

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

OR

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

For the Transition Period from _____ to _____

Commission file number 0-10909

NEOSTEM, INC.

(Exact name of small business issuer as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

22-2343568
(I.R.S. Employer Identification No.)

420 LEXINGTON AVE, SUITE 450 NEW YORK, NEW YORK
(Address of principal executive offices)

10170
(zip code)

Issuer's telephone number, including area code: 212-584-4180

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

4,719,522 SHARES OF COMMON STOCK, \$.001 PAR VALUE, AS OF November 13, 2007

(State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date)

Transitional Small Business Disclosure Format (check one): Yes No

I N D E X

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NEOSTEM, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	September 30, 2007	December 31, 2006
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 3,648,836	\$ 436,659
Accounts receivable	45,469	9,050
Prepaid expenses and other current assets	53,485	82,451
	-----	-----
Total current assets	3,747,790	528,160
Property and equipment, net	131,854	96,145
Goodwill	558,169	558,169
Other assets	6,875	12,500
	-----	-----
	\$ 4,444,688	\$ 1,194,974
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 150,756	\$ 372,348
Accrued liabilities	106,136	241,388
Note payable, due related party - current portion	55,690	125,000
Notes payable	19,550	1,313
Unearned revenues	1,131	2,420
Convertible debentures	-	75,000
Capitalized lease obligations - current portion	24,175	20,829
	-----	-----
Total current liabilities	357,438	838,298
Note payable, due related party - long-term portion	-	24,439
Capitalized lease obligations	21,558	40,132
	-----	-----
Total Liabilities	378,996	902,869
	-----	-----
Stockholders' Equity:		
Preferred stock; authorized, 5,000,000 shares Series B convertible redeemable preferred stock, liquidation value 10 shares of common stock per share; \$0.01 par value; authorized, 825,000 shares; issued and outstanding, 10,000 shares	100	100
Common stock, \$.001 par value; authorized, 500,000,000 shares; issued and outstanding, 4,302,022 shares at September 30, 2007 and 2,078,121 shares at December 31, 2006	4,302	2,078
Additional paid-in capital	33,505,968	20,968,358
Unearned compensation	(1,035,672)	(371,666)
Accumulated deficit	(28,409,006)	(20,306,765)
	-----	-----
Total stockholders' equity	4,065,692	292,105
	-----	-----
	\$ 4,444,688	\$ 1,194,974
	=====	=====

See accompanying notes to consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Earned revenues	\$ 12,559	\$ 6,262	\$ 74,471	\$ 18,786
Direct costs	(6,775)	(4,467)	(10,378)	(13,401)
Gross profit	5,784	1,795	64,093	5,385
Selling, general and administrative	4,327,512	999,825	8,163,257	2,978,725
Operating loss	(4,321,728)	(998,030)	(8,099,164)	(2,973,340)
Other income (expense):				
Interest income	-	4,896	15,224	7,440
Interest expense	(5,917)	(814,173)	(18,301)	(1,218,122)
Interest expense - Series A mandatorily redeemable convertible preferred stock	-	-	-	(9,934)
Net loss	<u>\$ (4,327,645)</u>	<u>\$ (1,807,307)</u>	<u>\$ (8,102,241)</u>	<u>\$ (4,193,956)</u>
Net loss per common share	<u>(\$1.26)</u>	<u>(\$1.09)</u>	<u>(\$2.84)</u>	<u>(\$3.63)</u>
Weighted average common shares outstanding	<u>3,440,282</u>	<u>1,655,413</u>	<u>2,857,066</u>	<u>1,156,521</u>

See accompanying notes to consolidated financial statements

NEOSTEM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (8,102,241)	\$ (4,193,956)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common shares issued and stock options granted for services rendered and interest expense	3,976,450	1,583,923
Depreciation	31,013	18,959
Amortization of debt discount	-	211,265
Series A mandatorily redeemable convertible preferred stock dividends	-	9,934
Deferred acquisition costs	1,253	13,401
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	33,338	(62,731)
Accounts receivable	(36,419)	-
Unearned revenues	(1,289)	(18,786)
Accounts payable, accrued expenses, and other current liabilities	(450,592)	(429,694)
Net cash used in operating activities	(4,548,487)	(2,867,685)
Cash flows from investing activities:		
Acquisition property and equipment	(66,723)	(13,073)
Net cash used in investing activities	(66,723)	(13,073)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	7,899,377	3,573,068
Proceeds from advances on notes payable	338,432	180,396
Payments of capitalized lease obligations	(15,228)	(12,221)
Proceeds from sale of convertible debentures	-	87,500
Repayments of notes payable	(395,194)	(116,373)
Net cash provided by financing activities	7,827,387	3,712,370
Net increase in cash and cash equivalents	3,212,177	831,612
Cash and cash equivalents at beginning of period	436,659	488,872
Cash and cash equivalents at end of period	\$ 3,648,836	\$ 1,320,484

Nine Months Ended
September 30,

2007 2006

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Interest \$ 18,301 \$ 261,354

Supplemental Schedule of Non-cash Financing Activities:

Issuance of common stock for purchase of NS		
California	-	200,000
Net accrual of dividends on Series A preferred stock	-	9,934
Issuance of common stock for capital commitment	165,000	-
Issuance of restricted common stock for services	464,400	-
Issuance of restricted common stock for compensation	1,485,525	-
Issuance of common stock for services rendered	115,704	128,398
Issuance of common stock for compensation	55,410	-
Issuance of warrants for services	309,017	-
Compensatory element of stock options	2,045,400	412,153

See accompanying notes to consolidated financial statements.

NEOSTEM, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - The Company

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

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

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

On August 29, 2006, our stockholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split of our Common Stock at a ratio of one-for-ten shares and to change our name from Phase III Medical, Inc. to NeoStem, Inc. On June 14, 2007, our stockholders approved an amendment to our certificate of incorporation to effect a reverse split of our Common Stock at a ratio of up to one-for-ten shares in the event it was deemed necessary by our Board of Directors to list our Common Stock on a stock exchange. On July 9, 2007, our Board of Directors approved the reverse stock split at a ratio of one-for-ten shares and on August 9, 2007 the Company's Common Stock commenced trading on The American Stock Exchange under the symbol "NBS". All numbers in this report have been adjusted to reflect the reverse stock splits which were effective as of August 31, 2006 and August 9, 2007.

Note 2 - Summary of Significant Accounting Policies

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The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of September 30, 2007 and December 31, 2006, the results of operations for the three and nine months ended September 30, 2007 and 2006 and the cash flows for the nine months ended September 30, 2007 and 2006. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year.

The December 31, 2006 consolidated balance sheet has been derived from the audited consolidated financial statements at that date included in the Company's Annual Report on Form 10-K, as retroactively adjusted to give effect to the one-for-ten reverse stock split effective August 9, 2007 and filed with the Company's Current Report on Form 8-K dated September 11, 2007. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K and in such Form 8-K.

Revenue Recognition: The Company initiated the collection and banking of autologous adult stem cells in the fourth quarter of 2006. The Company recognizes revenue related to the collection and cryopreservation of autologous adult stem cells when the cryopreservation process is completed which is

generally twenty four hours after cells have been collected. Revenue related to advance payments of storage fees are recognized ratably over the period covered by the advance payments. The Company also earns revenue, in the form of start up fees, from physicians seeking to establish autologous adult stem cell collection centers. These fees are in consideration of the Company establishing a service territory for the physician. Start up fees are recognized once the agreement has been signed, the physician practice has been qualified by the Company's accreditation committee and appropriate licensure has been received.

