UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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): June 2, 2006

PHASE III MEDICAL, INC.
(Exact name of registrant as specified in its charter)

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

330 South Service Road, Suite 120 Melville, New York	11747
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (631)-574-4955

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):

[_] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

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

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

[_] 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.

On June 2, 2006, Phase III Medical, Inc. (the "Company") entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with 17 accredited investors listed therein (the "Investors"). Pursuant to the Securities Purchase Agreement, the Company issued to each Investor shares of its common stock, par value $.001 per share (the "Common Stock"), at a per-share price of $0.044, along with a five-year warrant to purchase a number of shares of Common Stock equal to 50% of the number of shares of Common Stock purchased by the Investor (the "Warrants," and together with the Common Stock issued, the "Securities"). The gross proceeds from the sale were $2,079,000.

The Company was required to issue the Securities upon reaching a minimum aggregate investment of $2,000,000, and the Company may issue further Securities up to a maximum aggregate investment of $3,000,000.

Pursuant to the terms of the Securities Purchase Agreement, the Company expanded the size of its Board to four directors, and appointed Dr. Robin L. Smith as Chairman of the Board and Chief Executive Officer of the Company. The Company has also agreed to expand the size of the Board upon the initial closing under the Securities Purchase Agreement to permit an Investor, DCI Master LDC, who acted as lead investor under the Securities Purchase Agreement to appoint one additional independent member to the Company's Board of Directors should they choose to do so. The Securities Purchase Agreement also prohibits the Company from taking certain action without the approval of a majority of the Board of Directors for so long as DCI Master LDC owns at least 20% of the Common Stock, including making loans, guarantying indebtedness, incurring indebtedness that is not already included in a Board approved budget on the date of the Securities Purchase Agreement that exceeds $100,000, encumbering the Company's technology and intellectual property or entering into new or amending employment

agreements with executive officers. DCI Master LDC is also granted access to Company facilities and personnel and given other information rights pursuant to the Securities Purchase Agreement. Pursuant to the Securities Purchase Agreement, all current and future officers and directors of the Company may not, without the prior written consent of DCI Master LDC, dispose of any shares of capital stock of the Company, or any securities convertible into, or exchangeable for or containing rights to purchase, shares of capital stock of the Company until three months after the effective date of the Registration Statement required to be filed pursuant to the Securities Purchase Agreement.

The officers of the Company, as a condition of the initial closing under the Securities Purchase Agreement, entered into letter agreements with the Company pursuant to which they converted an aggregate of $278,653.55 of accrued salary into shares of Common Stock at a per share price of $0.044. After adjustments for applicable payroll and withholding taxes which were paid by the Company, the Company issued to such officers an aggregate of 3,799,821 shares of Common Stock. The Company also adopted an Executive Officer Compensation Plan, effective as of the date of closing of the Securities Purchase Agreement and pursuant to the letter agreements each officer agreed to be bound by the Executive Compensation Plan. In addition to the conversion of accrued salary, the letter agreements provide for a reduction by 25% in base salary for each officer, the granting of options to purchase shares of Common Stock under the Company's 2003 Equity Purchase Plan (the "2003 EPP") which become exercisable upon the Company achieving certain revenue milestones and the acceleration of the vesting of certain options and restricted shares held by the officers.

In connection with the Securities Purchase Agreement, on June 2, 2006 the Company entered into a Registration Rights Agreement with each of the Investors (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Company will prepare and file no later than June 30, 2006 a Registration Statement with the SEC to register the shares of Common Stock issued to Investors and the shares of Common Stock underlying the Warrants. In the event that the Registration Statement is not declared effective by the SEC within 150 days of the closing date of the Securities Purchase Agreement, the Company shall pay to each Investor an amount equal to 1% of the purchase price of the Securities purchased by the Investor, and shall pay such amount for each month or partial month that the Registration Statement is not declared effective by the SEC.

Dr. Smith, the Company's CEO and Chairman of the Board, purchased 500,000 shares of Common Stock and Warrants to purchase 250,000 shares of Common Stock pursuant to the terms of the Securities Purchase Agreement.

On May 26, 2006, the Company entered into an employment agreement with Dr. Robin Smith, effective upon the closing of the Securities Purchase Agreement, as discussed below in Item 5.02 of this Current Report on Form 8-K.

Item 3.02. Unregistered Sales of Equity Securities.

On June 2, 2006, the Company issued an aggregate of 47,249,992 shares of Common Stock to Investors pursuant to the Securities Purchase Agreement, at a price per share of $0.044, for an aggregate offering price of $2,079,000. The Company also issued to each Investor, in addition to the shares of Common Stock, five-year warrants to purchase up to an aggregate of 23,624,991 shares of Common Stock, at an exercise price of $0.08 per share. In addition, the Company issued an aggregate of 3,799,821 shares of Common Stock to certain officers of the Company for conversion of an aggregate of $278,653.55 of accrued salary (less adjustments for applicable payroll and withholding taxes), pursuant to the terms of the Securities Purchase Agreement. The Company also issued to its Chief Financial Officer 289,737 shares of Common Stock in conversion of $7,615.38 in expenses that the Company was required to reimburse Mr. May.

Pursuant to the terms of Dr. Smith's employment agreement, as discussed below in Item 5.02 of this Current Report on Form 8-K, the Company issued 1,000,000 shares of unregistered Common Stock to Dr. Robin L. Smith, the Company's Chief Executive Officer and Chairman, in connection with financial advisory services rendered to the Company under her advisory agreement in connection with the initial closing under the Securities Purchase Agreement. The advisory agreement was terminated upon Dr. Smith entering into her employment agreement.

Pursuant to the Company's financial advisory agreement with Duncan Capital Group LLC, the Company issued to Duncan 2,400,000 shares of Common Stock in connection with the initial closing under the Securities Purchase Agreement.

Upon the effective date of the employment agreement between the Company and Dr. Smith, Dr. Smith was awarded 2,000,000 shares of Common Stock of the Company, and options to purchase 5,400,000 shares of Common Stock, which options expire ten years from the date of grant. The exercise price of the options is as follows: (i) $.053 as to the first 1,000,000 options exercised, (ii) $.08 as to the second 1,000,000 options exercised, (iii) $.10 as to the third 1,000,000 options exercised, (iv) $.16 as to the next 1,200,000 options exercised, and (v) $.25 as to the remainder of the options exercised. 3,000,000 of the options shall vest immediately, 1,200,0000 options shall vest on the first anniversary of the grant date and 1,200,0000 options shall vest on the second anniversary of the grant date. If Dr. Smith pays the exercise price with shares of common stock, the option agreement provides that Dr. Smith shall be granted a "reload" option to purchase the sum of (i) the number of shares of common stock equal to the sum of the number of shares used to exercise the option (or the number of shares not received if Dr. Smith paid the option price by receiving a reduced number of shares on exercise), and (ii) in the case of non-qualified stock options, the number of shares of common stock used to satisfy any tax withholding requirement related to the exercise of such option. The term of a reload option will be equal to the remaining term of the option which gave rise to the reload option.

The sales of the above securities were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended and/or Regulation D thereunder.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

As of June 2, 2006, Mark Weinreb, the Company's Chairman, Chief Executive Officer and President, resigned as Chairman and Chief Executive Officer of the Company. Mr. Weinreb will continue to serve as a director and President of the Company.

As of June 2, 2006, Dr. Robin L. Smith was appointed by the Board as Chairman of the Board of Directors of the Company, to serve until the next annual meeting of shareholders, and was appointed by the Board as Chief Executive Officer of the Company. Prior to joining the Company, Dr. Smith, 41, has acted as an advisor to numerous funds and investment bankers as well as a senior consultant to both publicly traded and privately held companies. Prior to these activities Dr. Smith served as President & Chief Executive Officer of IP2M, a Houston based technology company. Before joining the IP2M management team, Dr. Smith was Executive Vice President & Chief Medical Officer for HealthHelp, Inc., a National Radiology Management company which managed 14% of the health care dollars spent by insurance companies such as Aetna US Healthcare, Blue Cross and Blue Shield and Humana. Dr Smith also serves on the Board of Directors of two private companies, Talon Air and Biomega, as well as serves as Co-Chairman of the Board for the New York University Hospital For Joint Diseases.

Dr. Smith received her post-graduate training in the surgical subspecialty and obtained her medical degree from Yale University where she received the Janet M. Glaslow Memorial Achievement Citation, was elected to Alpha Omega Alpha and chosen to be a Farr Scholar. Dr. Smith was one of the first graduates of the U.S. Quality Algorithms Managed Care Fellowship between U.S. Healthcare and Thomas Jefferson Medical College. Dr. Smith's interest in medical management led her to pursue a Masters Degree in business administration at the Wharton School of Business where in sixteen months she completed a double major in health care administration and operations management as well as made the Directors List. As the creator of the bimonthly Managed Care Clinical Corner editorial, Dr. Smith was appointed to the editorial board of Disease Management. Dr. Smith holds memberships in the National Association of Managed Care Physicians, American College of Physician Executives, American Association for the Advancement of Science, Society for Neuroscience, and the Association for Chemoreception Sciences and has been published extensively.

In September 2005, Dr. Smith entered into an advisory agreement with the Company pursuant to which Dr. Smith agreed to become Chairman of the Company's advisory board. Under the terms of the advisory agreement, Dr. Smith was required to provide various business and scientific advice to the Company for a period of one year in consideration for which she received 500,000 shares of Common Stock and warrants to purchase 240,000 shares of Common Stock. The warrants are exercisable at $.08 per share, the closing price of the Common Stock on the date of grant, and were scheduled to vest as to 20,000 shares per month during the term of the agreement. Dr. Smith received registration rights for such shares of Common Stock and Common Stock underlying warrants. In January 2006, the Company and Dr. Smith entered into a supplement to the advisory agreement to set forth certain supplemental understandings with respect to a potential financing transaction. Under the supplement to the advisory agreement, Dr. Smith agreed that through April 30, 2006 (as such date was later extended) Dr. Smith would provide additional business and financial advisory services beyond those set forth in the original agreement. In return, Dr. Smith would receive upon the closing of a financing (i) 200,000 shares of Common Stock and a cash payment in the amount of $25,000 if the gross proceeds of the financing are at least $500,000; (ii) 400,000 shares of Common Stock and a cash payment in the amount of $50,000 if the gross proceeds of the financing are at least $1,000,000; (iii) 800,000 shares of Common Stock and a cash payment in the amount of $100,000 if the gross proceeds of the financing are at least $2,000,000; (iv) 1,000,000 shares of Common Stock and a cash payment in the amount of $150,000 if the gross proceeds of the financing are at least $3,000,000; (v) 1,200,000 shares of Common Stock and a cash payment of $175,000 if the gross proceeds of the financing are at least $3,500,000; and (vi) 1,600,000 shares of Common Stock and a cash payment in the amount of $200,000 if the gross proceeds of the financing are at least $4,000,000. Dr. Smith was also entitled to receive a cash payment of $3,000 for each of January, February and March 2006.

On May 26, 2006, the Company entered into an employment agreement with Dr. Smith (the "Employment Agreement"), pursuant to which Dr. Smith will serve as the Chief Executive Officer of the Company for a period of two years, which term shall be renewed for successive one-year terms unless otherwise terminated by Dr. Smith or the Company. The effective date of the Employment Agreement was June 2, 2006, the date of the initial closing under the Securities Purchase Agreement. Dr. Smith shall receive a base salary of $180,000 per year, which shall be increased to $236,000 after the first year anniversary of the effective date of the Employment Agreement. If the Company raises an aggregate of $5,000,000 through equity or debt financing (with the exception of the financing discussed in Item 1.01 hereof), Dr. Smith's base salary shall be raised to $275,000. Dr. Smith shall also be eligible for an annual bonus determined by the Board, a car allowance of $1,000 per month and variable life insurance with payments not to exceed $1,200 per month. Pursuant to the Employment Agreement, Dr. Smith's advisory agreement with the Company, as supplemented, was terminated, except that (i) the vesting of the warrant to purchase 240,000 shares of Common Stock granted thereunder was accelerated so that the warrant became fully vested as of the effective date of the employment agreement, (ii) Dr. Smith received $103,000 in cash and 1,000,000 shares upon the initial closing under the Securities Purchase Agreement, (iii) if an aggregate of at least $3,000,000 is raised and/or other debt or equity financings prior to August 15, 2006, Dr. Smith shall receive an additional payment of $50,000, and (iv) all registration rights provided in the advisory agreement shall continue in effect. Upon the effective date of the Employment Agreement, Dr. Smith was awarded under the Company's 2003 Equity Purchase Plan 2,000,000 shares of Common Stock of the Company, and options to purchase 5,400,000 shares of Common Stock, which options expire ten years from the date of grant.

