

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): January 26, 2007

NEOSTEM, 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.)

420 Lexington Avenue, Suite 450
New York, New York

10170

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (212)-584-4814

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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangement of Certain Officers.

Effective as of January 26, 2007, concurrently and in connection with entering into the subscription agreements for the sale to accredited investors of units (the "Units"), comprised of two shares of its common stock, par value \$.001 per share (the "Common Stock"), one redeemable seven-year warrant to purchase one share of Common Stock at a purchase price of \$.80 per share and one non-redeemable seven-year warrant to purchase one share of Common Stock at a purchase price of \$.80 per share (together, the Warrants), at a per Unit price of \$1.00 for aggregate consideration of \$1,920,000 (the "Financing"), the officers of the Company entered into letter agreements with the Company amending or supplementing their employment agreements or entered into a new employment agreement, as follows, each of which included a reduction in the salary of the officer from that to which the officer was entitled under the terms of his or her respective employment agreement.

The Company entered into a letter agreement with Dr. Robin L. Smith, its Chairman of the Board and Chief Executive Officer, pursuant to which Dr. Smith's employment agreement dated as of May 26, 2006 was amended to provide that: (a) the term of her employment would be extended to December 31, 2010; (b) upon the closing of the Financing, Dr. Smith's base salary would be increased to \$250,000 (such amount being \$25,000 less than the amount to which Dr. Smith would have otherwise been entitled under her original employment agreement); (c) her base salary would be increased by 10% on each one year anniversary of the agreement; (d) no cash bonus would be paid to Dr. Smith for 2007; (e) cash bonuses and stock awards under the Company's 2003 Equity Participation Plan ("2003 EPP") would be fixed at the end of 2007 for 2008, in an amount to be determined; and (f) upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith with good reason, the Company shall pay to Dr. Smith her base salary for the two year period following such termination. Other than as set forth therein,

Dr. Smith's original employment agreement and all amendments thereto remain in full force and effect. In connection with the Financing, on January 18, 2007 Dr. Smith was also granted an option under the 2003 EPP to purchase 550,000 shares of the Common Stock at a per share exercise price equal to \$.50 vesting as to (i) 250,000 shares upon the closing of the Financing; (ii) 150,000 shares on June 30, 2007; and (iii) 150,000 shares on December 31, 2007.

The Company entered into a letter agreement with Mark Weinreb, its President, pursuant to which Mr. Weinreb's employment agreement dated as of August 12, 2005 was supplemented with new terms which provide that: (a) upon the closing of the Financing, Mr. Weinreb's base salary would be paid at the annual rate of \$200,000 (an annual rate which is 20% lower than the amount to which he was otherwise entitled under his employment agreement); (b) he would be entitled to quarterly bonuses of \$5,000 commencing March 31, 2007; (c) he would be entitled to bonuses ranging from \$3,000 to \$5,000 upon the Company achieving certain business milestones (as follows: (i) a \$5,000 bonus for every fifty collection fees paid to the Company; (ii) a \$5,000 bonus for every five collection agreements signed and for which the fee is collected by the Company; and (iii) a \$3,000 bonus for every twenty five fees paid to the Company for collection through certain strategic alliances negotiated by Mr. Weinreb; (d) any other bonuses would only be paid upon approval by the Compensation Committee of the Board of Directors; and (e) in the event of termination of employment, severance would be paid over a 12 month period in accordance with the payroll policies and practices of the Company. Further, an option to purchase 100,000 shares of Common Stock at \$.60 per share, previously granted to Mr. Weinreb on December 5, 2006 and tied to the opening of certain collection centers, vested upon the execution of the agreement. This supplemental agreement will terminate upon the Company achieving certain revenue, financing or adult stem cell collection milestones, or at the discretion of the Compensation Committee of the Board of Directors. Other than as set forth therein, Mr. Weinreb's original employment agreement and all amendments thereto remain in full force and effect.

The Company entered into a letter agreement with Larry A. May, its Chief Financial Officer, pursuant to which Mr. May's employment agreement dated as of January 19, 2006 was supplemented with new terms to provide that: (a) upon the closing of the Financing, Mr. May's base salary would be paid at the annual rate of \$132,000 (an annual rate which is 20% lower than the amount to which he was otherwise entitled under his original employment agreement); (b) any bonus would only be paid upon approval by the Compensation Committee of the Board of Directors; and (c) in the event of termination of employment, severance would be paid over a 12 month period in accordance with the payroll policies and practices of the Company. This supplemental agreement will terminate upon the Company achieving certain revenue, financing or adult stem cell collection milestones, at the discretion of the Compensation Committee of the Board of Directors or at such time as Mr. May is no longer the Company's Chief Financial Officer. Other than as set forth therein, Mr. May's original employment agreement and all amendments thereto remain in full force and effect.