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

Recently Issued Accounting Pronouncements:

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

Note 3 - Acquisition of NS California

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

Note 4 - Notes Payable

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

In January 2006, the Company sold an additional \$250,000 of convertible nine month Promissory Notes which bear 9% simple interest with net proceeds to the Company of \$223,880 as part of the WestPark Private Placement. The Company recorded a debt discount associated with the conversion feature in the amount of \$129,167. For the year ended December 31, 2006, the Company charged \$127,932 of the debt discount to interest expense. The debt discount recorded of \$129,167 does not change the amount of cash required to payoff the principal value of these Promissory Notes, at any time during the term, which was \$250,000. These Promissory Notes also had 4,167 detachable warrants for each \$25,000 of debt,

which entitle the holder to purchase one share of the Company's Common Stock at a price of \$12.00 per share. The warrants are exercisable for a period of three years from the date of the Promissory Note. The Promissory Notes convert to the Company's Common Stock at \$6.00 per share. The Promissory Notes are convertible at anytime into shares of Common Stock at the option of the Company subsequent to the shares underlying the Promissory Notes and the shares underlying the warrants registration if the closing price of the Common Stock has been at least \$18.00 for a period of at least 10 consecutive days prior to the date on which notice of conversion is sent by the Company to the holders of the Promissory Notes. Pursuant to the terms of the WestPark Private Placement, the Company agreed to file with the SEC and have effective by July 31, 2006, a registration statement registering the resale by the investors in the WestPark Private Placement of the shares of Common Stock underlying the convertible notes and the warrants sold in the WestPark Private Placement. This registration statement was not made effective by July 31, 2006 and as a result certain additional rights accrued to the Convertible Promissory Noteholders (see below for a detailed description of these additional rights). For the year ended December 31, 2006, the Company recorded as interest expense \$263,612 associated with the warrants as their fair value using the Black Scholes method.

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

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

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

By December 31, 2006, investors owning \$425,000 convertible promissory notes agreed to convert the convertible note into shares of the Company's Common Stock for consideration described above. The Company issued 107,386 shares of Common Stock with a fair value of \$692,896. In addition, the Company issued 70,834 warrants with a fair value of \$451,968 for noteholders that agreed to an early conversion of their convertible promissory notes. The Company also issued 3,693 shares of Common Stock as consideration for extending the term of the convertible notes, totaling \$162,500, for an additional four months with a fair value of \$21,023. The fair value of this Common Stock has been accounted for as interest expense. Amounts in excess of the face value of the convertible promissory notes and the fair value of the warrants issued as the result of early conversion have been accounted for as interest expense. The balance, \$75,000, of convertible promissory notes was paid off in January, 2007.

In connection with the NS California acquisition, the Company assumed a 6% note due to Tom Hirose, a former officer of NS California in the amount of \$15,812. As of September 30, 2007, \$1,313 remains unpaid. Final payment will be made in 2007.

In July and August, 2007 the Company borrowed an aggregate of \$200,200 through the issuance of short term bridge notes to support operations pending the closing of the Company's August 2007 public offering described in Note 6. These bridge notes provided that they matured in six months from the date of issuance, subject to the Company's right to prepay, and bore interest at a rate of 15% per annum. Robin L. Smith MD, Chief Executive Officer and Chairman of the Board of the Company was issued a bridge note for \$125,000 and Richard Berman, a member of the Board of Directors, was issued a bridge note for \$50,000. On August 10, 2007, the Board authorized the repayment in full of the bridge notes and all outstanding bridge notes were repaid in full plus accrued interest.

The Company has financed certain insurance policies and has notes payable at September 30, 2007 in the amount of \$19,550 related to these policies. These notes require monthly payments and mature in less than one year.

Note 5 - Series A Mandatorily Redeemable Convertible Preferred Stock

In connection with the settlement of securities class action litigation in 1994, the Company issued 1,000,000 shares of Series A \$0.07 Convertible Preferred Stock (the "Series A Preferred Stock") with an aggregate value of \$1,000,000. The following summarizes the terms of Series A Preferred Stock. The Series A Preferred Stock had a liquidation value of \$1 per share, was non-voting and convertible into common stock of the Company at a price of \$5.20 per share. Holders of Series A Preferred Stock were entitled to receive cumulative cash dividends of \$0.07 per share, per year, payable semi-annually. At December 31, 2005 there were 681,171 shares of Series A Preferred Stock outstanding.

On March 17, 2006, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permitted the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay \$538,498 (or \$.79 per share) in accrued dividends thereon, a total of 544,937 shares of Common Stock (eight tenths (.8) shares of Common Stock per share of Series A Preferred Stock). Pursuant thereto, all outstanding shares of Series A Preferred Stock were cancelled and converted into Common Stock. Therefore at September 30, 2007 and December 31, 2006 and there were no shares of Series A Preferred Stock outstanding.

Note 6 - Stockholders' Equity

Common Stock:

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

In January 2007, the Company issued an aggregate of 9,000 shares of Common Stock to a former director and employee pursuant to his agreement to serve as Chairman of the Company's Scientific Advisory Board and consultant to the Company.

In February 2007, the term of the Company's financial advisory agreement with Duncan Capital Group LLC was extended through December 2007, and the Company issued to Duncan 15,000 shares of Common Stock as an advisory fee payment vesting monthly through December 2007. The vesting of these shares was accelerated in July 2007 such that they were fully vested and the advisory agreement was canceled in August 2007.

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

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

of \$165,000.

In April 2007, the Company issued 3,688 shares of its Common Stock to a public relations advisor in connection with public relations services rendered to the Company, resulting in a charge to operations of \$22,500

In May 2007, the Company issued 1,000 shares of its Common Stock to an investment relations advisor in connection with investor relations services rendered to the Company, resulting in a charge to operations of \$4,500.

In May 2007, the Company issued 15,000 shares of its Common Stock to an investor relations advisor in connection with investor relations services rendered to the Company, resulting in a charge to operations of \$67,500.

In May and June 2007, the Company issued an aggregate of 2,151 shares of its Common Stock to its sublessor as partial payment for rent expense, resulting in charges to operations totaling \$9,891

In June 2007, the Company issued 12,000 shares of its Common Stock to a law firm in connection with services rendered to the Company, of which 6,000 shares vested in June, 2007 and 1,000 shares vest monthly through December, 2007. Such shares had a value of \$50,400.

In June 2007, the Company issued 3,000 shares of its Common Stock to a consultant for certain management services rendered to the Company, resulting in a charge to operations of \$1,410.

In July 2007, the Company issued 3,000 shares of its Common Stock to a consultant for certain management services rendered to the Company, resulting in a charge to operations of \$15,000.

In July 2007, the Company issued an aggregate of 909 shares of its Common Stock to its sublessor as partial payment for rent expense, resulting in charges to operations totaling \$5,000.

In August 2007, the Company issued 24,000 shares of its Common Stock to a consultant for certain management services rendered to the Company, 18,000 shares vest monthly over the next twelve months and the remainder vest ratably for three years on the anniversary date of the agreement and resulted in a charge to operations of \$16,667.

In August 2007, the Company issued 10,000 shares of its Common Stock to an executive officer as a hiring incentive. One half of these shares vested immediately and the remainder vest in one year on the anniversary date of the hiring date. The issuance of these shares resulted in a charge to operations of \$27,708.

In September 2007 the Company issued an aggregate of 154,500 shares of its Common Stock to certain employees, including an aggregate of 125,000 shares to certain of its executive officers. In general, one half of these shares issued vested immediately and the remainder vest in one year on the anniversary date of the stock issuance. The issuance of these shares resulted in a charge to operations of \$414,257.