Dr. Smith also purchased shares of Common Stock and Warrants pursuant to the Stock Purchase Agreement, as described above in Item 1.01 of this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 10.1	Securities Purchase Agreement, dated June 2, 2006, between Phase III Medical, Inc. and certain investors listed therein
Exhibit 10.2	Registration Rights Agreement, dated June 2, 2006, between Phase III Medical, Inc. and certain investors listed therein
Exhibit 10.3	Form of Warrant to Purchase Shares of Common Stock of Phase III Medical, Inc.
Exhibit 10.4	Employment Agreement between Phase III Medical, Inc. and Dr. Robin L. Smith, dated May 26, 2006
Exhibit 10.5	Letter Agreement between Phase III Medical, Inc. and Mark Weinreb effective as of June 2, 2006.
Exhibit 10.6	Letter Agreement between Phase III Medical, Inc. and Catherine M. Vaczy effective as of June 2, 2006
Exhibit 10.7	Letter Agreement between Phase III Medical, Inc. and Larry A. May effective as of June 2, 2006
Exhibit 10.8	Letter Agreement between Phase III Medical, Inc. and Wayne A. Marasco effective as of June 2, 2006

SIGNATURE

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

PHASE III MEDICAL, INC.

By: /s/ Catherine M. Vaczy

Catherine M. Vaczy
Executive Vice President and
General Counsel

Dated: June 8, 2006

EXHIBIT INDEX

Exhibit Number	Description
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SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (together with all amendments, supplements, changes, schedules and exhibits hereto, collectively, this "Agreement") is dated as of June 2, 2006 by and among Phase III Medical, Inc., a Delaware corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement, on a $2,000,000 minimum (the "Minimum Amount") and a $3,000,000 maximum (the "Maximum Amount") basis.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement the following terms have the meanings indicated in this Section 1.1:

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Purchaser, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Purchaser will be deemed to be an Affiliate of such Purchaser.

"Board" shall mean the Company's Board of Directors.

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

"Closing" means each closing of the purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Business Day when all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Purchase Price and (ii) the Company's obligations to deliver the Securities have been satisfied or waived.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, par value $.001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed into.

"Company Counsel" means Lowenstein Sandler PC.

"DC" shall mean DCI Master LDC, together with any of its investment entities, subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this Agreement.

"Director" shall mean a member of the Company's Board of Directors.

"Disclosure Schedules" shall have the meaning ascribed to such term in Section 3.1.

"Effective Date" means the date that the initial Registration Statement filed by the Company pursuant to the Registration Rights Agreement is first declared effective by the Commission.

"Engagement Agreement" means the Engagement Agreement dated May 5, 2006 by and among DC and the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exhibits" shall mean the following exhibits attached hereto and made a part of this Agreement:

Exhibit A -	Registration Rights Agreement
Exhibit B -	The Warrants
Exhibit C -	Legal Opinion of Company Counsel
Exhibit D -	Use of Proceeds
Exhibit E -	Executive Officer Compensation Plan
Exhibit F -	Officer and Director Lockup

"GAAP" shall have the meaning ascribed to such term in Section 3.1(i).

"Independent Director" shall have the meaning ascribed to such term in the Sarbanes-Oxley Act of 2002.

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(n).

"Initial Closing" shall have the meaning ascribed to such term in Section 2.1.

"Liens" means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(l).

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Purchase Price" means $.044 per share of Common Stock in United States dollars and in immediately available funds.

"Registration Rights Agreement" means the Registration Rights Agreement, dated the date hereof, among the Company and the Purchasers, in the form of Exhibit A attached hereto.

"Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale of the Shares and Warrant Shares by each Purchaser as provided for in the Registration Rights Agreement.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(h).

"Securities" means the Common Stock, the Warrants and the Warrant Shares.

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

"Shares" means the shares of Common Stock which are being issued and sold by the Company to the Purchasers at the Closing.

"Short Sales" shall include all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

"Subsidiary" means NeoStem, Inc., a Delaware corporation.

"Termination Date" shall mean the earlier of (i) the sale of the Maximum Amount; (ii) mutual written termination of this Agreement by the Company and each person who signed this Agreement as a Purchaser, and (iii) May 15, 2006, subject to a 30-day extension.

"Transaction Documents" means this Agreement, the Engagement Agreement, the Warrants and the Registration Rights Agreement.

"Warrants" means the aggregate amount of Common Stock purchase warrants, in the form of Exhibit B to this Agreement.

"Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. At each Closing, upon the terms and subject to the conditions set forth herein, Purchasers shall purchase, severally and not jointly, and the Company shall issue and sell to the Purchasers such number of shares of Common Stock and Warrants to purchase such number of shares of Common Stock as set forth opposite such Purchaser's name on the signature page hereto for the aggregate Purchase Price. The Company may hold a Closing at any time after subscriptions for the $2,000,000 Minimum Amount have been received and accepted by the Company and after the other conditions to Closing as specified herein have been satisfied. The initial Closing (the "Initial Closing"), which shall be for no less than the $2,000,000 Minimum Amount, shall occur on or before May 15, 2006 (unless extended by up to 30 days) and each subsequent Closing until the Termination Date, shall occur at the offices of Company's counsel, Lowenstein Sandler PC, 1251 Avenue of the Americas, New York, New York 10020 at 12:00 p.m. or such other time and/or location as the parties shall mutually agree. If the Minimum Amount is not reached by May 15, 2006 (subject to a 30 day extension), all funds will be returned without interest or deduction.

All amounts received from Purchasers for the Shares and Warrants will be deposited in a special non-interest bearing escrow account (the "Escrow Account") with Hudson Valley Bank and will be released to the Company at the Closing. Checks shall be made out to "Phase III Medical, Inc. Private Placement Account.

2.2 Deliveries.

(a) At the Closing, the Company shall deliver or cause to be delivered to DC or each Purchaser the following:

(i) this Agreement duly executed by the Company to DC;

(ii) a legal opinion of Company Counsel, in the form of Exhibit C attached hereto to DC;

(iii) a stock certificate for each Purchaser's purchased Shares, registered in the name of such Purchaser to each Purchaser;

(iv) a Warrant registered in the name of each Purchaser to purchase up to a number of shares of Common Stock equal to 50% of the Shares purchased by such Purchaser, to each Purchaser;

(v) the Registration Rights Agreement duly executed by the Company, to each Purchaser;

(vi) Officer's Certificate in a form reasonably acceptable to DC;

(vii) Secretary's Certificate in a form reasonably acceptable to DC, with good standing certificates of the Company and the Subsidiary as of a recent date to be delivered at the Initial Closing;

(vii) a Lock-Up in the form of Exhibit F hereto from each officer and director of the Company and the Subsidiary as set forth in Section 4.5 hereto to DC; and

(viii) evidence, reasonably satisfactory to DC, that the Company has delivered to holders of Series A Preferred notice of the exchange of Series A Preferred for Common Stock.

(b) At each Closing, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) the aggregate Purchase Price allocable to the Shares being purchased by the Purchaser and set forth below such Purchaser's signature block on the signature page hereto, in United States dollars and in immediately available funds; and

(iii) the Registration Rights Agreement duly executed by such Purchaser.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with each Closing are subject to the following conditions being met:

(i) the accuracy in all material respects when made and on the Closing Date of the representations and warranties of the Purchasers contained herein;

(ii) all obligations, covenants and agreements of the Purchasers required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Purchasers of the items set forth in Section 2.2(b) of this Agreement; and

(iv) the Initial Closing shall be for no less than the $2,000,000 Minimum Amount;

(b) The respective obligations of the Purchasers hereunder in connection with each Closing are subject to the following conditions being met:

(i) the accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained herein;

(ii) Accrued Salary (as hereinafter defined) shall have been converted to shares of the Company's Common Stock or forfeited in accordance with the provisions of Section 3.1(s);

(iii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iv) the Initial Closing shall be for no less than the $2,000,000 Minimum Amount;

(v) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(vi) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(vii) the Engagement Letter on terms and conditions satisfactory shall be in effect and constitute a binding agreement on the parties thereto.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. The Company hereby makes the representations and warranties set forth below to each Purchaser.

(a) Subsidiaries. The Company owns, directly or indirectly, all of the capital stock or other equity interests of the Subsidiary free and clear of any Liens, and all the issued and outstanding shares of capital stock of the Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities. The Company has no other direct or indirect subsidiaries other than the Subsidiary.

(b) Organization and Qualification. Each of the Company and the Subsidiary is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization (as applicable), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Each of the Company and the Subsidiary is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not have a material adverse effect on the results of operations, assets, business or condition (financial or otherwise) of the Company and the Subsidiary (a "Material Adverse Effect").

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, its Board or its stockholders in connection therewith. Each Transaction Document has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company do not and will not: (i) conflict with or violate any provision of the Company's or the Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or the Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or the Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or the Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as would not result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than (i) the filing with the Commission of the Registration Statement, and (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents (including restrictions under federal and state securities laws). The Warrant Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents (including restrictions under federal and state securities laws).

(g) Capitalization. The capitalization (including warrants, options, exchangeable and/or convertible securities) of the Company as of April 26, 2006 is as set forth on Schedule 3.1(g), and such schedule shall be updated so that it remains true and correct as of the Initial Closing date. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act except as set forth on such schedule. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. All of the outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable.

(h) SEC Reports. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the one year preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports"). As of their respective dates, the SEC Reports (including the financial statements, exhibits and schedules thereto) complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, as applicable and did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary in order to made the statements therein, in light of the circumstances they were made, not misleading.

Each of the financial statements (including, in each case, any related notes thereto) contained in the SEC Reports (the "Company Financials"), including any SEC Reports filed after the date hereof until the Closing, as of their respective dates, (i) complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto, (ii) was prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited interim financial statements, as may be permitted by the SEC on Form 10-Q under the Exchange Act) and (iii) fairly presented the financial position of the Company at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not, or are not expected to be, material in amount. The balance sheet of the Company as of December 31, 2005 is hereinafter referred to as the "Company Balance Sheet." Except as disclosed in the Company Financials, the Company does not have any liabilities (absolute, accrued, contingent or otherwise) of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP which are, individually or in the aggregate, material to the business, results of operations or financial condition of the Company, except liabilities (i) provided for in the Company Balance Sheet, or (ii) incurred since the date of the Company Balance Sheet in the ordinary course of business consistent with past practices and which would not reasonably be expected to have a Material Adverse Effect.

(i) Material Changes. Since the date of the Company Balance Sheet, except as specifically disclosed in or contemplated by a subsequent SEC Report, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP") or disclosed in filings made with the Commission, (iii) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, (iv) the Company has not issued any equity securities to any officer, director or Affiliate except as set forth on Schedule 3.1(i) and (v) the Company has not made any changes to its accounting principals, practices or methods, its disclosure controls and procedures or its internal control over financial reporting. The Company does not have pending before the Commission any request for confidential treatment of information.

(j) Litigation. Except as set forth on Schedule 3.1(j), there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, the Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) would, if there were an unfavorable decision, result in a Material Adverse Effect.

(k) Compliance. Neither the Company nor the Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is in violation of any statute, rule or regulation of any governmental authority, except in each case as would not result in a Material Adverse Effect.

(l) Regulatory Permits. Except as set forth in Schedule 3.1(l), the Company and the Subsidiary possesses all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits would not result in a Material Adverse Effect ("Material Permits").

(m) Title to Assets. The Company and the Subsidiary have good and marketable title in fee simple to all real property (if any) owned by them that is material to the business of the Company and the Subsidiary and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiary, in each case free and clear of all Liens, except for Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiary and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties.

(n) Patents and Trademarks. The Company and the Subsidiary have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or material for use in connection with their respective businesses as described in the SEC Reports and which the failure to so would not result in a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Neither the Company nor the Subsidiary has received a notice (written or otherwise) that the Intellectual Property Rights used by the Company or the Subsidiary violates or infringes upon the rights of any Person. To the best knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiary have used their respective best efforts using security measures to protect the secrecy, confidentiality and value of all of their Intellectual Property Rights and Intellectual Property, except where failure to do so would not have a Material Adverse Effect.

