified by any duly issued variances.

(i) All buildings, improvements and facilities located on each Business Property are supplied with utilities and other services necessary for the operation thereof (including, but not limited to, gas, electricity, water, sanitary sewer and storm sewer) and all of such services are in all material respects adequate for the current use or operation of the Business.

(j) All real estate Taxes for which any Person in the PCT Group is responsible with respect to any Business Property (and which are not otherwise incorporated into payments made under any lease), have been paid in full, as and when due.

(k) The sole asset of PCT Allendale is the Owned Property in Allendale, New Jersey.

Section 4.8 *Absence of Questionable Payments*. No Person in the PCT Group nor any Affiliate, director, officer, manager, member, partner, employee, agent, representative or other Person acting on behalf of the PCT Group has: (i) used any funds for contributions, payments, gifts or entertainment, or made any expenditures relating to political activities of foreign, federal, state or local government officials or others in violation of any Law (including the Foreign Corrupt Practices Act of 1977, as amended), or (ii) accepted or received any unlawful contributions, payments, gifts or expenditures.

Section 4.9 *Financial Statements; Books and Records; Accounts Receivable; Funded Indebtedness.*

(a) Attached as **Schedule 4.9(a)** is (i) a true and complete copy of PCT's unaudited consolidated balance sheet as of June 30, 2010 (the "Balance Sheet Date") and June 30, 2009 and the related unaudited consolidated statements of operations, changes in member's deficit and cash flows for the six month periods then ended and (ii) a true and complete copy of PCT's audited balance sheet as of December 31, 2009 and December 31, 2008 and the related audited statements of operations, changes in member's deficit and cash flows for each of the years ended December 31, 2007, December 31, 2008 and December 31, 2009, prepared in accordance with GAAP, together with the report of EisnerAmper LLP ("EisnerAmper"), which has served as PCT's auditors since the audit of its 2007 financial statements (such statements, including the related notes and schedules thereto, are referred to herein as the "GAAP Financial Statements"). The GAAP Financial Statements have been prepared from, are in accordance with, and accurately reflect, the books and records of PCT, comply in all material respects with applicable accounting requirements in the case of the GAAP Financial Statements; fairly present in all material respects the financial position and the results of operations and cash flows (and changes in financial position, if any) of PCT as of the times and for the periods referred to therein (subject, in the case of unaudited statements, to normally recurring year end adjustments that are not material either individually or in the aggregate and the absence of footnotes). The GAAP Financial Statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as set forth in the notes thereto). The GAAP Financial Statements are in form appropriate for filing with the Securities and Exchange Commission.

(b) All books, records and accounts of the PCT Group are accurate and complete in all material respects and are maintained in all material respects in accordance with good business practice and all applicable Laws.

(c) **Schedule 4.9(c)** sets forth a true and complete listing of all of the PCT Group's Accounts Receivable as of last day of the most recently completed calendar month and an aging schedule reflecting the aggregate amount of all such Accounts Receivable outstanding (i) 30 days or less, (ii) more than 30 days but not more than 60 days, (iii) more than 60 days but not more than 90 days, and (iv) more than 90 days. All of the PCT Group's Accounts Receivable have arisen in the ordinary and regular course of business, represent bona fide transactions with third parties and to PCT's Knowledge are not subject to any counterclaims or offsets (except for those for which adequate reserves have been established in accordance with GAAP in preparing the GAAP Financial Statements) and have been billed in the Ordinary Course of PCT's Business. PCT is not guaranteeing collection of the Accounts Receivable.

(d) Neither PCT nor any of its Subsidiaries has any funded Indebtedness other than Indebtedness being satisfied in full at Closing (or shortly thereafter with respect to up to $3 million due to NNJCA) and the Real Estate Mortgage Loan. The Merger will not cause the Real Estate Mortgage Loan to be taxable or violate any rules or regulations of the New Jersey Economic Development Authority.

(e) EisnerAmper who has certified PCT's GAAP Financial Statements and related schedules is an independent registered public accounting firm with respect to PCT as required by the Securities Act of 1933 (the "Securities Act") and the Rules and Regulations and the Public Company Accounting Oversight Board (United States).

(f) There are no relationships or services, or any other factors that may affect the objectivity and independence of EisnerAmper, PCT's auditors, under applicable auditing standards. EisnerAmper has not performed any non-audit services for any Person in the PCT Group since the Balance Sheet Date.

Section 4.10 *Internal Control over Financial Reporting.* PCT maintains a system of internal control over financial reporting that is reasonably designed to ensure (i) that PCT maintains records that in reasonable detail accurately and fairly reflect its transactions and dispositions of assets, (ii) that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP, (iii) that receipts and expenditures are executed only in accordance with authorizations of management and the Board of Managers and (iv) the prevention or timely detection of the unauthorized acquisition, use or disposition of PCT's assets that would have a material effect on PCT's consolidated financial statements. PCT maintains disclosure controls and procedures which are designed to ensure that all material information concerning the PCT Group is made known on a timely basis to the individuals responsible for the preparation of its financial statements. Neither PCT nor EisnerAmper has identified any material weaknesses or significant deficiencies in the design or operation of PCT's internal control over financial reporting or its disclosure controls and procedures.

Section 4.11 *Capitalization; Votes*.

(a) The authorized and outstanding equity interests of PCT are set forth in **Schedule 4.11(a)**. No other capital stock or other equity interests of PCT is authorized, issued or outstanding. All equity interests outstanding are duly authorized, validly issued, fully paid and non-assessable. None of the holders of outstanding equity interests of PCT have rescission or pre-emptive rights. Except as set forth on Schedule 4.11(a), none of the equity interests issued by PCT were issued in violation of any registration requirements under federal or state securities laws. Except as set forth on **Schedule 4.11(a)**, there are no options, warrants, or other rights, agreements, arrangements, or commitments to which PCT or any member or other equity holder of PCT is a party or by which any such party is bound obligating PCT or the member or equity holder of PCT to grant, issue, or sell any capital stock or any other equity interest in PCT. All such options, warrants and other rights may be cancelled effective as of the Closing Date by PCT without cost to PCT or Parent.

(b) Except for the Limited Liability Company Agreement of PCT dated as of October 7, 2004 (the "PCT LLC Agreement"), there are no voting trusts or other agreements or understandings to which any of the Members or other equity holders of PCT or PCT is a party with respect to the voting of the equity interests of PCT.

(c) This Agreement and the Merger have been unanimously approved by PCT's Board of Managers, who have recommended that it be approved by the Members. Members of PCT representing a majority of the outstanding Membership Interests of PCT, and a majority of the Membership Interests held by the Charter Members (collectively, the "Lock-Up Members") have agreed to enter into, and will enter into promptly after execution and delivery of this Merger Agreement, the Voting Agreement annexed hereto as **Exhibit A**, under which such Members irrevocably agree to vote in favor of the Merger and the other transactions contemplated hereby (the "Voting Agreement"). Such Member votes or consents will be sufficient without any other votes or consents to approve this Agreement, this Merger and all the transactions contemplated hereby under the PCT LLC Agreement, the DLLCA and all applicable law, and no other approvals or Member votes or consents are required to consummate the Merger. To PCT's Knowledge, the provisions of the Voting Agreement are legal, valid and binding obligations of the Lock-Up Members subject to the Bankruptcy/Equity Exception.

(d) No Member will have dissenters or appraisal rights with respect to the Merger or the other transactions contemplated by this Agreement.

Section 4.12 *No Undisclosed Liabilities*. The PCT Group does not have any debt, loss, damage, adverse claim, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise) which are not accurately reflected or provided for in the balance sheet dated as of the Balance Sheet Date included within the GAAP Financial Statements (whether or not they are required to be disclosed under GAAP), other than (a) those incurred in the Ordinary Course of PCT's Business since the Balance Sheet Date and (b) those material obligations arising subsequent to the date hereof pursuant to the express terms of executory Contracts, which executory Contracts (to the extent such Contracts are Material Contracts) are identified in **Schedule 4.16(a).** No Person in the PCT Group has effected any securitization transactions or "off-balance sheet arrangements" (as defined in Item 303(c) of Regulations S-K of the SEC) since January 1, 2007.

Section 4.13 *Absence of Certain Developments*. Except as set forth in **Schedule 4.13**; since December 31, 2009: (a) each Person in the PCT Group has conducted its businesses only in the Ordinary Course of PCT's Business; (b) there has not been any event, change, occurrence, development, circumstance or state of facts that has had or could reasonably be expected to have a Material Adverse Effect; (c) the PCT Group has not suffered any damage, destruction or casualty loss which individually or in the aggregate materially and adversely affects the business, financial condition or results of operations of PCT; (d) no Person in the PCT Group has incurred or discharged any material obligation or liability except in the Ordinary Course of PCT's Business; and (e) PCT has not entered into any material transaction or made any material expenditures or commitments other than in the Ordinary Course of PCT's Business.

Section 4.14 *Taxes*

(a) All Tax Returns required to be filed by or on behalf of PCT and each of its Subsidiaries have been duly and timely filed with the appropriate Taxing Authority in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and all such Tax Returns are true, complete and correct in all material respects. All Taxes payable by or on behalf of PCT and each of its Subsidiaries (whether or not shown on any Tax Return) have been fully and timely paid. With respect to any period for which Tax Returns have not yet been filed or for which Taxes are not yet due or owing, PCT has made due and sufficient accruals for such Taxes in the GAAP Financial Statements and in its books and records. All required estimated Tax payments sufficient to avoid any underpayment penalties or interest have been made by or on behalf of PCT and each of its Subsidiaries. PCT and each of its Subsidiaries has complied in all material respects with all applicable Laws relating to the payment and withholding of Taxes in connection with amounts paid or owing to any employee, independent contractor, creditor, equity owner or other third party and has duly and timely withheld and paid over to the appropriate Taxing Authority all amounts required to be so withheld and paid under all applicable Laws.

(b) PCT has delivered to the Parent complete copies of (i) all federal, state, local and foreign income or franchise Tax Returns of PCT and each of its Subsidiaries relating to the taxable periods since January 1, 2005 and (ii) any audit report issued within the last three years relating to any Taxes due from or with respect to PCT and each of its Subsidiaries. **Schedule 4.14** lists each such audit. To PCT's Knowledge, there are no audits or investigations of PCT or any of its Subsidiaries by any Taxing Authority in progress, nor has PCT or any of its Subsidiaries received any notice from any Taxing Authority that it intends to conduct such an audit or investigation. No claim has been made by a Taxing Authority in a jurisdiction where PCT and its Subsidiaries do not file Tax Returns to the effect that PCT or any of its Subsidiaries are or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of PCT or any of its Subsidiaries arising as a result of any failure (or alleged failure) to pay any Tax. PCT and each of its Subsidiaries has disclosed on their federal income Tax Returns all positions taken therein that could give rise to substantial understatement of federal income Tax within the meaning of Section 6662 of the Code, and neither PCT nor any of its Subsidiaries has participated in a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b).

(c) Neither PCT nor any of its Subsidiaries (i) requested any extension of time within which to file any Tax Return, which Tax Return has since not been filed, (ii) granted any extension for the assessment or collection of Taxes, which Taxes have not since been paid, or (iii) granted to any Person any power of attorney that is currently in force with respect to any Tax matter (other than to the tax matters partner under the PCT LLC Agreement). Neither PCT nor any of PCT's Subsidiaries is a foreign person within the meaning of Sections 7701(a)(1) and 7701(a)(5) of the Code. Neither PCT nor any of its Subsidiaries has ever been a member of any consolidated, combined, affiliated or unitary group of corporations for any Tax purposes. Neither PCT nor any of its Subsidiaries is a party to any Tax allocation or Tax sharing agreement nor has any liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Law), as a transferee or successor, by contract, or otherwise.

(d) Neither PCT nor any of its Subsidiaries has made any payments, is obligated to make any payments, or is a party to any agreement that obligates it to make any payments that are not deductible under Section 280G of the Code. Neither PCT nor any of its Subsidiaries has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(a)(ii) of the Code.

(e) PCT and all of its Subsidiaries have been, since inception, treated as partnerships or as disregarded entities for federal, state, and local income tax purposes.

Section 4.15 *Intellectual Property*.

(a) **Schedule 4.15(a)** sets forth an accurate and complete list of the PCT Group Intellectual Property as follows: (i) all Patents, Marks and Copyrights owned by the PCT Group that have been issued or registered in any jurisdiction, or for which an application to issue or register the rights in such Intellectual Property has been filed in any jurisdiction, (ii) all Marks owned by the PCT Group that are material to the Business but that are not registered or subject to an application to register and (iii) all Software that is owned exclusively by the PCT Group that is material to the operation of the PCT Business as presently conducted and presently proposed to be conducted by the PCT Group. **Schedule 4.15(a)** lists the jurisdictions in which each such item of Intellectual Property has been issued or registered or in which any such application for such issuance and registration has been filed, and the name of the owner of each such registration or application. **Schedule 4.15(a)** also lists any Patents owned by Amorcyte and Robert Preti or otherwise owned by an Affiliate of PCT which is totally unrelated to the PCT Business.

(b) PCT owns or possesses adequate rights to use all Intellectual Property necessary to carry on the PCT Business. The PCT Group has taken all steps necessary to perfect its ownership of and interest in the PCT Group Intellectual Property.

(c) The PCT Group's products and services, and the conduct of the PCT Business as presently conducted do not infringe, violate or constitute an unauthorized use or misappropriation of any Intellectual Property Right or other similar right, or any contractual right, of any Person.

(d) Each item of the PCT Group Intellectual Property that has been issued and registered in any jurisdiction by PCT is valid and subsisting, all necessary registration, maintenance and renewal fees currently due in connection with such registered PCT Group Intellectual Property have been paid and all necessary documents and certificates in connection with such registered PCT Group Intellectual Property owned by the PCT Group have been filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of maintaining such registered PCT Group Intellectual Property.

(e) Except as set for in Schedule **4.15(e)**, no other Person has any rights to any material PCT Group Intellectual Property owned by the PCT Group.

(f) Except with respect to licenses of generally available, commercial, off-the-shelf Software licensed pursuant to standardized end-user or enterprise licenses for Software in object code format available for a license fee of no more than $5,000 (collectively, "Off-The-Shelf Software"), and except pursuant to the Intellectual Property Licenses listed in **Schedule 4.15(f)** or as reflected in the GAAP Financial Statements, the PCT Group is not under any liability whatsoever to make any payments or provide any other consideration, to any Person with respect to the PCT Group's use of any Intellectual Property in connection with the conduct of the PCT Business as presently conducted.

(g) **Schedule 4.15(g)** sets forth a complete and accurate list of all Contracts to which the Persons in the PCT Group are a party (other than licenses to the PCT Group of Off-The-Shelf-Software) that (i) grant any Intellectual Property Licenses to or from the PCT Group, (ii) contain a covenant not to compete or otherwise limit the PCT Group's ability to use or exploit fully any of the PCT Group Intellectual Property, or (iii) contain an agreement by any of the Persons in the PCT Group to indemnify any other Person against any claim of infringement of, violation, misappropriation or unauthorized use of any intellectual property rights of any third Person. PCT has delivered to the Parent true, correct and complete copies of each Contract set forth on **Schedule 4.15(g)**, together with all amendments, modifications or supplements thereto. All Intellectual Property Licenses are valid, binding and enforceable agreements, subject to the Bankruptcy/Equity Exception.

(h) The PCT Group has taken all commercially reasonable steps to protect the secrecy and confidentiality of all Trade Secrets of any Person in the PCT Group.

(i) The PCT Group is not, or has not been at any time during the five (5) years prior to the date hereof, the subject of any pending or, to the Knowledge of PCT, threatened Legal Proceedings which involve a claim of infringement, misappropriation, unauthorized use or violation of any intellectual property rights of any Person, or challenging the PCT Group's ownership, use, validity or enforceability of any Intellectual Property. None of the Persons in the PCT Group has received notice of any such threatened claim and to the Knowledge of PCT, there are no facts or circumstances that would form the basis for any such claim. To PCT's Knowledge, all of the PCT Group's rights in and to PCT Group Intellectual Property are valid and enforceable in all material respects.

(j) To the Knowledge of PCT, no Person is infringing, violating, misusing or misappropriating any PCT Group Intellectual Property, and no claims of such infringements, violations, misuse or misappropriations have been made against any Person by any of the Persons in the PCT Group.

(k) No present or former employee of the PCT Group has any right, title, or interest, directly or indirectly, in whole or in part, in any PCT Group Intellectual Property owned or used by any of the Persons in the PCT Group. To the Knowledge of PCT, no employee, consultant or independent contractor of any of the Persons in the PCT Group is, as a result of or in the course of such employee's, consultant's or independent contractor's engagement by any of the Persons in the PCT Group, in default or breach of any material term of any employment agreement, non-disclosure agreement, assignment of invention agreement or similar agreement. Each employee of and consultant to the PCT Group is bound by a non-disclosure and assignment of inventions agreement, copies of which have been made available to the Parent.

(l) Each Person in the PCT Group has at all times complied in all material respects with all applicable Laws, as well as their own rules, policies, and procedures, relating to privacy, data protection, and the collection and use of personal information collected, used, or held for use by the PCT Group in the conduct of the PCT Business. No claims have been asserted or, to PCT's Knowledge, threatened against any Person in the PCT Group alleging a violation of any Person's privacy or personal information or data rights and the consummation of the transactions contemplated hereby will not breach or otherwise cause any violation of any Law or rule, policy, or procedure related to privacy, data protection, or the collection and use of personal information collected, used, or held for use by the PCT Group in the conduct of the PCT Business. Each Person in the PCT Group takes reasonable measures to ensure that such information is protected against unauthorized access, use, modification, or other misuse.

Section 4.16 *Material Contracts*.

(a) **Schedule 4.16(a)** sets forth all of the following Contracts to which any of the Persons in the PCT Group is a party or by which any of them or their respective assets or properties are bound (collectively, the "Material Contracts"):

(i) Contracts with any current or former officer, director, partner, member, manager, stockholder or Affiliate of any Person in the PCT Group;

(ii) Contracts for the sale of any of the assets of any of the Persons in the PCT Group other than in the Ordinary Course of PCT's Business;

(iii) Contracts for joint ventures, strategic alliances, partnerships, licensing arrangements or sharing of profits or proprietary information;

(iv) Contracts containing covenants of any Person in the PCT Group not to compete in any line of business or with any Person in any geographical area or not to solicit or hire any individual with respect to employment or covenants of any other Person not to compete with any of the Persons in the PCT Group in any line of business or in any geographical area or not to solicit or hire any Person with respect to employment;

(v) Contracts relating to the acquisition (by merger, purchase of stock or assets or otherwise) by any Person in the PCT Group of any operating business or material assets or the capital stock or other equity interests of any other Person;

(vi) Contracts relating to the incurrence, assumption or guarantee of any Indebtedness or imposing a Lien on any assets of the PCT Group, including indentures, guarantees, loan or credit agreements, purchase money obligations incurred in connection with the acquisition of property, pledge agreements and security agreements;

(vii) Contracts entered into outside of the Ordinary Course of PCT's Business providing for the license of the PCT Group Products or the provision of services by any Person in the PCT Group;

(viii) Contracts providing for severance, retention, change in control or other similar payments;

(ix) Contracts for the employment of any individual on a full-time, part-time or consulting or other basis;

(x) outstanding agreements of guaranty or surety, direct or indirect, by any of the Persons in the PCT Group;

(xi) Contracts providing for indemnification by any of the Persons in the PCT Group arising out of or in connection with any PCT Product or service provided by any of the Persons in the PCT Group;

(xii) Contracts (or group of related contracts) which involve the expenditure or receipt of more than $50,000 annually or which require performance by any party more than one year from the date hereof;

(xiii) Contracts for the lease of Business Property, including, without limitation, the Real Property Leases;

(xiv) Contracts pursuant to which any Person in the PCT Group provides services to any third party related to the conduct of the PCT Business, including all customer or client Contracts;

(xv) Contracts and agreements related to obtaining materials and services used in the manufacture of Cell Therapy Products and other material supplier Contracts;

(xvi) Contracts with any Person that require PCT to deal exclusively with such Person or that require PCT to transact a minimum amount of business with such Person (or provide for negative consequences if PCT fails to do either of the foregoing) or that give any Person "most favored nations" treatment;

(xvii) powers of attorney given by any Person within the PCT Group;

(xviii) confidentiality agreements, assignments of invention and non-compete or non-solicitation agreements signed by employees of or consultants to any Person in the PCT Group;

(xix) Contracts involving licenses of any Intellectual Property; and

(xx) Contracts that are otherwise material to any of the Persons in the PCT Group.

(b) Each of the Material Contracts is in full force and effect and is the legal, valid and binding obligation of the Person in the PCT Group signatory thereto, enforceable against them in accordance with its terms, subject to the Bankruptcy/Equity Exception. None of the Persons in the PCT Group is in material default under any Material Contract, nor, to the Knowledge of PCT, is any other party to any Material Contract in material default thereunder, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a material default thereunder. No party to any of the Material Contracts has exercised any termination rights with respect thereto, and, to PCT's Knowledge, no party has given notice of any significant dispute with respect to any Material Contract. PCT has delivered to the Parent true, correct and complete copies of all of the Material Contracts, together with all amendments, modifications or supplements thereto. If consent is required for the transfer of any Material Contract, PCT has no Knowledge that any counterparty will not or can not provide such a consent.

Section 4.17 *Employee Benefits Plans*.

(a) **Schedule 4.17(a)** sets forth a correct and complete list of (i) all employee welfare benefit plans (as defined in Section 3(1) of ERISA, (ii) all employee pension benefit plans (as defined in Section 3(2) of ERISA) and (iii) all other employee benefit plans, programs, policies, agreements or arrangements, including any deferred compensation plan, incentive plan, bonus plan or arrangement, stock option plan, stock purchase plan, stock award plan or other equity-based plan, change in control agreement, retention, severance pay plan, dependent care plan, sick leave, disability, death benefit, group insurance, hospitalization, dental, life, any fund, trust or arrangement providing health benefits including a multiemployer welfare arrangement, a multiple employer welfare fund or arrangement, cafeteria plan, employee assistance program, scholarship program, employment contract, retention incentive agreement, termination agreement, severance agreement, noncompetition agreement, consulting agreement, confidentiality agreement, vacation policy, employee loan, or other similar plan, agreement or arrangement, whether written or oral, funded or unfunded, or actual or contingent that (A) is maintained or contributed to by PCT or any of its Subsidiaries for the benefit of any current or former employees, consultants or managers of PCT or any of its Subsidiaries, or their beneficiaries (collectively, "Company Employees"), (B) has been approved by PCT or any of its Subsidiaries but is not yet effective for the benefit of Company Employees, or (C) was previously maintained by PCT or any of its Subsidiaries for the benefit of the Company Employees and with respect to which PCT or any of its Subsidiaries has any liability (each a "Company Benefit Plan"). PCT has delivered to Parent a correct and complete copy (where applicable) of (1) each Company Benefit Plan (or, where a Company Benefit Plan has not been reduced to writing, a summary of all material terms of such Company Benefit Plan), (2) each current trust or funding arrangement relating to each Company Benefit Plan, (3) the three most recently filed annual reports on Internal Revenue Service ("IRS") Form 5500 or any other annual report required by applicable Law with respect to each Company Benefit Plan, (4) the most recently received IRS determination letter for each Company Benefit Plan, (5) the most recently prepared actuarial report and financial statement in connection with each Company Benefit Plan, (6) the most recent summary plan description, any summaries of material modification, any employee handbooks and any material written communications (or a description of any material oral communications) by PCT or any of its Subsidiaries to any Company Employee concerning the extent of the benefits provided under any Plan, (7) for the last three years, all material correspondence with the IRS, United States Department of Labor ("DOL") and any other Governmental Authority regarding an audit or examination any Company Benefit Plan, (8) all contracts with third-party administrators, actuaries, investment managers, consultants and other independent contractors that relate to any Company Benefit Plan and (9) any other documents in respect of any Company Benefit Plan reasonably requested by Parent. Neither PCT nor any of its Subsidiaries has any plan or commitment to establish any new Company Benefit Plan or to modify any Company Benefit Plan, except to the extent required by Law.