In September 2007 the Company issued an aggregate of 135,000 shares of its Common Stock to the independent members of its Board of Directors. One half of these shares issued vested immediately and the remainder vest in one year on the anniversary date of the stock issuance. The issuance of these shares resulted in a charge to operations of \$361,970.

In September 2007 the Company issued 10,000 shares of its Common Stock to a consultant to the Company, One half of these shares issued vested immediately and the remainder vest in one year on the anniversary date of the stock issuance. The issuance of these shares resulted in a charge to operations of \$26,813.

In September 2007 the Company issued 10,000 shares of its Common Stock to a consultant to the Company. The issuance of these shares resulted in a charge to operations of \$49,500.

On August 8, 2007, the Company completed a sale of 1,055,900 units at a price of \$5.00 per unit pursuant to a best efforts public offering. A registration statement on Form SB-2A (File No. 333-142923) relating to these units was filed with the Securities and Exchange Commission and declared effective on July 16, 2007. Each unit consisted of one share of common stock and one-half of a five year Class A warrant to purchase one-half a share of common stock at a price of \$6.00 per share. Thus, 1,000 units consisted of 1,000 shares of common stock and Class A warrants to purchase 500 shares of common stock. On August 14, 2007 the Company completed a sale of 214,100 units at a price of \$5.00 per unit pursuant to the same best efforts public offering. The units sold were identical to the units sold on August 8, 2007. The aggregate number of units thus sold was 1,270,000, the aggregate number of shares of common stock included within the units was 1,270,000 and the aggregate number of Class A Warrants included within the units was 535,000. In connection with the public offering, the Company issued five year warrants to purchase an aggregate of 95,250 shares of common stock at \$6.50 per share to the underwriters for the offering. After payment of underwriting commissions and expenses and other costs of the offering, the aggregate net proceeds to the Company were \$5,579,300.

On August 8, 2007, subject to the closing of the above-described public offering and consummation of the reverse split, the American Stock Exchange accepted for listing the Company's common stock, units as described above, and Class A warrants under the symbols "NBS", "NBS.U", and "NBS.WS" respectively. Trading on the American Stock Exchange commenced on August 9, 2007.

Warrants:

The Company has issued common stock purchase warrants from time to time to investors in private placements, certain vendors, underwriters, and directors and officers of the Company. A total of 2,084,938 shares of common stock are reserved for issuance upon exercise of outstanding warrants as of September 30, 2007 at prices ranging from \$4.70 to \$12.00 and expiring through June 2014.

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

In March 2007, the Company engaged a marketing and investor relations consultant. Pursuant to this agreement, the Company issued to the consultant warrants to purchase 150,000 shares of its Common Stock at a purchase price of \$4.70 per share. Such warrants vest over a 12 month period at a rate of 12,500 per month, subject to acceleration in certain circumstances, and are exercisable until April 30, 2010. During the three and nine months ended September 30, 2007 the Company recognized \$106,725 and \$249,025, respectively, as consulting expense related to the vesting of these warrants.

In May 2007, the Company engaged an investor relations consultant. Pursuant to this agreement, the Company issued to the consultant warrants to purchase 10,000 shares of its Common Stock at a purchase price of \$4.90 per share. Such warrants vested on issuance and during the nine months ended September 30, 2007 the Company recognized \$37,480 as consulting expense related to these warrants.

In June 2007, the Company engaged a consultant to create marketing materials for our sales and marketing staff. Pursuant to this agreement, the Company issued to the consultant warrants to purchase 4,000 shares of its Common Stock at a purchase price of \$6.50 per share. Such warrants vested on issuance and during the nine months ended September 30, 2007 the Company recognized \$22,512 as marketing expense related to these warrants.

Pursuant to the public offering described under Common Stock, above, the Company issued five year Class A warrants to purchase 535,000 shares of common stock at \$6.00 per share. Such Class A warrants became exercisable and separately tradable from the units on October 12, 2007 and are exercisable through July 16, 2012. Also in connection with the public offering, the Company issued five year warrants to purchase an aggregate of 95,250 shares of common stock at \$6.50 per share to the underwriters for the offering. Such warrants are exercisable commencing one year from the date of issuance through August 14, 2012.

At September 30, 2007 the outstanding warrants by range of exercise prices are as follows:

Exercise Price	Number Outstanding September 30, 2007	Weighted Average Remaining Contractual Life (years)	Number Exercisable September 30, 2007
\$4.70 to \$6.16	869,011	4.52	794,011
\$6.16 to \$7.62	95,250	4.80	-
\$7.62 to \$10.54	1,088,678	4.67	1,088,678
\$10.54 to \$12.00	31,999	1.27	31,999
	-----		-----
	2,084,938		1,914,688
	=====		=====

Options:

The Company's 2003 Equity Participation Plan (the "Plan") permits the grant of share options and shares to its employees, Directors, consultants and advisors for up to 2,500,000 shares of common stock as stock compensation. Stock options under the Equity Participation Plan are generally granted at the fair market value of the common stock at the grant date, vest ratably over a period determined at the time of grant (unless milestone based) and generally expire 10 years from the grant date.

The Company's results for the nine month periods ended September 30, 2007 and 2006 include share-based compensation expense totaling \$1,471,505 and \$1,957,017, respectively. Such amounts have been included in the consolidated statements of operations within general and administrative expenses.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Expected term (in years)	10	10	10	10
Expected volatility	343% to 346%	179%	133% to 346%	179% to 199%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	4.58% to 4.95%	4.50%	4.51% to 4.95%	4.50%

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

	Number of Shares (1)	Range of Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at December 31, 2006	444,600	\$3.00 - \$25.00	\$ 7.29		
Granted	616,200	\$ 2.70 - \$8.00	\$ 4.99		
Exercised	-	-	-		
Expired	-	-	-		
Cancelled	-	-	-		
Balance at September 30, 2007	1,060,800	\$2.70 - \$25.00	\$ 5.95	8.22	\$73,190
Vested and Exercisable at September 30, 2007	559,132		\$ 6.09	7.19	\$58,180

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

Exercise Price	Number Outstanding September 30, 2007	Weighted Average Remaining Contractual Life (years)	Number Exercisable September 30, 2007
\$2.70 to \$ 5.76	743,300	9.46	368,966
\$5.76 to \$ 8.82	220,650	8.79	119,316
\$8.82 to \$11.88	55,750	8.28	41,750
\$11.88 to \$14.94	3,000	6.42	3,000
\$14.94 to \$25.00	38,100	7.77	26,100
	1,060,800	8.22	559,132

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

As of September 30, 2007, there was approximately \$2,449,253 of total unrecognized compensation costs related to unvested stock option awards which are expected to vest over a weighted average life of .91 years.

	Options	Weighted Average Grant Date Fair Value
Non-Vested at December 31, 2006	211,583	\$ 6.22
Issued	616,200	\$ 5.14
Canceled	-	-
Vested	(326,115)	\$ 6.42
Non-Vested at September 30, 2007	501,668	\$ 5.45

The total value of shares vested during the nine months ended September 30, 2007 was \$2,045,400.

Note 7 - Segment Information

Until April 30, 2001, the Company operated in two segments; as a reinsurer and as a seller of extended warranty service contracts through the Internet. The reinsurance segment has been discontinued and the Company's remaining revenues are derived from the run-off of its sale of extended warranties and service contracts via the Internet. Additionally, the Company established a new business in the banking of adult autologous stem cells sector. The Company's operations are conducted entirely in the U.S. Although the Company has realized minimal revenue from the banking of adult autologous stem cells, the Company operated in two segments until the "run-off" was completed. As of March 31, 2007 the run off of the sale of extended warranties and service contracts was completed.