(o) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as it believes are prudent and customary in the businesses in which the Company and the Subsidiary are engaged, including, but not limited to, directors and officers insurance coverage. Neither the Company nor the Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(p) Private Placement. Assuming the accuracy of the Purchasers representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby.

(q) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(r) Series A $.07 Convertible Preferred Stock. The Company has received requisite approval by the Board and the approval of its stockholders to amend its Certificate of Incorporation, in compliance with all applicable laws to provide for the mandatory exchange all of its outstanding shares of Series A $.07 Preferred Stock for shares of Common Stock (the "Mandatory Exchange") on the terms set forth in the Definitive Proxy Statement used in connection with its March 17, 2006 Special Meeting of Stockholders. The Company has provided notice of the Mandatory Exchange as required pursuant to the Company's Certificate of Incorporation, as amended (the "Amended Certificate"), and Delaware Law to the holders of the Company's Series A $.07 Preferred Stock, and accordingly, the shares of Series A $.07 Convertible Preferred Stock are deemed to have been exchanged for Common Stock and no further action of the Company or the holders of the Series A $.07 Preferred Stock (but for mechanics, including the submission of their stock certificate) is required to complete the Mandatory Exchange. The Series A $.07 Convertible Preferred Stock has been delisted from the OTC:BB. The balance sheet to be included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 will reflect no shares of Series A $.07 Preferred Stock outstanding.

(s) Accrued Salaries. The unpaid and accrued salaries (the "Accrued Salary") of the Company as of May 15, 2006 is expected to be approximately $404,000. Effective as of the Initial Closing date, not less than $275,000 of the Accrued Salary shall have been forfeited or converted into shares of Common Stock at a price equal to the Purchase Price (with appropriate adjustment made to account for applicable payroll and withholding taxes which shall be paid by the Company).

3.2 Representations and Warranties of the Purchasers. Each Purchaser hereby, for itself and for no other Purchaser, represents and warrants as of the date hereof and as of the Closing Date to the Company as follows:

(a) Organization; Authority. Such Purchaser if an entity is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution, delivery and performance by such Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate or similar action on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws) in violation of the Securities Act or any applicable state securities law. Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and at the date hereof it is, and on each date on which it exercises any Warrants it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(f) Short Sales and Confidentiality Prior To The Date Hereof. Such Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, executed any Short Sales or granted any option for the purchase of or entered into any hedging or similar transaction with the same economic effect as a Short Sale, in the securities of the Company since the time period beginning two weeks prior to the time that such Purchaser was first contacted regarding an investment in the Company through the date hereof. During such period, neither such Purchaser nor any Person acting on behalf of or pursuant to any understanding with such Purchaser, has taken, directly or indirectly, any actions to trade in the Company's Securities that might reasonably be expected to cause or result, under the Securities Act or Exchange Act, or otherwise, or that has constituted, stabilization or manipulation of the price of the Common Stock. Additionally, each Purchaser agrees to comply with Regulation M under the Exchange Act.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an affiliate of a Purchaser, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company (the cost of which will be borne by the Company), the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Purchaser under this Agreement and the Registration Rights Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION NOR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

(c) Certificates evidencing the Shares and the Warrant Shares shall not be required to bear any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Shares or Warrant Shares pursuant to Rule 144, or (iii) if such Shares or Warrant Shares are eligible for sale under Rule 144(k). If requested by a Person holding the Shares, the Warrants or the Warrant Shares, the Company shall take action reasonably requested by a Purchaser (including, but not limited to, causing Company counsel to issue a legal opinion to the Company's transfer agent) after the Effective Date if required by the Company's transfer agent to effect the removal of the legend hereunder provided that the Person requesting the removal of such legend shall have provided to such counsel such documents as it may reasonably request and are normally provided in accordance with industry standards.

(d) Each Purchaser, severally and not jointly with the other Purchasers, agrees that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance that the Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein.

4.2 Composition of the Board; Officers.

(a) Prior to or at the Initial Closing, the Company shall increase the size of the Board from three persons to four persons and appoint Dr. Robin Smith to fill such vacancy and to serve in such capacity until the Company's next annual meeting of stockholders and otherwise pursuant to the Company's By-laws. Dr. Smith shall serve as Chairman. Thereafter, Dr. Smith shall be included on the slate of Directors presented to shareholders for election at each annual meeting of stockholders of the Company. Dr. Smith and the DC Designee (as defined below) shall be entitled to payment of all reasonable costs and expenses to attend Board meetings, including travel and hotel and to receive no less than the highest amount of compensation as the directors of the Company receives and in accordance with compensation otherwise set by the Board.

(b) Following the Closing, DC shall be entitled to designate one Board member (the "DC Designee"), in addition to Dr. Smith, reasonably acceptable to the Company and the Company shall increase the size of the Board by one additional member and appoint such designee to fill such vacancy and to serve in such capacity until the Company's next annual meeting of stockholders and otherwise pursuant to the Company's By-laws. Should such designee constitute an Independent Director (an "Independent Director") such designee shall be entitled to serve on the Company's Compensation Committee of the Board, should the Company have one. Thereafter, such designee shall be included on the slate of Directors presented to shareholders for election at each annual meeting of stockholders of the Company.

(c) Following the Closing, the Company will endeavor to add additional members to its Board of Directors such that a majority of the Board is composed of Independent Directors. For purposes hereof, Dr. Smith shall in all events be considered an Independent Director.

(d) Prior to or at the Initial Closing, the Board will appoint Dr. Smith as the Company's Chief Executive Officer and the Company's current Chief Executive Officer and President shall retain the title of President.

(e) The rights provided for in this Section 4.2 shall cease immediately upon Purchasers beneficially owning in the aggregate less than 20% of the Common Stock on a fully-diluted basis. The Company shall be entitled to verify such level of ownership by the Purchasers of the Common Stock as it may reasonably request.

4.3 Board Meetings; Annual Stockholder's Meeting. The Company agrees that the Board shall meet at least quarterly and it shall hold an annual meeting of its stockholders on an annual basis.

4.4 SEC Filings. As long as the Purchasers own Securities, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act.

4.5 Lock-up. Without the express prior written consent of DC, none of the Company's or the Subsidiary's current or future respective officers or directors will offer, sell, contract to sell or grant any option to purchase or otherwise dispose of, directly or indirectly, conduct or announce the offering of, any shares of capital stock of the Company, or any securities convertible into, or exchangeable for or containing rights to purchase, shares of capital stock of the Company, during the period beginning on the date hereof and ending three months after the Effective Date (the "Lock-up Period").

4.6 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for marketing and other working capital purposes associated with the establishment and expansion of the Company's adult stem cell collection and storage business and other general corporate purposes. Such use of net proceeds shall be as set forth on Exhibit D attached hereto.

4.7 Executive Officer Compensation Plan. On the Closing Date, the Company shall adopt the Executive Officer Compensation Plan set forth as Exhibit E which shall be effective as of the initial Closing Date.

4.8 Certain Actions. Without the approval of a majority of the Board the Company shall not, directly and/or indirectly, take any of the following actions for so long as the Purchasers beneficially own in the aggregate not less than 20 % of the Common Stock on a fully-diluted basis:

(a) unless in the ordinary course of business, make any loan or advance, own any stock or other securities of, any subsidiary or other corporation, partnership or other entity unless it is wholly-owned by the Company;

(b) guaranty any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business;

(c) incur any aggregate indebtedness in excess of $100,000 that is not already included in a Board approved budget or otherwise already approved by the Board on the date hereof (for clarity, this limitation shall not apply to indebtedness associated with the Company's acquisition of the assets of NeoStem, nor other trade credit incurred in the ordinary course of business);

(d) change the principal business of the Company;

(e) sell, transfer, license, pledge or encumber technology or intellectual property, including, but not limited to any of the Intellectual Property Rights, other than licenses granted in the ordinary course of business, including but not limited to the establishment of adult stem cell collection sites;

(f) sell, merge or dispose of any key technology;

(g) sell, merge or dispose of any business unit; or

(h) Except as contemplated by Exhibit E or this Agreement, hire, fire or change the compensation of executive officers or enter into any new employment agreements with executive officers, including adding a senior management person to the Company as CEO, President or as otherwise determined.

For purposes of this Section 4.8, the Company shall be entitled to verify such level of ownership by the Purchasers of the Common Stock as it may reasonably request.

4.9 Absence of Certain Debt. On the Initial Closing date, unless otherwise agreed to by DC, there shall be no direct and/or indirect debt, quasi-debt or preferred stock of the Company outstanding, other than (A) convertible notes in an aggregate principal amount not to exceed $500,000 (the "Convertible Notes"); (B) other promissory notes in an aggregate principal amount not to exceed $100,000; (C) the Company's Series A $.07 Convertible Preferred Stock and Series B Convertible Preferred Stock and (D) an aggregate of $500,000 of trade payables and other liabilities incurred in the ordinary course of business.

4.10 Non-Competition and Non-Disclosure. The Company will require each key employee who has not already done so to enter into agreements containing the Company's standard non-competition, inventions and confidentiality agreement.

4.11 Information Rights. For so long as the Purchasers own beneficially at least 20% of the Company's Common Stock, DC will be granted access to Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to the Purchasers annual, quarterly financial statements and copies of other financial and other documents and/or information reasonably requested by DC to monitor the Company and its investment in the Securities.

4.12 Reservation and Listing of Securities. The Company shall maintain a reserve from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may be required to fulfill its obligations in full under the Transaction Documents.

4.13 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.15. Public Disclosure. The Company shall not issue any press release or otherwise make any public statement with respect to this Agreement and will not issue any such press release or make any such public statement without the prior consent of DC, which shall not be unreasonably withheld.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. On the Termination Date, this Agreement shall be automatically terminated.

5.2 Fees and Expenses. The parties acknowledge that the obligations relating to the payment of certain fees and expenses relating to the negotiation, preparation, execution, delivery and performance of the transactions contemplated by the Transaction Documents are set forth in the Engagement Agreement and further described in Exhibit D - Use of Proceeds. Except as expressly set forth in the Engagement Agreement, each party to the Transaction Documents shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the transactions contemplated by the Transaction Documents. The Company shall pay all transfer agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents and the Engagement Agreement, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission (accompanied by confirmation of receipt of transmission), if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address respectively set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on a Business Day, (b) the next Business Day after the date of transmission (accompanied by confirmation of receipt of transmission), if such notice or communication is delivered via facsimile at the facsimile number or via e-mail at the e-mail address respectively set forth on the signature pages attached hereto on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (c) the 2nd Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and each Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

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

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers".

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

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

5.10 Survival. The representations, warranties, covenants and other agreements contained herein shall survive the Closing and the delivery, exercise and/or conversion of the Securities, as applicable for the applicable statue of limitations.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including without limitation the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in their review and negotiation of the Transaction Documents.

5.14 Construction. The parties agree that each of them and/or their respective counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments hereto.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

PHASE III MEDICAL, INC.

By: ----------

Name:

Title:

Address for Notice:

330 South Service Road
Suite 120
Melville, New York 11747
Attention: CEO

With a copy to (which shall not constitute notice):

330 South Service Road
Suite 120
Melville, New York 11747
Attention: General Counsel

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGES TO SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser:_____

Signature of Authorized Signatory of Purchaser:_____

Name of Authorized Signatory:_____

Title of Authorized Signatory:_____

Email Address of Purchaser:_____

Facsimile Number of Purchaser:_____

Home Address of Purchaser:_____

Business Address of Purchaser:_____

Address for Delivery of Securities of Purchaser (if not same as above):

Social Security Number or Tax ID Number of Purchaser:_____

Aggregate Purchase Price: ----------

Number of Shares: ----------

Number of Warrants: ----------

Exhibit 10.2

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of June 2, 2006, among Phase III Medical, Inc., a Delaware corporation (the "Company"), and the several purchasers signatory hereto (each such purchaser is a "Purchaser" and collectively, the "Purchasers").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof between the Company and each Purchaser (the "Purchase Agreement").

Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meaning given such terms in the Purchase Agreement.