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

In the event Ms. Vaczy's employment is terminated prior to the end of the term of her letter agreement, for any reason, earned but unpaid cash compensation and unreimbursed expenses due as of the date of such termination will be payable in full. In addition, in the event Ms. Vaczy's employment is terminated prior to the end of the term for any reason other than by the Company with cause or Ms. Vaczy without good reason, Ms. Vaczy or her executor of her last will or the duly authorized administrator of her estate, as applicable, will be entitled to receive severance payments equal to \$187,500 in the event the employment termination date is during 2007 and \$215,700 in the event the employment termination date is during 2008. In the event her employment is terminated prior to the end of the term by the Company without cause or by Ms. Vaczy for good reason, all options granted by the Company will immediately vest and become exercisable in accordance with their terms. No other payments shall be made, nor benefits provided, by the Company in connection with the termination of employment prior to the end of the term, except as otherwise required by law. No severance payments will be payable without Ms. Vaczy first providing the Company with a release in customary form.

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

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 10.1 January 26, 2007 Amendment to Employment Agreement of Robin Smith

Exhibit 10.2 January 26, 2007 Amendment to Employment Agreement of Mark Weinreb

Exhibit 10.3 January 26, 2007 Amendment to Employment Agreement of Larry A. May

Exhibit 10.4 January 26, 2007 Employment Agreement with Catherine M. Vaczy

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.

NEOSTEM, INC.

By: /s/ Catherine M. Vaczy
Catherine M. Vaczy
VP and General Counsel

Dated: January 31, 2007

EXHIBIT INDEX

Exhibit Number Description

- Exhibit 10.1 January 26, 2007 Amendment to Employment Agreement of Robin Smith
- Exhibit 10.2 January 26, 2007 Amendment to Employment Agreement of Mark Weinreb
- Exhibit 10.3 January 26, 2007 Amendment to Employment Agreement of Larry A. May
- Exhibit 10.4 January 26, 2007 Employment Agreement with Catherine M. Vaczy

January 26, 2007

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

Dear Robin:

This letter is being written to serve as an amendment to the employment agreement by and between you and NeoStem, Inc. (the "Company") dated as of May 26, 2006 pursuant to which you serve as the Company's Chairman of the Board and Chief Executive Officer (the "Agreement"). Except as set forth herein, your employment agreement shall remain unchanged. Initially capitalized terms used herein but not defined herein shall have the meaning set forth in the Agreement.

1. Base Salary.

Upon the closing of the Company's current equity financing, your Base Salary shall be increased to \$250,000. During the Term of the Agreement, your Base Salary shall be increased by 10% on each one year anniversary of the execution of this Amendment.

2. Cash and Stock Bonuses.

No cash bonus shall be paid for 2007. Cash bonuses and stock awards under the Company's 2003 Equity Participation Plan shall be fixed at the end of 2007 for 2008, in an amount to be determined.

3. Term.

The Term of the Agreement is hereby extended until December 31, 2010.

4. Severance

Section 7(b)(i) of the Agreement is hereby amended to read in its entirety as follows:

"(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 at the time of termination for a period equal to two years 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."

5. Acknowledgement of Stock Option Grant.

You hereby acknowledge the grant to you on January 18, 2007 of an option under the EPP to purchase 550,000 shares of the Company's common stock, \$.001 par value (the "Common Stock") at a per share exercise price equal to \$.50 vesting as to (i) 250,000 shares upon the closing of the Company's current equity financing; (ii) as to 150,000 shares on June 30, 2007 and (iii) as to 150,000 shares on December 31, 2007; and shall otherwise be subject to all of the terms and conditions of the EPP.

Except as provided in this letter agreement, the terms of the Employment Agreement shall remain unchanged.

Very truly yours,

NeoStem, Inc.
By: /s/ Richard Berman
Name: Richard Berman
Title: Chair, Compensation Committee

Accepted and Agreed:

/s/ Robin Smith
Robin Smith

NeoStem, Inc.
 420 Lexington Avenue
 Suite 450
 New York, New York 10170
 Attention: Robin Smith, CEO

January 22, 2007

Dear Robin:

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

I understand that in connection with a proposed financing by the Company (the "Financing") in which Emerging Growth Equities is acting as placement agent, certain key employees of the Company as a condition to such Financing moving forward are being asked to make certain agreements relating to their employment by the Company.