Note 8 - Related Party Transactions

On January 20, 2006, Mr. Robert Aholt, Jr. tendered his resignation as Chief Operating Officer of the Company. In connection therewith, on March 31, 2006, the Company and Mr. Aholt entered into a Settlement Agreement and General Release (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company agreed to pay to Mr. Aholt the aggregate sum of \$250,000 (less applicable Federal and California state and local withholdings and payroll deductions), payable, initially over a period of two years in biweekly installments of \$4,807.69 commencing on April 7, 2006, except that the first payment was in the amount of \$9,615. In July, 2006 this agreement was amended to call for semi-monthly payments of \$10,417 for the remaining 21 months. In the event the Company breaches its payment obligations under the Settlement Agreement and such breach remains uncured, the full balance owed shall become due. The Company and Mr. Aholt each provided certain general releases. Mr. Aholt also agreed to continue to be bound by his obligations not to compete with the Company and to maintain the confidentiality of Company proprietary information. At September 30, 2007, \$55,690 was due Mr. Aholt pursuant to the terms of the Settlement Agreement.

In July and August 2007 the Company borrowed an aggregate of \$200,200 through the issuance of short term bridge notes to support operations pending the closing of the Company's August 2007 public offering described in Note 6. These bridge notes provided that they matured in six months from the date of issuance of the bridge note, subject to the Company's right to prepay, and bore interest at a rate of 15% per annum. Robin L. Smith MD, Chief Executive Officer and Chairman of the Board of the Company was issued a bridge note for \$125,000 and Richard Berman, a member of the Board of Directors, was issued a bridge note for \$50,000. On August 10, 2007, the Board authorized the repayment in full of the bridge notes and all outstanding bridge notes were repaid in full plus accrued interest.

Note 9 - Subsequent Events

On November 13, 2007, the Company entered into an acquisition agreement with UTEK Corporation ("UTEK") and Stem Cell Technologies, Inc., a wholly-owned subsidiary of UTEK ("SCTI"), pursuant to which the Company acquired all the issued and outstanding common stock of SCTI in a stock-for-stock exchange. SCTI contains an exclusive, worldwide license to a technology developed by researchers at the University of Louisville to identify and isolate rare stem cells from adult human bone marrow, called VSEs (very small embryonic like) stem cells. Concurrent with the SCTI acquisition, NeoStem entered into a sponsored research agreement with the University of Louisville under which NeoStem will support further research in the laboratory of Dr. Ratajczak. This

agreement calls for total payments of \$375,000 over a period of two and one-half years. SCTI was funded by UTEK in amounts sufficient to pay certain near term costs under the license agreement and the sponsored research agreement. In consideration for the Acquisition, the Company issued to UTEK 400,000 unregistered shares of its common stock, par value \$0.001 per share (the "NeoStem Shares") for all the issued and outstanding common stock of SCTI. The value of the transaction is estimated to be \$940,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

This Quarterly Report on Form 10-QSB and the documents incorporated herein contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Quarterly Report, statements that are not statements of current or historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "plan", "intend," "may," "will," "expect," "believe", "could," "anticipate," "estimate," or "continue" or similar expressions or other variations or comparable terminology are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

GENERAL

The Company is a leading-edge biotechnology company capitalizing on breakthroughs in the burgeoning field of adult stem cell therapeutics. The Company's platform business is operating a commercial autologous (donor and recipient are the same) adult stem cell bank, and we are pioneering the pre-disease collection, processing and long-term storage of stem cells from healthy adult donors. The proprietary Company technologies empower health-conscious consumers to help protect their future health by undergoing treatment with their own stem cells, providing an accessible supply of healthy, genetically matched stem cells. Otherwise finding a compatible allogeneic match is often a lengthy process wasting precious treatment time. The Company has begun opening a nationwide network of adult stem cell collection centers in major metropolitan areas enabling people to donate and store their own stem cells with NeoStem for personal use years or decades later in times of critical medical need. The Company also hopes to become the leading provider of adult stem cells for diagnostic and therapeutic use in the burgeoning field of regenerative medicine. According to the National Institutes of Health, there are over 750 clinical trials underway relating to the use of adult stem cells, with over 240 relating to autologous use. Leading medical researchers believe that certain stem cell therapies will come to market over the next 5-10 years. According to industry sources, worldwide therapeutic applications of stem cells could reach \$20 billion by 2010.

On January 19, 2006 the Company consummated the acquisition of the assets of NS California, Inc., a California corporation ("NS California") relating to NS California's business of collecting, processing and storing adult stem cells. NS California had been a company to which NeoStem had been providing business guidance. Effective with the acquisition, the business of NS California became the principal business of the Company. Until the NS California acquisition, the business of the Company was providing capital and business guidance to companies in the healthcare and life science industries, in return for a percentage of revenues, royalty fees, licensing fees and other product sales of the target companies. Additionally, through June 30, 2002, the Company was a provider of extended warranties and service contracts via the Internet at warrantysuperstore.com. From June 2002 to March 2007 the Company was engaged in the "run off" of such extended warranties and service contracts. As of March 31, 2007 the recognition of revenue from the sale of extended warranties and service contracts was completed.

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2007 Compared To Three and Nine Months Ended September 30, 2006

The Company's platform business is to develop a nationwide network of adult stem cell collection centers and medical providers, enabling health conscious consumers to donate and store their own stem cells with NeoStem for personal use years or decades later in times of critical medical need. Medical providers that are interested in participating in providing this service to patients in their local area are required to pay a start up fee in consideration for exclusivity in that service area. Sales and marketing efforts to create this network started in the fourth quarter of 2006 and continued in the quarter ending September 30, 2007. To that end the Company has opened three collection centers through September 30, 2007, signed agreements for two additional collection centers since September 30, 2007 and continues to pursue more centers in important strategic regional areas, and has recognized revenues of \$0 and \$54,000 from the receipt of start up fees in the three and nine months ended September 30, 2007, respectively. During the 3 months ended September 30, 2007 the Company banked adult stem cells from 2 clients and recognized collection revenues of approximately \$12,000. During the 9 months ended September 30, 2007 the Company recognized collection revenues of approximately \$18,000.

The Company has also recognized revenues from the sale of extended warranties and service contracts of \$0 and \$1,697 for the three and nine months ended September 30, 2007 as compared to \$6,262 and \$18,786 for the three and nine months ended September 30, 2006. These revenues were derived entirely from revenues deferred over the life of extended warranties and service contracts sold in prior periods. As of March 31, 2007 the recognition of revenue from the sale of extended warranties and service contracts was completed.