The Company and each Purchaser hereby agrees as follows:

ARTICLE I

REGISTRATION STATEMENT

1.1 Filing of Registration Statement. (a) The Company will prepare and file (which may include the preparation and filing of one or more pre-effective amendments to any registration statements that relates to the Company's securities, which may be currently on file or may be subsequently filed with the Commission), at its own expense, a registration statement on Form S-1 or other appropriate form under the Securities Act (the "Registration Statement") with the Commission no later than June 30, 2006, sufficient to permit the non-underwritten public offering and resale of the Shares and the Warrant Shares (subject to adjustment as set forth in the Warrants) (the "Registrable Securities") through the facilities of all appropriate securities exchanges, if any, on which the Company's Common Stock is being sold or on the over-the-counter market if the Company's Common Stock is quoted thereon.

(b) Piggyback Registrations Rights. If, at any time for so long as the Company is required to maintain the effectiveness of a Registration Statement pursuant to Section 1.2(b) of this Agreement, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then the Company shall provide to the holder of the Registrable Securities the opportunity to have such Registrable Securities included in such Registration Statement; provided, that the Company shall only be required to provide such opportunity to holders of Registrable Securities until the earlier of (i) two years from the date of this Agreement; (ii) the date such Registrable Securities have been sold pursuant to a Registration Statement, (ii) the date such Registrable Securities have otherwise been transferred to Persons who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend, (iii) the date such Registrable Securities may be sold without volume or manner of sale limitations pursuant to Rule 144(k) or any similar provision then in effect under the Securities Act in the opinion of counsel to the Company.

1.2 Effectiveness of Registration Statement.

(a) The Company will use its reasonable best efforts to cause such Registration Statement to become effective within 150 days of the Initial Closing date. The number of shares designated in the Registration Statement to be registered shall include all of the Registrable Securities and shall include appropriate language regarding reliance upon Rule 416 to the extent permitted by the Commission. The Company will notify each Purchaser of the date of effectiveness of the Registration Statement within two business days of such event.

(b) The Company will maintain the Registration Statement or post-effective amendment filed under the terms of this Agreement effective under the Securities Act until the earlier of (i) the date that all of the Registrable Securities have been sold pursuant to such Registration Statement, (ii) all Registrable Securities have been otherwise transferred to Persons who may trade

such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend, (iii) all Registrable Securities may be sold at any time, without volume or manner of sale limitations pursuant to Rule 144(k) or any similar provision then in effect under the Securities Act in the opinion of counsel to the Company, or (iv) two years from the effective date of the Registration Statement (collectively, the "Effectiveness Period").

(c) In the event that (i) the Registration Statement is not declared effective by the Commission within 150 days of the Initial Closing date, or (ii) such Registration Statement is not maintained as effective by the Company for the Effectiveness Period except an Allowed Delay under 3.1(b), below (each a "Registration Default") then, for each month in the event of late effectiveness (in case of clause (i) above) or lapsed effectiveness (in the case of clause (ii) above), the Company will pay an amount equal to 1% of the aggregate Purchase Price as partial compensation for such failure and not as a penalty. Such amount shall be payable in cash to each Purchaser pro-rata based upon the percentage of the aggregate Purchase Price paid by each Purchaser.

1.3 Fees. All fees, disbursements and out-of-pocket expenses and costs incurred by the Company in connection with the preparation and filing of the Registration Statement, in making filings with NASD or NASDR (including, without limitation, pursuant to NASD Rule 2710), and in complying with applicable federal securities and Blue Sky laws (including, without limitation, all attorneys' fees of the Company) shall be borne by the Company. The Purchasers shall bear any reasonable cost of underwriting and/or brokerage discounts, fees, and commissions, if any, applicable to the Registrable Securities being registered and sold by an underwriter for a Purchaser and the fees and expenses of their counsel. The Company shall use its reasonable best efforts to qualify any of the Securities for sale in such states as any Purchaser reasonably designates and shall furnish indemnification. However, the Company shall not be required to qualify in any state which will require an escrow or other restriction relating to the Company and/or the sellers, or which will require the Company to qualify to do business in such state or require the Company to file therein any general consent to service of process and the Company shall in no event be required to qualify in greater than five states. The Company at its expense will supply the Purchasers with copies of the applicable Registration Statement and any prospectus included therein and other related documents in such quantities as may be reasonably requested.

ARTICLE II

[Intentionally Omitted]

ARTICLE III

FURTHER AGREEMENTS

3.1 In the case of each registration effected by the Company pursuant to any section herein, the Company will keep each Purchaser advised in writing as to the initiation of each registration and as to the completion thereof. At its expense, the Company will:

(a) Not less than five (5) business days prior to the filing of the Registration Statement or any related Prospectus or any amendment or supplement thereto, furnish to DC a draft of the Registration Statement.

(b) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to a disposition of all securities covered by such registration statement;

(c) Notify each Purchaser as promptly as reasonably possible: (i)(A) upon request by a Purchaser, when the Commission notifies the Company whether there will be a "review" of the Registration Statement and whenever the Commission comments in writing on the Registration Statement (the Company shall upon request provide true and complete copies thereof and all written responses thereto to each of the Holders, subject, if appropriate, to the execution of confidentiality agreements in form acceptable to the Company); and (B) with respect to the Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other Federal or state governmental authority during the period of effectiveness of the Registration Statement for amendments or supplements to the Registration Statement or Prospectus or for additional information; (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (v) of the occurrence of any event or passage of time that makes the financial statements included in the Registration Statement ineligible for inclusion therein or any statement made in the Registration Statement or Prospectus or any document incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that, for not more than 30 consecutive business days (or a total of not more than 120 calendar days in any 12-month period), the Company may delay the disclosure of material non-public information concerning the Company the public disclosure of which at the time is not, in the good faith opinion of the Company in the best interests of the Company and which may, based on the written advice of outside counsel, be delayed under applicable law or regulation (an "Allowed Delay"); provided, further, that the Company shall promptly (a) notify each Purchaser in writing of the existence of (but in no event, without the prior written consent of such Purchaser, shall the Company disclose to such Purchaser any of the facts or circumstances regarding) material non-public information giving rise to an Allowed Delay and (b) advise each Investor in writing to cease all sales under such registration statement until the termination of the Allowed Delay;

(d) use its commercially reasonable best efforts to prevent the issuance of any stop order or other suspension of effectiveness of a registration statement, and, if such an order is issued, to obtain the withdrawal of such order at the earliest possible moment and to notify Purchaser (and, in the event of an underwritten offering, the managing underwriter) of the issuance of such order and the resolution thereof;

(e) If NASD Rule 2710 requires any broker-dealer to make a filing prior to executing a sale of Registrable Securities by a Purchaser, make an Issuer Filing with the NASD Corporate Financing Department pursuant to NASD Rule 2710 and respond within a reasonable period of time to any comments received from NASD in connection therewith.

(f) Otherwise use its commercially reasonable best efforts to comply with all applicable rules and regulations of the Commission.

(g) The Company shall either (a) cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (b) secure designation and quotation of all the Registrable Securities covered by the Registration Statement on the Nasdaq National Market or the Nasdaq Capital Market, or, (c) if the Company is unsuccessful in satisfying the preceding clauses (a) or (b), the Company shall secure the inclusion for quotation on The American Stock Exchange, Inc. or if it is unable to, the Over The Counter Bulletin Board for such Registrable Securities and, without limiting the generality of the foregoing, to attempt to arrange for at least two (2) market makers to register with the National Association of Securities Dealers, Inc. ("NASD") as such with respect to such Registrable Securities. The Company shall pay all fees and expenses in connection with satisfying its obligation under this Section 3(h).

(h) The Company covenants that it shall file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder so long as any Purchaser owns any Registrable Securities; provided, however, the Company may delay any such filing but only pursuant to Rule 12b-25 under the Exchange Act, and the Company shall take such further reasonable action as the Purchaser may reasonably request (including, without limitation, promptly obtaining any required legal opinions from Company counsel necessary to effect the sale of Registrable Securities under Rule 144 and paying the related fees and expenses of such counsel), all to the extent required from time to time to enable such Purchaser to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Purchaser of Registrable Securities, the Company will deliver to such Purchaser a written statement as to whether it has complied with such requirements.

ARTICLE IV

INDEMNIFICATION AND CONTRIBUTION

(a) To the extent a Purchaser includes any Shares or Warrant Shares in a registration statement pursuant to the terms hereof, the Company will indemnify and hold harmless the Purchaser, its directors and officers, and each Person, if any, who controls the Purchaser within the meaning of the Securities Act, from and against, and will reimburse the Purchaser, its directors and officers and each controlling Person with respect to, any and all loss, damage, liability, cost, and expense to which the Purchaser or such controlling Person may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs, or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such loss, damage, liability, cost or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by the Purchaser or any such controlling Person in writing specifically for use in the preparation thereof.

(b) To the extent a Purchaser includes any Shares or Warrant Shares in a registration statement pursuant to the terms hereof, Purchaser will indemnify and hold harmless the Company, its directors and officers and any controlling Person from and against, and will reimburse the Company, its directors and officers and any controlling Person with respect to, any and all loss, damage, liability, cost, or expense to which the Company, its directors and officers or such controlling Person may become subject under the Securities Act or otherwise, insofar as such losses, damages, liabilities, costs, or expenses are caused by any untrue statement or alleged untrue statement of any material fact contained in such registration statement, any prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was so made in reliance upon and in conformity with written information furnished by or on behalf of the Purchaser specifically for use in the preparation thereof.

(c) To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable hereunder to the extent permitted by law, provided that (i) no contribution shall be made under circumstances where the indemnifying party would not have been liable for indemnification pursuant to the provisions hereof, (ii) no seller of securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of securities who was not guilty of such fraudulent misrepresentation, and (iii) the amount of the contribution together with any other payments made in respect of such loss, damage, liability, or expense, by any seller of securities shall be limited to the net amount of proceeds received by such seller from the sale of such securities.

(d) The Purchasers will cooperate with the Company in connection with this Agreement, including timely supplying all information and executing and returning the Selling Securityholder Notice and Questionnaire attached hereto as Exhibit A, and any other documents requested by the Company that are required to enable the Company to perform its obligations to register the Shares and the Warrant Shares.

ARTICLE V

MISCELLANEOUS

5.1 Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the holders of a majority of the then outstanding Registrable Securities.

5.2 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

5.3 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties.

5.4 Execution and Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.5 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

5.6 Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

5.7 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.8 Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.9 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser hereunder are several and not joint with the obligations of any other Purchaser hereunder, and no Purchaser shall be responsible in any way for the performance of the obligations of any other Purchaser hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert with respect to such obligations or the transactions contemplated by this Agreement. Each Purchaser shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose.

****

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

PHASE III MEDICAL, INC.

By:

Name:
Title:

[SIGNATURE PAGE OF PURCHASERS FOLLOWS]

[PURCHASER SIGNATURE PAGES TO REGISTRATION RIGHTS AGREEMENT]

Name of
Purchaser:_____

Signature of Authorized Signatory of
Purchaser:_____

Name of Authorized
Signatory:_____

Title of Authorized
Signatory:_____

Email Address of
Purchaser:_____

Facsimile Number of
Purchaser:_____

Address for Notice of Purchaser:_____

Annex A

PHASE III MEDICAL, INC.

Selling Securityholder Notice and Questionnaire

The undersigned beneficial owner of common stock, par value $0.001 per share (the "Common Stock"), of Phase III Medical, Inc., a Delaware corporation (the "Company"), (the "Registrable Securities") understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement on an appropriate form for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement, dated as of May , 2006 (the "Registration Rights Agreement"), among the Company and the Purchasers named therein. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling securityholder in the Registration Statement and the related prospectus. Accordingly, Purchasers and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Securityholder") of Registrable Securities hereby elects to include the Registrable Securities owned by it and listed below in Item 3 (unless otherwise specified under such Item 3) in the Registration Statement. The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Securityholder

- ---

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities Listed in Item 3 below are held:

- ---

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by the questionnaire):

- ---

2. Address for Notices to Selling Securityholder:

- ---

Telephone: _____

Fax: _____

Contact Person: _____

3. Beneficial Ownership of Registrable Securities:

(a) Type and Principal Amount of Registrable Securities beneficially owned (not including the Registrable Securities that are issuable pursuant to the Purchase Agreement):

- ---

- ---

- ---

4. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes No

(b) If "yes" to Section 4(a), did you receive your Registrable Securities as compensation for investment banking services to the Company.