(b) Neither PCT nor any of its ERISA Affiliates has or has ever contributed to, sponsored, or maintained (i) a pension plan (within the meaning of Section 3(2) of ERISA) subject to Section 412 of the Code or Title IV of ERISA, (ii) a multiemployer plan (within the meaning of Section 3(37) or 4001(a)(3) of ERISA or the comparable provisions of any other applicable Law) (a "Multiemployer Plan") or (iii) a single employer pension plan (within the meaning of Section 4001(a)(15) of ERISA).

(c) (i) Each Company Benefit Plan has been maintained and operated in all material respects in compliance with its terms and applicable Law, including ERISA, the Code, Section 4980B of the Code and Sections 601 through 608, inclusive, of ERISA, which provisions are hereinafter referred to collectively as "COBRA", and any other applicable Laws, including the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993 and the Health Insurance Portability and Accountability Act of 1996, (ii) with respect to each Company Benefit Plan, all reports, returns, notices and other documentation that are required to have been filed with or furnished to the IRS, the DOL or any other Governmental Authority, or to the participants or beneficiaries of such Company Benefit Plan have been filed or furnished on a timely basis, and (iii) each Company Benefit Plan that is intended to be qualified within the meaning of Section 401(a) of the Code is so qualified and has received a favorable determination letter from the IRS to the effect that the Company Benefit Plan satisfies the requirements of Section 401(a) of the Code taking into account all changes in qualification requirements under Section 401(a) for which the applicable "remedial amendment period" under Section 401(b) of the Code has expired, and there are no facts or circumstances that could cause the loss of such qualification or the imposition of any liability, penalty or tax under ERISA, the Code or any other applicable Laws.

(d) With respect to any Company Benefit Plan, (i) no actions, claims or proceedings (other than routine claims for benefits in the ordinary course) are pending or, to PCT's Knowledge, threatened, (ii) no facts or circumstances exist that would reasonably be expected to give rise to any such actions, claims or proceedings, and (iii) no administrative investigation, audit or other administrative proceeding by the U.S. DOL, the IRS or other Governmental Authority, including any voluntary compliance submission through the IRS's Employee Plans Compliance Resolution System or the DOL's Voluntary Fiduciary Correction Program or Delinquent Filer Voluntary Correction Program, is pending, in progress or, to PCT's Knowledge, threatened.

(e) Neither PCT nor any of its Subsidiaries, nor to the best of their Knowledge any other persons who participate in the Operation of any Company Benefit Plan or related trust or funding vehicle, has engaged in any transaction with respect to any Company Benefit Plan or breached any fiduciary responsibilities or obligations under Title I of ERISA that would subject them to a tax, penalty or liability for prohibited transactions or breach of any obligations under ERISA or the Code or would result in any claim being made under, by or on behalf of any such Company Benefit Plan by any party with standing to make such claim.

(f) Except as set forth on **Schedule 4.17(f)**, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in combination with another event) (i) result in any payment or benefit becoming due, or increase the amount of any compensation due, to any Company Employee, (ii) increase any benefits otherwise payable under any Company Benefit Plan, or (iii) result in the acceleration of the time of payment or vesting of any such compensation or benefits; and except as set forth on **Schedule 4.17(f)**, no such payment or benefit will be characterized as an "excess parachute payment," as such term is defined in Section 280G of the Code. Except as set forth on **Schedule 4.17(f)**, neither PCT nor any of its Subsidiaries is a party to any contract, arrangement or plan pursuant to which it is bound to compensate any Person for any excise or other additional taxes under Section 409A or 4999 of the Code or any similar provision of state, local or foreign law.

(g) Each Company Benefit Plan (other than an employment agreement or any similar agreement that cannot be terminated without the consent of the other party) may be amended or terminated at any time without incurring liability to PCT or any of its Subsidiaries thereunder, other than in respect of accrued and vested obligations and medical or welfare claims incurred prior to such amendment or termination.

(h) All contributions (including all employer contributions and employee salary reduction contributions) or premium payments required to have been made under the terms of any Plan, and in accordance with applicable Law (including pursuant to 29 C.F.R. Section 2510.3-102), as of the date hereof have been timely made or reflected on the PCT Group's financial statements in accordance with GAAP.

(i) Except for the continuation coverage requirements under COBRA or as otherwise disclosed on **Schedule 4.17(i)**, neither PCT nor its Subsidiaries have any obligations or potential liability for health, life or similar welfare benefits to Company Employees or their respective dependents following termination of employment.

(j) Each Plan subject to the provisions of Section 401(k) or 401(m) of the Code, or both, has been tested for and has satisfied the requirements of Section 401(k)(3), Section 401(m)(2) and Section 416 of the Code, as applicable, for each plan year ending prior to Effective Time.

(k) No Company Benefit Plan is maintained in a jurisdiction outside of the United States or for employees outside of the United States.

(l) **Schedule 4.17(l)** identifies each Company Benefit Plan that is a "nonqualified deferred compensation plan" (within the meaning of Section 409A of the Code and Treasury regulations issued thereunder ("Section 409A")), and each Company Benefit Plan so identified has been operated and administered in compliance with Section 409A. Without limitation of the foregoing, no "service provider" (within the meaning of Section 409A) of PCT or any of its Subsidiaries has any equity-based right or incentive (such as a stock option, stock appreciation right, phantom stock, restricted stock or restricted stock unit) that is either subject to Section 409A or in violation of Section 409A. Neither PCT nor any of its Subsidiaries has any commitment to compensate or reimburse any individual for penalty taxes imposed under Section 409A.

Section 4.18 *Labor*.

(a) PCT has delivered to Parent an accurate and complete list of the names of all of the employees engaged in the PCT Business ("Business Employees"), together with each such Business Employee's annual rate of salary or hourly wage rate, two most recent annual bonuses, including, without limitation, profit distributions, job title, work location, accrued unused vacation pay or days, most recent promotion or pay raise, and hire date. To the Knowledge of PCT, no Business Employee has any plans to terminate employment with any Person in the PCT Group.

(b) **Schedule 4.18(b)** contains an accurate and complete list of the names of each consultant or independent contractor who currently provides, or who has within the prior twelve month period provided, services to the PCT Business (each, a "Business Consultant").

(c) All Business Employees are actively at work (or on vacation) and no Business Employee is currently on a leave of absence, layoff, suspension, sick leave, workers compensation, short or long term disability, family leave, military leave, or otherwise not actively performing his or her work during all normally scheduled business hours (other than vacation).

(d) PCT has delivered to the Parent a copy of each employment, consulting or independent contractor agreement, confidentiality/assignment of inventions agreement and/or non-competition agreement entered into with a Business Employee or Business Consultant and all personnel policies, manuals, employee handbooks and similar materials pertaining to the Business. All current employees are subject to confidentiality and assignment of inventions agreements with PCT.

(e) With respect to current and former employees, consultants and service providers of the Business (each a "Service Provider"):

(i) the PCT Group is and has been in compliance in all material respects with all applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours, including any Laws respecting minimum wage and overtime payments, employment discrimination, workers' compensation, family and medical leave, immigration, and occupational safety and health requirements, affirmative action requirements and has not and is not engaged in any unfair labor practice;

(ii) there is not now, nor within the past six years has there been, any actions, suits, claims, labor disputes or grievances pending, or, to PCT's Knowledge, threatened or reasonably anticipated relating to any labor, safety or discrimination matters involving any Service Provider, including charges of unfair labor practices or discrimination complaints;

(iii) no collective bargaining agreement is binding and in force against the PCT Group or currently being negotiated by any Person in the PCT Group, and to the Knowledge of PCT, no union organization campaign is in progress with respect to any of the Service Providers, and no question concerning representation exists respecting such Service Providers; and

(iv) the PCT Group does not have any liability for any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Authority with respect to unemployment compensation benefits, social security or other benefits or obligations for Service Providers (other than routine payments to be made in the normal course of business and consistent with past practice).

(f) No "mass layoff," "plant closing" or similar event as defined by the Worker Adjustment and Retraining Notification Act with respect to any Person in the PCT Group has occurred or will occur as a result of the consummation of the Merger.

(g) The PCT Group does not have any contracts to render services to any Government Authority.

Section 4.19 *Litigation*. There is no Legal Proceeding pending or, to the Knowledge of PCT, threatened against any of the Persons in the PCT Group (or to the Knowledge of PCT, pending or threatened against any employees of any of the Persons in the PCT Group with respect to their business activities on behalf of the PCT Group), or to which any of the Persons in the PCT Group is otherwise a party, before any Governmental Authority; nor to the Knowledge of PCT is there any reasonable basis for any such Legal Proceeding. None of the Persons in the PCT Group is subject to any Order. There are no Legal Proceedings pending or, to the Knowledge of PCT, threatened that are reasonably likely to prohibit or restrain the ability of PCT, its Subsidiaries or the Members to perform their obligations under this Agreement or consummate the transactions contemplated hereby.

Section 4.20 *Compliance with Laws; Orders; Permits.*

(a) Each of the Persons in the PCT Group is in compliance in all material respects with all Laws of each Governmental Authority applicable to its business, operations or assets, including without limitation all FDA rules and regulations, comparable state laws, regulations governing current Good Manufacturing Practice (cGMP) and current Good Tissue Practice (cGTP), the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the federal Clinical Laboratory Improvement Act of 1988, as amended (CLIA), Occupational Safety and Health requirements, the Stark Law and state equivalents, escheat laws, abandoned property laws, laws relating to employment and compensation and marketing laws and other laws relating to privacy and internet communications. Since January 1, 2005, none of the Persons in the PCT Group has received any notice of or been charged with the violation of any material Law by any Governmental Authority. To the Knowledge of PCT, none of the Persons in the PCT Group is or since January 1, 2005, has been, under investigation with respect to the violation of any Law and to the Knowledge of PCT, there are no facts or circumstances which could reasonably form the basis for any such violation other than violations which would have an immaterial effect upon the PCT Business. Except as set forth in **Schedule 4.20(a)**, none of the PCT Permits will be impaired or in any way affected by the Merger.

(b) **Schedule 4.20(b)** is a true and complete listing of all Permits which are required for the operation of the PCT Business as presently conducted ("PCT Permits"). The Persons in the PCT Group currently have all Permits which are required for the operation of their respective businesses as presently conducted. Each issued Permit currently is in full force and effect. None of the Persons in the PCT Group is in default or violation, and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation, in any material respect of any term, condition or provision of any PCT Permit, and to the Knowledge of PCT, there are no facts or circumstances which form the basis for any such default or violation. No Person in the PCT Group has received notification of any revocation or modification of any Permit. PCT has completed all necessary registration of its establishments and facilities with all Governmental Authorities that are necessary for PCT to conduct its business in the manner and to the extent now conducted. Each PCT Permit is current and up to date. Except as set forth in **Schedule 4.20(a)**, none of the PCT Permits will be impaired or in any way affected by Merger or the consummation of any other transaction contemplated by this Agreement.

(c) The drug or biological substances manufactured by PCT on behalf of PCT's clients and used in studies, tests, preclinical studies and clinical trials have been and, if still pending, are being manufactured, under current Good Manufacturing Practices. PCT has not received any notices or correspondence from the FDA or any foreign, state or local governmental body exercising comparable authority requiring the termination, suspension or material modification of any studies, tests, preclinical studies or clinical trials conducted by or on behalf of PCT's clients and to which PCT was involved as either a contract manufacturer and/or product and/or process consultant. No filing or submission to the FDA or any other regulatory body, that was or is intended to be the basis for any approval of PCT's client's products or product candidates, contains any material omission or material false information by PCT.

(d) The consulting services and/or process development services that PCT provides its clients or customers for the purpose of clinical trials for Investigational New Drug Applications, New Drug Applications, and/or Biologic License Application are conducted in accordance with good clinical practices and are in compliance with all applicable Laws and state and federal regulatory requirements. PCT has not received any notices or other correspondence from the FDA or any other governmental agency requiring the termination, suspension or modification of any clinical trials.

(e) To PCT's Knowledge, no Person in the PCT Group, nor any manager, director, agent, employee or any other person acting for or on behalf of a Person in the PCT Group, has directly or indirectly made any unlawful contribution, gift, bribe, payoff, influence payment, kickback, or any other fraudulent payment in any form, whether in money, property, or services to any person, including but not limited to any staff member at any hospital or any government officer (a) to obtain favorable treatment in securing business for PCT, (b) to pay for favorable treatment for business secured, (c) to obtain special concessions or for special concessions already obtained, for or in respect of any Person in the PCT Group, or (d) in violation of any applicable anti-corruption law.

(f) No Person in the PCT Group nor, to PCT's Knowledge, any manager, director, agent, employee or any other person acting for or on behalf of PCT, has established or maintained any fund or assets in which PCT has proprietary rights that have not been recorded in the books and records of PCT. Each transaction is properly and accurately recorded in all material respects on the books and records of PCT, and each document upon which entries such books and records are based is complete and accurate in all material respects. PCT maintains a system of internal accounting controls reasonably designed to insure that there are no off-the-books accounts and its assets are used only in accordance with its corporate management directives.

(g) The FDA Package contains true and complete copies of all filings made by PCT with the FDA and any state or third party regulatory authority (including but not limited to state regulatory authorities in New Jersey, New York, California and Maryland), all Permits obtained by PCT from the FDA and any state or third party regulatory authority and all approvals and disapprovals, audit reports and correspondence from or with the FDA or such state regulatory authorities, including but not limited to an audit report received by PCT from New York regulatory authorities for its Hackensack facility and follow up correspondence, a PCT created chart of documents requested by the FDA during its inspection of its Mountain View, California facility, and PCT created daily summaries of FDA inspections of PCT and its clients. PCT also represented to the Parent and its counsel that the FDA did not find any 483 observations and did not provide PCT with a 483, Establishment Inspection Report or audit report at the close of its inspection in 2010. To the Knowledge of PCT and to the knowledge of any manager, officer, agent, or employee of PCT, all information contained in such filings made by PCT to any Governmental Authority is true and accurate.

(h) Neither PCT nor, to the Knowledge of PCT, any manager, officer, agent, employee, Member or Affiliate of PCT, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department.

(i) Subsequent to the FDA inspection of the PCT Mountain View facility in 2010, PCT was informed by the FDA inspectors that there were no regulatory or compliance issues found at this facility.

Section 4.21 *Insurance*. The PCT Group has insurance policies in full force and effect for such amounts as are sufficient for all requirements of Law and all agreements to which each of the Persons in the PCT Group is a party or by which such Persons are bound and which provide commercially reasonable levels of insurance. No event has occurred, including, without limitation, the failure by any of the Persons in the PCT Group to give any notice or information or any of the Persons in the PCT Group giving any inaccurate or erroneous notice or information, which limits or impairs the rights of any Person in the PCT Group under any such insurance policies.

Section 4.22 *Related Party Transactions*. (a) No employee, officer, director, shareholder, partner, manager or Member of any of the Persons in the PCT Group, any member of his or her immediate family or any of their respective Affiliates ("Related Persons") (i) owes any amount to the PCT Group and none of the Persons in the PCT Group owe any amount to, or have any of the Persons in the PCT Group committed to make any loan or extend or guarantee credit to or for the benefit of, any Related Person, (ii) is involved in any business arrangement or other relationship (other than customary employment relationships) with any of the Persons in the PCT Group (whether written or oral), (iii) owns any property or right, tangible or intangible, that is used by any of the Persons in the PCT Group (other than rights arising out of employment arrangements), (iv) to the Knowledge of PCT, has any claim or cause of action against any of the Persons in the PCT Group or (v) is obligated to make any payment to any other Person in the PCT Group or Related Person in connection with the transactions contemplated by this Agreement.

(b) There are no transactions, arrangements or other relationships between and/or among PCT, any of its Affiliates and any unconsolidated entity, including, but not limited to, any structured finance, special purpose or limited purpose entity that could reasonably be expected to materially affect PCT's liquidity or the availability of or requirements for its capital resources. There are no transactions, arrangements or other relationships between and/or among PCT, any of Person in the PCT Group and any Members or their Affiliates that are not on terms at least as favorable to PCT as would be obtained in an arm's length, commercially reasonable transaction with an unrelated third party.

(c) No Person in the PCT Group has, since January 1, 2002, extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer (or equivalent thereof) of PCT.

(d) All agreements, payment obligations, and other business relationships between PCT or any other Person in the PCT Group or their Affiliates, on the one hand, and Amorcyte Inc., on the other hand, are commercially reasonable and on terms no less favorable to PCT than would be available in an arm's length transaction with an unrelated third party. PCT provides Amorcyte with a $500,000 line of credit on terms no less favorable to PCT than would be available in an arm's length transaction in an unrelated bank financing, and no borrowings are outstanding under that line of credit.

Section 4.23 *Suppliers and Customers*. **Schedule 4.23** sets forth a list identifying (i) each supplier to the PCT Group during PCT's current fiscal year (through July 31, 2010) and each of the two preceding fiscal years, showing the approximate total purchases by the PCT Group from each such supplier during each such period and (ii) each customer of the PCT Group during PCT's current fiscal year (through July 31, 2010) and each of the two preceding fiscal years, showing the approximately revenue generated from each such customer during each such period. Notwithstanding the foregoing, suppliers who have charged the PCT Group less than $50,000 per year and customers who have generated less than $50,000 per year in revenue for PCT need not be included on such list. Since December 31, 2009, no supplier or customer listed on **Schedule 4.23** has terminated its relationship with any of the Persons in the PCT Group or materially increased, decreased or changed the pricing, the volume of business or other terms of its business with any of the Persons in the PCT Group and, to the Knowledge of PCT, no supplier or customer listed on **Schedule 4.23** has notified any of the Persons in the PCT Group that it intends to terminate or materially increase, decrease or change the pricing, the volume of business or other terms of its business with the PCT Group.

Section 4.24 *Financial Advisors*. Except as set forth in **Schedule 4.24,** no Person has acted, directly or indirectly, as a broker, finder or financial advisor for the PCT Group or the Members in connection with the transactions contemplated by this Agreement and no Person is or will be entitled to any fee or commission or like payment in respect thereof.

Section 4.25 *Environmental Matters*. Each Person in the PCT Group is in compliance with all Environmental Laws and the requirements of all Permits issued under such Environmental Laws with respect to PCT in all material respects. There are no pending or, to the Knowledge of PCT, threatened Environmental Legal Proceedings against any Person in the PCT Group.

Section 4.26 *Construction Projects.* **Schedule 4.26** contains a true and complete list of all construction projects undertaken, pending or completed by PCT since January 1, 2007 together with any construction projects which PCT reasonably expects to undertake within the current fiscal year. PCT has complied with all obligations imposed upon it in connection with any such construction projects, and no claims are pending or, to PCT's Knowledge, threatened against any member of the PCT Group with respect to such construction projects.

Section 4.27 *Registration Statement; Prospectus/Joint Proxy Statement.* None of the information supplied or to be supplied by PCT for inclusion in the Form 8-K under the Securities Exchange Act of 1934 (the "Exchange Act") or the registration statement under the Securities Act registering the Parent Common Stock or other Parent securities as to be issued pursuant to this Agreement (such registration statement, as amended by any amendments thereto, being referred to herein as the "Registration Statement") or the Prospectus/Joint Proxy Statement to be sent to the stockholders of Parent and the Members of PCT in connection with the special meeting of stockholders of Parent at which such stockholders will be asked to approve the issuance of Parent Common Stock pursuant to this Agreement (the "NeoStem Meeting") and the special meeting of the Members of PCT at which the Members will be asked to approve the Merger and this Agreement (the "PCT Meeting") (such Prospectus/Joint Proxy Statement, as amended or supplemented by any amendments or supplements thereto, being referred to herein as the "Prospectus/Joint Proxy Statement"), including all amendments and supplements to the Registration Statement and Prospectus/Joint Proxy Statement, shall, in the case of the Registration Statement, at the time the Registration Statement becomes effective and, in the case of the Prospectus/Joint Proxy Statement, on the date or dates the Prospectus/Joint Proxy Statement is first mailed to NeoStem stockholders and the Members of PCT and on the date or dates of the NeoStem Meeting and the PCT Meeting, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. PCT will supply NeoStem with all business, financial, accounting, legal, management and other information about PCT, the PCT Group, any Person in the PCT Group, the Members and the PCT Business as is required to be disclosed in a Form S-4 under SEC rules.

Section 4.28 *FINRA*. None of the Members are a registered representative under the Financial Industry Regulatory Authority ("FINRA"), a member of FINRA or associated or affiliated with any member of the FINRA, or a broker-dealer registered with the SEC under the Exchange Act or engaged in a business that would require it to be so registered, nor is it an affiliate of such a broker-dealer or any person engaged in a business that would require it to be registered as a broker-dealer.

Section 4.29 *Full Disclosure*. No representation or warranty, exhibit or schedule furnished by or on behalf of the Company or any of its Subsidiaries in this Agreement, the Company Disclosure Letter or any other Transaction Document contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. Neither the Company nor its Subsidiaries has any Knowledge of any facts pertaining to the Company, its Subsidiaries, the PCT Business or its assets that has or could reasonably be expected to have a Material Adverse Effect and that have not been disclosed in this Agreement, the schedules and exhibits hereto and the Transaction Documents.

ARTICLE V

Representations and Warranties of the Parent and Subco

The Parent and Subco jointly and severally represent and warrant to PCT as follows:

Section 5.1 *Organization and Good Standing*. The Parent is a corporation, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own, lease and operate its properties and to carry on its business. Subco is a limited liability company validly existing and in good standing under the laws of the State of Delaware.