Selling, general and administration expenses for the three months ended September 30, 2007 increased approximately \$3,327,700 to \$4,327,512 as compared to \$999,825 for the three months ended September 30, 2006. Since the acquisition of NS California in January, 2006 the Company's expenses have been increasing as the Company initiated sales and marketing efforts to promote the collection, processing and banking of adult stem cells. The increase in selling, general and

administrative expenses is primarily due to increases in marketing efforts through the hiring of staff, preparation of marketing materials, attending key marketing events and retaining the services of specialized marketing consulting firms. A substantial portion of the increase is also due to the compensatory element of stock option and stock awards granted under the Company's 2003 Equity Participation Plan to certain officers, employees and consultants to the Company. To that end payroll and related expenses increased \$231,817, travel and entertainment expenses increased \$86,071, marketing expenses increased \$101,727, investor relations and public relations activities increased \$281,874, and consulting fees increased \$221,236 (approximately \$118,000 of this increase was paid in common stock). During the quarter a number of business milestones were achieved, including but not limited to the Company's securities being listed on the American Stock Exchange and completing the Company's public offering in August 2007 which raised \$5,579,300 in aggregate net proceeds. These events triggered the vesting of certain stock options and a related compensation charge. In September 2007 the Board of Directors approved the issuance of incentive stock options which called for approximately one-half of these options to vest immediately. This has resulted in an increase in compensatory value of common stock options granted by \$1,395,113. Compensation associated with the issuance of common stock to officers, employees and consultants increased \$508,333 which was primarily the result of a Board of Directors action in September 2007 which approved the issuance of common stock to such officers, employees and consultants; one-half of these grants vested immediately and the balance vest on the anniversary date of the stock grant which has resulted in a charge to operations of \$414,257. Director fees increased \$396,971. This increase was primarily the result of a Board of Directors action in September 2007 which approved the issuance of common stock to the independent board members; one-half of these grants vested immediately and the balance vest on the anniversary date of the stock grant which has resulted in a charge to operations of \$361,970. Legal expenses primarily relating to the Company's regulatory activities in connection with the build-out of its collection center network and the pursuit of intellectual property rights, increased \$109,995.

Selling, general and administration expenses increased for the nine months ended September 30, 2007 approximately \$5,184,000 to \$8,163,258 as compared to \$2,978,725 for the nine months ended September 30, 2006. Since the acquisition of NS California in January, 2006 the Company's expenses have been increasing as the Company initiated sales and marketing efforts to promote the collection and banking of adult stems cells. The increase in selling, general and administrative expenses is primarily due to increases in marketing efforts through the hiring of staff, preparation of marketing materials, attending key marketing events and retaining the services of specialized marketing consulting firms. To that end payroll and related expenses increased \$443,311, marketing expenses increased \$110,186, travel and entertainment expenses increased \$257,578, consulting fees increased \$482,006 (\$237,351 of this increase was paid in the form of warrants and common stock), investor relations and public relations activities increased \$889,512 (\$379,205 of this increase was paid in the form of warrants and common stock). As noted above, certain business milestones were achieved which triggered the vesting of certain stock options. As also noted above, in September 2007 the Board of Directors approved the issuance of incentive stock options which called for approximately one-half of these options to vest immediately which is the primary reason for an increase in the compensatory value of common stock options of \$1,685,492. Compensation associated with the issuance of common stock to officers, employees and consultants increased \$489,633 which was primarily the result of a Board of Directors action in September 2007 which approved the issuance of common stock to such officers, employees and consultants; one-half of these grants vested immediately and the balance vest on the anniversary date of the stock grant which has resulted in a charge to operations of \$414,257. Director fees increased \$466,973. This was primarily the result of a Board of Directors action in September 2007 which approved the issuance of common stock to the independent board members; one-half of these grants vested immediately and the balance vest on the anniversary date of the stock grant, which has resulted in a charge to operations of \$361,970. The Company also issued 30,000 shares of its Common Stock, resulting in a charge to operating expenses of \$165,000, to a financial advisor in connection with a commitment for the placement of up to \$3,000,000 of the Company's preferred stock. The Company applied for licensure for stem cell processing in New York which resulted in additional expenses of \$54,200. Legal expenses have increased by \$291,876 and increases in expenses such as accounting fees, rent, stock transfer fees and other operating expenses were offset by decreases in settlement expenses with the Company's former Chief Operating Officer, investment banking fees, and insurance resulting in an overall reduction in expenses of \$151,234.

Interest expense for the three months and nine months ended September 30, 2007 decreased \$808,300 and \$1,199,800 in comparison to the three and nine months ended September 30, 2006, respectively. This decrease is due, primarily, to the conversion or payoff of the WestPark convertible debt issued in December 2005 and January 2006 which resulted in a \$198,093 reduction in interest expense.

For the reasons cited above the net loss for the three months ended September 30, 2007 increased to \$4,327,645 from \$1,807,307 for the three months ended September 30, 2006 and the net loss for the nine months ended September 30, 2007 increased to \$8,102,241 from \$4,193,956 for the nine months ended September 30, 2006.

LIQUIDITY AND CAPITAL RESOURCES

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

	Nine Months Ended	
	September 30, 2007	September 30, 2006
Cash used in Operating Activities	\$ (4,548,486)	\$ (2,867,685)
Cash used in Investing Activities	\$ (66,723)	\$ (13,073)
Cash provided by Financing Activities	\$ 7,827,387	\$ 3,712,370

The Company incurred a net loss of \$8,102,241 for the nine months ended September 30, 2007. Such loss adjusted for non-cash charges consisting of common stock, options and warrants issued for services totaling \$3,976,450 and amortization and depreciation of \$31,013 resulted in cash used in operations totaling \$4,548,486 for the nine months ended September 30, 2007. This use of cash included additions to prepaid expenses and other current assets of \$33,338, accounts receivable of \$36,419 and reductions in accounts payable, accrued expenses and other current liabilities of \$450,592.

To meet its cash requirements for the nine months ended September 30, 2007, the Company relied primarily on the sale of its securities resulting in net proceeds of \$7,899,377, including, as discussed below, approximately \$5,579,300 from the public offering in August, 2007. In addition, the Company incurred new debt totaling \$338,432 to finance certain insurance policies for the company and short term bridge notes to fund operations in July and August 2007, as discussed below, offset by debt repayments totaling \$395,194 to pay off WestPark Convertible debt of \$75,000, payments of \$79,860 for new debt incurred to finance insurance policies and \$200,200 to pay off the short term bridge notes issued in July and August 2007.

In July and August 2007 the Company borrowed an aggregate of \$200,200 through the issuance of short term bridge notes to support operations pending the closing of the public offering described below. These bridge notes provided that they matured in six months from the date of issuance, subject to the Company's right to prepay, and bore interest at a rate of 15% per annum. Robin L. Smith MD, Chief Executive Officer and Chairman of the Board of the Company was issued a bridge note for \$125,000 and Richard Berman, a member of the Board of Directors, was issued a bridge note for \$50,000. On August 10, 2007, the Board authorized the repayment in full of the bridge notes and all outstanding bridge notes were repaid in full plus accrued interest.

On August 8, 2007, the Company completed a sale of 1,055,900 units at a price of \$5.00 per unit pursuant to a best efforts public offering. Each unit consisted of one share of common stock and one-half a five year Class A warrant to purchase one-half a share of common stock. Each whole Class A warrant is exercisable at \$6.00 per share. On August 14, 2007 the Company completed a sale of 214,100 units at a price of \$5.00 per unit pursuant to the same best efforts public offering. The aggregate number of units thus sold was 1,270,000 with gross proceeds of \$6,350,000, the aggregate number of shares of common stock included within the units was 1,270,000 and the aggregate number of Class A Warrants included within the units was 535,000. In connection with the public offering, the Company issued five year warrants to purchase an aggregate of 95,250 shares of common stock at \$6.50 per share to the underwriters for the offering. After payment of underwriting commissions and expenses and other costs of the offering, the aggregate net proceeds to the Company were \$5,579,300.

The Company may from time to time pursue strategic relationships, including acquisitions, with the goal of improving operating efficiencies and taking advantage of opportunities synergistic to its platform business.

INFLATION

The Company does not believe that its operations have been materially influenced by inflation for the nine months ended September 30, 2007, a situation which is expected to continue for the foreseeable future.