Yes No

Note: If no, the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes No

d) If you are an affiliate of a broker-dealer, do you certify that you bought the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to (be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes No

Note: If no, the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

5. Beneficial Ownership of Other Securities of the Company Owned by the Selling Securityholder. Except as set forth below in this Item 5, the undersigned is not the beneficial or registered owner of any securities of the Company other than the Registrable Securities listed above in Item 3.

(a) Type and Amount of Other Securities beneficially owned by the Selling Securityholder:

- ---

- ---

- ---

6. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

- ----------

- ----------

The undersigned agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 6 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated:

Beneficial
Owner Name: _____

By: _____

Name: _____

Title: _____

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO:

Catherine M. Vaczy
Executive Vice President and General Counsel
Phase III Medical, Inc.
330 South Service Road
Suite 120
Melville, New York 11747
631.574.4956

THIS WARRANT AND THE COMMON STOCK ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH SECURITIES UNDER THE ACT AND ANY OTHER APPLICABLE SECURITIES LAWS, OR (2) AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

PHASE III MEDICAL, INC.

WARRANT TO PURCHASE _____ SHARES
(SUBJECT TO ADJUSTMENT)
OF
COMMON STOCK, PAR VALUE $0.001 PER SHARE

Date _____, 2006 Warrant No. ___

For value received, Phase III Medical, Inc., a Delaware corporation (the "Company"), hereby certifies that _____, or its registered transferees, successors or assigns (each person or entity holding all or part of this Warrant being referred to as a "Holder"), is the registered holder of warrants (the "Warrants") to subscribe for and purchase _____ (_____) shares (as adjusted pursuant to Section 3 hereof, the "Warrant Shares") of the fully paid and nonassessable common stock, par value $0.001 per share (the "Common Stock"), of the Company, at a purchase price per share initially equal to EIGHT CENTS ($0.08) (the "Warrant Price") on or before, 5:00 P.M., Eastern Time, on _____, 2011 (the "Expiration Date"), subject to the provisions and upon the terms and conditions hereinafter set forth. As used in this Warrant, the term "Business Day" means any day other than a Saturday or Sunday on which commercial banks located in New York, New York are open for the general transaction of business. This Warrant has been issued in connection with the holder's investment in the Company's Common Stock financing of even date herewith.

This Warrant was issued pursuant to a Securities Purchase Agreement by and among the Company, the Holder and certain other parties set forth therein (the "Purchase Agreement"), pursuant to an offering by the Company of a minimum of $2,000,000 and a maximum of $3,000,000 of shares of the Company's Common Stock and Warrants, as described in the Purchase Agreement.

1. Exercise.

(a) Method of Exercise; Payment; Issuance of New Warrant.

(i) Subject to the provisions hereof, the Holder may exercise this Warrant, in whole or in part and from time to time, by the surrender of this Warrant (with the Notice of Exercise attached hereto as Appendix A duly executed) at the principal office of the Company, or such other office or agency of the Company as it may reasonably designate by written notice to the Holder, during normal business hours on any Business Day, and the payment by the Holder by cash, certified check payable to the Company or wire transfer of immediately available funds to an account designated to the exercising Holder by the Company of an amount equal to the then applicable Warrant Price multiplied by the number of Warrant Shares then being purchased, or in the event of a cashless exercise pursuant to Section 1(b) below, with the Net Issue Election Notice attached hereto as Appendix B duly executed and completed. On the date on which the Holder shall have satisfied in full the Holder's obligations set forth herein regarding an exercise of this Warrant (provided such date is prior to the Expiration Date), the Holder (or such other person or persons as directed by the Holder, subject to compliance with applicable securities laws) shall be treated for all purposes as the holder of record of such Warrant Shares as of the close of business on such date.

(ii) In the event of any exercise of the rights represented by this Warrant, certificates for the whole number of shares of Common Stock so purchased shall be delivered to the Holder (or such other person or persons as directed by the Holder, subject to compliance with applicable securities laws) as promptly as is reasonably practicable (but not later than three (3) Business Days) after such exercise at the Company's expense, and, unless this Warrant has been fully exercised, a new Warrant representing the whole number of Warrant Shares, if any,

with respect to which this Warrant shall not then have been exercised shall also be issued to the Holder as soon as reasonably practicable thereafter (but not later than three (3) Business Days) after such exercise.

(b) Cashless Right to Convert Warrant into Common Stock. Notwithstanding any provision herein to the contrary, if as of the date of exercise of all or a part of this Warrant, the Fair Market Value (as defined below) for one share of Common Stock is greater than the Warrant Price, then in lieu of exercising this Warrant for cash, the Holder may elect to receive, without the payment by the Holder of the Warrant Price, Warrant Shares equal to the value of this Warrant or any portion hereof by the surrender of this Warrant (or such portion of this Warrant being so exercised) together with the Net Issue Election Notice annexed hereto as Appendix B duly executed and completed, at the office of the Company, or such other office or agency of the Company as it may reasonably designate by written notice to the Holder, during normal business hours on any Business Day. Thereupon, the Company shall issue to the Holder such number of fully paid, validly issued and nonassessable Warrant Shares, as is computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

where

X = the number of shares of Common Stock to be issued to the Holder (or such other person or persons as directed by the Holder, subject to compliance with all applicable laws) upon such exercise of the rights under this Section 1(b)

Y = the total number of shares of Common Stock covered by this Warrant which the Holder has surrendered for cashless exercise

A = the "Fair Market Value" of one share of Common Stock on the date that the Holder delivers the Net Issue Election Notice to the Company as provided herein

B = the Warrant Price in effect under this Warrant on the date that the Holder delivers the Net Issue Election Notice to the Company as provided herein

The "Fair Market Value" of a share of Common Stock as of a particular date (the "Valuation Date") shall mean the following:

(i) if the Common Stock is then listed on a national securities exchange, the average closing sale price of one share of Common Stock on such exchange over the ten (10) trading days ending on the last trading day prior to the Valuation Date; provided that if such stock has not traded in the ten (10) consecutive trading days prior to the Valuation Date, the Fair Market Value shall be the average closing price of one share of Common Stock in the most recent ten (10) trading days during which the Common Stock has traded prior to the Valuation Date;

(ii) if the Common Stock is then included in The Nasdaq Stock Market, Inc. ("Nasdaq"), the average closing sale price of one share of Common Stock on Nasdaq over the ten (10) trading days ending on the last trading day prior to the Valuation Date or, if no closing sale price is available for any of such ten (10) trading days, the closing sale price for such day shall be determined as the average of the high bid and the low ask price quoted on Nasdaq as of the end of such trading day; provided that if the Common Stock has not traded in the ten (10) consecutive trading days prior to the Valuation Date, the Fair Market Value shall be the average closing price of one share of Common Stock in the most recent ten (10) trading days during which the Common Stock has traded prior to the Valuation Date;

(iii) if the Common Stock is then included in the Over-the-Counter Bulletin Board, the average closing sale price of one share of Common Stock on the Over-the-Counter Bulletin Board over the ten (10) trading days ending on the last trading day prior to the Valuation Date or, if no closing sale price is available for any of such ten (10) trading days, the closing sale price for such day shall be determined as the average of the high bid and the low ask price quoted on the Over-the-Counter Bulletin Board as of the end of such trading day; provided that if the Common Stock has not traded in the ten (10) consecutive trading days prior to the Valuation Date, the Fair Market Value shall be the average closing price of one share of Common Stock in the most recent ten (10) trading days during which the Common Stock has traded prior to the Valuation Date;

(iv) if the Common Stock is then included in the "pink sheets", the average closing sale price of one share of Common Stock on the "pink sheets" over the ten (10) trading days ending on the last trading day prior to the Valuation Date or, if no closing sale price is available for any of such ten (10) trading days, the closing sale price for such day shall be determined as the average of the high bid and the low ask price quoted on the "pink sheets" as of the end of such trading day; provided that if the Common Stock has not traded in the ten (10) consecutive trading days prior to the Valuation Date, the Fair Market Value shall be the average closing price of one share of Common Stock in the most recent ten (10) trading days during which the Common Stock has traded prior to the Valuation Date; or

(v) if the Common Stock is not then listed on a national securities exchange or quoted on Nasdaq or the Over-the-Counter Bulletin Board or the "pink sheets", the Fair Market Value of one share of Common Stock as of the Valuation Date shall be determined in good faith by the Board of Directors of the Company (the "Board").

2. Reservation of Shares; Stock Fully Paid; Listing. The Company shall keep reserved a sufficient number of shares of the authorized and unissued shares of Common Stock to provide for the exercise of the rights of purchase represented by this Warrant in compliance with its terms. All Warrant Shares issued upon exercise of this Warrant shall be, at the time of delivery of the certificates for such Warrant Shares upon payment in full of the Warrant Price therefor in accordance with the terms of this Warrant (or proper exercise of the cashless exercise rights contained in Section 1(b) hereof), duly authorized, validly issued, fully paid and non-assessable shares of Common Stock of the Company. The Company shall during all times prior to the Expiration Date when the shares of Common Stock issuable upon the exercise of this Warrant are authorized for listing or quotation on any national securities exchange, Nasdaq (or the Over-the-Counter Bulletin Board or the "pink sheets", as the case may be), keep the shares of Common Stock issuable upon the exercise of this Warrant authorized for listing or quotation on such national securities exchange, Nasdaq (or the Over-the-Counter Bulletin Board or the "pink sheets", as the case may be).

3. Adjustments.

3.1 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 Company with or into, or if the Company shall enter into an agreement providing for the transfer or sale of all or substantially all of its assets to, another entity (the "Surviving Entity") when the Company is not the surviving corporation, then, as part of such merger or consolidation or transfer of assets 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 Surviving Entity resulting from such merger, consolidation or transfer of assets, to which the holder hereof as the holder of the stock deliverable upon exercise of this Warrant would have been entitled in such merger, consolidation or transfer of assets, 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, consolidation, or transfer of assets. Under no circumstances may the Company into any agreement or instrument providing for the merger, consolidation or transfer of its assets or similar transaction without first assuring Warrant is fully enforceable and exercisable with respect to the Surviving Entity as contemplated by this Warrant.

(b) Reclassification, Recapitalization, etc. If the Company 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 Company shall at any time subdivide, redivide, recapitalize, split (forward or reverse) 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 the outstanding shares of Common Stock of the Company shall be combined into a smaller number of shares, the Exercise Price shall be proportionately increased and the number of Warrant Shares proportionately reduced.

(a) Consideration Other than Cash. For purposes of this Warrant, if a part or all of the consideration received by the Company in connection with the issuance of shares of Common Stock or the issuance of any of the securities described in this Warrant consists of property other than cash, such consideration shall be deemed to have a fair market value as is reasonably determined in good faith by the Board.

(e) No Increased Warrant Price. Notwithstanding any other provisions of this Section 3, no adjustment of the Warrant Price pursuant to this Section 3 shall have the effect of increasing the Warrant Price above the Warrant Price in effect immediately prior to such adjustment.

3.2 Certificate as to Adjustments; Notice by Company. In each case of an adjustment or readjustment of the Warrant Price, the Company at its expense will furnish the Holder with a certificate prepared by the Treasurer or Chief Financial Officer of the Company, showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based.

3.3 Further Adjustments. In the event that, as a result of an adjustment made pursuant to this Section 3, the Holder shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, the number of such other shares so receivable upon exercise of this Warrant shall be subject thereafter to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in this Warrant.

3.4 Adjustment of Number of Shares. Upon each adjustment in the Warrant Price pursuant to this Section 3, the number of Warrant Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment by a fraction, (i) the numerator of which shall be the Warrant Price immediately prior to such adjustment, and (ii) the denominator of which shall be the Warrant Price immediately thereafter.

4. Redemption of Warrants. This Warrant is subject to redemption by the Company as provided in this Section 4.

4.1. This Warrant may be redeemed, at the option of the Company, in whole and not in part, at a redemption price of $.0001 per Warrant (the "Redemption Price"), provided (i) the average closing price of the Common Stock as quoted by Bloomberg, LP., on the Principal Trading Market (as defined below) on which the Common Stock is included for quotation or trading, shall equal or exceed $.36 per share (taking into account all adjustments) for the twenty (20) consecutive trading days ending on the second trading day prior to the date of Redemption Notice (as defined below) is sent to the Holder (the "Target Price"); (ii) the Common Stock is either quoted on the NASD Bulletin Board, traded on a national securities exchange or quoted on the NNM or NCSM (the "Principal Trading Market"); (iii) the registration statement covering the resale of the Warrant Shares under the Securities Act has been declared effective by the Securities and Exchange Commission and remains effective on the Redemption Date (as defined below) so that the Warrant Shares may be sold without limitation; (iv) the dollar value of the trading volume of the Common Stock for each of the twenty (20) consecutive trading days prior to the Redemption Date equals or exceeds $100,000; and (v) the Holder of this Warrant is not subject to any lock-up provisions with respect to this Warrant or the Warrant Shares.