Section 5.2 *Authorization*. Each of the Parent and Subco has full power and authority to execute and deliver this Agreement and each other Purchaser Document, to the extent applicable, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by each of the Parent and Subco of this Agreement and each other Purchaser Document, to the extent applicable, have been duly authorized by all necessary action on behalf of each of the Parent and Subco. This Agreement has been, and each other Purchaser Document will be at or prior to the Closing, duly executed and delivered by the Parent and/or Subco, to the extent applicable, and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and each other Purchaser Document when so executed and delivered will constitute, the legal, valid and binding obligation of the Parent and/or Subco, to the extent applicable, enforceable against the Parent or Subco, to the extent applicable, in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 5.3 *Conflicts; Consents of Third Parties*.

(a) Neither the execution or delivery by the Parent or Subco of this Agreement or any of the other Purchaser Documents, nor the performance by the Parent or Subco of its obligations hereunder and thereunder will (i) contravene any provision contained in the organizational documents of the Parent or Subco or (ii) violate or result in a breach (with or without the lapse of time, the giving of notice or both) of or constitute a default under any judgment, order, decree, law, rule or regulation or other restriction of any Governmental Authority, in each case to which the Parent or Subco is a party or by which the Parent or Subco is bound or to which any of its assets or properties are subject or (iii) violate or result in a breach (with or without the lapse of time, the giving of notice, or both) of or constitute a default under any material contract to which the Parent or Subco is a party where the breach or default would have a Material Adverse Effect on Parent.

(b) No notice to, filing with, or authorization, registration, consent or approval of, any Governmental Authority or other Person is necessary for the execution, delivery or performance of this Agreement or any other Purchaser Document or the consummation of the transactions contemplated hereby or thereby by the Parent and Subco other than (i) the Joint Proxy Statement/Prospectus and Form S-4 of which it is a part and (ii) the additional listing application with the New York Stock Exchange-Amex.

Section 5.4 *Litigation*. There are no Legal Proceedings pending or, to the Knowledge of the Parent, threatened that are reasonably likely to prohibit or restrain the ability of the Parent to perform its obligations under this Agreement or consummate the transactions contemplated hereby.

Section 5.5 *Financial Advisors*. Except as set forth in **Schedule 5.5**, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for the Parent in connection with the transactions contemplated by this Agreement who is or will be entitled to any fee or commission or like payment in respect thereof other than those paid by Parent.

Section 5.6 *Compliance with Laws; Orders; Permits.*

Except as disclosed in the Parent's filings with the SEC since December 31, 2009:

(a) The Parent is in compliance in all material respects with all laws of each Governmental Authority applicable to its business, operations or assets, including, without limitation all FDA rules and regulations, comparable state laws, regulations governing current Good Tissue Practice (cGTP), the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the federal Clinical Laboratory Improvement Act of 1988, as amended (CLIA), Occupational Safety and Health requirements, the Stark Law and state equivalents, escheat laws, abandoned property laws, laws relating to employment and compensation and marketing laws and other laws relating to privacy and internet communications. Since January 1, 2006, the Parent has not received any notice of or been charged with the violation of any material Law by any Governmental Authority. To the Knowledge of the Parent, none of its Affiliates is or since January 1, 2006, has been, under investigation with respect to the violation of any Law and to the Knowledge of the Parent, there are no facts or circumstances which could reasonably form the basis for any such violation other than violations which would not have a Material Adverse Effect upon the Parent's business.

(b) To the Knowledge of Parent, neither it nor any manager, director, agent, employee or any other person acting for or on behalf of Parent, has directly or indirectly made any unlawful contribution, gift, bribe, payoff, influence payment, kickback, or any other fraudulent payment in any form, whether in money, property, or services to any person, including but not limited to any staff member at any hospital or any government officer (a) to obtain favorable treatment in securing business for Parent, (b) to pay for favorable treatment for business secured, (c) to obtain special concessions or for special concessions already obtained, for or in respect of Parent or any Affiliate of Parent, or (d) in violation of any applicable anti-corruption law.

Section 5.7 *Registration Statement; Prospectus/Joint Proxy Statement.* None of the information supplied or to be supplied by Parent for inclusion in the Registration Statement under the Securities Act registering the NeoStem Common Stock to be issued pursuant to this Agreement or the Prospectus/Joint Proxy Statement to be sent to the stockholders of Parent and the Members of PCT in connection with the NeoStem Meting and the PCT Meeting, including all amendments and supplements to the Registration Statement and Prospectus/Joint Proxy Statement, shall, in the case of the Registration Statement, at the time the Registration Statement becomes effective and, in the case of the Prospectus/Joint Proxy Statement, on the date or dates the Prospectus/Joint Proxy Statement is first mailed to NeoStem stockholders and the Members and on the date or dates of the NeoStem Meeting and the PCT Meeting, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that Parent is not responsible for any information supplied by the PCT Group.

ARTICLE VI

Covenants and Agreements

Section 6.1 *Meetings of Stockholders and Members*.

(a) *NeoStem Meeting.* Parent shall take all action in accordance with the federal securities law, the DLLCA, the applicable rules of the Exchange on which the Parent Common Stock is listed or quoted, NeoStem’s certificate of incorporation, as amended, and NeoStem’s by-laws, as amended, necessary to convene the NeoStem Meeting on the earliest practical date as reasonably determined by NeoStem in light of the circumstances, and to obtain the consent and approval of NeoStem’s stockholders with respect to the issuance of the Stock Consideration and the Warrants pursuant to this Agreement, including (in the absence of conditions that would justify the termination of this Agreement) recommending such approval to NeoStem’s stockholders.

(b) *PCT Meeting.* PCT shall take all action in accordance with the federal securities laws, the DLLCA, the Voting Agreement, and the PCT LLC Agreement, necessary to give notice to the PCT Members and convene the PCT Meeting to be held on the earliest practical date as reasonably determined by NeoStem in light of the circumstances, and to obtain the consent and approval of PCT's Members with respect to the Agreement and the transactions contemplated hereby, including recommending such approval to the Members.

(c) PCT will provide Parent and its transfer agent with (a) a representation that the information provided by PCT and contained in the Prospectus/Joint Proxy Statement and any other disclosure documents is true and accurate in all material respects and that there is no fact or matter which has not been disclosed in such disclosure documents which renders such information untrue or misleading and (b) appropriate other certifications, accountant comfort letters and consents, and opinions of counsel with respect to the Securities Act registration of the issuance of the Stock Consideration and Warrants and compliance with the PCT LLC Agreement (or other organizational documents of any Person in the PCT Group) and Law with respect to this transaction.

(d) Parent and Subco will provide PCT with a representation that the information provided by Parent and Subco and contained in the Prospectus/Joint Proxy Statement and any other disclosure documents is true and accurate in all material respects and that there is no fact or matter which has not been disclosed in such disclosure documents which renders such information untrue or misleading.

Section 6.2 *Preparation of the Prospectus/Joint Proxy Statement and the Registration Statement.*

(a) Parent and PCT shall, as soon as is reasonably practicable, cooperate to prepare the Prospectus/Joint Proxy Statement to be included in the Registration Statement. Once Parent and PCT consent to the filing of the Prospectus/Joint Proxy Statement with the SEC (which consent shall not be unreasonably withheld), Parent shall file the Registration Statement with the SEC. Consistent with the timing for the NeoStem Meeting and the PCT Meeting as determined by NeoStem in accordance with Section 6.1, NeoStem shall use reasonable efforts to have the Registration Statement declared effective by the SEC as promptly as practicable thereafter and to maintain the effectiveness of the Registration Statement through the Effective Time. If, at any time prior to the Effective Time, Parent or PCT shall obtain knowledge of any information contained in or omitted from the Registration Statement that would require an amendment or supplement to the Registration Statement or the Prospectus/Joint Proxy Statement, the party obtaining such knowledge will promptly so advise the other parties in writing and each of Parent and PCT will promptly take such action as shall be required to amend or supplement the Registration Statement and/or the Prospectus/Joint Proxy Statement. PCT shall promptly furnish to Parent all financial and other information concerning it as may be required for the Prospectus/Joint Proxy Statement and any supplements or amendments thereto. Parent and PCT shall cooperate in the preparation of the Prospectus/Joint Proxy Statement in a timely fashion and shall use all reasonable efforts to clear the Prospectus/Joint Proxy Statement and the Registration Statement with the staff of the SEC. Promptly after the Registration Statement is declared effective by the SEC, each of Parent and PCT shall use all reasonable efforts to mail at the earliest practicable date to its stockholders or Members, as the case may be, the Prospectus/Joint Proxy Statement, which shall include all information required under applicable Law to be furnished to PCT's Members and NeoStem's stockholders in connection with this Agreement and the transactions contemplated hereby and shall include the recommendation of PCT's managers in favor of the transactions contemplated hereby.

(b) Notwithstanding anything contained in this Agreement to the contrary, NeoStem shall not be obligated to take any action under Section 6.2 unless and until the following conditions shall have been met: (i) NeoStem shall have received the audited financial statements of PCT and any other financial information of PCT or its Subsidiaries required for inclusion in the Registration Statement as determined by NeoStem, (ii) NeoStem shall have received all information it needs to prepare pro forma financial statements required to be included in the Registration Statement, under SEC rules, (iii) NeoStem shall have received such auditor comfort letters and consents from its, and PCT's auditors, and legal opinions from PCT's counsel as it deems necessary or desirable and (iv) NeoStem shall have received from an investment banking firm reasonably acceptable to it a valuation analysis of PCT which shows a valuation satisfactory to the Board of Directors of NeoStem (the "Valuation Report"), each in form and substance reasonably satisfactory to NeoStem.

Section 6.3 *Financial Statements for NeoStem Current Report on Form 8-K.*

(a) Attached as **Schedule 4.9(a)**, PCT has provided to NeoStem (i) audited consolidated balance sheets of PCT and its Subsidiaries as of December 31, 2009 and 2008, (ii) audited consolidated statements of income, cash flows and changes in shareholders' equity of each of PCT and its Subsidiaries for the years ended December 31, 2009, 2008 and 2007, (iii) an unqualified report with respect to such audited financial statements by EisnerAmper and a consent by EisnerAmper to have such audited financial statements incorporated by reference into NeoStem's Securities Act filings, which report and consent shall be in form and substance reasonably satisfactory to NeoStem, and (iv) unaudited consolidated statements of income, cash flows and changes in shareholders' equity of PCT and its Subsidiaries for the six months ended June 30, 2010 and 2009 and an unaudited balance sheet as of June 30, 2010. PCT has also provided to NeoStem all other financial statements, business descriptions, risk factors, compensation data, ownership data and other information of PCT required for any SEC filing to be filed by NeoStem or which needs to be incorporated in any existing NeoStem registration statement or other SEC filings to make the information therein complete, including, without limitation, pro forma financial statements that give effect to the transaction contemplated by this Agreement and a full description of the business of the PCT Group. Such financial statements have been prepared in accordance with generally accepted accounting principles, so that such financial statements meet the requirements for filing by NeoStem with the SEC as required by the SEC's Current Report on Form 8-K and for incorporation into any Form S-3 or other registration statement on file or to be filed by NeoStem, all so that NeoStem's currently effective Form S-3 may immediately be used by NeoStem in a capital raising transaction.

(b) PCT will provide Parent with a representation that the information provided by it for inclusion and/or incorporation into the Registration Statement and/or Form 8-K is true and accurate in all material respects and that there is no material fact or matter which has not been disclosed in the disclosure document which renders such information untrue or misleading in any material respect. Parent and Subco will provide PCT with a representation that the information provided by Parent and Subco for incorporation into the Registration Statement is true and accurate in all material respects and that there is no material fact or matter which has not been disclosed in the disclosure document which renders such information untrue or misleading in any material respect.

(c) Upon execution of this Agreement, PCT shall cause EisnerAmper to deliver to NeoStem an executed consent, in form and substance reasonably satisfactory to NeoStem and suitable for filing by NeoStem with the SEC, which consent shall authorize NeoStem to file with the SEC the reports delivered pursuant to Section 6.3(a).

(d) Upon NeoStem's request, contemporaneous with the delivery of the consolidated financial statements described in Section 6.3(a), PCT shall cause EisnerAmper to make available to NeoStem and its representatives the work papers generated in connection with such accounting firm's audit of the audited consolidated financial statements delivered pursuant to Section 6.3(a).

(e) Prior to the Closing, PCT shall cooperate with NeoStem in providing to NeoStem such consolidated financial statements, financial data and accountants' reports as NeoStem shall reasonably request with respect to any filing that NeoStem shall make or be required to make under the Securities Act or the Exchange Act. Not in limitation of the foregoing, PCT shall deliver to Parent, without charge, the following financial information (the "Supplemental Financial Information"): (i) promptly after each fiscal quarter ending after the date hereof, the unaudited consolidated balance sheet of PCT as of the end of such quarter and the unaudited consolidated statements of income, stockholders' equity and cash flows of PCT for such quarter and for the portion of the fiscal year then prepared in accordance with GAAP, and (ii) promptly upon the reasonable request by Parent, such additional financial information as may be required in connection with any filing by Parent pursuant to the requirements of federal or state securities laws. Such Supplemental Financial Information shall present fairly, in all material respects, the consolidated financial position of PCT and its Subsidiaries as of the last day of the periods covered and the consolidated results of operations, cash flows and changes in stockholders' equity of PCT and its Subsidiaries for the periods covered, subject in the case of unaudited financials, to normal year-end adjustments.

Section 6.4 *Access and Information*.

(a) Prior to the Closing, and except for disclosures which would cause PCT or any of its Subsidiaries to waive the attorney-client privilege or otherwise violate applicable Law or any material confidentiality agreement, NeoStem shall be entitled to make or cause to be made such investigation of PCT and its Subsidiaries, and the financial and legal condition thereof, as NeoStem deems necessary or advisable, and PCT and its Subsidiaries shall cooperate with any such investigation. In furtherance of the foregoing, but not in limitation thereof, PCT shall (a) permit NeoStem and its agents and representatives or cause them to be permitted to have full and complete access to the premises, operating systems, computer systems (hardware and software) and books and records of PCT and its Subsidiaries upon reasonable notice during regular business hours, (b) furnish or cause to be furnished to NeoStem such financial and operating data, projections, forecasts, business plans, strategic plans and other data relating to PCT and its Subsidiaries and their businesses as NeoStem shall request from time to time and (c) cause its accountants to furnish to NeoStem and its accountants access to all work papers relating to any of the periods covered by financial statements provided by PCT to NeoStem hereunder.

(b) Prior to the Closing, NeoStem shall not use any information provided to it in confidence by PCT for any purposes unrelated to this Agreement. PCT shall not use any information provided to it in confidence by NeoStem for any purposes unrelated to this Agreement. Except with respect to publicly available documents, in the event that this Agreement is terminated, (a) NeoStem will return to PCT all documents obtained by it from PCT and its Subsidiaries in confidence and any copies thereof in the possession of NeoStem or its agents and representatives or, at the option of NeoStem, NeoStem shall cause all of such documents and all of such copies to be destroyed and shall certify the destruction thereof to PCT and (b) PCT will return to NeoStem all documents obtained by it from NeoStem and its Subsidiaries in confidence and any copies thereof in the possession of PCT or its agents and representatives or, at the option of PCT, PCT shall cause all of such documents and all of such copies to be destroyed and shall certify the destruction thereof to NeoStem.

(c) No investigation of PCT, its Subsidiaries or the PCT Business by the Parent heretofore shall modify or otherwise affect any representations and warranties of PCT, which shall survive any such investigation, or the conditions to the obligation of the Parent and Subco to consummate the transactions contemplated hereby.

Section 6.5 *No Solicitation.* (a) PCT shall not, nor shall it authorize or permit any of its Affiliates or any Member, officer, director, employee, investment banker, attorney or other adviser or representative of PCT or any of its Affiliates to (a) solicit, initiate, or encourage the submission of, any PCT Acquisition Proposal (as hereinafter defined), (b) enter into any agreement or understanding with respect to any PCT Acquisition Proposal or (c) participate in any discussions or negotiations regarding, or furnish to any person any information for the purpose of facilitating the making of, or take any other action to facilitate any inquiries or the making of, any proposal that constitutes, or may reasonable be expect to lead to, any PCT Acquisition Proposal. Without limiting the foregoing, it is understood that any violation, of which PCT or any of its Affiliates had knowledge at the time of such violation, of the restrictions set forth in the immediately preceding sentence by any Member, officer, director, employee, investment banker, attorney or other adviser or representative of PCT or any of its Affiliates, whether or not such Person is purporting to act on behalf of PCT or any of its Affiliates or otherwise, shall be deemed to be a breach of this Section 6.5 by PCT and its Affiliates. PCT shall notify Parent in accordance with the notice provisions of this Agreement in writing and orally within 24 hours after receipt of any PCT Acquisition Proposal or receipt of any inquiries with respect to any PCT Acquisition Proposal, such notice to include the identity of the Person making such proposal, offer, inquiry or contact, and the terms of such PCT Acquisition Proposal; provided, however, that PCT shall remain liable for payment of liquidated damages hereunder and under Article IX notwithstanding providing such notice. PCT immediately shall cease and cause to be terminated in all respects all existing discussions or negotiations with any parties conducted heretofore with respect to a PCT Acquisition Proposal. PCT shall not release any third party from, or waive any provision of, any confidentiality or standstill agreement to which it is a party. "PCT Acquisition Proposal" means any proposal for a merger or other business combination involving PCT or any of its Affiliates or any proposal or offer to acquire in any manner, directly or indirectly, an equity interest in PCT or any of its Affiliates, any voting securities of PCT or any of its Affiliates or a substantial portion of the assets of PCT but a PCT Acquisition Proposal shall not include (i) the sales of PCT Products in the Ordinary Course of PCT's Business consistent with past practice or (ii) any sale of a minority interest in Athelos. PCT acknowledges that damages for any breach of the obligations in this paragraph will be difficult to measure. PCT agrees that, as liquidated damages for any breach of this paragraph, PCT shall pay to Parent and Subco an amount in cash equal to the sum of (a) all expenses incurred by Parent or Subco in any way in connection with investigating, negotiating, drafting or otherwise pursuing this transaction, including a reasonable sum for the time spent by its in-house personnel, plus (b) $2 million; provided, however, that if (i) the breach results in consummation of a transaction in which all of the equity or substantially all of the assets of Parent is also sold to an unrelated third party in a transaction approved by the Board of Directors and stockholders of the Parent, or (ii) the Parent waives the breach and consummates the Merger, then no such liquidated damages shall be due.

(b) NeoStem shall not, nor shall it authorize or permit any of its Affiliates or any officer, director, employee, investment banker, attorney or other adviser or representative of NeoStem or any of its Affiliates to (a) solicit, initiate, or encourage the submission of, any NBS Acquisition Proposal (as hereinafter defined), (b) enter into any agreement or understanding with respect to any NBS Acquisition Proposal or (c) participate in any discussions or negotiations regarding, or furnish to any person any information for the purpose of facilitating the making of, or take any other action to facilitate any inquiries or the making of, any proposal that constitutes, or may reasonable be expect to lead to, any NBS Acquisition Proposal. Without limiting the foregoing, it is understood that any violation, of which NeoStem or any of its Affiliates had knowledge at the time of such violation, of the restrictions set forth in the immediately preceding sentence by any officer, director, employee, investment banker, attorney, employee or other adviser or representative of NeoStem or any of its Affiliates, whether or not such Person is purporting to act on behalf of NeoStem or any of its Affiliates or otherwise, shall be deemed to be a breach of this Section 6.5 by NeoStem. NeoStem shall notify PCT in accordance with the notice provisions of this Agreement in writing and orally within 24 hours after receipt of any NBS Acquisition Proposal or receipt of any inquiries with respect to any NBS Acquisition Proposal, such notice to include the identity of the Person making such proposal, offer, inquiry or contact, and the terms of such NBS Acquisition Proposal. NeoStem immediately shall cease and cause to be terminated in all respects all existing discussions or negotiations with any parties conducted heretofore with respect to an NBS Acquisition Proposal. NeoStem shall not release any third party from, or waive any provision of, any confidentiality or standstill agreement to which it is a party. "NBS Acquisition Proposal" means any proposal for a merger or other change of control business transaction involving NeoStem or any proposal or offer to acquire in any manner, directly or indirectly, a controlling equity interest in NeoStem or a substantial portion of the assets of NeoStem (other than sales of NeoStem's Products in the Ordinary Course of NeoStem's Business consistent with past practice or capital raising transactions not involving a change of control of NeoStem) which results in NeoStem terminating this Agreement. NeoStem acknowledges that damages for any breach of the obligations in this paragraph will be difficult to measure. NeoStem agrees that, as liquidated damages for any breach of this paragraph which results in NeoStem terminating this Agreement, NeoStem shall pay to PCT an amount in cash equal to the sum of (a) all expenses incurred by PCT in any way in connection with investigating, negotiating, drafting or otherwise pursuing this transaction, including a reasonable sum for the time spent by its in-house personnel, plus (b) $2 million; provided, however, that if (i) the breach results in consummation of a transaction in which all of the equity or substantially all of the assets of PCT is also sold to an unrelated third party in a transaction approved by the Board of Managers and Members of PCT, or (ii) PCT waives the breach and consummates the Merger, then no such liquidated damages shall be due.

(c) The provisions of this Section 6.5 shall not adversely affect any party's right or ability to have the provisions of this Agreement specifically enforced pursuant to Section 10.3

Section 6.6 *Non-Competition and Confidentiality Agreement*.

(a) For a period of four (4) years after the Closing Date, the Key Employees will not (i) directly or indirectly, anywhere in the world, including but not limited to the United States or the People's Republic of China, engage in any manner (including, without limitation, by owning any interest in, managing, controlling, participating in (whether as an officer, director, employee, partner, agent, representative, consultant or otherwise), rendering services to, organizing, planning to organize, providing funding) in a business that is competitive in any respect with NeoStem's business or the PCT Business as conducted as of the Closing Date (a "Competitive Business"); (ii) directly or indirectly solicit business from any Person who is, or within the immediately preceding twelve (12) months has been, a customer or client of the PCT Group or (iii) directly or indirectly employ, engage, contract for or solicit the services in any capacity of any Person who is, or within the immediately preceding twelve (12) months has been, employed by or providing services to the PCT Group in the operation of the PCT Business on the date hereof.

(b) For a period of two (2) years after the Closing Date, the Lock-Up Members and the Key Employees agree that they will not, directly or indirectly, use for its or his own benefit or divulge or convey to any third party, any Confidential Information (as hereinafter defined) relating to the PCT Business, unless the Confidential Information indisputably becomes of public knowledge or enters the public domain (other than through such party's direct or indirect act or omission), or the disclosure of which is required by Law and reasonable written notice has been provided to the Parent sufficient to enable the Parent to contest the disclosure. For purposes of this Agreement, "Confidential Information" consists of all information, knowledge or data relating to the PCT Business including, without limitation, contacts in PCT's databases, customer and supplier lists, formulae, trade know-how, processes, secrets and trade secrets, consultant contracts, pricing information, marketing plans, product development plans, business acquisition plans and all other information relating to the operation of the PCT Business not in the public domain or otherwise publicly available. The term "Confidential Information" does not include information that (a) is or becomes generally available to the public other than as a result of (i) a wrongful disclosure by the person subject to this limitation or its Affiliates, or its employees, officers, directors, shareholders, principals, agents, advisors, contractors, subcontractors, or representatives, or by any person in such capacity at any of its Affiliates (collectively, "Agents"), or (ii) a wrongful disclosure, to PCT's Knowledge, by any other person under a duty to keep such information confidential; (b) was actually known or becomes known by the receiving party prior to or after disclosure hereunder as evidenced by the receiving party's tangible records; or (c) is developed or discovered by the receiving party independently and solely without the use of any Confidential information described hereunder.