Accordingly, for valuable consideration, the receipt of which is hereby acknowledged, I hereby agree that commencing with the closing of the Financing:

1. My base salary shall be paid at an annual rate which is 20% below the \$250,000 to which I am otherwise entitled pursuant to my employment agreement with the Company dated August 12, 2005, as amended from time to time.
2. Any vacation time to which I am entitled under my employment agreement that is unused during a calendar year shall be forfeited without compensation.
3. I will be entitled to the following bonuses based on the criteria set forth:

Quarterly payments of \$5000 commencing March 31, 2007. These payments are payable on the last payroll of each quarter

For every 50 collections NeoStem is paid after the execution of this letter, I will receive \$5000 to be paid after the fee is collected, in accordance to payroll practices

For every 5 collection agreements which NeoStem signs, I will receive \$5000 to be paid after the deposit fee is collected, in accordance to payroll practices

For every strategic alliance agreement which I negotiate, (insurance, med-spa etc, exclusive of grants), I will be paid a \$3000 bonus when 25 collections have been paid to NeoStem as a result of the agreement.

4. In the event of my termination, I agree to take my severance in equal installments over a 12 month period in accordance with the payroll policies and practices of the company.
5. The 100,000 options granted in December of 2006 tied to opening of the collection centers in NY and California will vest when this letter becomes effective.

This letter agreement shall terminate upon the first to occur of the following:

1. The date on which the Company processes and stores 1,000 adult stem cell collections.
2. The date on which the Company achieves cumulative revenues of \$3,500,000 with the measurement period commencing on January 1, 2007.
3. The date on which the Company raises a cumulative of \$6,000,000 pursuant to equity or debt financings with the measurement period commencing on January 1, 2007.
4. The date on which the Compensation Committee of the Board of Directors of the Company determines in its sole discretion to terminate this letter agreement.

Except as contained herein, my employment agreement and any amendments thereto with the Company shall remain in full force and effect.

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

Very truly yours,

/s/ Mark Weinreb

Accepted and agreed:

NeoStem, Inc.
By: /s/Robin Smith
Name: Robin Smith
Title: CEO

NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, New York 10170
Attention: Robin Smith, CEO

January 18, 2007

Dear Robin:

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

I understand that in connection with a proposed financing by the Company (the "Financing") in which Emerging Growth Equities is acting as placement agent, certain key employees of the Company as a condition to such Financing moving forward are being asked to make certain agreements relating to their employment by the Company.

Accordingly, for valuable consideration, the receipt of which is hereby acknowledged, I hereby agree that commencing with the closing of the Financing:

1. My base salary shall be paid at an annual rate which is 20% below the rate to which I am otherwise entitled pursuant to my employment agreement with the Company, as amended from time to time. For the purpose of clarity, the letter agreement between me and the Company dated as of June 2, 2006 shall not be deemed an amendment to my employment agreement.
2. Any vacation time to which I am entitled under my employment agreement that is unused during a calendar year shall be forfeited without compensation.
3. Any bonus above base salary shall only be paid upon approval by the Compensation Committee of the Board of Directors.

I further acknowledge that my expense reimbursement from the Company shall be governed by the Company's standard policies and procedures applicable to all employees as approved by the Company from time to time.

This letter agreement shall terminate upon the first to occur of the following:

1. The date on which the Company processes and stores 1,000 adult stem cell collections.
2. The date on which the Company achieves cumulative revenues of \$3,500,000 with the measurement period commencing on January 1, 2007.
3. The date on which the Company raises a cumulative of \$6,000,000 pursuant to equity or debt financings with the measurement period commencing on January 1, 2007.
4. The date on which the Compensation Committee of the Board of Directors of the Company determines in its sole discretion to terminate this letter agreement.
5. I no longer serve as the CFO.

Except as contained herein, my employment agreement and any amendments thereto with the Company shall remain in full force and effect.

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

Very truly yours,

/s/Larry May

Accepted and agreed:

NeoStem, Inc.
By: /s/Robin Smith
Name: Robin Smith
Title: CEO

NEOSTEM, INC.
420 Lexington Avenue
Suite 450
New York, New York 11747
212.584.4180

January 26, 2007

Ms. Catherine M. Vaczy
140 East 28th Street
Apartment #11C
New York, New York 10016

Dear Ms. Vaczy:

Reference is made to your employment agreement with the Company dated as of April 20, 2005 (the "Original Agreement") pursuant to which you serve as the Vice President and General Counsel ("General Counsel") of NeoStem, Inc. (the "Company").