4.2. If the conditions set forth in Section 4.1 are met, and the Company 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 ten (10) Business Days prior to the date fixed by the Company for redemption of the Warrants (the "Redemption Date").

4.3. 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 Company that the Redemption Notice has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

4.4. 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.

4.5. From and after the Redemption Date, the Company shall, at the place specified in the Redemption Notice, upon presentation and surrender to the Company 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. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, the Target Price shall be proportionately adjusted by the ratio which the total number of shares of Common Stock outstanding immediately prior to such event bears to the total number of shares of Common Stock to be outstanding immediately after such event.

5. Transfer Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of Warrant Shares issuable upon the exercise of the Warrant; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificates for Warrant Shares in a name other than that of the registered holder of this Warrant in respect of which such shares are issued, and in such case, the Company shall not be required to issue or deliver any certificate for Warrant Shares or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's reasonable satisfaction that such tax has been paid.

6. Mutilated or Missing Warrants. In case this Warrant shall be mutilated, lost, stolen, or destroyed, the Company shall issue in exchange and substitution of and upon cancellation of the mutilated Warrant, or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and for the purchase of a like number of Warrant Shares, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction of the Warrant, and with respect to a lost, stolen or destroyed Warrant, reasonable and customary indemnity or bond with respect thereto, if requested by the Company.

7. Fractional Shares. No fractional shares of Common Stock shall be issued in connection with any exercise or cashless exercise hereunder, and in lieu of any such fractional shares the Company shall make a cash payment therefor to the Holder (or such other person or persons as directed by the Holder, subject to compliance with all applicable laws) based on the Fair Market Value of a share of Common Stock on the date of exercise or cashless exercise of this Warrant.

8. Compliance with Securities Act and Legends. The Holder, by acceptance hereof, agrees that it will not offer, sell or otherwise dispose of this Warrant, or any shares of Common Stock to be issued upon exercise hereof except under circumstances which will not result in a violation of the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, as amended (the "1933 Act"), or any state's securities laws. All shares of Common Stock issued upon exercise of this Warrant (unless registered under the 1933 Act) shall be stamped or imprinted with a legend as follows:

> THIS SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT COVERING THESE SECURITIES UNDER THE ACT AND ANY OTHER APPLICABLE SECURITIES LAWS, OR (2) AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

9. Rights as a Stockholder. Except as expressly provided in this Warrant, no Holder, as such, shall be entitled to vote or receive dividends or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of the directors or upon any matter submitted to stockholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise, until this Warrant shall have been exercised and the Warrant Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein.

10. Modification and Waiver. This Warrant and any provision hereof shall not be changed, waived, discharged or terminated except by an instrument in writing signed by the Company and the then current Holder, and such change, waiver, discharge or termination shall be binding on any future Holder.

11. Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in accordance with the terms of the Purchase Agreement.

12. Securities Purchase Agreement and Registration Rights Agreement. This Warrant has been issued pursuant to the Purchase Agreement, and the transferability of this Warrant and the Common Stock issuable upon the exercise hereof are subject to the Purchase Agreement. In addition, the Holder of this Warrant and the Common Stock issuable upon the exercise hereof are entitled to have such shares of Common Stock registered under the Securities Act in accordance with the Registration Rights Agreement referred to in the Purchase Agreement and to such remedies for breaches of, or defaults under, such Registration Rights Agreement.

13. Descriptive Headings. The descriptive headings contained in this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

14. Governing Law. This Warrant shall be governed exclusively by and construed in accordance with the internal laws of the State of New York without regard to the conflicts of laws principles thereof. The parties hereto hereby irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to or under this Warrant, shall be brought solely in a federal or state court located in the City, County and State of New York. By its execution hereof, the parties hereby covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in the City, County and State of New York and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in New York City. The parties hereto waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of its reasonable counsel fees and disbursements in an amount judicially determined. Acceptance, receipt and execution of this Warrant by the Holder hereof shall constitute acceptance of and agreement to the foregoing terms and conditions.

15. Identity of Transfer Agent. The Transfer Agent for the Common Stock is Continental Stock Transfer and Trust Company. Upon the appointment of any subsequent transfer agent for the Common Stock or other shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by this Warrant, the Company will mail to the Holder a statement setting forth the name and address of such transfer agent.

16. No Impairment of Rights. The Company will not, by amendment of its Certificate of Incorporation or through any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against material impairment.

17. Assignment. Subject to the terms hereof and compliance with applicable federal and state securities laws, this Warrant may be transferred by the Holder with respect to any or all of the Warrant Shares then purchasable hereunder. Upon surrender of this Warrant to the Company, together with a properly endorsed notice of transfer (an "Assignment Form"), for transfer of this Warrant in its entirety by the Holder, the Company shall issue a new warrant of the same denomination to the designated transferee. Upon surrender of this Warrant to the Company, together with a properly endorsed Assignment Form, by the Holder for transfer with respect to a portion of the Warrant Shares then purchasable hereunder, the Company shall issue a new warrant to the designated transferee, in such denomination as shall be requested by the Holder hereof, and shall issue to such Holder a new warrant covering the number of Warrant Shares in respect of which this Warrant shall not have been transferred. In addition to, and not in limitation of, the foregoing, a Holder that is a corporation, a partnership or a limited liability company, may distribute any portion of this Warrant to its respective shareholders, partners or members. Unless and until the provisions for assignment set forth herein have been fully complied with, the Company may treat the last registered Holder as the absolute owner of this Warrant for all purposes, notwithstanding any notice to the contrary.

18. Limitation on Exercise. Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act, does not exceed 9.99% of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such exercise). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. Each delivery of an Exercise Notice hereunder will constitute a representation by the Holder that it has evaluated the limitation set forth in this paragraph and determined that issuance of the full number of Warrant Shares requested in such Exercise Notice is permitted under this paragraph. This provision shall not restrict the number of shares of Common Stock which a Holder may receive or beneficially own in order to determine the amount of securities or other consideration that such Holder may receive in the event of a merger or other business combination or reclassification involving the Company as contemplated in Section 3 of this Warrant. By written notice to the Company, the Holder may waive the provisions of this Section but any such waiver will not be effective until the 61st day after such notice is delivered to the Company.

IN WITNESS WHEREOF, the Company and the Holder have caused this Warrant to be executed on their behalf by one of their officers thereunto duly authorized.

Phase III Medical, Inc.

By:

Name:

Title:

APPENDIX A

NOTICE OF EXERCISE

To:_____[Company]

1._____The undersigned hereby irrevocably elects to purchase [_____] shares of Common Stock of [Company] pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, by [cash, certified check/wire transfer, or surrender of the originally executed Warrant] [select the applicable method of payment].

2._____Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below:

==========
(Name)

- ----------
(Address)

- ----------
(Signature)

- ----------
(Date)

3._____Please issue a new Warrant of equivalent form and tenor for the unexercised portion of the attached Warrant in the name of the undersigned or in such other name as is specified below:

- ----------

Date: _____

(Warrantholder) _____

Name: (Print) _____

By:_____

APPENDIX B

Net Issue Election Notice

To: [Company]

Date:[_____]

The undersigned hereby elects under Section 1(c) of this Warrant to surrender the right to purchase [_____] shares of Common Stock pursuant to this Warrant and hereby requests the issuance of [_____] shares of Common Stock. The certificate(s) for the shares issuable upon such net issue election shall be issued in the name of the undersigned or as otherwise indicated below.

- ----------
Signature

- ----------
Name for Registration

- ----------
Mailing Address

COMPANY LETTERHEAD

May 26, 2006

Dr. Robin L. Smith 930 Fifth Avenue
Suite 8H
New York, New York 10021

Dear Robin:

We are delighted to present this letter agreement (the "Agreement"), setting out the terms of your employment with Phase III Medical, Inc. (the "Company") as Chairman of the Board and Chief Executive Officer. If these terms are acceptable, please sign and date the copy of this letter provided herewith and return it to the Company at your first convenience. If you accept the terms offered herein, this Agreement shall be deemed to be effective (the "Effective Date") on the later of May 16, 2006 or immediately after the close of the current financing of at least $2 million with Duncan Capital (the current financing effort which is seeking at least $2 million but up to $3.75 million in financing is referred to as the "Duncan Financing"). If the aforementioned financing of at least $2 million is not closed by June 14, 2006, this letter agreement shall be void and of no effect whatsoever.

1. Employment.

You will be employed by the Company as Chief Executive Officer. As Chief Executive Officer you will have overall responsibility for all aspects of the Company's business. You will report directly to the Board of the Directors of the Company (the "Board") and shall have such duties and responsibilities consistent with such position as shall, from time to time, be delegated or assigned to you by the Board. You will also serve as Chairman of the Board.

During the Term, as defined below, you shall devote your best efforts, energy and skill to the services of the Company and the promotion of its interests and not take part in activities detrimental to the best interests of the Company.

2. Term.

The term of this Agreement shall continue for a period of two (2) years following the Effective Date, unless earlier terminated as provided herein, and shall be automatically renewed for successive one (1) year terms unless the Company or you provide written notice of its or your determination not to renew this Agreement at least sixty (60) days prior to the expiration of the then current term (the "Term"). In the event of a determination by you or the Company not to renew this Agreement based upon Good Reason (as defined below)or Without Cause (as defined below), as the case may be, the Company shall pay to you the Base Salary (as defined below) for a period of three months following the end of the Term.

3. Base Salary.

In consideration for your services under this Agreement, you shall be paid an annual base salary ("Base Salary") of One Hundred and Eighty Thousand Dollars ($180,000), which amount shall increase to Two Hundred Thirty-Six Thousand Dollars ($236,000) on the first year anniversary of the Effective Date; provided, however, that if after the Effective Date, the Company raises an aggregate of at least $5,000,000 in one or a series of equity and/or debt financings (which financings commence after completion of the Duncan Financing), the Base Salary shall be increased to Two Hundred Seventy-Five Thousand Dollars ($275,000). After the second year anniversary of the Effective Date, and on an annual basis thereafter, the Base Salary shall be reviewed by the Board and any increase to the Base Salary shall be determined by the Board based on your performance and the Company's overall performance. The Base Salary shall be paid to you in accordance with the Company's standard payroll practices, but not less than monthly.

4. Annual Bonus.

You shall be eligible to receive an annual bonus in an amount determined by the Board in its sole discretion, based on your performance.

5. Benefits; Perquisites; Reimbursement of Expenses.

In addition to those payments set forth above, you shall be entitled to the following benefits and payments:

(a) Employee Benefit Plans Generally. The Company shall provide medical insurance to you, your spouse and your dependents, and provide you disability insurance, on terms satisfactory to you. You shall be entitled to participate in all other employee benefit plans which the Company provides or may establish from time to time for the benefit of its senior executives.

(b) Vacation. You shall be entitled to six weeks paid vacation in addition to Company holidays. Any vacation time not used during a calendar year will be forfeited without compensation.

(c) Perquisites and Reimbursement of Expenses. You shall be entitled to a car allowance of $1,000 per month, all other perquisites offered to senior executives of the Company, including, but not limited to, payment or reimbursement for cell phone, blackberry and internet service and free life time storage of stem cells. In addition, you shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are incurred by you in furtherance of the Company's business, in accordance with the policies adopted from time to time by the Company. You shall submit to the Company not less than once a calendar quarter reports of such expenses and other disbursements in the form normally used by the Company.

(d) Insurance. You shall be covered by a Directors and Officers Liability Insurance policy that generally covers the directors and officers of the Company, provided by the Company at its expense. The Company shall, at your option, either (i) obtain and maintain $2,000,000 of variable life insurance with an insurance company of your choice or (ii) reimburse you or pay directly the monthly payments for an insurance policy you currently own not to exceed $1200 per month. You shall cooperate in all respects with the Company's efforts to obtain and maintain key person life insurance on your life.