ITEM 3 CONTROLS AND PROCEDURES

- (a) Our chief executive officer and chief financial officer have concluded, based on their evaluation of the effectiveness of our "disclosure controls and procedures" as of the end of the period covered by this quarterly report on Form 10-QSB (as defined under Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934) were effective as of such date to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and the breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.
- (b) During our last fiscal quarter and subsequent to our evaluation, there were no changes in internal controls that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

NEOSTEM, INC.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In July, 2007 the Company issued 909 shares of its Common Stock to DC Associates LLC, in partial payment of rent expense on its executive office space which the Company currently subleases from DC Associates LLC. Such shares had a per share price of \$5.50 for a total value of \$5,000.

In August 2007, the Company issued five year warrants to purchase an aggregate of 95,250 shares of Common Stock at \$6.50 per share, to the participating underwriters in its August 2007 public offering of 1,270,000 units consisting of shares of Common Stock and Class A Warrants to purchase Common Stock. The shares underlying the underwriter warrants were registered under the Securities Act of 1933, as amended (the "Securities Act").

The offer and sale of the securities described above were made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act, for transactions by an issuer not involving a public offering. The offer and sale of such securities were made without general solicitation or advertising to an "accredited investor," as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

- 10.1 Restated Warrant Agreement dated August 14, 2007 between NeoStem, Inc. and Continental Stock Transfer & Trust Company.
- 10.2 Form of Underwriter Warrant dated August 14, 2007.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with 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, thereunto duly authorized.

NEOSTEM, INC. (Registrant)

By: /s/ Robin Smith, MD

Robin Smith MD,
Chief Executive Officer

Date: November 14, 2007

By: /s/ Larry A. May

Larry A. May,
Chief Financial Officer

Date: November 14, 2007

RESTATED WARRANT AGREEMENT

THIS AGREEMENT, made as of August 14, 2007 between NeoStem, Inc., a Delaware corporation, with offices at 420 Lexington Avenue, Suite 450, New York, New York 10170 ("Company"), and Continental Stock Transfer & Trust Company, a New York corporation, with offices at 17 Battery Place, New York, New York 10004 ("Warrant Agent").

WHEREAS, the Company is engaged in a public offering ("Public Offering") of Units ("Units"), and in connection therewith, has determined to issue and deliver up to 1,270,000 Units at a price of \$5.00 per unit, through Mercer Capital Ltd. (the "Underwriter") and other broker/dealers (arranged by the Underwriter) who are members of the National Association of Securities Dealers (NASD). Each Unit consists of one share of the Company's common stock and one-half a Class A warrant to purchase one-half share of the Company's common stock, par value \$0.001 per share.

WHEREAS, in connection with the Public Offering, the Company has determined to issue and deliver up to 635,000 Class A Warrants ("Warrants"); and

WHEREAS, the Warrants will trade only as a part of a Unit for 60 days following the final closing of the offering unless separate trading is authorized earlier by the Underwriter. Each Warrant will entitle its owner to purchase one share of the Company's common stock for \$6.00; and

WHEREAS, the Company has filed on July 16, 2007 with the Securities and Exchange Commission a Registration Statement on Form SB-2/A, No. 333-142923 as Pre-Effective Amendment No.3 ("Registration Statement"), for the registration, under the Securities Act of 1933, as amended ("Act") of, among other securities, the Warrants and the common stock issuable upon exercise of the Warrants; and

WHEREAS, the final closing occurred on August 14, 2007 and all 1,270,000 Units have been sold; and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange, redemption and exercise of the Warrants; and

WHEREAS, the Company desires to provide for the form and provisions of the Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights, and immunities of the Company, the Warrant Agent, and the holders of the Warrants; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Warrants, when executed on behalf of the Company and countersigned by or on behalf of the Warrant Agent, as provided herein, the valid, binding and legal obligations of the Company, and to authorize the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1: APPOINTMENT OF WARRANT AGENT

1.1 Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company for the Warrants, and the Warrant Agent hereby accepts such appointment and agrees to perform the same in accordance with the terms and conditions set forth in this Agreement.

SECTION 2: WARRANTS

2.1. Form of Warrant. Each Warrant shall be issued in registered form only, shall be in substantially the form of the Warrant Certificate annexed as Exhibit A hereto, the provisions of which are incorporated herein and shall be signed by, or bear the facsimile signature of, the Chairman of the Board or President and Treasurer or Secretary of the Company and shall bear a facsimile of the Company's seal. In the event the person whose facsimile signature has been placed upon any Warrant shall have ceased to serve in the capacity in which such person signed the Warrant before such Warrant is issued, it may be issued with the same effect as if he or she had not ceased to be such at the date of issuance.

2.2. Effect of Countersignature. Unless and until countersigned by the Warrant Agent pursuant to this Agreement, a Warrant shall be invalid and of no effect and may not be exercised by the holder thereof.

2.3. Registration.

2.3.1. Warrant Register. The Warrant Agent shall maintain books ("Warrant Register"), for the registration of original issuance and the registration of transfer of the Warrants. Upon the initial issuance of the Warrants, the Warrant Agent shall issue and register the Warrants in the names of the respective holders thereof in such denominations and otherwise in accordance with instructions delivered to the Warrant Agent by the Company.

2.3.2. Registered Holder. Prior to due presentment for registration of transfer of any Warrant, the Company and the Warrant Agent may deem and treat the person in whose name such Warrant shall be registered upon the Warrant Register ("registered holder"), as the absolute owner of such Warrant and of each Warrant represented thereby (notwithstanding any notation of ownership or other writing on the Warrant Certificate made by anyone other than the Company or the Warrant Agent), for the purpose of any exercise thereof, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

2.4. Detachability of Warrants. The securities comprising the Units will not be separately transferable until October 13, 2007 (60 days after the final closing) unless the Underwriter informs the Company of its decision to allow earlier separate trading.

SECTION 3: TERMS AND EXERCISE OF WARRANTS

3.1. Warrant Price. Each Warrant shall, when countersigned by the Warrant Agent, entitle the registered holder thereof, subject to the provisions of such Warrant and of this Warrant Agreement, to purchase from the Company the number of shares of Common Stock stated therein, at the price of \$6.00 (the "Warrant Price"), subject to (i) the adjustments provided in Section 4 hereof, and (ii) subject to redemption as provided in Section 6 hereof. The term "Warrant Price" refers to the price per share at which common stock may be purchased at the time a Warrant is exercised.

3.2 Duration of Warrants. A Warrant may be exercised only during the period ("Exercise Period") commencing on the date the Warrants become separately tradable pursuant to Section 2.4 of this Warrant Agreement and thereafter until 5:00 PM New York time on July 16, 2012, unless earlier redeemed ("Expiration Date"). Except with respect to the right to receive the Redemption Price (as set forth in Section 6 hereunder), each Warrant not exercised on or before the Expiration Date shall become void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease at the close of business on the Expiration Date. The Company in its sole discretion may extend the duration of the Warrants by delaying the Expiration Date.

3.3. Exercise of Warrants.

3.3.1. Payment. Subject to the provisions of the Warrant and this Warrant Agreement, a Warrant, when countersigned by the Warrant Agent, may be exercised by the registered holder thereof by surrendering it, at the office of the Warrant Agent, or at the office of its successor as Warrant Agent, in the Borough of Manhattan, City and State of New York, with the subscription form, as set forth in the Warrant, duly executed, and by paying in full, in lawful money of the United States, in cash, good certified check or good bank draft payable to the order of the Company, the Warrant Price for each full share of Common Stock as to which the Warrant is exercised and any and all applicable taxes due in connection with the exercise of the Warrant, the exchange of the Warrant for the Common Stock, and the issuance of the Common Stock.