(c) The Key Employees and Lock-Up Members acknowledge that the restrictions contained in this Section 6.6 are reasonable and necessary to protect the legitimate interests of the Parent and that any breach by the Lock-Up Members or the Key Employees of any provision hereof will result in irreparable injury to the Parent. The Key Employees and Lock-Up Members acknowledge that, in addition to all remedies available at law, the Parent shall be entitled to seek equitable relief, including injunctive relief, and an equitable accounting of all earnings, profits or other benefits arising from such breach and shall be entitled to receive such other damages, direct or consequential, as may be appropriate. The Parent shall not be required to post any bond or other security in connection with any proceeding to enforce the provisions of this Section 6.6. Without limiting the generality of Section 10.4, the provisions of this Section 6.6 shall inure to the benefit of any subsequent transferee of the PCT Business or any substantial portion thereof, whether or not this Agreement is assigned to such transferee. The provisions of this Section 6.6 shall survive the Closing. The covenants contained herein are in addition to any other covenants which are signed or may be signed by any Member or Key Employee as an employee or otherwise.

Section 6.7 *Commercially Reasonable Efforts; Further Assurances*. Subject to the terms and conditions herein provided, each of the parties hereto shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by this Agreement. Each of the parties hereto will use their respective commercially reasonable efforts to obtain the consents of all Governmental Authorities and third parties necessary to the consummation of the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, the parties will, as promptly as practicable, apply for and diligently prosecute all applications for, and will use their commercially reasonable efforts promptly to: (a) effect all necessary registrations and filings, (b) defend any lawsuits or other legal proceedings, whether judicial or administrative, whether brought derivatively or on behalf of third parties (including Governmental Authorities or officials), challenging this Agreement or the consummation of the transactions contemplated hereby and (c) furnish to each other such information and assistance and to consult with respect to the terms of any registration, filing, application or undertaking as reasonably may be requested in connection with the foregoing. The provisions of this Section 6.7 shall survive the Closing.

Section 6.8 *Employment Matters*. All employment agreements and Benefit Arrangements to which any Person in the PCT Group is a party, shall be disclosed on **Schedule 4.16(a)** and if so disclosed continue in full force and effect after the Closing, unless the Parent in its sole discretion on an individual contract by contract, or plan by plan, basis requests for it to be terminated, in which case PCT will cause it to be terminated without liability to PCT or Parent. If termination is waived by Parent, each such employment agreement and Benefit Arrangement shall remain in full force and effect after the Merger.

Section 6.9 *Board of Directors of NeoStem*. As soon as reasonably practical after the Closing, Andrew Pecora shall be invited to join the Board of Directors of Parent, and Parent shall use its reasonable best efforts to cause Mr. Pecora to be appointed to the Board of Directors and nominated for election as a director at its annual meeting of shareholders when his initial term ends, provided however, that in order to comply with the listing standards for the NYSE-Amex, simultaneously with such appointment, and as a condition precedent, Parent also must find and appoint to NeoStem's Board of Directors, one (1) individual who meets all conditions of independence imposed by the SEC and the NYSE-Amex, so that at all times a majority of the members of NeoStem's Board of Directors are independent. If such an independent person is not found by Parent, and has not agreed to be so designated and appointed, Parent and PCT shall work together in good faith to find and designate another person acceptable to the Parent, through the Nominating Committee of its Board of Directors, as an independent director. Parent agrees that it will not delay the appointment of Mr. Pecora by reason of such need to designate another independent director for more than three (3) months after the Closing Date..

Section 6.10 *Waiver and Release of Claims*.

(a) Effective as of the Closing, subject to the limitations set forth in Section 6.10(b), each of the Lock-Up Members agrees that, on behalf of himself or itself and his or its successors, assigns, representatives, administrators, executors and agents, and any other person or entity claiming by, through, or under any of the foregoing, he/it does hereby unconditionally and irrevocably release, waive and forever discharge the Parent, Subco, PCT, PCT's Subsidiaries and each of their past and present members, directors, officers, employees, agents, predecessors, successors, assigns, Subsidiaries and Affiliates, from any and all claims, demands, damages, judgments, causes of action and liabilities of any nature whatsoever, whether or not known, suspected or claimed, arising directly or indirectly from any act, omission, event or transaction occurring (or any circumstances existing) with respect to PCT or any of its Subsidiaries on or prior to the Closing (collectively, "PCT Claims"), including without limitation any and all PCT Claims arising out of or relating to: (i) such individual's capacity as a current or former shareholder, member, officer or director, manager, employee or agent of PCT or any of its predecessors, Subsidiaries or Affiliates (or his capacity as a current or former trustee, director, officer, manager, employee or agent of any other entity in which capacity he is or was serving at the request of PCT or any of its Subsidiaries); or (ii) any contract, agreement or other arrangement (whether written or verbal) with PCT or any of its Subsidiaries entered into or established prior to the Closing, including any shareholders agreements, equity purchase agreements, employment agreements or previous noncompetition agreements. PCT shall procure similar releases from all Key Employees and other employees designated by Parent at or prior to the Closing.

(b) Notwithstanding the foregoing Section 6.10(a), no Lock-Up Member releases or discharges, and each Lock-Up Member expressly does not release or discharge any PCT Claims which arise out of or are in connection with any conduct on the part of PCT or its Subsidiaries which arise under or are based upon the terms of this Agreement or any other agreement executed or delivered in connection herewith. For the avoidance of doubt, the release and discharge provided by the Lock-Up Members in Section 6.10(a) shall be for the sole benefit of the parties set forth therein and their respective successors, assigns and legal representatives and is not intended, nor shall be construed, to give any Person, other than such parties and their respective successors, assigns and legal representatives, any legal or equitable right, remedy or claim hereunder.

Section 6.11 *Permits.* To the extent required by applicable Law, each Person in the PCT Group shall cooperate with Parent and use best efforts to assure that PCT retains all Permits required by it to operate the PCT Business, whether by way of renewal of Permits held by Persons in the PCT Group or through obtaining new Permits.

Section 6.12 *PCT's Affirmative Covenants.* Prior to the Closing, except as otherwise expressly provided herein, PCT shall (and PCT shall cause each its Subsidiaries to):

(a) conduct its business only in the Ordinary Course of PCT's Business;

(b) use commercially reasonable efforts to keep in full force and effect its corporate existence and all material rights, franchises, PCT Intellectual Property Rights and goodwill relating or pertaining to its businesses;

(c) endeavor to retain its employees and preserve its present relationships with customers, suppliers, contractors, distributors and employees, and continue to compensate its employees consistent with past practices;

(d) use commercially reasonable efforts to maintain the PCT Intellectual Property Rights so as not to affect adversely the validity or enforcement thereof; maintain its other assets in customary repair, order and condition and maintain insurance reasonably comparable to that in effect on the date of this Agreement;

(e) maintain its books, accounts and records in accordance with generally accepted accounting principles;

(f) use commercially reasonable efforts to obtain all authorizations, consents, waivers, approvals or other actions and to make all filings and applications necessary or desirable to consummate the transactions contemplated hereby, and to cause the other conditions to NeoStem's obligation to close to be satisfied; and

(g) promptly notify NeoStem in writing if, prior to the consummation of the Closing, to its knowledge (a) any of the representations and warranties contained in Article IV cease to be accurate and complete in all material respects or (b) PCT fails to comply with or satisfy any material covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.12 shall not limit or otherwise affect the remedies available hereunder to NeoStem.

Section 6.13 *NeoStem's Affirmative Covenants.* Prior to the Closing, except as otherwise expressly provided herein, Parent and Subco shall:

(a) conduct its business only in the ordinary and regular course of business consistent with past practices (it being understood that financing efforts are consistent with past practice);

(b) use commercially reasonable efforts to obtain all authorizations, consents, waivers, approvals or other actions and to make all filings and applications necessary or desirable to consummate the transactions contemplated hereby and to cause the other conditions to PCT's obligation to close to be satisfied; and

(c) promptly notify PCT in writing if, prior to the consummation of the Closing, to its knowledge (i) any of the representations and warranties contained in Article V cease to be accurate and complete in all material respects or (ii) Parent fails to comply with or satisfy any material covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.13 shall not limit or otherwise affect the remedies available hereunder to PCT.

Section 6.14 *PCT's Negative Covenants.* Prior to the Closing, without the prior written consent of NeoStem or as otherwise expressly provided herein, PCT will not, and PCT will cause its Subsidiaries not to:

(a) take any action or omit to take any action which would result in PCT's or any of its Subsidiaries' (i) incurring any trade accounts payable outside of the Ordinary Course of Business or making any commitment to purchase quantities of any item of inventory in excess of quantities normally purchased in the Ordinary Course of PCT's Business; (ii) increasing any of its indebtedness for borrowed money; (iii) guaranteeing the obligations of any entity other than PCT's Subsidiaries, (iv) merging or consolidating with, purchasing substantially all of the assets of, or otherwise acquiring any business or any proprietorship, firm, association, limited liability company, corporation or other business organization; (v) increasing the rate or type of compensation payable to any officer, manager, employee or consultant of PCT or any of its Subsidiaries (other than regularly scheduled increases in base salary consistent with prior practice); (vi) entering into or amending any collective bargaining agreement or other agreement related to employment (except as required by law), or creating or modifying any pension or profit-sharing plan, bonus, deferred compensation, death benefit, or retirement plan, or any other employee benefit plan, or increasing the level of benefits under any such plan, or extending the exercisability of any outstanding stock option or increasing or decreasing any severance or termination pay benefit or any other fringe benefit; (vii) making any representation to anyone indicating any intention of NeoStem to retain, institute, or provide any employee benefit plans; (viii) declaring or paying any dividend or making any distribution with respect to, or purchasing or redeeming, membership interests of PCT; (ix) selling or disposing of any assets otherwise than in the Ordinary Course of PCT's Business; (x) making any capital expenditures other than in the Ordinary Course of PCT's Business consistent with past practices and in no event in excess of $50,000 in the aggregate; (xi) after the Registration Statement and/or Joint Proxy Statement is filed, issuing any Shares or membership interests of any kind of PCT or its Subsidiaries, except for PCT membership interests issuable upon exercise of a PCT Option or PCT Warrant outstanding on the date hereof; (xii) issuing or granting any subscriptions, options, rights, warrants, convertible securities or other agreements or commitments to issue, or contracts or any other agreements obligating PCT or its Subsidiaries to issue, any equity , or securities convertible into any equity; (xiii) modifying, amending or terminating any material PCT Contract other than in the Ordinary Course of PCT's Business that is consistent with past practices; or (xiv) entering into any other transaction outside of the Ordinary Course of PCT's Business;

(b) change any method or principle of accounting in a manner that is inconsistent with past practice, except to the extent required by generally accepted accounting principles as advised by PCT's regular independent accountants;

(c) take any action that would likely result in the representations and warranties set forth in Article IV becoming false or inaccurate in any material respect (or, as to representations and warranties, which, by their terms, are qualified as to materiality, becoming false or inaccurate in any respect);

(d) incur any Indebtedness, or increase the outstanding amount of any existing Indebtedness; provided however that the principal amount of borrowings under the Real Estate Mortgage Loan may be increased by up to $1 million so long as (i) all proceeds of such increase are held by PCT for use in the Ordinary Course of PCT's Business or used only to pay (x) the $400,000 due to NNJCA and (y) up to $600,000 in accounts payable due in the Ordinary Course of PCT's Business, (ii) NeoStem consents to such borrowings and (iii) prior to any advance, TD Bank as lender and the NJEDA have consented to the Real Estate Mortgage Loan remaining in place as contemplated by Section 7.2(c);

(e) incur or create any encumbrances, liens, pledges or security interests on assets;

(f) except as contemplated herein, take any action or omit to take any action which would materially interfere with NeoStem's rights to compel performance of each of the obligations of PCT under this Agreement;

(g) take or omit to be taken any action, or permit any of its Affiliates to take or to omit to take any action, which would reasonably be expected to result in a Material Adverse Effect;

(h) grant or otherwise issue any option, warrant or other securities exercisable for or convertible into equity of PCT; or

(i) agree or commit to take any action precluded by this Section 6.14.

Section 6.15 *NeoStem's Negative Covenants.* Prior to the Closing, without the prior written consent of PCT or as otherwise expressly provided herein, NeoStem will not:

(a) take any action that would likely result in the representations and warranties set forth in Article V becoming false or inaccurate in any material respect (or, as to representations and warranties, which, by their terms, are qualified as to materiality, becoming false or inaccurate in any respect);

(b) except as contemplated herein, take any action or omit to take any action which would materially interfere with PCT's rights to compel performance of each of the obligations of NeoStem under this Agreement; or

(c) agree or commit to take any action precluded by this Section 6.15.

ARTICLE VII

Conditions to Closing

Section 7.1 *Mutual Conditions*. The obligation of the Parent, Subco, and PCT to consummate the transactions contemplated hereby is subject to the satisfaction as of the Closing of the following conditions unless waived (to the extent that such conditions can be waived) in writing by the Parent, Subco and PCT:

(a) Laws. There shall not be any Law in effect that would prevent the consummation of the transactions contemplated by the Transaction Documents.

(b) Absence of Litigation. There shall not be (i) any Order of any nature issued by a Governmental Authority with competent jurisdiction directing that the transactions provided for in the Transaction Documents or any material aspect of them not be consummated as provided herein or therein, or (ii) any Legal Proceeding pending wherein an unfavorable Order would prevent the performance of any of the Transaction Documents or the consummation of any material aspect of the transactions contemplated hereby or thereby, declare unlawful any material aspect of the transactions contemplated by the Transaction Documents or cause any material aspect of the transactions contemplated by the Transaction Documents to be rescinded.

(c) Government Approvals. All authorizations, consents, Orders or approvals of, or declarations or filings with or expiration of waiting periods imposed by, applicable Law necessary for the consummation of the transactions contemplated hereby shall have been obtained or made or shall have occurred.

(d) Escrow Agreement. The Escrow Agent, Parent and PCT shall have executed the Escrow Agreement.

(e) Member Approval. The requisite percentage of Members of PCT and the stockholders of Parent shall have approved this Agreement and the Merger and issuance of securities by Parent hereunder.

(f) Registration Statement. The SEC shall have declared the Registration Statement effective under the Securities Act, and no stop order or similar restraining order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the SEC or any state securities administrator. The shares of Parent Common Stock required to be issued pursuant to this Agreement shall have been approved for listing on the NYSE-Amex or such other stock exchange (the "Exchange") on which the Parent Common Stock is listed or quoted, subject to official notice of issuance.

Section 7.2 *Conditions to the Obligations of the Parent and Subco*. The obligations of the Parent and Subco to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment prior to or at Closing of each of the following conditions:

(a) Representations and Warranties; Performance of Covenants. Except for those representations and warranties which are made as of a particular date, the representations and warranties of PCT contained in this Agreement shall be true and correct in all material respects (except with respect to those representations and warranties which are qualified as to materiality, which shall be true and correct in all respects) on the Closing Date. The representations and warranties of PCT contained in this Agreement which are made as of a particular date shall be true and correct in all material respects (except with respect to those representations and warranties which are qualified as to materiality, which shall be true and correct in all respects) as of such date. PCT, its Subsidiaries and the Lock-Up Members shall have performed in all material respects the agreements, covenants and obligations to be performed by them prior to the consummation of the Closing.

(b) No Material Events. Since the date hereof, there shall have been (i) no material damage, destruction or loss to the PCT Business, regardless of insurance coverage, and (ii) no other Material Adverse Effect.

(c) Consents. All authorizations, consents, waivers, approvals or other actions legally required in connection with the execution, delivery and performance by PCT of this Agreement and the other PCT Documents and the consummation by PCT of the transactions contemplated hereby and thereby shall have been obtained and shall be in full force and effect; without limiting the foregoing, PCT shall have obtained any authorizations, consents, waivers, approvals or other actions required to prevent a breach or default by any Person in the PCT Group under any Contract to which any Person in the PCT Group is a party or required for the continuation of any agreement or Permit to which any Person in the PCT Group is a party and which relates to the PCT Business, including without limitation all authorizations, consents, waivers, approvals, licenses, PCT Permits or other actions necessary to permit the Surviving Company to operate the PCT Business in compliance with all applicable Laws immediately after the Closing. Not in limitation of the foregoing, PCT shall deliver (i) a consent from the lender and the New Jersey Economic Development Authority with respect to the Real Estate Mortgage Loan on PCT's Allendale, New Jersey real estate permitting such loan to remain in full force and effect on the same terms, (ii) a consent from Hackensack University Medical Center ("HUMC") with respect to all agreements between PTC and HUMC, (iii) landlord consents and estoppel certificates from the landlords of each Leased Property, (iv) a consent from Stem Cell Inc., (v) if requested by Parent and not previously delivered, a consent to this Agreement from Nexell/Baxter/BioScience 2002, (vi) a consent from ADP and (vii) a consent to each other agreement where consent is indicated to be required on **Schedule 4.16**.

(d) NNJCA. PCT shall deliver (i) a pay-off letter from NNJCA, and (ii) proof of simultaneous payment by PCT or other third parties of the greater of (x) $400,000 or (y) a sum such that the balance due to NNJCA is $3 million.

(e) Secretary's Certificate. PCT shall have delivered to the Parent a certificate of the Secretary or Assistant Secretary of PCT, in form and substance satisfactory to the Parent, certifying (i) resolutions of the managers and Members of PCT approving this Agreement, the other PCT Documents and the transactions contemplated hereby and thereby and (ii) the PCT LLC agreement and other governing documents of PCT, as amended, and setting forth (I) such good standing certificates as the Parent shall reasonably request, (II) a certified copy of PCT's certificate of formation, as amended, and (III) an incumbency certificate with respect to all officers of PCT and its Subsidiaries executing this Agreement, the other PCT Documents and/or any instrument or document contemplated hereby or thereby.

(f) Valuation Report. If requested by Parent, the Parent and Subco shall have received from its investment banking firm an update to the Valuation Report satisfactory to the Parent.

(g) Legal Opinion. The Parent and Subco shall have received an opinion or opinions from counsel to PCT in form and substance satisfactory to the Parent and its counsel, including opinions with respect to the matters set forth in Exhibit D.

(h) Comfort Letter. The Parent and Subco shall have received a letter from PCT's independent auditors permitting Parent to include the GAAP Financial Statements and its opinion with respect to such statements in Parent's filings with the SEC, as well as providing comfort as needed with respect to the Form S-4 and any subsequent securities offerings by Parent.

(i) Employment Agreements. The following persons shall have terminated all existing employment agreements, except they shall not have terminated the new employment agreements with PCT on terms acceptable to Parent and Subco being entered into promptly following the execution of this Agreement (but conditional on closing the Merger): Andrew Pecora, George Goldberger, Robert Preti and Daryl LaSueur (the "Key Employees").

(j) Options and Warrants. The Parent and Subco shall have received proof reasonably satisfactory to them that all rights to acquire equity of any member of the PCT Group or benefits similar to benefits of an equity holder, have been exercised or terminated without liability to PCT or Parent.

(k) Non-Compete Agreements. Each Key Employee shall have executed a non-compete and non-solicitation agreement in form and substance satisfactory to Parent.

(l) Non-Disclosure Agreements. Each Key Employee, and each other employee designated by Subco, shall have executed a non-disclosure and confidentiality agreement and an assignment of inventions in form satisfactory to Parent and Subco.

(m) Notices to Customers and Suppliers. PCT shall have provided Parent with evidence of delivery by them of a notice to suppliers and customers of the transactions contemplated by this Agreement (as may be required under any agreements with such suppliers or customers or as NeoStem otherwise deems desirable). Such form of notice shall be delivered to Parent at least 15 days prior to the scheduled date of the NeoStem Meeting and have been approved in advance by Parent, which consent shall not be unreasonably withheld.

(n) Due Diligence. The result of any and all due diligence, including, but not limited to, legal due diligence, financial due diligence and business due diligence, shall be satisfactory to NeoStem, in its sole discretion; provided, however, that NeoStem's right to terminate this Agreement pursuant to this paragraph shall terminate upon mailing the Prospectus/Joint Proxy Statement to the Members and NeoStem's stockholders.

(o) Other Documents. PCT and the Members shall have executed and delivered to the Parent the documents set forth in Section 3.6(a) and such other documents or instruments as the Parent reasonably requests to effect the transactions contemplated by this Agreement and the other PCT Documents.

Section 7.3 *Conditions to the Obligations of PCT and the Members*. The obligation of PCT to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing of each of the following conditions:

(a) Representations and Warranties; Performance of Covenants. Except for those representations and warranties which are made as of a particular date, the representations and warranties of the Parent and Subco contained in this Agreement shall be true and correct in all material respects (except with respect to those representations and warranties which are qualified as to materiality, which shall be true and correct in all respects) on the Closing Date. The representations and warranties of the Parent and Subco contained in this Agreement which are made as of a particular date shall be true and correct in all material respects (except with respect to those representations and warranties which are qualified as to materiality, which shall be true and correct in all respects) as of such date. The Parent and Subco shall have performed in all material respects the agreements, covenants and obligations to be performed by them prior to the consummation of the Closing.

(b) Consents. All authorizations, consents, waivers, approvals or other actions legally required in connection with the execution, delivery and performance by Parent and Subco of this Agreement and the other Purchaser Documents and the consummation by Parent and Subco of the transactions contemplated hereby and thereby shall have been obtained and shall be in full force and effect.

(c) Secretary's Certificates. Prior to or at the Closing, the Parent shall have delivered an executed certificate of the Secretary or Assistant Secretary of the Parent, in form and substance satisfactory to PCT, certifying resolutions of the governing body of the Parent and Subco approving this Agreement and setting forth an incumbency certificate with respect to all officers of the Parent and Subco executing this Agreement and any other Purchaser Document and/or any instrument or document contemplated hereby or thereby.

(d) Employment Agreements. The new employment agreements with PCT being executed on or about this date by the following individuals, on terms acceptable to Parent and Subco, shall not have been terminated by Parent other than for Cause (as defined therein): Andrew Pecora, George Goldberger and Robert Preti.

(e) Officer's Certificate. The Parent shall have delivered to PCT a certificate from its CEO or CFO affirming the availability of funds to be able to make the $3 million payment due to NNJCA within seven (7) days of the Closing and that it will in fact make such payment.