(e) Legal Fees. The Company shall reimburse you for reasonable legal fees incurred by you to in connection with the negotiation and drafting of this Agreement.

(f) Indemnification. You shall be entitled through the Term of your employment with the Company to the benefit of the indemnification provisions contained on the date hereof in the Company's By-Laws as the same may hereafter be amended, and of any indemnification provisions that may hereafter be added to the Company's Certificate of Incorporation (not including any amendments or additions that limit or narrow, but including any that add to or broaden, the protection afforded to you by those provisions), to the extent permitted by applicable law at the time of the assertion of any liability against you.

6. Stock and Options.

You shall be eligible to receive annual equity incentive grants under the Company's 2003 Equity Incentive Plan (the "Plan") or any other to plan adopted by the Board. In addition, on the Effective Date you shall receive under the Plan:

(a) Stock. Two Million (2,000,000) shares of the Company's common stock (the "Shares"). The Shares are included in the Company's registration statement on Form S-8; and

(b) Options. Ten (10) year reload options (with reload subject to availability of shares under the Plan as it may be amended from time to time) to purchase Five Million Four Hundred Thousand (5,400,000) shares of the Company's common stock (the "Option Shares"), which options shall be exercisable on a cashless basis and shall vest as to Three Million (3,000,000) Option Shares immediately, One Million Two Hundred Thousand (1,200,0000) Option Shares on the first anniversary of the Effective Date and One Million Two Hundred Thousand (1,200,0000) Option Shares on the second anniversary of the Effective Date. The exercise price of the options shall be (i) $.053 as to the first 1,000,000 Option Shares, (ii) $.08 as to the second 1,000,000 Option Shares, (iii) $.10 as to the third 1,000,000 Option Shares, (iv) $.16 as to the next 1,200,000 Option Shares, and (v) $.25 as to the balance. The Option Shares are included in the Company's registration statement on Form S-8.

All share and option issuances are subject to your execution of the Company's Insider Trading Policy. In addition, you acknowledge that in your position, you will be an "affiliate" of the Company for purposes of federal securities laws and your shares and transfer of your shares will be treated as such.

7. Termination.

(a) Termination of Your Employment due to Death or Disability. Your employment with the Company shall terminate as of the date of your death or the date you are determined to be "Disabled," as defined below. Upon such termination, the following shall apply:

(i) The Company shall pay to you or your estate, as the case may be, all amounts due and owing as of the date of termination.

(ii) If you or your eligible spouse and dependents timely elect health care continuation coverage ("COBRA Coverage"), the Company shall pay the monthly premiums for such coverage for the duration of the applicable COBRA Coverage period.

(iii) All of your stock options which have vested as of the termination date shall remain exercisable by you or your estate, as the case may be, for 48 months following the termination date, but not beyond the original 10 year term of the options.

For these purposes, you shall be considered to be "Disabled" if you are unable to perform the substantial functions of your position for one hundred eighty (180) consecutive days or more in a twelve (12) month period, unless a greater period is required by law. A determination of disability shall be made jointly by a physician of your choice and a physician of the Company's choice. If both physicians cannot agree on whether you are Disabled, a third physician chosen by the first two shall make the final and binding determination.

(b) Termination of Your Employment by the Company Without Cause or Voluntary Termination by You With Good Reason. If the Company terminates your employment without Cause or if you terminate your employment with Good Reason the following shall apply:

(i) The Company shall pay to you the Base Salary for a period equal to the greater of the balance of the Term or one (1) year following the date of such termination (the "Severance Period"). You shall be under no obligation to secure alternative employment during the Severance Period, and payment of the Base Salary shall be made without regard to any subsequent employment you may obtain.

(ii) The Company shall also pay you a bonus equal to the last annual bonus you received multiplied by a fraction, the numerator of which shall be the number of days in the calendar year elapsed as of the termination date and the denominator of which shall be 365.

(iii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the Severance Period; provided that, if you are entitled to coverage under a subsequent employer's group health insurance plan during the Severance Period, payment of such premiums shall cease.

(iv) All of your stock options which have vested as of the termination date plus any additional options that would have vested during the twelve (12) month period following such date (which additional options shall become immediately and fully vested as of the termination date) shall remain exercisable for 48 months following such date but not beyond the original 10 year term of the options.

(c) Termination of Your Employment by the Company With Cause or by You Without Good Reason. The Company may terminate your employment with Cause or you may resign at any time. In such case, you shall be paid all amounts due for services rendered under this Agreement up until the termination date. Thereafter, no further payments shall be made to you under this Agreement. All stock options granted to you hereunder or under any other agreement that are fully vested as of the date of your termination shall remain exercisable for ninety (90) days from the termination date. If you dispute the grounds for your termination, your vested options will remain exercisable until ninety (90) day after the date the dispute is resolved. All unvested options shall be forfeited.

(d) Cause. As used herein, "Cause" means that you have:

(i) committed gross negligence in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company, which gross negligence has a material adverse effect on the business of the Company or your ability to perform your duties under this Agreement;

(ii) committed fraud in connection with your duties as set forth herein or otherwise with respect to the business and affairs of the Company;

(iii) engaged in "willful misconduct" with respect to the business and affairs of the Company. For purposes of this Agreement, "willful misconduct" means misconduct committed with actual knowledge that your actions violate directions and instructions of the Board, which directions and instructions are legal and consistent with the Agreement; or

(iv) been found by a court of competent jurisdiction to have committed or plead guilty to an unlawful act whether or not related to the business of the Company if the commission of such act has a material adverse effect either on (a) your ability to perform your duties under the Agreement or (b) the reputation and goodwill of the Company.

"Cause" shall be found only by a majority of the full Board and only after you have received notice from the Board, have had an opportunity to discuss the issues with the Board, have had an opportunity to be heard generally and through counsel, and have been given a thirty (30) day period to cure, where cure is feasible.

(e) Good Reason. As used herein, "Good Reason" means that:

(i) the Company has materially breached this Agreement;

(ii) you are removed or not appointed as a member the Board;

(iii) the Company fails to acquire the assignment of this Agreement by an acquiring entity;

(iv) your position has been materially reduced or you have been assigned duties that are materially inconsistent with your duties as set forth herein or which materially impair your ability to perform the services contemplated hereunder; or

(v) the Company relocates its offices outside of a fifty (50) mile radius of New York City.

Termination for Good Reason may occur only after you have given the Board notice and thirty (30) day period to cure, where cure is feasible.

8. Change in Control.

(a) Subject to the provisions of this Section 8, the vesting of your options upon a Change of Control shall be governed by the terms of this Agreement, the Plans and your option agreements, but in no event shall less than 75% of your then unvested stock options become immediately vested and exercisable.

(b) Voluntary Termination by You After a Change in Control Without Good Reason. If you voluntarily terminate your employment following the effective date of the Change in Control the following shall apply:

(i) The Company shall pay to you the Base Salary for a period of one (1) year following the date of such termination (the "Change in Control Severance Period"). You shall be under no obligation to secure alternative employment during the Change in Control Severance Period, and payment of the Base Salary shall be made without regard to any subsequent employment you may obtain;

(ii) The Company shall also pay you a bonus equal to the last annual bonus you received multiplied by a fraction, the numerator of which shall be the number of days in the calendar year elapsed as of the termination date and the denominator of which shall be 365. Should the Company revise its compensation schedule, you will be paid a pro-rata bonus as reasonably determined under the compensation system then in place;

(iii) If you or your eligible spouse and dependents timely elect COBRA Coverage, the Company shall pay the monthly premiums for such coverage during the Change in Control Severance Period; provided that, if you elect coverage under a subsequent employer's group health insurance plan during the Change in Control Severance Period, payment of such premiums shall cease; and

(iv) All of your stock options which have vested as of the termination date plus any additional options that would have vested during the twelve (12) month period following such date (which additional options shall become immediately and fully vested as of the termination date) shall remain exercisable for 48 months following such date but not beyond the original 10 year term of the options.

(c) If you voluntarily terminate your employment after a Change in Control with Good Reason, then Paragraph 7(c) shall apply in lieu of Paragraph 8(b).

(d) Notwithstanding anything contained herein to the contrary, the Company may reduce the payments set forth in this Section 8 to the extent such payments, when added to other payments made pursuant to this Agreement, constitute a "parachute payment" as defined in Section 280(G) of the Internal Revenue Code of 1986, as amended.

(e) Change in Control Defined. A Change in Control shall be deemed to have occurred if:

(i) there is a consolidation or merger of the Company, whether or not the Company is the continuing or surviving corporation; if, after such merger or consolidation shareholders of the Company immediately prior to such merger or consolidation hold less than 50% of the voting stock of the surviving entity;

(ii) there is a sale or transfer of all or substantially all of the assets of the Company in one or a series of transactions or there is a complete liquidation or dissolution of the Company; or

(iii) any individual or entity or group acting in concert and affiliates thereof, acquires, directly or indirectly, more than 50% of the outstanding shares of voting stock of the Company; provided that this subsection (iii) shall not apply to an underwritten public offering of the Company's securities.

(f) The Company shall not be required to make the payments and provide the benefits specified in Sections 7 or 8 of this letter agreement unless you or your estate, as applicable, has executed and delivered to the Company (and does not revoke) a general release in a form reasonably satisfactory and mutually agreeable to you and the Company (the "Release"). The Release shall include, without limitation, a general release of the Company, its affiliates and subsidiaries and their respective officers, directors, managers, members, shareholders, partners, employees, agents and other related parties (the "Releasees") from all liability (excluding the Company's obligations to pay and provide the post-termination payments and benefits described in Sections 7 or 8 hereof, as applicable), a covenant not to sue the Releasees and such other terms deemed reasonably necessary by the Company for its protection.

9. Confidentiality/Noncompetition.

(a) During the term of your employment and for an additional period of two years after you are no longer employed by the Company, you will not reveal, divulge or make known to any individual, partnership, joint venture, corporation or other business entity (other than the Company or its affiliates) or use for your own account any customer lists, trade secrets or any confidential information of any kind ("Protected Information") used by the Company or any of its commonly controlled affiliates in the conduct of the Company's business and made known to you by reason of your employment with the Company or any of its affiliates (whether or not developed, devised or otherwise created in whole or in part by your efforts), and upon termination of the Term you will deliver to the Company any material relating to any Protected Information that you have received during your employment with the Company; provided, that Protected Information shall not include information that shall become known to the public or the trade without violation of this Section 9(a); and provided, further, that you shall not violate this Section 9(a) if Protected Information is disclosed by you at the direction of the Company or if you are required to provide Protected Information in any legal proceeding or by order of any court.

(b) During the term of your employment, you will not, directly or indirectly, engage in a Competitive Business, including owning or controlling an interest in (except as a passive investor owning less than five percent (5%) of the equity securities of a publicly-owned company), or acting as director, officer or employee of, or consultant to, any individual, partnership, joint venture, corporation or other business entity known to you to be engaged in a Competitive Business. "Competitive Business" shall mean the collection or storage of stem cells or any other business which comprises a substantial portion of the Company's operations or Board approved planned operations during the Term of your employment; provided, however, that notwithstanding the aforesaid, you shall not be prohibited from acting in any of the aforesaid capacities for or with respect to any subsidiary, division, affiliate or unit (each, a "Unit") of an entity if that Unit itself is not engaged in a Competitive Business, irrespective of whether some other Unit of such entity engages in such competition (as long as you do not engage in a Competitive Business for such other Unit); and provided further that you will not be restricted from continuing to act in any capacity for and receiving compensation from those companies with which you currently have understandings, arrangements, agreements or commitments or from engaging in any activities for such industry organizations or charitable foundations as you may desire.

(c) You acknowledge that the provisions of this Section 9 are reasonable and necessary for the protection of the Company and that each provision, and the period or periods of time and types and scope of restrictions on the activities specified herein are, and are intended to be divisible. In the event that any provision of this Agreement, including any sentence, clause or part hereof, shall be deemed contrary to law or invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions shall not be affected, but shall, subject to the discretion of such court, remain in full force and effect and any invalid and unenforceable provisions shall be deemed, without further action on the part of the parties hereto, modified, amended and limited to the extent necessary to render the same valid and enforceable.