You and the Company have agreed to enter into a new agreement (the "Agreement") that will supercede the Original Agreement and govern the terms of your employment by the Company. Accordingly, the terms hereof shall govern your employment by the Company and the Original Agreement shall cease to be effective as of the execution hereof. As you know, the Company is a public company engaged in the collection, processing and storage of adult stem cells. As General Counsel, you will be responsible for overseeing the Company's legal affairs, including assisting the Company (i) in fund raising activities; (ii) with Securities and Exchange Commission and other securities filings; (iii) expanding the Company's intellectual property portfolio; and (iv) in developing other strategic alliances You shall report to the Chief Executive Officer ("CEO").

This Letter Agreement shall be effective as of the date first above written (the "Commencement Date") and shall continue through December 31, 2008, unless earlier terminated as provided hereunder (the "Term"). For all services rendered by you in any capacity hereunder during the Term, you shall be entitled to a minimum annual salary of \$150,000 during calendar year 2007 and a minimum annual salary of \$172,500 during calendar year 2008 payable within normal payroll practices for executives of the Company.

Your employment with the Company shall automatically terminate upon your death or Disability (as defined below). The Company may terminate your employment prior to the end of the Term with or without Cause (as defined below) immediately upon written notice to you. You may terminate your employment upon thirty (30) days' prior written notice to the Company. For purposes of this Letter Agreement, the terms set forth below shall have the meanings ascribed to them below:

"Cause" shall mean (i) willful engaging by you in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company; (ii) your refusal to attempt to perform your obligations under this Letter Agreement (other than resulting from illness or incapacity) which is materially and demonstrably injurious to the Company which is not cured to the reasonable satisfaction of the Company within fifteen (15) business days after notice thereof; (iii) your conviction of, or entry of a plea of guilty to, or entry of a plea of nolo contendere with respect to, any crime other than a traffic violation or infraction which is a misdemeanor; or (iv) material breach by you of any of your agreements in this Letter Agreement which is not cured to the reasonable satisfaction of the Company within fifteen (15) business days after notice thereof.

"Disability" shall mean your inability to perform the essential functions of your duties and responsibilities to the Company by reason of a physical or mental disability or infirmity, which inability has continued for a period of more than six (6) consecutive months, or for a period aggregating more than six (6) months, whether or not continuous, during any nine (9) month period.

"Good Reason" shall mean (i) the Company's reassignment of your base of operations outside of the New York metropolitan area without your consent, (ii) the material reduction by the Company of your duties during the Term, (iii) the Company's material breach of the Company's obligations under this Letter

Agreement or the Promissory Note or Stock Purchase Agreement, (iv) the Company not continuing to retain you as General Counsel during the Term, (v) your ceasing to report to the CEO of the Company, or (iv) the departure of Robin L. Smith as CEO of the Company.

In the event your employment is terminated prior to the end of the Term due to your death or Disability, by the Company with or without Cause or upon your resignation from your position as General Counsel for any reason, earned but unpaid cash compensation, including any accrued salary, and unreimbursed expenses due as of the date of such termination (the "Employment Termination Date") shall be payable in full. In addition, in the event your employment is terminated prior to the end of the Term for any of the reasons identified in the preceding sentence other than by the Company with Cause or you without Good Reason, you or your executor of your last will or the duly authorized administrator of your estate, as applicable, will be entitled to receive severance payments equal to \$187,550 in the event the Employment Termination Date is during 2007 and \$215,700 in the event the Employment Termination Date is during 2008, in each case paid in accordance with the Company's standard payroll practices for executives of the Company; provided, however that such payments shall in no event exceed the remaining salary payments payable to you for the remainder of the Term. In addition, in the event your employment is terminated prior to the end of the Term by the Company without Cause or by you for Good Reason, all Options granted to you by the Company shall vest and become immediately exercisable in their entirety and remain exercisable in accordance with their terms. A release of the Company in satisfactory and customary form shall be provided by you prior to the making of severance payments. No other payments shall be made, nor benefits provided, by the Company in connection with the termination of employment prior to the end of the Term, except as otherwise required by law.

The Company shall pay or reimburse you for all reasonable travel or other expenses (including, without limitation, digital subscriber line (DSL), car (at \$1,000 per month), cell phone, professional licenses and health insurance expenses) incurred by you in connection with the performance of your duties and obligations under this Letter Agreement, subject to your presentation of appropriate vouchers in accordance with such procedures as the Company may from time to time establish (including any procedures established to preserve any deductions for Federal income taxation purposes to which the Company may be entitled). You shall also be eligible to participate in any incentive and employee benefit plans or programs which may be offered by the Company and in all other plans in which the Company executives participate and shall be entitled to vacations in accordance with the policy of the Company with respect to its senior management, in effect from time to time.