3.3.2. Issuance of Certificates. As soon as practicable after the exercise of any Warrant and the clearance of the funds in payment of the Warrant Price, the Company shall issue to the registered holder of such Warrant a certificate or certificates for the number of full shares of Common Stock to which he is entitled, registered in such name or names as may be directed by him, and if such Warrant shall not have been exercised in full, a new countersigned Warrant for the number of shares as to which such Warrant shall not have been exercised. Notwithstanding the foregoing, the Company shall not be obligated to deliver any securities pursuant to the exercise of a Warrant unless a registration statement under the Act with respect to the Common Stock is effective. Warrants may not be exercised by, or securities issued to, any registered holder in any state in which such exercise would be unlawful.

3.3.3. Valid Issuance. All shares of Common Stock issued upon the proper exercise of a Warrant in conformity with this Agreement shall be validly issued, fully paid and nonassessable.

3.3.4. Date of Issuance. Each person in whose name any such certificate for shares of Common Stock is issued shall for all purposes be deemed to have become the holder of record of such shares on the date on which the Warrant was surrendered and payment of the Warrant Price was made, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

SECTION 4: ADJUSTMENTS

4.1. Stock Dividends--Split-Ups. If after the date hereof, and subject to the provisions of Section 4.6 below, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock, or by a split-up of shares of Common Stock, or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares issuable on exercise of each Warrant shall be increased in proportion to such increase in outstanding shares.

4.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 4.6, the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares issuable on exercise of each Warrant shall be decreased in proportion to such decrease in outstanding shares.

4.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of the Warrants is adjusted, as provided in Section 4.1 and 4.2 above, the Warrant Price shall be adjusted (to the nearest cent) by multiplying such Warrant Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of the Warrants immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

4.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than a change covered by Section 4.1 or 4.2 hereof or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Warrant holders shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by a Warrant holder of the number of shares of Common Stock of the Company obtainable upon exercise of the Warrants immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Section 4.1 or 4.2, then such adjustment shall be made pursuant to Sections 4.1, 4.2, 4.3 and this Section 4.4. The provisions of this Section 4.4 shall similarly apply to successive reclassifications, reorganizations, mergers or

consolidations, sales or other transfers.

4.5. Notices of Changes in Warrant. Upon every adjustment of the Warrant Price or the number of shares issuable on exercise of a Warrant, the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in Sections 4.1, 4.2, or 4.4, then, in any such event, the Company shall give written notice to the Warrant holder, at the last address set forth for such holder in the warrant register, of the record date or the effective date of the event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

4.6. Fractional Shares. Notwithstanding any provision contained in this Warrant Agreement to the contrary, the Company shall retain the option not to issue fractional shares upon exercise of Warrants. If, by reason of any adjustment made pursuant to this Section 4, the holder of any Warrant would be entitled, upon the exercise of such Warrant, to receive a fractional interest in a share, the Company may, upon such exercise, either deliver fractional shares of Common Stock to be issued to the Warrant holder, or round to the nearest whole share, or pay the fractional share in cash at the market price at the close of business on the date the Warrant is exercised.

4.7. Form of Warrant. The form of Warrant need not be changed because of any adjustment pursuant to this Section 4, and Warrants issued after such adjustment may state the same Warrant Price and the same number of shares as is stated in the Warrants initially issued pursuant to this Agreement. However, the Company may at any time in its sole discretion make any change in the form of Warrant that the Company may deem appropriate and that does not affect the substance thereof, and any Warrant thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant or otherwise, may be in the form as so changed.

SECTION 5: TRANSFER AND EXCHANGE OF WARRANTS

5.1 Registration of Transfer. The Warrant Agent shall register the transfer, from time to time, of any outstanding Warrant upon the Warrant Register, upon surrender of such Warrant for transfer, properly endorsed with signatures properly guaranteed and accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant representing an equal aggregate number of Warrants shall be issued and the old Warrant shall be cancelled by the Warrant Agent. The Warrants so cancelled shall be delivered by the Warrant Agent to the Company from time to time upon request.

5.2. Procedure for Surrender of Warrants. Warrants may be surrendered to the Warrant Agent, together with a written request for exchange or transfer, and thereupon the Warrant Agent shall issue in exchange therefor one or more new Warrants as requested by the registered holder of the Warrants so surrendered, representing an equal aggregate number of Warrants; provided, however, that in the event that a Warrant surrendered for transfer bears a restrictive legend, the Warrant Agent shall not cancel such Warrant and issue new Warrants in exchange therefor until the Warrant Agent has received an opinion of counsel for the Company stating that such transfer may be made and indicating whether the new Warrants must also bear a restrictive legend.

5.3. Fractional Warrants. The Warrant Agent shall not be required to effect any registration of transfer or exchange which will result in the issuance of a warrant certificate for a fraction of a warrant.

5.4. Service Charges. No service charge shall be made for any exchange or registration of transfer of Warrants.

5.5. Warrant Execution and Countersignature. The Warrant Agent is hereby authorized to countersign and to deliver, in accordance with the terms of this Agreement, the Warrants required to be issued pursuant to the provisions of this Section 5, and the Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose.

SECTION 6: REDEMPTION

6.1. Redemption. All or any part of the outstanding Warrants may be redeemed, at the option of the Company, at any time after they become exercisable and prior to their expiration, at the office of the Warrant Agent, upon the notice referred to in Section 6.2, at the price of \$.001 per Warrant ("Redemption Price"), provided that the Company's stock closes at a price equal to or exceeding \$8.00 (subject to the adjustments proportional to the adjustments to the Warrant Price provided in Section 4 hereof) for 20 consecutive trading days

on its principal trading market.

6.2. Date Fixed for, and Notice of, Redemption. In the event the Company shall elect to redeem all of the Warrants, the Company shall fix a date for the redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than 30 days prior to the date fixed for redemption to the registered holders of the Warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the registered holder received such notice.

6.3. Exercise After Notice of Redemption. The Warrants may be exercised in accordance with Section 3 of this Agreement at any time after notice of redemption shall have been given by the Company pursuant to Section 6.2. hereof and prior to the time and date fixed for redemption, which time shall be 5:00 PM New York time. On and after the redemption date, the record holder of the Warrants shall have no further rights except to receive, upon surrender of the Warrants, the Redemption Price.

SECTION 7. OTHER PROVISIONS RELATING TO RIGHTS OF WARRANT HOLDERS

7.1. No Rights as Stockholder. A Warrant does not entitle the registered holder thereof to any of the rights of a stockholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as stockholders in respect of the meetings of stockholders or the election of directors of the Company or any other matter.

7.2. Lost, Stolen, Mutilated, or Destroyed Warrants. If any Warrant is lost, stolen, mutilated, or destroyed, the Company and the Warrant Agent may on such terms as to indemnity or otherwise as they may in their discretion impose (which may include a surety bond and shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination, tenor, and date as the Warrant so lost, stolen, mutilated, or destroyed. Any such new Warrant shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Warrant shall be at any time enforceable by anyone.

7.3. Reservation of Common Stock. The Company shall at all times reserve and keep available a number of its authorized but unissued shares of Common Stock that will be sufficient to permit the exercise in full of all outstanding Warrants issued pursuant to this Agreement.

SECTION 8. CONCERNING THE WARRANT AGENT AND OTHER MATTERS

8.1. Payment of Taxes. The Company will from time to time promptly pay all taxes and charges that may be imposed upon the Company or the Warrant Agent in respect of the issuance or delivery of shares of Common Stock upon the exercise of Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Warrants or such shares.