10. Section 409A.

All payments of "nonqualified deferred compensation" (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A")) are intended to comply with the requirements of Section 409A, and shall be interpreted in accordance therewith. Unless otherwise expressly provided, any payment of compensation by the Company to you, whether pursuant to this Agreement or otherwise, shall be made within two and one-half months (2 1/2) months after the end of the calendar year in which your right to such payment vests (for purposes of Section 409A). Neither party may accelerate any such deferred payment, except in compliance with Section 409A, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A. Notwithstanding anything herein to the contrary no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Section 409A.

11. Miscellaneous Provisions.

(a) Notices. All notices and other communications hereunder between you and the Company shall be in writing, shall be addressed to the receiving party's address of record (or to such other address as a party may designate by notice hereunder), and shall be either (i) delivered by hand, (ii) made by telecopy, (iii) sent by overnight courier, or (iv) sent by certified mail, return receipt requested, postage prepaid.

(b) Modifications and Amendments. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(c) Source of Payment. All payments provided for in this Agreement shall be paid in cash from the general funds of the Company. The Company shall not be required to establish a special or separate fund or other segregation of assets to assure such payments.

(d) Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure there from granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(e) Assignment. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributes, devisees and legatees. This Agreement may not be assigned or pledged by you. In the event of the merger or consolidation of the Company (whether or not the Company is the surviving or resulting corporation), the transfer of all or substantially all the assets of the Company, or the voluntary or involuntary dissolution of the Company, the surviving or resulting corporation or the transferee or transferees of the Company's assets shall be bound by this and the Company shall take all actions necessary to ensure that such corporation, transferee or transferees assume and are bound by its provisions.

(f) Severability. The parties intend this Agreement to be enforced as written. However, if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court of proper jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(g) Choice of Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of New York, without giving effect to the conflict of law principles thereof.

(h) Entire Agreement; Termination of Prior Agreements; Exceptions. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings of the parties hereto, oral or written, with respect to the subject matter hereof. The Advisory Board Agreement dated September 14, 2005, as supplemented and extended including by way of a Supplement to Advisory Agreement dated as of January 18, 2006, shall be deemed terminated and null and void except as follows: (1) vesting of the 240,000 warrants granted pursuant to the Advisory Board Agreement shall be accelerated so that the warrants are fully vested as of the Effective Date, (2) the Executive shall receive $103,000 in cash and 1 million shares of the Company's restricted Common Stock upon the initial closing of the Duncan Financing (3) if an aggregate of at least $3 million dollars is raised and/or other debt or equity financings in accordance with the Advisory Board Agreement prior to August 15, 2006, the Executive shall receive an additional payment of $50,000, and (4) all registration rights provisions of the Advisory Board Agreement shall continue in full force and effect.

(i) Acknowledgments. You hereby acknowledge and warrant that (i) you have the legal capacity to execute and perform this Agreement, and have knowingly and voluntarily entered into this Agreement; (ii) you have been advised that your interests may be different from the Company's interests, (iii) you have been afforded a reasonable opportunity to review this Agreement, to understand its terms and to discuss it with an attorney and/or financial advisor of your choice, (iv) this Agreement is a valid and binding agreement enforceable against you according to its terms and (v) the execution and performance of this Agreement does not violate the terms of any existing agreement or understanding to which you are a party or by which you are bound.

(j) Arbitration. Any dispute or controversy between you and the Company, arising out of or relating to this Agreement or the breach of this Agreement, shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Employment Disputes Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of you and the Company, unless the parties are unable to agree to an arbitrator, in which case, the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief, as required by law, or the party's immediate family and legal and financial advisors, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of you and the Company. The non-prevailing party shall pay all costs and fees associated with such arbitration, including all arbitration fees, the arbitrator's fees, attorneys' fees and all costs.

If the terms of this Agreement are acceptable to you please sign where indicated below. It is understood and acknowledged that a fax signature will be considered to be valid as an original.

Very truly yours,

PHASE III MEDICAL, INC.

By: _____
Name:
Title:

Agreed to and accepted:

- ---------------------------------
Robin L. Smith, M.D.

Phase III Medical, Inc.
330 South Service Road
Suite 120
Melville, New York 11747
Attention: Dr. Joseph Zuckerman, Director

June 2, 2006

Dear Joe:

This letter is being written to confirm certain understandings relating to my employment with Phase III Medical, Inc. (the "Company").

I understand that in connection with a proposed financing (the "Financing") by DC Associates LLC ("Duncan") as lead investor, Duncan is requiring certain executives of the Company to accept a 25% reduction in their salary until certain milestones in the Company's development are achieved. My revised salary under this executive compensation plan (the "Executive Compensation Plan") and the milestones that result in its upward adjustment are set forth in the attachment to this letter which also appears as an exhibit to the Securities Purchase Agreement for the Financing. In consideration for agreeing to be bound by the Executive Compensation Plan, the Company is granting to me an option under the Company's 2003 Equity Purchase Plan (the "2003 EPP") to purchase 1,500,000 shares of the Company' common stock, $.001 par value (the "Common Stock"). The exercise price of the option is $.053 per share, the option is exercisable as set forth in the Executive Compensation Plan and will remain exercisable despite any termination of my relationship with the Company and will otherwise be governed by the terms of the 2003 EPP. The Company is also accelerating the vesting of certain options and shares of restricted stock held by me and granted pursuant to the 2003 EPP which remain unvested on the date hereof.

I have also agreed that I will accept shares of the Company's Common Stock at a per share price of $.044 (the per share price in the Duncan Financing) in payment of accrued salary of $121,531.76 owed to me; provided that the Company provides me with sufficient cash to pay related payroll and withholding taxes.

I have also agreed that effective as of the closing of the Financing, my title shall change to "President" and will no longer be "President and Chief Executive Officer." I will also continue to serve on the Company's Board of Directors, subject to the Company's By-laws, but shall no longer serve as Chairman.

Except as contained herein, my employment agreement and any amendments thereto with the Company shall remain in full force and effect. This agreement shall become effective immediately prior to the closing of the Financing and shall become null and void should the Financing not close.

Please acknowledge your agreement with the foregoing by countersigning this letter agreement as provided below.

Very truly yours,

/s/ Mark Weinreb
- ----------
Mark Weinreb

Accepted and agreed:
Phase III Medical, Inc.

By: /s/ Joseph Zuckerman
- ----------
Joseph Zuckerman
Director

Phase III Medical, Inc.
330 South Service Road
Suite 120
Melville, New York 11747
Attention: Mr. Mark Weinreb, President and CEO

June 2, 2006

Dear Mark:

This letter is being written to confirm certain understandings relating to my employment with Phase III Medical, Inc. (the "Company").

I understand that in connection with a proposed financing (the "Financing") by DC Associates LLC ("Duncan") as lead investor, Duncan is requiring certain executives of the Company to accept a 25% reduction in their salary until certain milestones in the Company's development are achieved. My revised salary under this executive compensation plan (the "Executive Compensation Plan") and the milestones that result in its upward adjustment are set forth in the attachment to this letter which also appears as an exhibit to the Securities Purchase Agreement for the Financing. In consideration for agreeing to be bound by the Executive Compensation Plan, the Company is granting to me an option under the Company's 2003 Equity Purchase Plan (the "2003 EPP") to purchase 1,000,000 shares of the Company' common stock, $.001 par value (the "Common Stock"). The exercise price of the option is $.053 per share, the option is exercisable as set forth in the Executive Compensation Plan and will remain exercisable despite any termination of my relationship with the Company and will otherwise be governed by the terms of the 2003 EPP. The Company is also accelerating the vesting of certain options held by me and granted pursuant to the 2003 EPP which remain unvested on the date hereof.

I have also agreed that I will accept shares of the Company's Common Stock at a per share price of $.044 (the per share price in the Duncan Financing) in payment of accrued salary of $44,711.55 owed to me; provided that the Company provides me with sufficient cash to pay related payroll and withholding taxes.

Except as contained herein, my employment agreement with the Company and any amendments thereto shall remain in full force and effect. This agreement shall become effective immediately prior to the closing of the Financing and shall become null and void should the Financing not close.

Please acknowledge your agreement with the foregoing by countersigning this letter agreement as provided below.

Very truly yours,

/s/ Catherine M. Vaczy
- ----------
Catherine M. Vaczy

Accepted and agreed:
Phase III Medical, Inc.

By: /s/ Mark Weinreb
- ----------
Mark Weinreb, President and CEO

Exhibit 10.7

Phase III Medical, Inc.
330 South Service Road
Suite 120
Melville, New York 11747
Attention: Mr. Mark Weinreb, President and CEO

June 2, 2006

Dear Mark:

This letter is being written to confirm certain understandings relating to my employment with Phase III Medical, Inc. (the "Company").

I understand that in connection with a proposed financing (the "Financing") by DC Associates LLC ("Duncan") as lead investor, Duncan is requiring certain executives of the Company to accept a 25% reduction in their salary until certain milestones in the Company's development are achieved. My revised salary under this executive compensation plan (the "Executive Compensation Plan") and the milestones that result in its upward adjustment are set forth in the attachment to this letter which also appears as an exhibit to the Securities Purchase Agreement for the Financing. In consideration for agreeing to be bound by the Executive Compensation Plan, the Company is granting to me an option under the Company's 2003 Equity Purchase Plan (the "2003 EPP") to purchase 1,000,000 shares of the Company' common stock, $.001 par value (the "Common Stock"). The exercise price of the option is $.053 per share, the option is exercisable as set forth in the Executive Compensation Plan and will remain exercisable despite any termination of my relationship with the Company and will otherwise be governed by the terms of the 2003 EPP. The Company is also accelerating the vesting of certain options held by me and granted pursuant to the 2003 EPP which remain unvested on the date hereof.

I have also agreed that I will accept shares of the Company's Common Stock at a per share price of $.044 (the per share price in the Duncan Financing) in payment of accrued salary of $12,692.30 owed to me; provided that the Company provides me with sufficient cash to pay related payroll and withholding taxes.

Except as contained herein, my employment agreement with the Company shall remain in full force and effect. This agreement shall become effective immediately prior to the closing of the Financing and shall become null and void should the Financing not close.

Please acknowledge your agreement with the foregoing by countersigning this letter agreement as provided below.

Very truly yours,

/s/ Larry A. May
- ------------------
Larry A. May

Accepted and agreed:
Phase III Medical, Inc.

By: /s/ Mark Weinreb
- -----------------------------------
     Mark Weinreb, President and CEO

Exhibit 10.8

Phase III Medical, Inc.
330 South Service Road
Suite 120
Melville, New York 11747
Attention: Mr. Mark Weinreb, President and CEO

June 2, 2006

Dear Mark:

This letter is being written to confirm certain understandings relating to my employment with Phase III Medical, Inc. (the "Company").

I understand that in connection with a proposed financing (the "Financing") by DC Associates LLC ("Duncan") as lead investor, Duncan is requiring certain executives of the Company to accept a 25% reduction in their salary until certain milestones in the Company's development are achieved. My revised salary under this executive compensation plan (the "Executive Compensation Plan") and the milestones that result in its upward adjustment are set forth in the attachment to this letter which also appears as an exhibit to the Securities Purchase Agreement for the Financing. In consideration for agreeing to be bound by the Executive Compensation Plan, the Company is granting to me an option under the Company's 2003 Equity Purchase Plan (the "2003 EPP") to purchase 1,000,000 shares of the Company' common stock, $.001 par value (the "Common Stock"). The exercise price of the option is $.053 per share, the option is exercisable as set forth in the Executive Compensation Plan and will remain exercisable despite any termination of my relationship with the Company and will otherwise be governed by the terms of the 2003 EPP. The Company is also accelerating the vesting of certain options held by me and granted pursuant to the 2003 EPP which remain unvested on the date hereof.

I have also agreed that I will accept shares of the Company's Common Stock at a per share price of $.044 (the per share price in the Duncan Financing) in payment of accrued salary of $87,025.65 owed to me; provided that the Company provides me with sufficient cash to pay related payroll and withholding taxes.

Except as contained herein, my employment agreement with the Company and any amendments thereto shall remain in full force and effect. This agreement shall become effective immediately prior to the closing of the Financing and shall become null and void should the Financing not close.

Please acknowledge your agreement with the foregoing by countersigning this letter agreement as provided below.

Very truly yours,

/s/ Wayne A. Marasco
- ----------
Wayne A. Marasco

Accepted and agreed:
Phase III Medical, Inc.

By: /s/ Mark Weinreb
- ----------
Mark Weinreb, President and CEO