(f) Other Documents. The Parent or Subco, as applicable, shall have executed and delivered to PCT the documents set forth in Section 3.6(b) and such other documents or instruments as PCT reasonably requests to effect the transactions contemplated by this Agreement or any other Purchaser Document.

ARTICLE VIII

Survival of Representations and Warranties; Survival of Covenants; Indemnification

Section 8.1 *Survival of Representations, Warranties and Covenants*.

(a) Except as set forth in the immediately succeeding sentences, the representations and warranties provided for in this Agreement shall survive the Closing until the date in 2012 that is two years after the Closing Date. The survival period of each representation or warranty as provided in this Section 8.1 is hereinafter referred to as the "Survival Period." Any claim in the nature of fraud, willful breach or intentional misconduct or intentional misrepresentation or similar claim may be made notwithstanding the end of the Survival Period so long as the statute of limitations has not expired.

(b) The covenants contained in this Agreement shall survive the Closing until they are otherwise terminated by their respective terms.

(c) Any representation, warranty, covenant or other agreement in respect of which indemnity may be sought under this Article VIII, and the indemnity with respect thereto, shall survive the time at which it would otherwise terminate pursuant to this Section 8.1 if written notice of the claim giving rise to such right or potential right of indemnity shall have been given to the PCT Representative or the party against whom such indemnity may be sought prior to such time and, in any such case, such representation, warranty, covenant or other agreement shall survive until any claim for indemnity related to such inaccuracy or breach or potential inaccuracy or breach is settled or resolved, provided in each case that the claim is asserted in good faith.

(d) The representations, warranties and covenants contained in this Agreement or in any certificate or other writing delivered in connection with this Agreement shall survive for the periods set forth in this Section 8.1 and shall in no event be affected by any investigation, inquiry or examination made for or on behalf of any party, or the knowledge of any party's representatives or the acceptance by any party of any certificate or opinion hereunder.

Section 8.2 *Indemnification*.

(a) The Members (to the extent of their collective interest in the Escrow Account) shall jointly and severally indemnify and hold harmless the Parent, Subco, their Affiliates, and their officers, directors, employees, agents and representatives, and any Person claiming by or through any of them (the "Parent Indemnified Parties"), against and in respect of any and all claims, costs, expenses, damages, liabilities, losses or deficiencies (including, without limitation, counsel's fees and other costs and expenses incident to any suit, action or proceeding) (the "Damages") arising out of, resulting from or incurred in connection with (i) any inaccuracy in any representation or the breach of any warranty made by PCT in this Agreement (ignoring, for purposes of determining the existence of any such misrepresentation or breach or the amount of Damages with respect thereto, any "materiality", "Material Adverse Effect" or similar qualifier set forth in such representation or warranty), (ii) the breach by PCT of any covenant or agreement to be performed by it hereunder, (iii) any Taxes relating to the PCT Business with respect to any time prior to the Closing Date, (iv) any Excluded Liability, (v) any liability arising from the operation of the PCT Business or services provided by any Person in the PCT Group with respect to any time prior to the Closing Date outside of the Ordinary Course of PCT's Business, (vi) any claim by any Person relating to any equity interest, or option, warrant or other right exercisable, convertible or exchangeable into or for any equity interest of PCT, (vii) any product liability claim by any Person relating to the PCT Business with respect to any time prior to the Closing Date (to the extent not covered by insurance), and (viii) any claim by any Person relating to the construction projects with respect to any time prior to the Closing Date. The Parent Indemnified Parties shall not be entitled to recover Damages from PCT or its Members or any member(s) of the Knowledge Group for any claim for indemnification pursuant to Section 8.2(a) first made after the expiration of the Survival Period nor from any other source other than the Escrow Account, except for claims in the nature of fraud, willful breach or intentional misconduct or intentional misrepresentation.

(b) The Parent shall indemnify and hold harmless the Members (the "PCT Indemnified Parties"), against and in respect of any and all Damages arising out of, resulting from or incurred in connection with (i) any inaccuracy in any representation or the breach of any warranty made by the Parent and Subco in this Agreement, or (ii) the breach by the Parent or Subco of any covenant or agreement to be performed by such party hereunder. PCT Indemnified Parties shall not be entitled to recover Damages from the Parent for any claim for indemnification pursuant to Section 8.2(b) first made after the expiration of the Survival Period.

(c) Any Person providing indemnification pursuant to the provisions of this Section 8.2 is hereinafter referred to as an "Indemnifying Party" and any Person entitled to be indemnified pursuant to the provisions of this Section 8.2 is hereinafter referred to as an "Indemnified Party."

(d) Notwithstanding anything to the contrary contained in this Agreement, the Parent may not seek indemnification with respect to any claim for Damages until the aggregate amount of all Damages for which the Parent is seeking indemnification under Section 8.2 equals or exceeds $100,000 (the "Threshold"), whereupon the Parent shall be entitled to seek indemnification with respect to all Damages exceeding the Threshold. Notwithstanding anything to the contrary contained in this Agreement, the Members may not seek indemnification with respect to any claim for Damages until the aggregate amount of all Damages for which the Members are seeking indemnification under Section 8.2 equals or exceeds the Threshold whereupon the Members, through the PCT Representative, shall be entitled to seek indemnification with respect to all such Damages exceeding the Threshold.

(e) The liability of the Members or any member(s) of the Knowledge Group to the Parent for all Damages for which indemnification is provided hereunder shall not exceed the Escrow Account, except for any claims of fraud, willful breach, intentional misconduct or intentional misrepresentation. The liability of the Parent to the Members for all Damages for which indemnification is provided hereunder shall not exceed $100,000, except for any claims of fraud, willful breach, intentional misconduct or intentional misrepresentation. Any claim for fraud, willful breach, intentional misconduct or intentional misrepresentation, may be asserted jointly or severally against any of the Members. Notwithstanding any provision herein to the contrary, no limitation on a party's liability provided for herein shall apply in the event of the fraudulent conduct, willful breach, intentional misconduct, or intentional misrepresentation of such party.

(f) If and to the extent any provision of Section 8.2(a) is unenforceable for any reason, the Members (to the extent of the Escrow Account other than in the case of fraud) shall make the maximum contribution to the payment and satisfaction of any Damages for which indemnification is provided for in Section 8.2(a) which is permissible under applicable Laws, such amount not to exceed the amount otherwise available under this Agreement if such provision were enforceable. If and to the extent any provision of Section 8.2(b) is unenforceable for any reason, the Parent hereby jointly and severally agree to make the maximum contribution to the payment and satisfaction of any Damages for which indemnification is provided for in Section 8.2(b) which is permissible under applicable Laws, such amount not to exceed the amount otherwise available under this Agreement if such provision were enforceable.

(g) For the purposes of determining the amount of any Damages related to a breach of any representation or warranty, the representations and warranties set forth in this Agreement shall be considered without regard to any "material," "Material Adverse Effect", or similar qualifications set forth therein.

Section 8.3 *Procedures for Third Party Claims*. In the case of any claim for indemnification arising from a claim of a third party, an Indemnified Party shall give prompt written notice, following such Indemnified Party's receipt of such claim or demand, to the Indemnifying Party of any claim or demand of which such Indemnified Party has knowledge and as to which it may request indemnification hereunder; provided, however, that failure to give such notice will not affect such Indemnified Party's rights furnished hereunder unless, and then solely to the extent that, the rights of the parties from whom indemnity is sought are materially prejudiced as a result of such failure. The Indemnifying Party shall have the right to defend and to direct the defense against any such claim or demand, in its name or in the name of the Indemnified Party, as the case may be, at the expense of the Indemnifying Party, and with counsel selected by the Indemnifying Party provided that the Indemnifying Party shall have provided the Indemnified Party with the prior written assumption, in form and substance reasonably acceptable to the Indemnified Party, by the Indemnifying Party of any and all liability with respect to the matter in controversy, unless (i) such claim or demand seeks an order, injunction or other equitable relief against the Indemnified Party, or (ii) the Indemnified Party shall have reasonably concluded that (x) there is a conflict of interest between the Indemnified Party and the Indemnifying Party in the conduct of the defense of such claim or demand or (y) the Indemnified Party has one or more defenses not available to the Indemnifying Party. Notwithstanding anything in this Agreement to the contrary, the Indemnified Party shall, at the expense of the Indemnifying Party, cooperate with the Indemnifying Party, and keep the Indemnifying Party fully informed, in the defense of such claim or demand. The Indemnified Party shall have the right to participate in the defense of any claim or demand with counsel employed at its own expense; provided, however, that, in the case of any claim or demand described in clause (i) or (ii) of the second preceding sentence or as to which the Indemnifying Party shall not in fact have employed counsel to assume the defense of such claim or demand, the reasonable fees and disbursements of such counsel shall be at the expense of the Indemnifying Party. The Indemnifying Party shall have no indemnification obligations with respect to any such claim or demand which shall be settled by the Indemnified Party without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. The Indemnifying Party shall not settle any such claim without the prior written consent of the Indemnified Party, unless such claim solely involves a claim for monetary Damages and such settlement is accompanied by a document releasing the Indemnified Party from all liability with respect to the matter in controversy.

Section 8.4 *Escrow Account*. Upon approval of this Agreement the Members shall be deemed to have consented to the right of Parent or any Parent Indemnified Party to collect from the Escrow Account the amount of any Damages payable to the Parent or any of the Parent Indemnified Parties in accordance with this Article VIII as and when the Parent or any of the Parent Indemnified Parties incurs or suffers such Damages.

(a) Escrow Period; Release of Escrow Account. The Escrow Account shall commence on the date hereof and terminate on the date (the "Termination Date") which is two (2) years and one day after the Closing Date (the "Escrow Period"). PCT has represented that the only Members who will have a material taxable gain as a result of this transaction are Andrew Pecora, Robert Preti and George Goldberger (the "Taxable Members"). Pecora, Preti and Goldberger have membership interests of approximately 17.9%, 17.9%, and 2.6%, respectively, or an aggregate of 38.4% (the "Taxable Percentage"). The Escrow Account will be divided into two sub-accounts, the "Taxable Account" representing a number of shares (rounded down to the nearest whole share) equal to the Taxable Percentage times the Adjusted Stock Consideration, and the "Balance Account" equal to a number of shares equal to the Adjusted Stock Consideration less the number of shares in the Taxable Account.

(i) An aggregate of up to 25% of the shares of Parent Common Stock in the Taxable Account may be released from the Escrow Account and distributed to the Taxable Members of PCT in accordance with their proportional interests on the 15th day of the month that is at least one month after the Closing Date and at any time thereafter. By way of example, if the Closing Date were October 1, 2010, then November 15, 2010, would be the commencement date for releases under this paragraph. Prior to each release of shares from the Taxable Member's proportionate interest in the Taxable Account, a Taxable Member must certify that (x) the Fair Market Value of the amount being withdrawn, plus the Fair Market Value of all prior withdrawals (at the time of withdrawal) by such Taxable Member through and including the date of such certification, is less than the Taxable Member's actual federal and state tax liability arising from his taxable gain with respect to the Merger, (y) the number of shares of Parent Common Stock being withdrawn, plus the number of shares previously withdrawn by such Taxable Member through and including the date of the certification, is not more than 25% of the number of shares represented by such Taxable Member's proportionate interest in the Taxable Account on the Closing Date and (z) there are no impediments under federal or state securities laws, Parent's insider trading policies, or otherwise, that would restrict a current sale of the shares being withdrawn.

(ii) After the date one (1) year after the Closing Date, a number of shares of Parent Common Stock shall be released from the Escrow Account such that 5,600,000 shares of Parent Common Stock (50% of the Stock Consideration), plus any shares then being held with respect to pending claims by NeoStem, will remain in the Escrow Account. Shares subject to pending claims will be released to the party entitled to such shares when the pending claim is finally resolved and 5,600,000 shares will remain in the Escrow Account until the Termination Date (or later so that if any claims are pending at such Termination Date, as provided in paragraph (iii) below). To effectuate the foregoing, Parent and the PCT Representative will take into account all shares previously released to the Taxable Members fro the Taxable Account, so that the percentage of shares being released to Members other than the Taxable Members from the Balance Account shall be equal to the sum of the percentage of shares being released to the Taxable Members pursuant to this paragraph (ii) and the percentage of shares previously released to the Taxable Members pursuant to paragraph (i), and so that all the Members of PCT have the same percentage interest in the remaining Escrow Account after the release pursuant to this paragraph (ii) as they had when the Escrow Account was initially funded at Closing.

(iii) As soon as practical after the Termination Date, all shares of Parent Common Stock then remaining in the Escrow Account shall be released and distributed to the Members; provided that Parent Common Stock representing 120% of the maximum amount of any claim made pursuant to Article VIII during the Escrow Period shall be withheld and remain in the Escrow Account pending resolution of such claim; provided, further, that the Parent Common Stock in the Escrow Account which is necessary to satisfy any unsatisfied claims specified in any Parent Notice theretofore delivered to the Escrow Agent prior to the termination of the Escrow Period with respect to facts and circumstances existing prior to the expiration of the Escrow Period, shall remain in the Escrow Account until such claims have been resolved. Parent shall direct the Escrow Agent to promptly distribute to PCT's former Members any portion of the Escrow Account at the Termination Date for which there is no claim pending or unsatisfied pursuant to this Article VIII. All shares of Parent Common Stock in the Escrow Account shall have been registered on the Form S-4.

(b) Claims Upon Escrow Account. Subject to the provisions of this Section 8.4, the Parent or Subco may make claims upon the Escrow Account by delivering to the Escrow Agent at any time on or before the last day of the Escrow Period a notice signed by a representative of Parent or Subco (a "Parent Notice") specifying in reasonable detail the individual items of Damages for which indemnification is being sought. Seven (7) calendar days after receipt by the Escrow Agent of a Parent Notice, the Escrow Agent shall deliver to Parent, the number of Shares held in the Escrow Account having a Fair Market Value equal to such Damages. Parent shall, concurrent with the sending of any Parent Notice to the Escrow Agent, provide a copy of such Parent Notice to the PCT Representative. For purposes of this Agreement and the Escrow Agreement, the "Fair Market Value" of one share of Parent Common Stock shall equal the average per share closing price on the NYSE-Amex of Parent Common Stock for the last three (3) trading days prior to the date of such Parent Notice. Any payments made to an Indemnified Person pursuant to this Article VIII or the Escrow Agreement shall be treated as an adjustment to the total consideration being paid hereunder for Tax purposes.

(c) Objections to Claims.

(i) If the PCT Representative shall deliver a written objection to a Parent Notice to Parent and the Escrow Agent within the seven (7) calendar day period after Parent or Subco's delivery thereof, then Parent and the PCT Representative shall use their good faith efforts to resolve such dispute. If Parent and the PCT Representative resolve such dispute, the parties shall deliver a written notice to the Escrow Agent directing the delivery of the applicable portion of the Escrow Account based upon such resolution. In the event that no objection is made by the PCT Representative as provided herein, the PCT Representative, PCT and the Members shall have irrevocably waived any right to object to such Parent Notice.

(ii) If timely notice of such an objection is given and Parent and the PCT Representative are unable to resolve the applicable dispute within thirty (30) days after the PCT Representative objects to such Parent Notice, either Parent or the PCT Representative may, by written notice to the other and the Escrow Agent, demand arbitration of such dispute. Any such arbitration shall be conducted by JAMS/Endispute, Inc. or such other alternative dispute service ("Arbitration Service") as shall be reasonably acceptable to Parent and the PCT Representative. The Arbitration Service shall select one (1) arbitrator reasonably acceptable to both Parent and the PCT Representative who shall be expert in the area in dispute. The decision by the arbitrator shall be binding and conclusive and, notwithstanding any other provisions of this Section 8.4, the Escrow Agent shall be entitled to act in accordance with such decisions and make delivery of the Escrow Account in accordance therewith. The arbitration shall be held in New York, New York. The costs of any such arbitration shall be borne one-half by the Parent and one-half by the Members (out of the Escrow Account to the extent available after all claims have been satisfied and shares released). Judgment upon any award rendered by the arbitrator may be entered in any court of competent jurisdiction.

Section 8.5 *PCT Representative*.

(a) By approval of the Merger at the PCT Meeting, each Member shall be deemed to irrevocably constitute and appoint the PCT Representative as such Member's attorney-in-fact and agent in connection with the transactions contemplated by this Agreement and the Escrow Agreement. This power is irrevocable and coupled with an interest, and shall not be affected by the death, incapacity, illness or other inability to act of any Member. Each Member hereby irrevocably grants the PCT Representative full power and authority on behalf of such Member, including, but not limited, to:

(i) execute and deliver, and to accept delivery of, such documents as may be deemed by the PCT Representative, in its sole discretion, to be appropriate to consummate the transactions contemplated by this Agreement or the Escrow Agreement;

(ii) certify as to the accuracy of the representations and warranties of the Company and of such Member under, or pursuant to the terms of, this Agreement and to deliver such documents, instruments, certificates or agreements contemplated by this Agreement on behalf of such Member;

(iii) (A) dispute or refrain from disputing any claim made by the Parent and Subco under this Agreement; (B) negotiate and compromise any dispute that may arise under, and to exercise or refrain from exercising any remedies available under, this Agreement and (C) execute any settlement agreement, release or other document with respect to such dispute or remedy;

(iv) waive any closing condition contained in Article VII and give or agree to any and all consents, waivers, amendments or modifications deemed by the PCT Representative, in its sole discretion, to be necessary or appropriate under this Agreement or the Escrow Agreement, and, in each case, to execute and deliver any documents that may be necessary or appropriate in connection therewith.

(v) enforce any claim against the Parent and Subco arising under this Agreement;

(vi) engage attorneys, accountants and agents at the expense of the Members;

(vii) exercise all rights of, and take all actions that may be taken by, the Members or any of them hereunder or under the Escrow Agreement; and

(viii) give such instructions and to take such action or refrain from taking such action as the PCT Representative deems, in his sole discretion, necessary or appropriate to carry out the provisions of, and to consummate the transactions contemplated by, this Agreement.

(b) Notwithstanding any other provision herein to the contrary, the Parent shall be able to rely conclusively on the instructions and decisions of the PCT Representative as to any matter requiring action or decision by PCT or the Members under this Agreement or the Escrow Agreement, notwithstanding any dispute or disagreement among the Members, without any liability to, or obligation to inquire of, any Member, and notwithstanding any Knowledge on the part of the Parent and Subco of any such dispute or disagreement. PCT and the Members shall not have any cause of action against the Parent or any of its Affiliates for any action taken by the Parent in reliance upon the instructions or decisions of the PCT Representative. All actions, decisions and instructions of the PCT Representative shall be conclusive and binding upon PCT and the Members and, in the absence of fraud or intentional misconduct, neither PCT nor the Members shall have any right to object, dissent, protest or otherwise contest the same or have any cause of action against the PCT Representative for any action taken, decision made or instruction given by the PCT Representative under this Agreement, the Escrow Agreement or any other agreement contemplated hereby.

(c) By approval of the Merger at the PCT Meeting, each Member shall be deemed to agree that:

(i) notice to the PCT Representative, delivered in the manner provided herein, shall be deemed to be notice to each Member for the purposes of this Agreement;

(ii) the authority of the PCT Representative, as described in this Agreement and the Escrow Agreement, shall be effective until the rights and obligations of the PCT Representative under this Agreement shall terminate by virtue of the termination of any and all rights and obligations of such Member to the Parent and Subco under this Agreement;

(iii) if the PCT Representative is removed, resigns or otherwise ceases to function in his capacity as such for any reason whatsoever, and no successor is appointed by a majority-in-interest of the Members based on their Proportional Percentage within thirty (30) days of such removal, resignation or otherwise, then the Parent and Subco shall have the right to appoint a PCT Representative to serve as described in this Agreement (who shall be a Member) and, under such circumstances, the Parent and Subco and the Company shall be entitled to rely on and all actions taken by such PCT Representative; and

(iv) the PCT Representative shall not be liable to any Member for Losses with respect to any action taken or any omission by the PCT Representative pursuant to this Section 8.5 or the Escrow Agreement, except to the extent such Losses are caused by the PCT Representative's gross negligence or willful misconduct.

(d) Each Member shall be deemed to have agreed that, notwithstanding the foregoing, at the request of the Parent and Subco, he/she/it shall take all actions necessary or appropriate to consummate the transactions contemplated by this Agreement (including, without limitation, delivery of Shares and/or the letter of transmittal contemplated by this Agreement and acceptance of the purchase price in escrow at Closing) individually on his/her/its own behalf. Each Member shall deliver to the PCT Representative, the Parent and its Transfer Agent a letter of transmittal duly endorsed (signature guaranteed by a commercial bank), to be held by the PCT Representative and delivered by the PCT Representative to the Parent and Subco at the Closing if the Closing shall occur or immediately after such Closing.

(e) Any claim, action, suit or other proceeding, whether at law or in equity, to enforce any right, benefit or remedy granted to Members under this Agreement shall be asserted, brought, prosecuted, or maintained only by the PCT Representative on behalf of the Members. Any claim, action, suit or other proceedings, either at law or in equity, to enforce any right, benefit or remedy granted under this Agreement, including, without limitation, any right of indemnification provided in this Agreement, may be asserted, brought, prosecuted or maintained by the Parent or Subco against the Member by service of process on the PCT Representative and without the necessity of serving process on, or otherwise joining or naming any other Member as a defendant in such action, suit or other proceeding. With respect to any matter contemplated by this Section, a Member shall be bound by any determination in favor of or against the PCT Representative or the terms of any settlement or release to which the PCT Representative shall become a party.

(f) Each Member shall indemnify the PCT Representative against any Losses that the PCT Representative may suffer or incur in connection with any action taken or any omission by the PCT Representative, except to the extent such Losses were caused by the PCT Representative's gross negligence or willful misconduct.