The Company shall indemnify you and hold you harmless from and against any claim, liability and expense (including, without limitation, reasonable attorney fees) made against or incurred by you in connection with your employment by the Company, in a manner and to an extent that is not less favorable to you as the indemnification protection that is afforded by the Company to any other senior officer or director and that is consistent with industry custom and standards.

You shall also receive a cash bonus upon the occurrence of each of the milestones (each, a "Milestone") set forth below. The amount of the cash bonus shall be as set forth after each of the respective Milestones:

- (i) upon the closing of the Company's current financing (\$5,000)
- (ii) upon the next registration statement (other than a Form S-8) being declared effective by the Securities and Exchange Commission (\$7,500).

You shall be eligible for cash bonuses for other tasks and responsibilities as mutually agreed, such as foundation legal counsel, all as approved by the Compensation Committee of the Board of Directors. No later than December 31, 2007, you and the CEO shall discuss and agree on milestones for 2008 pursuant to which you will be eligible to receive cash bonuses during 2008 and the CEO shall recommend such agreed upon milestones to the Compensation Committee of the Board of Directors at their next meeting for their vote thereon. You shall be eligible for additional cash bonuses as approved by the Compensation Committee of the Board of Directors from time to time.

It is acknowledged that on December 5, 2006, the Compensation Committee of the Board of Directors awarded to you the following under the EPP:

- (i) a Common Stock award of 100,000 shares of Common Stock that are fully vested;

(ii) an option to purchase 50,000 shares of Common Stock that vests on the closing of the next financing; provided gross proceeds are no less than \$4,000,000;

(iii) an option to purchase 100,000 shares of Common Stock that vests upon the next registration statement (other than a Form S-8) being declared effective by the Securities and Exchange Commission.

The options described in (ii) and (iii) have an exercise price equal to the closing price of the Common Stock on the date of grant, shall vest as set forth above and shall remain exercisable as to any vested portion thereof in accordance with the terms of the EPP notwithstanding your termination of employment. In addition, at the discretion of the Board of Directors (or its applicable committee), you shall be entitled to receive further grants of stock options, subject to the terms of the 2003 EPP.

You acknowledge that you have executed and it remains in full force and effect the Company's standard Employee Confidentiality, Invention Assignment and Non-Compete Agreement.

You hereby represent and warrant that (i) you have the legal capacity to execute and perform this Letter Agreement, (ii) this Letter Agreement is a valid and binding agreement enforceable against you according to its terms, (iii) the execution and performance of this Letter Agreement does not violate the terms of any existing agreement or understanding to which you are a party or by which you may be bound and (iv) you have, and will, maintain during the Term, all requisite licenses, permits and approvals necessary to perform the duties of General Counsel set forth herein.

This Letter Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York, without reference to the choice of law principles thereof. Any claim, controversy or dispute between the parties hereto, arising out of, relating to, or in connection with this Letter Agreement or any aspect of your services to the Company hereunder, including but not limited to the termination of this Letter Agreement and any and all claims in tort or contract, shall be submitted to arbitration in Melville, New York, pursuant to the American Arbitration Association ("AAA") National Arbitration Rules for the Resolution of Employment Disputes. This provision shall apply to claims against the Company and/or its affiliates and their respective current or former employees, agents, managers, officers and/or directors. Any issue about whether a claim is covered by this Letter Agreement shall be determined by the arbitrator. There shall be one arbitrator, who (a) shall be chosen from a panel provided by the AAA and who shall apply the substantive law of the State of New York, (b) may award injunctive relief or any other remedy available from a judge, including attorney fees and costs to the prevailing party, and (c) shall not have the power to award punitive damages. Judicial review of the arbitrator's award shall be strictly limited to the issue of whether said award was obtained through fraud, corruption or misconduct.

This Letter Agreement shall be binding upon, and shall inure to the benefit of, the Company and you and its and your respective permitted successors, assigns, heirs, beneficiaries and representatives. This Letter Agreement is personal to you and may not be assigned by you without the prior written consent of the Company. Any attempted assignment in violation of this paragraph shall be null and void. This Letter Agreement shall constitute the entire agreement among the parties with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings among them with respect to such matters.

We are excited about your involvement with the Company and look forward to a long and mutually rewarding scientific and business relationship.

For our records, I would appreciate your countersigning the attached copy of this Letter Agreement and returning the same to me at your earliest convenience.

Sincerely,

NEOSTEM, INC.
By: /s/ Robin L. Smith
Robin L. Smith, CEO

Accepted and agreed to:
/s/ Catherine M. Vaczy
Catherine M. Vaczy