ARTICLE IX

Termination

Section 9.1 *Termination.* This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement by Parent's stockholders and/or PCT's Members):

(a) by mutual written consent of PCT and Parent;

(b) by either PCT or Parent if there shall be any law or regulation that, as supported by the written opinion of outside legal counsel, makes consummation of the Merger illegal or otherwise prohibited, or if any judgment, injunction, order or decree of a court or other competent Governmental Authority enjoining PCT or Parent from consummating the Merger shall have been entered and such judgment, injunction, order or decree shall have become final and non-appealable, provided that the party seeking to terminate this Agreement shall have used reasonable commercial efforts to remove or lift such injunction, order, decree or ruling;

(c) by Parent if the requisite vote (under all applicable Laws) of PCT's Members to approve the Merger and the transactions contemplated hereby shall not have been obtained;

(d) by Parent if the investment banking firm engaged to provide the Valuation Report, acting in good faith and in accordance with recognized professional standards consistent with prior practices, declines to provide Parent with an updated Valuation Report as of the Closing Date if requested, in form and substance reasonably satisfactory to Parent, or if in the reasonable judgment of the Board of Directors of the Parent, the valuation of PCT is inconsistent or unfair to Parent in relation to the consideration to be paid by Parent in the Merger;

(e) by either PCT or Parent if any representation or warranty made in this Agreement (including without limitation the Company Disclosure Letter) for the benefit of the other party is untrue in any material respect (other than representations and warranties which are qualified as to materiality, which representations and warranties will give rise to a right to terminate if untrue in any respect); provided that, in each case, (i) the party seeking to terminate this Agreement is not then in material breach of any material representation or warranty contained in this Agreement, and (ii) such untrue representation or warranty cannot be or has not been cured within 30 days after receipt of written notice of such breach;

(f) by either PCT or Parent if the other party shall have defaulted in the performance of any material covenant or agreement set forth in this Agreement; provided that, in each case, (i) the party seeking to terminate this Agreement has complied with its covenants and agreements under this Agreement in all material respects and (ii) such failure to comply cannot be or has not been cured within 30 days after receipt of written notice of such default;

(g) by Parent if any authorization, consent, waiver or approval required for the consummation of the transactions contemplated hereby shall impose any material condition or requirement, which condition or requirement, in the reasonable judgment of the Parent's Board of Directors (or a committee thereof), would be reasonably likely to have a Material Adverse Effect after the Effective Time giving effect to consummation of the transactions contemplated by this Agreement;

(h) by Parent, in the event that the conditions to its obligations set forth in Article VII have not been satisfied or waived by the date set for the Closing, provided that Parent is not then in material breach of any material representation, warranty, covenant or other agreement contained in this Agreement; or

(i) by PCT, in the event that the conditions to its obligations set forth in Article VII have not been satisfied or waived by the date set for the Closing, provided that PCT is not then in material breach of any material representation, warranty, covenant or other agreement contained in this Agreement.

Section 9.2 *Effect of Termination*. In the event of the termination of this Agreement pursuant to Section 9.1, this Agreement, except for any provisions relating to the confidentiality obligations of the parties hereto to each other, the provisions of this Section 9.2, the provisions of Section 6.5 with respect to the payment of liquidated damages and the first sentence of Section 10.2, shall become void and have no effect, without any liability on the part of any party or its directors, officers, stockholders or members. Notwithstanding the foregoing, nothing in this Section 9.2 shall relieve any party to this Agreement of liability for a breach of any material representation or covenant expressly set forth herein.

Section 9.3 *Termination Fee*.

(a) In the event this Agreement is terminated by the Parent or PCT pursuant to Section 9.1(j), PCT shall within two business days of such termination of this Agreement pay to Parent in immediately available funds an amount in cash equal to the liquidated damages due pursuant to Section 6.5(a).

(b) In the event this Agreement is terminated by the Parent pursuant to Section 9.1(k), then the Parent shall within two business days of such termination of this Agreement pay to PCT in immediately available funds an amount in cash equal to the liquidated damages due pursuant to Section 6.5(b).

ARTICLE X

Miscellaneous

Section 10.1 *Notices*. All notices and other communications hereunder will be in writing and will be deemed received (a) on the date of delivery if delivered personally or by telecopy or facsimile, (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service, or (c) on the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder must be delivered as set forth below, or pursuant to instructions as may be designated in writing by the party to receive such notice:

If to the Parent: NeoStem, Inc.
420 Lexington Avenue, Suite 450
New York, NY 10107

	Telephone: 212-584-4171 Facsimile: 646-514-7787 Attention: Catherine Vaczy, Esq. Vice President - General Counsel
With a copy to:	Lowenstein Sandler PC 65 Livingston Avenue Roseland, NJ 07068 Telephone: 973-597-2564 Facsimile: 973-597-2565 Attention: Alan Wovsaniker, Esq.
If to PCT, the Affiliated Members or the PCT Representative:	Hackensack University Medical Center 20 Prospect Street Suite 400 Hackensack, NJ 07601 Telephone: 201-996-5814 Facsimile: 201-996-9246 Attention: Dr. Andrew Pecora
With a copy to:	Epstein Becker & Green, P.C. 1227 25th Street, N.W. Suite 700 Washington, D.C. 20037 Telephone: 202-861-0900 Facsimile: 202-296-2882 Attention: Robert D. Reif, Esq.
If to the Escrow Agent:	Continental Stock Transfer As provided in the Escrow Agreement

Section 10.2 *Expenses*. Unless the transactions provided for in this Agreement are consummated, each party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereby. If the PCT Expenses exceed the amount projected for such expenses in the Estimated Closing Balance Sheet, the Stock Consideration shall be reduced on a dollar for dollar basis by the excess in accordance with Section 3.3 of this Agreement.

Section 10.3 *Governing Law; Consent to Jurisdiction; Injunctive Relief*.

(a) This Agreement will be governed in all respects, including but not limited to, as to validity, interpretation and effect, by the internal laws of the State of New York, without giving effect to its principles or rules of conflict of laws (to the extent such principles or rules are not mandatorily applicable by statute and would require or permit the application of the laws of another jurisdiction).

(b) Notwithstanding anything to the contrary set forth herein or elsewhere, the parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States of America sitting in New York City, this being in addition to any other remedy to which they are entitled at law or in equity. Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York state court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby or for recognition or enforcement of any judgment relating thereto, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by Law.

Section 10.4 *Assignment; Successors and Assigns; No Third Party Rights*. Except as otherwise provided herein, this Agreement may not be assigned, and any attempted assignment shall be null and void. The Parent may assign all of its rights under this Agreement to any Affiliate of the Parent or any third party that acquires all or substantially all of the assets of the Parent, or more than 50% of the outstanding stock of the Parent, whether by sale, consolidation, merger or otherwise; provided that the assignee assumes all of the obligations of the Parent hereunder. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. This Agreement shall be for the sole benefit of the parties to this Agreement and their respective successors, assigns and legal representatives and is not intended, nor shall be construed, to give any Person, other than the parties hereto and their respective successors, assigns and legal representatives, any legal or equitable right, remedy or claim hereunder; provided, however, that Article VIII shall also be for the benefit of the Parent Indemnified Parties and PCT Indemnified Parties.

Section 10.5 *Counterparts; Facsimile*. This Agreement may be executed in one or more counterparts, by facsimile or otherwise. Each such counterpart shall be deemed an original agreement, but all of which together shall constitute one and the same instrument.

Section 10.6 *Headings*. The headings in this Agreement are for reference purposes only, and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.7 *Entire Agreement*. This Agreement, including the Schedules and Exhibits attached thereto, constitutes the entire agreement among the parties with respect to the matters covered hereby and supersedes all previous written, oral or implied understandings among them with respect to such matters.

Section 10.8 *Amendment and Modification*. This Agreement may only be amended or modified in a writing signed by the party against whom enforcement of such amendment or modification is sought.

Section 10.9 *Public Announcement*. Except for the current report on Form 8-K that the Parent will file with the SEC within four business days following the date of this Agreement and except as may otherwise be required by Law or requirements of any national securities exchange on which the Parent Common Stock is quoted or listed, prior to the Closing, neither the Parent, PCT nor the Members shall issue any press release or otherwise make any public disclosures regarding this Agreement or the transactions contemplated hereby or any dealings between or among the parties in connection with the subject matter hereof without the prior written approval of the other party. In the event that any such press release or other public disclosure shall be required by Law or applicable Exchange requirements, PCT shall consult in good faith with the Parent with respect to the form and substance of such release or other disclosure prior to the public dissemination thereof if time permits and if such consultation is permitted by Law.

Section 10.10 *Waiver*. Any of the terms or conditions of this Agreement may be waived at any time by the party or parties entitled to the benefit thereof, but only by a writing signed by the party or parties waiving such terms or conditions.

Section 10.11 *Severability*. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by Law.

Section 10.12 *Joint Negotiation and Drafting*. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and the agreements ancillary hereto and, in the event that an ambiguity or question of intent or interpretation arises, this Agreement and the agreements ancillary hereto shall be construed as jointly drafted by the parties hereto or thereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement or of any of the agreements ancillary hereto.

Section 10.13 *Risk of Loss*. Prior to the consummation of the Closing, the risk of loss with respect to the PCT Business shall remain with PCT. In the event of any material casualty prior to the consummation of the Closing, in addition to any other rights the Parent may have hereunder, the Parent shall have the right to terminate this Agreement upon giving written notice of its election to terminate to PCT.

Section 10.14 *Schedules*. All references herein to Schedules refer to the disclosure schedules delivered by PCT to the Parent contemporaneous with the execution of this Agreement.

Section 10.15 *Waiver of Trial by Jury.* EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT OR ANY AGREEMENT EXECUTED PURSUANT TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT EXECUTED PURSUANT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (iii) IT MAKES SUCH WAIVER VOLUNTARILY, AND (iv) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.15.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

NEOSTEM, INC.

By: /s/ Robin Smith
Name: Robin Smith
Title: CEO

PROGENITOR CELL THERAPY, LLC

By: /s/ Andrew Pecora
Name: Andrew Pecora
Title: Chairman & CEO

NBS ACQUISITION COMPANY LLC

By: /s/ Robin Smith
Name: Robin Smith
Title: CEO

/s/ Andrew Pecora
Andrew Pecora, as PCT Representative

The undersigned hereby consent and agree to all the covenants set forth in Section 6.6 and the releases contained in Section 6.10 effective upon the Closing of the Merger.

/s/ Andrew Pecora
Andrew Pecora

/s/ Robert Preti
Robert Preti

/s/ George Goldberger
George Goldberger

/s/ Daryl LeSueur
Daryl LeSueur

The undersigned hereby consent and agree to the covenants set forth in Section 6.6(b) and the releases contained in Section 6.10 effective upon the Closing of the Merger.

HACKENSACK UNIVERSITY MEDICAL CENTER

By: /s/ Robert Garrett
Name: Robert Garrett
Title: President and CEO

/s/ Harry D. Harper
Harry D. Harper

/s/ Andrew A. Jennis
Andrew A. Jennis

/s/ Mark S. Pascal
Mark S. Pascal

/s/ Richard J. Rosenbluth
Richard J. Rosenbluth

/s/ Stanley E. Waintraub
Stanley E. Waintraub

/s/ Marc Beer
Marc Beer

/s/ Dempsey Gable
Dempsey Gable

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LIST OF EXHIBITS

Exhibit A

VOTING AGREEMENT

VOTING AGREEMENT dated September 23, 2010 (the "Voting Agreement") by and between NEOSTEM, INC., a Delaware corporation (the "Parent"), PROGENITOR CELL THERAPY, LLC, a Delaware limited liability company (the "Company"), and the individuals or entities listed on Schedule A annexed hereto (collectively, the "Voting Members" and each individually, a "Voting Member").

RECITALS

WHEREAS, immediately prior to the execution of this Voting Agreement, the Company, Parent and NBS Acquisition Company, ("Subco"), a Delaware limited liability company and a wholly owned subsidiary of Parent, have entered into an Agreement and Plan of Merger dated of even date herewith (as amended from time to time, the "Merger Agreement") pursuant to which Subco will be merged with and into the Company, with the Company continuing as the surviving company and as a direct wholly owned subsidiary of Parent (the "Merger");

WHEREAS, the Voting Members are the record and beneficial owners of certain membership interests of the Company (the "Shares"), representing interests as members of the Company in the amounts and percentages set forth opposite each Voting Member's name on Schedule A hereto; and

WHEREAS, as an inducement and a condition to entering into the Merger Agreement, Parent desires that each of the Voting Members agree, and each of the Voting Members is willing to agree, to enter into this Voting Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parent, the Company and each of the Voting Members, intending to be legally bound, hereby agree as follows:

1. *Certain Definitions*. In addition to the terms defined elsewhere herein, capitalized terms used and not defined herein have the respective meanings ascribed to them in the Merger Agreement. For purposes of this Voting Agreement:

(a) "*Beneficially Own*" or "*Beneficial Ownership*" with respect to any securities means having "beneficial ownership" of such securities as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including pursuant to any agreement, arrangement or understanding, whether or not in writing. Without duplicative counting of the same securities by the same holder, securities Beneficially Owned by a Person shall include securities Beneficially Owned by all other Persons with whom such Person would constitute a "group" within the meaning of Section 13(d)(3) of the Exchange Act.

(b) "*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

2. *Disclosure*. Each of the Voting Members hereby agrees to permit the Company and Parent to publish and disclose in the Prospectus/Proxy Statement, and any press release or other disclosure document which Parent and the Company reasonably determine to be necessary or desirable in connection with the Merger and any transactions related thereto, each Voting Member's identity and ownership of the Shares and the nature of each Voting Member's commitments, arrangements and understandings under this Voting Agreement.

3. *Voting of Membership Interests*.

(a) Each of the Voting Members irrevocably agrees to vote in favor of the Merger and the terms of the Merger Agreement.

(b) Each of the Voting Members consents to the provisions in the Merger Agreement which provide for the creation of the Escrow Account and the terms of the Escrow Agreement annexed to the Merger Agreement.

(c) Each of the Voting Members hereby agrees that, during the period commencing on the date hereof and continuing until the first to occur of (x) the Effective Time of the Merger or (y) the taking by the Board of Managers of the Company of any action permitted under the Merger Agreement properly to terminate the Merger Agreement in accordance with its terms (the "Termination Date"), at any meeting of the holders of the Shares, however called, or in connection with any written consent of the holders of the Shares, he shall vote (or cause to be voted) the Shares held of record or Beneficially Owned by the Voting Member, whether now owned or hereafter acquired: (i) in favor of approval of the Merger, adoption of the Merger Agreement and any actions required in furtherance thereof and hereof, (ii) against any action or agreement that would result in a breach in any respect of any covenant, representation or warranty, or any other obligation or agreement, of the Company under the Merger Agreement or any Voting Member under this Voting Agreement and (iii) except as otherwise agreed to in writing in advance by Parent, against the following actions (other than the Merger and the transactions contemplated by this Voting Agreement and the Merger Agreement): (A) any extraordinary corporate transaction, such as a merger, consolidation or other business combination involving the Company, (B) a sale, lease or transfer of a material amount of assets of the Company, or a reorganization, recapitalization, dissolution or liquidation of the Company; (C)(1) any change in a majority of the individuals who constitute the Company's board of managers; (2) any change in the present capitalization of the Company or any amendment of the Company's Certificate of Formation or LLC Agreement; (3) any material change in the Company's limited liability company structure or business; or (4) any other action which, in the case of each of the matters referred to in clauses (C)(1), (2) or (3), is intended, or could reasonably be expected, to impede, interfere with, delay, postpone, or materially and adversely affect the Merger and the transactions contemplated by this Voting Agreement and the Merger Agreement.

(d) To the extent that any Voting Member holds any options, warrants or other rights to acquire securities of the Company, the Voting Member consents to the treatment of such securities under the Merger Agreement and agrees to exercise and/or cancel any options or warrants as provided in the Merger Agreement within 10 days of the date hereof.

(e) Each of the Voting Members agrees that upon the vote of the Voting Members at the meeting of Members in accordance with Section 3(a), notwithstanding anything else in any agreement to the contrary, (i) no further consent of or notice to the Voting Members shall be required in connection with the Company's execution of the Merger Agreement or consummation of the transactions contemplated thereby, including, without limitation, the Merger and (ii) neither the Company's execution of the Merger Agreement or consummation of the transactions contemplated thereby, including, without limitation, the Merger, shall trigger, or give any legal rights except as contemplated by the Merger Agreement.

4. *Covenants, Representations and Warranties of the Company and each Voting Member*. The Company represents and warrants to Parent, and each Voting Member represents and warrants to Parent severally with respect to the securities held by it, that to the best of its knowledge, (a) the Board of Managers of the Company has unanimously approved the Merger Agreement, the Merger and the other transactions contemplated thereby and related thereto, (b) the signatories to this Voting Agreement, as listed on Schedule A, constitute (i) the holders of more than 51% of the Shares of the Company and (ii) the holders of more than 51% of the Shares of the Company owned by the Charter Members (as defined in the PCT LLC Agreement), and (c) that the percentages set forth in the preceding clauses (i) and (ii) reflect more than the requisite votes needed for the approval by the Company and its Members of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement so that, if and upon the vote at a meeting of Members by the signatories to this Voting Agreement consistent with this Voting Agreement, the Merger Agreement, the Merger, the other transactions contemplated by the Merger Agreement and all matter related thereto will receive all requisite approvals under the PCT LLC Agreement, Delaware law and otherwise. Each of the Voting Members hereby severally represents and warrants (with respect to such Voting Member only and not with respect to each other Voting Member) to, and agrees with, Parent as follows:

(a) *Ownership of Securities*. Such Voting Member is the sole record and Beneficial Owner of the number of shares set forth opposite such Voting Member's name on Schedule A hereto. On the date hereof, the Shares set forth opposite the Voting Member's name on Schedule A hereto constitute all of the Shares or other securities of the Company owned of record or Beneficially Owned by such Voting Member or with respect to which such Voting Member has voting power by proxy, voting agreement, voting trust or other similar instrument. Such Voting Member has sole voting power and sole power to issue instructions with respect to the matters set forth in Section 3 hereof, sole power of disposition, sole power of conversion, sole power to demand and waive appraisal rights and sole power to agree to all of the matters set forth in this Voting Agreement, in each case with respect to all of the Shares set forth opposite such Voting Member's name on Schedule A hereto, with no limitations, qualifications or restrictions on such rights, subject to applicable securities laws, and the terms of this Voting Agreement.

(b) *Authorization*. Such Voting Member has the legal capacity, power and authority to enter into and perform all of such Voting Member's obligations under this Voting Agreement. The execution, delivery and performance of this Voting Agreement by such Voting Member will not violate any other agreement to which such Voting Member is a party including, without limitation, any voting agreement, membership agreement, voting trust, trust or similar agreement. This Voting Agreement has been duly and validly executed and delivered by such Voting Member and constitutes a valid and binding agreement enforceable against such Voting Member in accordance with its terms. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which such Voting Member is a trustee whose consent is required for the execution and delivery of this Voting Agreement or the consummation by such Voting Member of the transactions contemplated hereby. If such Voting Member is married and such Voting Member's Shares constitute community property, this Voting Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, such Voting Member's spouse, enforceable against such person in accordance with its terms.

(c) *No Conflicts*. (i) Except as may be required under Section 13 of the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any state or federal public body or authority is necessary for the execution of this Voting Agreement by such Voting Member and the consummation by such Voting Member of the transactions contemplated hereby and (ii) none of the execution and delivery of this Voting Agreement by such Voting Member, the consummation by such Voting Member of the transactions contemplated hereby or compliance by such Voting Member with any of the provisions hereof shall (A) conflict with or result in any breach of the organizational documents of such Voting Member (if applicable), (B) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, material modification or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind to which such Voting Member is a party or by which such Voting Member or any of its properties or assets may be bound, or (C) violate any order, writ injunction, decree, judgment, order, statute, rule or regulation applicable to such Voting Member or any of its properties or assets.

(d) *No Encumbrances*. Such Voting Member's Shares at all times during the term hereof will be Beneficially Owned by such Voting Member, free and clear of all liens, claims, security interests, proxies, voting trusts or agreements, understandings or arrangements or any other encumbrances whatsoever.

(e) *No Solicitation*. Such Voting Member agrees not to take any action inconsistent with or in violation of the Merger Agreement.

(f) *Restriction on Transfer; Proxies and Non-Interference*. At any time during the period (the "Lock-Up Period") from the date hereof until the Termination Date, such Voting Member shall not, directly or indirectly, (i) except for a Permitted Transfer (as defined below) and except as contemplated by the Merger Agreement, offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of, any or all of any such Voting Member's Shares, or any interest therein, whether such Shares are held by such Voting Member as of the date hereof or are acquired by such Voting Member from and after the date hereof (the "Lock-Up Shares"), (ii) except as contemplated by this Voting Agreement, grant any proxies or powers of attorney, deposit any Shares into a voting trust or enter into a Voting Agreement with respect to the Lock-Up Shares, or (iii) take any action that would make any representation or warranty of such Voting Member contained herein untrue or incorrect or have the effect of preventing or disabling such Voting Member from performing such Voting Member's obligations under this Voting Agreement.

(g) *Reliance by Parent*. Such Voting Member understands and acknowledges that Parent is entering into the Merger Agreement in reliance upon such Voting Member's execution and delivery of this Voting Agreement.

(h) *Permitted Transfer*. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, any Voting Member may sell or transfer any Shares to any Voting Member or any other Person who executes and delivers to Parent an agreement, in form and substance acceptable to Parent, to be bound by the terms of this Agreement to the same extent as the transferring Voting Member (any such transfer, a "Permitted Transfer").

(i) *Diligence*. Each of the Voting Members acknowledges that it has been afforded a reasonable opportunity to review information and ask questions regarding Parent, the Merger Agreement and the Merger.

(j) *Non-Disclosure*. Each of the Voting Members agrees not to make any public disclosure with respect to the Merger Agreement or this Voting Agreement without the consent of the Parent and the Company.

5. *Stop Transfer.*

(a) Each of the Voting Members agrees and covenants to Parent that such Voting Member shall not request that the Company register the transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any of such Voting Member's Shares, unless such transfer is made in compliance with this Voting Agreement.

(b) Without limiting the covenants set forth in paragraph (a) above, in the event of a stock dividend or distribution, or any change in Shares by reason of any stock dividend, split-up, recapitalization, combination, exchange of shares or the like, other than pursuant to the Merger, the term "Shares" shall be deemed to refer to and include any and all shares into which or for which any or all of the Shares may be changed or exchanged, including, without limitation, shares of NeoStem Common Stock issued in respect thereof in connection with the Merger Agreement or otherwise, and appropriate adjustments shall be made to the terms and provisions of this Voting Agreement.

6. *Further Assurances*. From time to time until the expiration of the Lock-Up Period, at Parent's request and without further consideration, each Voting Member shall execute and deliver such additional documents and take all such further lawful action as may be necessary or desirable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Voting Agreement, including executing a proxy to be used at the Special Meeting to vote in favor of the Merger.

7. *Voting Member Capacity*. If any Voting Member is or becomes during the term hereof a manager or an officer of the Company, such Voting Member makes no agreement or understanding herein in his capacity as such manager or officer. Each of the Voting Members signs solely in his or her capacity as the record and Beneficial Owner of the Voting Member's Shares.

8. *Termination*. Except as otherwise provided herein, the covenants and agreements contained herein with respect to the Shares shall terminate upon the Termination Date.

9. *Miscellaneous*.

(a) *Entire Agreement*. This Voting Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(b) *Certain Events*. Each of the Voting Members agrees that this Voting Agreement and the obligations hereunder shall attach to each such Voting Member's Shares and shall be binding upon any Person to which legal or Beneficial Ownership of such Shares shall pass, whether by operation of law or otherwise, including without limitation, each Voting Member's heirs, guardians, administrators or successors. Notwithstanding any such transfer of Shares, the transferor shall remain liable for the performance of all obligations under this Voting Agreement.

(c) *Assignment*. This Voting Agreement shall not be assigned by operation of law or otherwise without the prior written consent of Parent in the case of an assignment by any Voting Member and each Voting Member in the case of any assignment by Parent; provided that Parent may assign, in its sole discretion, its rights and obligations hereunder to any direct or indirect wholly owned subsidiary of Parent, but no such assignment shall relieve Parent of its obligations hereunder if such assignee does not perform such obligations.

(d) *Amendment and Modification*. This Voting Agreement may not be amended, changed, supplemented, waived or otherwise modified or terminated, except upon the execution and delivery of a written agreement executed by the parties hereto affected by such amendment.

(e) *Notices*. Any notice or other communication required or which may be given hereunder shall be in writing and delivered (i) personally, (ii) via telecopy, (iii) via overnight courier (providing proof of delivery) or (iv) via registered or certified mail (return receipt requested). Such notice shall be deemed to be given, dated and received (i) when so delivered personally, via telecopy upon confirmation, or via overnight courier upon actual delivery or (ii) two days after the date of mailing, if mailed by registered or certified mail. Any notice pursuant to this section shall be delivered as follows:

If to the Voting Member, to the address set forth for the Voting Member on Schedule A to this Voting Agreement.

If to Parent:

NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, New York 10170
Attn: Catherine Vaczy, Esq.
Facsimile: (646) 514-7787

with copies to:

Lowenstein Sandler, PC
65 Livingston Avenue
Roseland, NJ 07078
Attention: Alan Wovsaniker, Esq.
Fax: 973-597-2565

(f) *Severability*. Whenever possible, each provision or portion of any provision of this Voting Agreement will be interpreted in such a manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Voting Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision of this Voting Agreement in such jurisdiction, and this Voting Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(g) *Specific Performance*. Each of the parties hereto agrees, recognizes and acknowledges that a breach by it of any covenants or agreements contained in this Voting Agreement will cause the other parties to sustain damages for which they would not have an adequate remedy at law for money damages, and therefore each of the parties hereto agrees that in the event of any such breach any aggrieved party shall be entitled to the remedy of specific performance of such covenants and agreements (without any requirement to post bond or other security and without having to prove actual damages) and injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity.

(h) *Remedies Cumulative*. All rights, powers and remedies provided under this Voting Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any such rights, powers or remedies by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

(i) *No Waiver*. The failure of any party hereto to exercise any right, power or remedy provided under this Voting Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, will not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

(j) *No Third Party Beneficiaries*. This Voting Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

(k) *Governing Law*. This Voting Agreement will be governed and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

(l) *Submission to Jurisdiction*. Each party to this Voting Agreement irrevocably consents and agrees that any legal action or proceeding with respect to this Agreement and any action for enforcement of any judgment in respect thereof will be brought in the state or federal courts located within the jurisdiction of the United States District Court for the Southern District of New York, and, by execution and delivery of this Voting Agreement, each party to this Voting Agreement hereby irrevocably submits to and accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts and appellate courts from any appeal thereof. Each party to this Voting Agreement further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof in the manner set forth in Section 10(e). Each party to this Voting Agreement hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Voting Agreement brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(m) WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY ACTION, SUIT OR PROCEEDING IN CONNECTION WITH THIS VOTING AGREEMENT.

(n) *Description Headings*. The description headings used herein are for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Voting Agreement.

(o) *Counterparts*. This Voting Agreement may be executed in counterparts, each of which will be considered one and the same Voting Agreement and will become effective when such counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

(p) *No Survival*. No representations, warranties and covenants of the Voting Member in this Agreement shall survive the Merger.

IN WITNESS WHEREOF, Parent, the Company and each of the Voting Members have caused this Voting Agreement to be duly executed as of the day and year first above written.

NEOSTEM, INC.

By: _____
Name: _____
Title: _____

PROGENITOR CELL THERAPY, LLC

By: _____
Name: _____
Title: _____

_____
Andrew L. Pecora

_____
Robert A. Preti

HACKENSACK UNIVERSITY MEDICAL CENTER

By: _____
Name: _____
Title: _____

_____
George S. Goldberger

_____
Harry D. Harper

Signature page to Voting Agreement

Andrew A. Jennis

Mark S. Pascal

Richard J. Rosenbluth

Stanley E. Waintraub

Marc Beer

Dempsey Gable

Signature page to Voting Agreement

Schedule A

Names	Shares	Options	Percentage Interest (Fully Diluted)	Address
Andrew L. Pecora	1,234,871.6	20,660.4	17.40%	424 Hidden Valley Court Wyckoff, NJ 07481
Robert A. Preti	1,219,697.0		16.90%	80 Nursery Road Ridgefield, CT 06877
Hackensack University Medical Center	1,222,634.2		16.95%	Attn: Mr. William J. Murray 920 Cherokee Lane Franklin Lakes, NJ 07417
George S. Goldberger	177,054.5		2.45%	200 Central Park South Apt 12Q New York, NY 10019
Harry D. Harper	142,431.2		1.97%	2 Algonquin Trail Saddle River, NJ 07458-2502
Andrew A. Jennis	142,431.2		1.97%	205 Zachary Court Wyckoff, NJ 07481
Mark S. Pascal	142,431.2		1.97%	1349 Mercedes Street Teaneck, NJ 07666
Richard J. Rosenbluth	121,382.3		1.68%	73 Dana Place Englewood, NJ 07631
Stanley E. Waintraub	142,431.2		1.97%	480 Winthrop Road Teaneck, NJ 07666-2911
Marc Beer				
Dempsey Gable	21,049.0		0.29%	180 Central Park South Mail Box 81 New York, NY 10019

Exhibit B

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("Agreement") is made and entered into as of _____, 2010, by and among: **NeoStem Inc**., a Delaware corporation ("Parent"); **Progenitor Cell Therapy, LLC,** a Delaware limited liability company (the "Company"), **Andrew Pecora**, as representative (the "PCT Representative"), of the Members of the Company identified from time to time on Schedule 1 hereto; and **Continental Stock Transfer & Trust Company**, a New York corporation (the "Escrow Agent").

RECITALS

WHEREAS, Parent, NBS Acquisition Company, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Parent ("Subco"), the Company and the PCT Representative have entered into an Agreement and Plan of Merger and Reorganization dated as of September 23, 2010 (the "Merger Agreement"), pursuant to which, among other things, (i) Subco is merging with and into the Company, and (ii) certain stock issuances are to be made by Parent to the Members (as defined below). A copy of the Merger Agreement is attached hereto as Exhibit A;

WHEREAS, the Merger Agreement contemplates the establishment of an escrow account to secure certain rights of the Parent Indemnified Persons (as defined in the Merger Agreement) to indemnification, compensation and reimbursement as provided in the Merger Agreement; and

WHEREAS, pursuant to Section 8.5 of the Merger Agreement, Andrew Pecora has been irrevocably appointed by the Members to serve as the PCT Representative in connection with all matters under this Agreement and the resolution of all indemnification claims under the Merger Agreement.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

Section 1. Defined Terms.

1.1 Capitalized terms used and not defined in this Agreement shall have the meanings given to them in the Merger Agreement.

1.2 As used in this Agreement, the term "Members" refers to the Persons who were members, or equity holders, of the Company immediately prior to the Effective Time or to which the rights under this Agreement have been assigned as set forth herein. "Escrowed Shares" refers to the Stock Consideration under the Merger Agreement, as it may be reduced pursuant to the terms of the Merger Agreement (the "Adjusted Stock Consideration").

Section 2. Escrow and Indemnification.

2.1 Shares and Stock Powers Placed in Escrow. At or following the Effective Time, in accordance with the Merger Agreement, (a) Parent shall issue certificates for the Escrowed Shares registered in the name of the Escrow Agent evidencing the shares of Parent Common Stock to be held in escrow under this Agreement (initially 11,200,000 shares of Parent Common Stock unless reduced pursuant to Section 3.3 of the Merger Agreement prior to being placed in escrow), and shall cause such certificates to be delivered to the Escrow Agent, and (b) the PCT Representative shall deliver to the Escrow Agent an "assignment separate from certificate" ("Stock Power") endorsed by him in blank. Such endorsement by the PCT Representative shall have been guaranteed by a national bank or an NYSE-Amex member firm.

2.2 Escrow Account. The Escrowed Shares being held in escrow pursuant to this Agreement, together with any distributions on the Escrowed Shares, shall collectively constitute an escrow fund securing the indemnification rights of Parent and the other Parent Indemnified Persons under the Merger Agreement. The Escrow Agent agrees to accept delivery of the Escrowed Shares and to hold the Escrowed Shares in a separate escrow account (such account, the "Escrow Account"), subject to the terms and conditions of this Agreement and the Merger Agreement.

2.3 Voting of Escrow Shares. The Escrow Agent, as record owner of the Escrowed Shares, shall exercise all voting rights with respect to such Escrowed Shares in accordance with Section 3.5 of the Merger Agreement, upon receipt of written instructions from the Parent. The Escrow Agent is not obligated to distribute to the Members or to the PCT Representative any proxy materials or other documents relating to the Escrowed Shares received by the Escrow Agent from Parent.

2.4 Reports. Upon the request of either Parent or the PCT Representative, the Escrow Agent shall provide a statement to the requesting party that describes any deposit, distribution or investment activity or deductions with respect to shares held in the Escrow Account in addition to quarterly account statements from the Escrow Agent.

2.5 Dividends, Etc. Parent and the PCT Representative, on behalf of each of the Members, agree that any shares of Parent Common Stock or other property (including ordinary cash dividends) distributable or issuable (whether by way of dividend, stock split or otherwise) in respect of or in exchange for any Escrowed Shares (including pursuant to or as a part of a merger, consolidation, acquisition of property or stock, reorganization or liquidation involving Parent) shall not be distributed or issued to the beneficial owners of such Escrowed Shares, but rather shall be distributed or issued to and held by the Escrow Agent in the Escrow Account. Any securities or other property received by the Escrow Agent in respect of any Escrowed Shares held in escrow as a result of any stock split or combination of shares of Parent Common Stock, payment of a stock dividend or other stock distribution in or on shares of Parent Common Stock, or change of Parent Common Stock into any other securities pursuant to or as a part of a merger, consolidation, acquisition of property or stock, reorganization or liquidation involving Parent, or otherwise, shall be held by the Escrow Agent as part of the Escrow Account.

2.6 Transferability. Except as expressly provided for herein or by operation of law, the interests of the Members in the Escrow Account shall not be assignable or transferable.

2.7 Trust Fund. The Escrow Account shall be held as trust funds and shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of Escrow Agent, any Member or Parent, respectively, or of any party hereto. The Escrow Agent shall hold and safeguard the Escrow Account until the Termination Date (as defined in Section 6) or earlier distribution in accordance with this Agreement.

Section 3. Release of Escrow Shares.

3.1 General. (X) Within ten (10) calendar Days after receiving either (a) written instructions from the Parent (a "Parent Notice") which have not been objected to by the PCT Representative within seven (7) calendar days after the later of the PCT Representative's receipt of the Parent Notice or the Escrow Agent's receipt of such Parent Notice, (b) joint written instructions from Parent and the PCT Representative ("Joint Instructions"), (c) a decision and/or award from the Arbitrator (an "Arbitration Award") or (d) an order issued by a court of competent jurisdiction (a "Court Order") relating to the release of any Escrowed Shares from the Escrow Account or (Y) in accordance with Section 3.4 hereof, the Escrow Agent shall release or cause to be released any such Escrowed Shares and any other amounts from the Escrow Account, in the amounts, to the Persons and in the manner set forth in such Parent Notice, Joint Instructions, Arbitration Award, Court Order or as provided in Section 3.4. If a Parent Notice is sent under Section 8.4 of the Merger Agreement and such Parent Notice is not disputed as provided in Section 8.4 within 7 calendar days, the Escrow Agent shall make the distribution requested by the Parent Notice without action by the PCT Representative.

3.2 Potential Tax Liability. Upon receipt of (i) a certification from a Taxable Member pursuant to Section 8.4(a)(i) of the Merger Agreement, and (ii) joint instructions from the Parent and the PCT Representative, the Escrow Agent shall release shares to a Taxable Member in accordance with the certification of the Taxable Member and such joint instructions.

3.3 Pro Rata Distributions. For purposes of this Agreement, (i) all distributions (except distributions to the Taxable Members as such pursuant to Section 3.2 above and Section 8.4(i) of the Merger Agreement) to the Members shall be pro rata distributions made based on the percentages set forth on Schedule 1, as may be amended from time to time pursuant to Section 9.8 of this Agreement, except as follows:

(1) the Escrow Agent will maintain sub-accounts, referred to as the Taxable Account and the Balance Account, as provided in Section 8.4 of the Merger Agreement, until the first anniversary of the date hereof. The distributions at the end of the first year pursuant to Section 8.4(a)(ii) shall be made to the Taxable Members from the Taxable Account and to the Members other than the Taxable Members from the Balance Account. The Parent and the PCT Representative shall provide the Escrow Agent with joint instructions with respect to the amounts to be distributed to each Member after the first anniversary of the Closing Date.

(2) no fractional shares shall be issued, and all amounts released from escrow and distributed to the Members shall be rounded up or down pursuant to Section 3.4(c) of the Merger Agreement.

The Company and the PCT Representative represent and warrant that Schedule 1 (the "Percentage Certifications") accurately reflects each Member's percentage membership interest in the Company immediately prior to the consummation of the Merger.

3.4 Release of the Escrowed Shares. Within 10 Business Days following the two year anniversary of the Closing Date, if there are no Claims against the Escrow Account that have not been finally resolved and paid, the Escrow Agent shall deliver to the Members pro rata in accordance with the Percentage Certification the balance of shares of Parent Common Stock and other property held in the Escrow Account at such time. If, on the Termination Date there are claims against the Escrow Account that have not been finally resolved, then, within 10 Business Days of the Termination Date, the Escrow Agent shall deliver to the Members the excess, if any, by which the value of the amounts held in the Escrow Account exceed an amount equal to 120% of the amount of any claims against the Escrow Account that have not been finally resolved and paid at such time. The Parent and the PCT Representative shall provide the Escrow Agent with joint instructions with respect to the amounts to be distributed to each Member after the second anniversary of the Closing Date (and thereafter if shares remain in the Escrow Account after the second anniversary with respect to unresolved claims at such date). Thereafter, final distributions of the Escrow Account shall be made in accordance with Section 3.1(X)(a), (b), (c) or (d), as applicable.

3.5 Distributions. Whenever a distribution of a number of shares of Parent Common Stock is to be made pursuant to the terms of this Agreement, the Escrow Agent shall requisition the appropriate number of shares from Parent's stock transfer agent, delivering to the transfer agent the appropriate stock certificates accompanied by the respective Stock Powers, together with the specific instructions, as appropriate. Within 5 Business Days prior to the date the Escrow Agent is required to make a distribution of shares of Parent Common Stock or other property (including ordinary cash dividends) to the Members pursuant to the terms of this Agreement, the Escrow Agent shall provide the PCT Representative and the Parent with a notice specifying that a distribution will be made and requesting that the PCT Representative update the then current Schedule 1 to this Agreement. The Escrow Agent shall make the corresponding distributions to the Persons listed on such updated Schedule 1 in accordance with the terms hereof, to their respective addresses as set forth therein. Notwithstanding anything to the contrary set forth herein, the Escrow Agent shall not be obligated to make any distribution under this Agreement to the Members unless it has received from the PCT Representatives an updated Schedule 1 to this Agreement as provided herein. Any distributions to Parent pursuant to the terms of this Agreement shall be made to the address set forth in Schedule 2 hereto.

3.6 Disputes. All disputes, claims, or controversies arising out of or relating to Section 3 of this Agreement that are not resolved by mutual agreement between Parent and the PCT Representative shall be resolved solely and exclusively as set forth in Section 8.4 of the Merger Agreement by the PCT Representative and the Parent.

Section 4. Fees and Expenses.

The Escrow Agent shall be entitled to receive, from time to time, fees in accordance with Schedule 3. In accordance with Schedule 3, the Escrow Agent will also be entitled to reimbursement for reasonable and documented out-of-pocket expenses incurred by the Escrow Agent in the performance of its duties hereunder and the execution and delivery of this Agreement. All such fees and expenses shall be paid by Parent.

Section 5. Limitation of Escrow Agent's Liability.

5.1 The Escrow Agent undertakes to perform such duties as are specifically set forth in this Agreement only and shall have no duty under any other agreement or document, and no implied covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall incur no liability with respect to any action taken by it or for any inaction on its part in reliance upon any notice, direction, instruction, consent, statement or other document believed by it in good faith to be genuine and duly authorized, nor for any other action or inaction except for its own negligence or willful misconduct. In all questions arising under this Agreement, the Escrow Agent may rely on the advice of counsel, and for anything done, omitted or suffered in good faith by the Escrow Agent based upon such advice the Escrow Agent shall not be liable to anyone. In no event shall the Escrow Agent be liable for incidental, punitive or consequential damages.

5.2 Parent and the PCT Representative, acting on behalf of the Members hereby agree to indemnify the Escrow Agent and its officers, directors, employees and agents for, and hold it and them harmless against, any loss, liability or expense incurred without negligence or willful misconduct on the part of Escrow Agent, arising out of or in connection with the Escrow Agent's carrying out its duties hereunder. This right of indemnification shall survive the termination of this Agreement and the resignation of the Escrow Agent.

Section 6. Termination.

This Agreement shall terminate upon the release by the Escrow Agent of the final amounts held in the Escrow Account in accordance with Section 3 (the date of such release being referred to as the "Termination Date").

Section 7. Successor Escrow Agent.

In the event the Escrow Agent becomes unavailable or unwilling to continue as escrow agent under this Agreement, the Escrow Agent may resign and be discharged from its duties and obligations hereunder by giving its written resignation to the parties to this Agreement. Such resignation shall take effect not less than 30 days after it is given to all the other parties hereto. In such event, Parent may appoint a successor Escrow Agent (acceptable to the PCT Representative, acting reasonably). If Parent fails to appoint a successor Escrow Agent within 15 days after receiving the Escrow Agent's written resignation, the Escrow Agent shall have the right to apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The successor Escrow Agent shall execute and deliver to the Escrow Agent an instrument accepting such appointment, and the successor Escrow Agent shall, without further acts, be vested with all the estates, property rights, powers and duties of the predecessor Escrow Agent as if originally named as Escrow Agent herein. The Escrow Agent shall act in accordance with written instructions from Parent and the PCT Representative as to the transfer of the Escrow Accounts to a successor Escrow Agent.

Section 8. PCT Representative.

8.1 Unless and until Parent and the Escrow Agent shall have received written notice of the appointment of a successor PCT Representative, Parent and the Escrow Agent shall be entitled to rely on, and shall be fully protected in relying on, the power and authority of the PCT Representative to act on behalf of the Members.

Section 9. Miscellaneous.

9.1 Attorneys' Fees. In any action at law or suit in equity to enforce or interpret this Agreement or the rights of any of the parties hereunder, the prevailing party in such action or suit shall be entitled to receive a reasonable sum for its attorneys' fees and all other reasonable costs and expenses incurred in such action or suit.

9.2 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the address or facsimile telephone number set forth beneath the name of such party below (or to such other address or facsimile telephone number as such party shall have specified in a written notice given to the other parties hereto):

if to Parent:

NeoStem, Inc.
Suite 450
420 Lexington Avenue
New York, NY 10170
Attention: Catherine Vaczy, Esq.
Facsimile: _____

with a copy, which shall not constitute notice, to:

Lowenstein Sandler, PC
65 Livingston Avenue
Roseland, NJ 07068
Attention: Alan Wovsaniker
Facsimile: _____

if to the PCT Representative :

Andrew Pecora
_____
_____
_____
_____
Facsimile: _____

with a copy, which shall not constitute notice, to:

Epstein Becker
_____
_____
_____
_____
Attention: Robert Reif, Esq.
Facsimile: _____

if to the Escrow Agent:

Continental Stock Transfer & Trust Company
17 Battery Place
New York, NY 10004
Attention: _____
Facsimile: _____

Notwithstanding the foregoing, notices addressed to the Escrow Agent shall be effective only upon receipt. If any notice or other document is required to be delivered to the Escrow Agent and any other Person, the Escrow Agent may assume without inquiry that notice or other document was received by such other Person on the date on which it was received by the Escrow Agent.

9.3 Headings. The bold-faced headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

9.4 Counterparts and Exchanges by Facsimile or Other Electronic Transmission. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile or other means of electronic transmission shall be sufficient to bind the parties to the terms and conditions of this Agreement.

9.5 Applicable Law; Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Subject to Section 3.5 of this Agreement, in any action between the parties arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement: (a) each of the parties irrevocably and unconditionally consents and submits to the non-exclusive jurisdiction and venue of the state and federal courts located in the State of New York; (b) if any such action is commenced in a state court, then, subject to applicable law, no party shall object to the removal of such action to any federal court located in the State of New York; and (c) each of the parties irrevocably waives the right to trial by jury.

9.6 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of each of the parties hereto and each of their respective permitted successors and assigns, if any. No director indirect interest in the Escrow Account or the shares of Parent Common Stock held in the Escrow Account may be sold, assigned, transferred or pledged except by operation of law.

9.7 Waiver. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

9.8 Amendment. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of Parent, the PCT Representative and the Escrow Agent; *provided*, *however*, that any amendment executed and delivered by the PCT Representative shall be deemed to have been approved by and duly executed and delivered by all of the Members.

9.9 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the parties hereto agree that the court making such determination shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term.

9.10 Parties in Interest. Except as expressly provided herein, none of the provisions of this Agreement, express or implied, is intended to provide any rights or remedies to any Person other than the parties hereto and their respective successors and assigns, if any.

9.11 Entire Agreement. This Agreement and the Merger Agreement set forth the entire understanding of the parties hereto relating to the subject matter hereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof.

9.12 Waiver of Jury Trial. Each of the parties hereto hereby irrevocably waives any and all right to trial by jury in any action arising out of or related to this Agreement or the transactions contemplated hereby.

9.13 [Tax Reporting Information. Parent agrees to provide the Escrow Agent with a certified tax identification number for Parent and the PCT Representative agrees to provide the Escrow Agent with tax identification numbers for each of the Members by furnishing appropriate forms W-9 (or Forms W-8, in the case of non-U.S. persons) and any other forms and documents that the Escrow Agent may reasonably request (collectively, "Tax Reporting Documentation") to the Escrow Agent within 30 days after the date hereof. The parties hereto understand that, if such Tax Reporting Documentation is not so furnished to the Escrow Agent, the Escrow Agent shall be required by the Code to withhold a portion of any interest or other income earned on the investment of monies held by the Escrow Agent pursuant to this Agreement, and to immediately remit such withholding to the Internal Revenue Service and shall not make any distributions to any Member who has not supplied such Tax Reporting Documentation.]

9.14 Cooperation. The PCT Representative on behalf of the Members and Parent agree to cooperate fully with each other and the Escrow Agent and to execute and deliver such further documents, certificates, agreements, stock powers and instruments and to take such other actions as may be reasonably requested by Parent, the PCT Representative or the Escrow Agent to evidence or reflect the transactions contemplated by this Agreement and to carry out the intent and purposes of this Agreement.

9.15 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neutral genders; the feminine gender shall include the masculine and neutral genders; and the neutral gender shall include masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections", "Schedules" and "Exhibits" are intended to refer to Sections of this Agreement, Schedules to this Agreement and Exhibits to this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have duly caused this Agreement to be executed as of the day and year first above written.

NEOSTEM, INC., a Delaware corporation

By: _____
Name:
Title:

PROGENITOR CELL THERAPY, INC.

By: _____
Name:
Title:

_____
Andrew Pecora, as PCT Representative

_____

CONTINENTAL STOCK TRANSFER & TRUST COMPANY, a New York corporation

By: _____
Name:
Title:

[Escrow Agreement Signature Page]

SCHEDULE 1

MEMBERS

Percentage Certification Attached.

SCHEDULE 2

ESCROWED SHARES

Number of Escrowed Shares:	11,200,000
Address for distributions to Parent:	NeoStem Inc. Suite 450 420 Lexington Avenue New York, New York 10170 Attention: Catherine Vaczy, Esq.

SCHEDULE 3

ESCROW AGENT'S FEES AND EXPENSES

Monthly Fee for holding securities and/or cash:	$_____ per month
Additional out of pocket expenses including postage and stationary:	Additional

EXHIBIT A

MERGER AGREEMENT

Exhibit C

NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

Warrant No. [ ]

WARRANT TO PURCHASE SHARES OF COMMON STOCK

OF

NEOSTEM, INC.

THIS CERTIFIES that, for value received, [_____]. is entitled to purchase from NEOSTEM, INC., a Delaware corporation (the "*Corporation*"), subject to the terms and conditions hereof, [_____] shares (the "*Warrant Shares*") of common stock, $.001 par value (the "*Common Stock*"). This warrant, together with all warrants hereafter issued in exchange or substitution for this warrant, is referred to as the "*Warrant*" and the holder of this Warrant is referred to as the "*Holder*." The number of Warrant Shares is subject to adjustment as hereinafter provided. This Warrant shall vest in full and become exercisable on [[_____] [__], 2010] [upon achievement of the $7.00 Warrant Condition set forth in Section 8 below] (the "*Vesting Date*") and, notwithstanding anything to the contrary contained herein, shall expire at 5:00 p.m. (Eastern Time) on [_____], 2017 (the "*Termination Date*"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Agreement and Plan of Merger, dated September [_], 2010 by and among the Corporation, NBS Acquisition Company LLC, a wholly-owned subsidiary of the Corporation, and Progenitor Cell Therapy, LLC (as such agreement may be amended from time to time, the "*Merger Agreement*").

1. Exercise of Warrants. The Holder may, at any time on or after the Vesting Date and prior to the Termination Date, exercise this Warrant in whole or in part at an exercise price per share equal to $[3.00][5.00][7.00] per share, subject to adjustment as provided herein (the "*Exercise Price*"), by the surrender of this Warrant (properly endorsed), together with delivery of the Warrant Exercise Form annexed hereto duly completed and executed, at the principal office of the Corporation, or at such other agency or office of the Corporation in the United States of America as the Corporation may designate by notice in writing to the Holder at the address of such Holder appearing on the books of the Corporation, and by payment to the Corporation of the Exercise Price in lawful money of the United States by certified check or wire transfer for each share of Common Stock being purchased. Upon any partial exercise of this Warrant, there shall be executed and issued to the Holder a new Warrant in respect of the shares of Common Stock as to which this Warrant shall not have been exercised. In the event of the exercise of the rights represented by this Warrant, a certificate or certificates for the Warrant Shares so purchased, as applicable, registered in the name of the Holder, shall be delivered to the Holder hereof as soon as practicable after the rights represented by this Warrant shall have been so exercised.

2. Reservation of Warrant Shares. The Corporation agrees that, prior to the expiration of this Warrant, it will at all times have authorized and in reserve, and will keep available, solely for issuance or delivery upon the exercise of this Warrant, the number of Warrant Shares as from time to time shall be issuable by the Corporation upon the exercise of this Warrant.

3. No Stockholder Rights; No Rights to Net Cash Settled. This Warrant shall not entitle the holder hereof to any voting rights or other rights as a stockholder of the Corporation. In no event may this Warrant be net cash settled.

4. Transferability of Warrant and Underlying Shares. Prior to the Termination Date and subject to compliance with applicable Federal and State securities and other laws, this Warrant and all rights hereunder are transferable, in whole or in part, at the office or agency of the Corporation by the Holder in person or by duly authorized attorney, upon surrender of this Warrant together with the Assignment Form annexed hereto properly endorsed for transfer. The Corporation shall be entitled to require, as a condition of any such transfer, that the Holder and the transferee execute or provide such documents and make such representations and warranties as the Corporation may deem appropriate to evidence compliance with applicable law or otherwise. None of the Warrant Shares, if issued, may be transferred by the Holder until after the date that is one year after the date of issuance of this Warrant.

5. Certain Adjustments. With respect to any rights that Holder has to exercise this Warrant and convert into shares of Common Stock, Holder shall be entitled to the following adjustments:

(a) Merger or Consolidation. If at any time there shall be a merger or a consolidation of the Corporation with or into another entity when the Corporation is not the surviving corporation, then, as part of such merger or consolidation, lawful provision shall be made so that the holder hereof shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the aggregate Exercise Price then in effect, the number of shares of stock or other securities or property (including cash) of the successor corporation resulting from such merger or consolidation, to which the holder hereof as the holder of the stock deliverable upon exercise of this Warrant would have been entitled in such merger or consolidation if this Warrant had been exercised immediately before such transaction. In any such case, appropriate adjustment shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the holder hereof as the holder of this Warrant after the merger or consolidation.

(b) Reclassification, Recapitalization, etc. If the Corporation at any time shall, by subdivision, combination or reclassification of securities, recapitalization, automatic conversion, or other similar event affecting the number or character of outstanding shares of Common Stock, or otherwise, change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such subdivision, combination, reclassification or other change.

(c) Split or Combination of Common Stock and Stock Dividend. In case the Corporation shall at any time subdivide, redivide, recapitalize, split (forward) or change its outstanding shares of Common Stock into a greater number of shares or declare a dividend upon its Common Stock payable solely in shares of Common Stock, the Exercise Price shall be proportionately reduced and the number of Warrant Shares proportionately increased. Conversely, in case of a reverse stock split or the outstanding shares of Common Stock of the Corporation shall be combined into a smaller number of shares, the Exercise Price shall be proportionately increased and the number of Warrant Shares proportionately reduced.

6. Compliance with Securities Laws; Legend and Stop Transfer Orders. Unless the Warrant Shares are subject to an effective registration statement under the Securities Act, upon exercise of any part of the Warrant, (i) the Corporation shall be entitled to require that the Holder make such representations and warranties as may be reasonably required by the Corporation to assure that the issuance of Warrant Shares is exempt from the registration requirements of applicable securities laws and (ii) the Corporation shall instruct its transfer agent to enter stop transfer orders with respect to such Warrant Shares, and all certificates or instruments representing the Warrant Shares shall bear on the face thereof substantially the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

7. Redemption of Warrant. This Warrant is subject to redemption by the Corporation as provided in this Section 7.

(a) This Warrant may be redeemed, at the option of the Corporation, in whole and not in part, at a redemption price of $.0001 per Warrant (the "Redemption Price"), provided the average closing price of the Common Stock as quoted by Bloomberg, LP., or the Principal Trading Market (as defined below) on which the Common Stock is included for quotation or trading, shall equal or exceed $[5.00][7.00][9.00][1] per share (taking into account all adjustments) for twenty (20) out of thirty (30) consecutive trading days. [Notwithstanding the foregoing, the Corporation may not redeem this Warrant (a) unless it waives (if then applicable) the last sentence of Section 4 of the Warrant, (b) unless the issuance of the Warrant Shares is registered or there is an effective resale registration statement available to the Holders with respect to the Warrant Shares and (c) unless the $7.00 Warrant Condition has been achieved or the Corporation waives the $7.00 Warrant Condition concurrently with its provision of the Redemption Notice (as defined below).][2]

(b) If the conditions set forth in Section 7(a) are met, and the Corporation desires to exercise its right to redeem this Warrant, it shall mail a notice (the "Redemption Notice") to the registered holder of this Warrant by first class mail, postage prepaid, at least fourteen (14) business days prior to the date fixed by the Corporation for redemption of the Warrants (the "Redemption Date").

(c) The Redemption Notice shall specify (i) the Redemption Price, (ii) the Redemption Date, (iii) the place where the Warrant certificates shall be delivered and the redemption price paid, and (iv) that the right to exercise this Warrant shall terminate at 5:00 p.m. (New York time) on the business day immediately preceding the Redemption Date. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a holder (a) to whom notice was not mailed, or (b) whose notice was defective. An affidavit of the Secretary or an Assistant Secretary of the Corporation that the Redemption Notice has been mailed shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

(d) Any right to exercise a Warrant shall terminate at 5:00 p.m. (New York time) on the business day immediately preceding the Redemption Date. On and after the Redemption Date, the holder of this Warrant shall have no further rights except to receive, upon surrender of this Warrant, the Redemption Price.

(e) From and after the Redemption Date, the Corporation shall, at the place specified in the Redemption Notice, upon presentation and surrender to the Corporation by or on behalf of the holder thereof the warrant certificates evidencing this Warrant being redeemed, deliver, or cause to be delivered to or upon the written order of such holder, a sum in cash equal to the Redemption Price of this Warrant. From and after the Redemption Date, this Warrant shall expire and become void and all rights hereunder and under the warrant certificates, except the right to receive payment of the Redemption Price, shall cease.

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[1] The redemption price for the $3.00 Warrants is $5.00. The redemption price for the $5.00 Warrants is $7.00. The redemption price for the $7.00 Warrants is $9.00.

[2] Such clause (c) will be included only in the $7.00 Warrant.

8. [$7.00 Warrant Condition. The $7.00 Warrants will not vest and will not become exercisable unless the Surviving Company secures, prior to the third annual anniversary of the Closing Date, one or more material binding commercial manufacturing contracts with one or more third parties, each on an arm's length basis, which commercial manufacturing contracts result in aggregate revenues to the Surviving Company in excess of $5 million per year over a period of at least 3 years and in the reasonable judgment of the Corporation's Board of Directors the manufacturing contracts will be profitable each year during the term of such contracts in accordance with GAAP (the "$7.00 Warrant Condition"). The $7.00 Warrant Condition will be deemed to have been achieved, and the $7.00 Warrants will vest, upon certification by the Corporation's Board of Directors that all the elements of the $7.00 Warrant Condition have been met, which certification shall be provided as soon as practicable following the presentation by the PCT Representative to the Corporation's Board of Directors of all appropriate supporting documents and materials necessary to determine whether each of the elements of the $7.00 Warrant Condition has been met.]

9. Miscellaneous. This Warrant shall be governed by and construed in accordance with the laws of the State of New York. All the covenants and provisions of this Warrant by or for the benefit of the Corporation shall bind and inure to the benefit of its successors and assigns hereunder. Nothing in this Warrant shall be construed to give to any person or corporation other than the Corporation and the holder of this Warrant any legal or equitable right, remedy, or claim under this Warrant. This Warrant shall be for the sole and exclusive benefit of the Corporation and the Holder. The section headings herein are for convenience only and are not part of this Warrant and shall not affect the interpretation hereof. Upon receipt of evidence satisfactory to the Corporation of the loss, theft, destruction, or mutilation of this Warrant, and of indemnity reasonably satisfactory to the Corporation, if lost, stolen, or destroyed, and upon surrender and cancellation of this Warrant, if mutilated, the Corporation shall execute and deliver to the Holder a new Warrant of like date, tenor, and denomination.

[10. Piggyback Registration Rights. The parties shall provide in a separate mutually acceptable agreement that the Corporation will use reasonable commercial efforts to provide them with piggyback registration rights (standard for an acquisition transaction) commencing after the later of the date one year after the issuance date of the Warrants and the date on which the Form S-4 pursuant to which this Warrant is being registered, as amended, is no longer available with respect to the Warrant Shares.]

[11. The parties may vary the form of this Warrant so that the Warrants may be issued in book-entry/uncertificated form.]

IN WITNESS WHEREOF, the Corporation has caused this Warrant to be executed by its duly authorized officer, this _____ day of _____ 2010.

NEOSTEM, INC.

Robin L. Smith
Chairman & Chief Executive Officer

WARRANT EXERCISE FORM

To Be Executed by the Holder in Order to Exercise Warrant

To: NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, New York 10170
Attn: Chairman and CEO

Dated: _____ __, 20__

The undersigned, pursuant to the provisions set forth in the attached Warrant No. _____, hereby irrevocably elects to purchase _____ shares of the Common Stock of NeoStem, Inc. covered by such Warrant.

☐ The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant. Such payment takes the form of $_____ in lawful money of the United States.

The undersigned hereby requests that certificates for the Warrant Shares purchased hereby be issued in the name of:

_____

_____
(please print or type name and address)

_____
(please insert social security or other identifying number)

and be delivered as follows:

_____

_____
(please print or type name and address)

_____
(please insert social security or other identifying number)

and if such number of shares of Common Stock shall not be all the shares evidenced by this Warrant Certificate, that a new Warrant for the balance of such shares be registered in the name of, and delivered to, Holder.

_____
Signature of Holder

SIGNATURE GUARANTEE:

_____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form. Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____

_____

Dated: _____ __, 200_

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust corporation. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit D

FORM OF OPINION FROM PCT COUNSEL

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Merger Agreement.

The opinion of counsel to the Progenitor Cell Therapy LLC (the "Company") shall be to the effect that:

1. The Company and each of its subsidiaries is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Delaware [or conform for any corporations and/or New Jersey entities].

2. The Company has the requisite power and authority to own its assets and conduct its business as presently conducted and to execute, deliver and perform its obligations under the Merger Agreement and the Escrow Agreement, and to consummate the transactions contemplated thereby.

3. The Company's managers and members have taken all action necessary for the authorization, execution and delivery of the Merger Agreement and the Escrow Agreement by the Company and the performance by the Company of its obligations under the Merger Agreement and the Escrow Agreement.

4. The Merger Agreement and the Escrow Agreement have been duly authorized, executed and delivered by the Company and such agreements constitute valid and binding obligations of the Company enforceable against it in accordance with their terms.

5. The execution and delivery of the Merger Agreement and Escrow Agreement and the Company's performance of its obligations thereunder do not and will not (i) contravene any provision contained in the Certificate of Formation, the PCT LLC Agreement or other organizational documents of the Company or any Subsidiary, (ii) violate the provisions of any law, rule or regulation applicable to the Company or any Subsidiary; (iii) violate or result in a breach (with or without the lapse of time, the giving of notice or both) of or constitute a default under any Material Contract known to us, (iv) violate any judgment, decree, order or award of any government entity naming the Company or any Subsidiary known to us, (v) to our knowledge result in the creation or imposition of any lien, claim, charge, encumbrance, equity, restriction or right on any of the assets or properties of any entity within the PCT Group, or (vi) result in the acceleration of, or permit any Person to accelerate or declare due and payable prior to its stated maturity, any Liability known to us of any Person in the PCT Group (except where the result of such acceleration would not cause a Material Adverse Effect).

6. The authorized equity interests of the Company consist of [ ] membership interests, of which [ ] are outstanding. All of the equity interests which are issued and outstanding on the date hereof have been duly authorized and validly issued, are fully paid and non-assessable and were not issued in violation of any preemptive or similar rights. None of the equity interests issued by the Company since _____, 2007 were issued in violation of any registration requirements under federal securities laws. Immediately prior to the Effective Time, the Company validly cancelled in accordance with their terms and without liability to the Company all outstanding options, warrants, or other rights, agreements, or commitments known to us or listed in the schedules to the Merger Agreement to which the Company or any member or other equity holder of the Company is a party or by which any such party is bound obligating the Company or the member or equity holder of the Company to grant, issue, or sell any capital stock or any other equity interest in the Company.

7. None of the Members have any dissenters or appraisal rights with respect to the Merger or the other transactions contemplated by the Merger Agreement.

8. Except for the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, no consent, approval or authorization of or designation, declaration, filing with any Governmental Authority or other action on the part of the Company is required in connection with the consummation of the transactions contemplated by the Merger Agreement and the Escrow Agreement.

9. Upon the filing by the surviving corporation of the Certificate of Merger with the Secretary of State of the State of Delaware, the Merger will be effective under the DLLCA.

10. To our knowledge, there are no civil, criminal or administrative actions, suits or proceedings which are pending or have been threatened in writing against the Company or any Subsidiary which (a) seek either damages in excess of $25,000 or equitable relief or (b) in any manner challenge or seek to prevent, enjoin, alter or delay the transactions contemplated by the Agreement.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

NeoStem, Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration No. 333-107438, Registration No. 333-144265, Registration No. 333-159282 and Registration No. 333-162733) and in the Registration Statements on Form S-3 (Registration No. 333-145988 and Registration No. 333-166169) of NeoStem, Inc. of our report dated September 17, 2010 with respect to the consolidated financial statements of Progenitor Cell Therapy, LLC and Subsidiaries as of and for the years ended December 31, 2009, 2008 and 2007, which appears in NeoStem, Inc.'s Current Report on Form 8-K dated September 23, 2010.

/s/ EisnerAmper LLP

Hackensack, New Jersey
September 23, 2010

NeoStem, Inc.
Robin Smith, CEO
Phone: +1 (212) 584-4174
E-mail: rsmith@neostem.com
http://www.neostem.com

NeoStem and Progenitor Cell Therapy Announce Entry Into Merger Agreement
Companies to form an Integrated Global Cell Therapy Company

New York, New York and Allendale, New Jersey, September 23, 2010 – NeoStem, Inc. (NYSE Amex: NBS) an international biopharmaceutical company with operations in the U.S. and China and Progenitor Cell Therapy, LLC a privately held cell therapy company that serves the cell therapy industry from licensed, state-of-the art cell therapy manufacturing facilities in New Jersey and California today jointly announced the signing of a definitive merger agreement whereby NeoStem will acquire Progenitor Cell Therapy. The definitive merger agreement provides for the issuance of an aggregate of 11,200,000 shares of NeoStem common stock and warrants to purchase an aggregate of no less than 1,000,000 and a maximum of 3,000,000 additional shares of NeoStem common stock in exchange for all of Progenitor Cell Therapy membership interests.

Holders of greater than 50% of NeoStem's common stock and greater than 50% of PCT's membership interests have agreed to vote in favor of the merger. The closing of the merger is subject to various conditions, including the approval by NeoStem's stockholders of the issuance of NeoStem's securities in the merger.

PCT's revenue generating business would be accretive to NeoStem's growing adult stem cell operations and PCT's management would add to NeoStem the over 100 years collective experience of the PCT management team in the business and science of cell therapy and its development. Since its inception in 1999, PCT has served over 100 clients from around the world and is experienced with more than 20 different cell based therapeutics. PCT has performed over 30,000 cell therapy procedures in its cell therapy manufacturing facilities and processed and stored over 18,000 cell therapy products (including approximately 7,000 umbilical cord blood units, 10,000 blood and marrow derived stem cells and 1,000 dendritic cells) and arranged the logistics and transportation for over 14,000 cell therapy products for clinical use by over 5,000 patients.

Dr. Robin Smith, CEO of NeoStem said “We are excited to have reached this agreement with PCT and believe this combination is beneficial to the stakeholders of both companies. The acquisition is a significant step in NeoStem’s efforts to develop a “one-stop-shop” global network of cell therapy core competencies by adding cell therapy manufacturing and storage facilities as well as integrated regulatory compliant distribution capacity for the evolving cell therapy industry. PCT’s global reach and reputation will accelerate the combined companies’ reach into this exciting market”.

Dr. Andrew Pecora, PCT’s CEO, who will be invited to join the NeoStem Board of Directors upon the closing of the merger, said “We are pleased after over a decade of hard work by our PCT team to bring liquidity to our loyal investors by combining with NeoStem into a platform for growth of a wide range of adult stem cell capabilities. Having played an instrumental role in manufacturing Provenge, Dendreon Corporation’s autologous cellular immunotherapy through its clinical trials to FDA approval, we are especially excited about bringing to NeoStem our competencies in the cell therapy development market to contribute to moving forward NeoStem’s VSEL ™ Technology and other future cell therapy products. Furthermore, with NeoStem’s autologous adult stem cell collection capabilities and PCT’s umbilical cord blood collection and long term storage services, the combined company will be the first of its kind providing families with current Good Manufacturing Practices (cGMP) autologous stem cell collection and storage services”.

LifeTech Capital, an investment banking firm focused on the life science industry, advised NeoStem by providing valuation analyses of the transaction. LifeTech Capital is a division of Aurora Capital.

The Company along with PCT will be appearing at the NASDAQ MarketSite in New York City and will be able to answer questions about the transaction.

When: September 23, 2010, 1:00 p.m. EDT
Where: NASDAQ MarketSite, 4 Times Square, New York City (43rd and Broadway)
RSVP required: 917.680.6011; Bradley.smith@muncmedia.com

About NeoStem, Inc.

NeoStem, Inc. is engaged in the development of stem cell-based therapies, pursuit of anti-aging initiatives and building of a network of adult stem cell collection centers in the U.S. and China that are focused on enabling people to donate and store their own (autologous) stem cells for their personal use in times of future medical need. The Company also has licensed various stem cell technologies, including a worldwide exclusive license to VSEL™ technology which uses very small embryonic-like stem cells, shown to have several physical characteristics that are generally found in embryonic stem cells, and is pursuing the licensing of other technologies for therapeutic use. NeoStem’s majority-controlled Chinese pharmaceutical operation, Suzhou Erye, manufactures and distributes generic antibiotics in China. For more information, please visit: www.neostem.com.

About PCT

PCT serves the developing cell therapy industry that includes biotechnology, pharmaceutical and medical products companies, health care providers, and academic investigators from licensed, state-of-the-art cell therapy manufacturing facilities in Allendale, New Jersey and Mountain View, California. PCT supports the research of leading academic investigators designed to expedite the broad clinical application of cell therapy. PCT’s core strategy is to provide a global network of cell therapy manufacturing and storage facilities and an integrated and regulatory compliant distribution capacity for the evolving cell therapy industry to meet international commercial demands. For more information, please visit: www.progenitorcelltherapy.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect management's current expectations, as of the date of this press release, and involve certain risks and uncertainties. Forward looking statements include statements herein with respect to the proposed merger with Progenitor Cell Therapy, LLC, about which no assurances can be given. The Company's actual results could differ materially from those anticipated in these forward- looking statements as a result of various factors. Factors that could cause future results to materially differ from the recent results or those projected in forward-looking statements include the "Risk Factors" described in the Company's most recent Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission since the filing of such 10-K. The Company's further development is highly dependent on future medical and research developments and market acceptance, which is outside its control.

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