8.2. Resignation, Consolidation, or Merger of Warrant Agent.

8.2.1. Appointment of Successor Warrant Agent. The Warrant Agent, or any successor to it hereafter appointed, may resign its duties and be discharged from all further duties and liabilities hereunder after giving sixty (60) days' notice in writing to the Company. If the office of the Warrant Agent becomes vacant by resignation or incapacity to act or otherwise, the Company shall appoint in writing a successor Warrant Agent in place of the Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after it has been notified in writing of such resignation or incapacity by the Warrant Agent or by the holder of the Warrant (who shall, with such notice, submit his Warrant for inspection by the Company), then the holder of any Warrant may apply to the Supreme Court of the State of New York for the County of New York for the appointment of a successor Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or by such court, shall be a corporation organized and existing under the laws of the State of New York, in good standing and having its principal office in the Borough of Manhattan, City and State of New York, and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. After appointment, any successor Warrant Agent shall be vested with all the authority, powers, rights, immunities, duties, and obligations of its predecessor Warrant Agent with like effect as if originally named as Warrant Agent hereunder, without any further act or deed; but if for any reason it becomes necessary or appropriate, the predecessor Warrant Agent shall execute and deliver, at the expense of the Company, an instrument transferring to such successor Warrant Agent all the authority, powers, and rights of such predecessor Warrant Agent hereunder; and upon request of any successor Warrant Agent the Company shall make, execute, acknowledge, and deliver any and all instruments in writing for more fully and effectually vesting in and confirming to such successor Warrant Agent all such

authority, powers, rights, immunities, duties, and obligations.

8.2.2. Notice of Successor Warrant Agent. In the event a successor Warrant Agent shall be appointed, the Company shall give notice thereof to the predecessor Warrant Agent and the transfer agent for the Common Stock not later than the effective date of any such appointment.

8.2.3. Merger or Consolidation of Warrant Agent. Any corporation into which the Warrant Agent may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party shall be the successor Warrant Agent under this Agreement without any further act.

8.3. Fees and Expenses of Warrant Agent.

8.3.1. Remuneration. The Company agrees to pay the Warrant Agent reasonable remuneration for its services as such Warrant Agent hereunder and will reimburse the Warrant Agent upon demand for all expenditures that the Warrant Agent may reasonably incur in the execution of its duties hereunder.

8.3.2. Further Assurances. The Company agrees to perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments, and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing of the provisions of this Agreement.

8.4. Liability of Warrant Agent.

8.4.1. Reliance on Company Statement. Whenever in the performance of its duties under this Warrant Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement signed by the President or Chairman of the Board of the Company and delivered to the Warrant Agent. The Warrant Agent may rely upon such statement for any action taken or suffered in good faith by it pursuant to the provisions of this Agreement.

8.4.2. Indemnity. The Warrant Agent shall be liable hereunder only for its own negligence, willful misconduct or bad faith. The Company agrees to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the execution of this Agreement except as a result of the Warrant Agent's negligence, willful misconduct, or bad faith.

8.4.3. Exclusions. The Warrant Agent shall have no responsibility with respect to the validity of this Agreement or with respect to the validity or execution of any Warrant (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant; nor shall it be responsible to make any adjustments required under the provisions of Section 4 hereof or responsible for the manner, method, or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock to be issued pursuant to this Agreement or any Warrant or as to whether any shares of Common Stock will when issued be valid and fully paid and nonassessable.

8.5. Acceptance of Agency. The Warrant Agent hereby accepts the agency established by this Agreement and agrees to perform the same upon the terms and conditions herein set forth and among other things, shall account promptly to the Company with respect to Warrants exercised and concurrently account for, and pay to the Company, all moneys received by the Warrant Agent for the purchase of shares of the Company's Common Stock through the exercise of Warrants.

SECTION 9. MISCELLANEOUS PROVISIONS

9.1. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns.

9.2. Notices. Any notice, statement or demand authorized by this Warrant Agreement to be given or made by the Warrant Agent or by the holder of any Warrant to or on the Company shall be sufficiently given or made if sent by certified mail, or private courier service, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

NeoStem, Inc.
420 Lexington Avenue

Suite 450
New York, New York 10170
Attn: Catherine Vaczy, Vice President and General Counsel

Any notice, statement or demand authorized by this Agreement to be given or made by the holder of any Warrant or by the Company to or on the Warrant Agent shall be sufficiently given or made if sent by certified mail or private courier service, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company), as follows:

Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
Attn: Compliance Department

with a copy in each case to:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, New Jersey 07068
Attn: Alan Wovsaniker, Esq.

9.3. Applicable law. The validity, interpretation, and performance of this Agreement and of the Warrants shall be governed in all respects by the laws of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it arising out of or relating in any way to this Agreement shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenience forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9.2 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim.

9.4. Persons Having Rights under this Agreement. Nothing in this Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the parties hereto and the registered holders of the Warrants any right, remedy, or claim under or by reason of this Warrant Agreement or of any covenant, condition, stipulation, promise, or agreement hereof. All covenants, conditions, stipulations, promises, and agreements contained in this Warrant Agreement shall be for the sole and exclusive benefit of the parties hereto and their successors and assigns and of the registered holders of the Warrants.

9.5. Examination of the Warrant Agreement. A copy of this Agreement shall be available at all reasonable times at the office of the Warrant Agent in the Borough of Manhattan, City and State of New York, for inspection by the registered holder of any Warrant. The Warrant Agent may require any such holder to submit his Warrant for inspection by it.

9.6 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

9.7. Effect of Headings. The Section headings herein are for convenience only and are not part of this Warrant Agreement and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

Attest: NEOSTEM, INC.

By:

----- /s/ Robin L. Smith -----

Attest: CONTINENTAL STOCK TRANSFER & TRUST COMPANY

By:

----- /s/ John Comer -----

John Comer
Vice President

[FORM OF FACE OF WARRANT CERTIFICATE]

_____ Warrants

VOID AFTER JULY 16, 2012

CLASS A
WARRANT CERTIFICATE FOR PURCHASE
OF COMMON STOCK

NEOSTEM, INC.

THIS CERTIFIES THAT, for value received.

_____ is the registered holder of a Class A Warrant or Warrants expiring July 16, 2012 (the "Warrant") to purchase one fully paid and non-assessable share of Common Stock, par value \$.001 per share ("Common Stock"), of NeoStem, Inc., a Delaware corporation (the "Company") for each Warrant evidenced by this Warrant Certificate (the "Shares"). The Warrant entitles the holder thereof to purchase from the Company commencing on the date (not later than October 13, 2007) the Warrants become separately tradable pursuant to Section 2.4 of the Warrant Agreement (as defined below) and thereafter until July 16, 2012, such number of Shares of the Company at the price of \$6.00 per share (the "Warrant Price"), upon surrender of this Warrant Certificate and payment of the Warrant Price at the office or agency of the Warrant Agent, Continental Stock Transfer & Trust Company, subject to the conditions set forth herein and in the Warrant Agreement between the Company and Continental Stock Transfer & Trust Company dated July 8, 2007 (the "Warrant Agreement"). The Warrant Agreement provides that upon the occurrence of certain events the Warrant Price and the number of Shares purchasable hereunder, set forth on the face hereof, may, subject to certain conditions, be adjusted. The term Warrant Price as used in this Warrant Certificate refers to the price per Share at which Shares may be purchased at the time the Warrant is exercised.

No fraction of a Share will be issued upon any exercise of a Warrant. If the holder of a Warrant would be entitled to receive a fraction of a Share upon any exercise of a Warrant, the Company shall, upon such exercise, round up to the nearest whole number the number of Shares to be issued to such holder.

Upon any exercise of the Warrant for less than the total number of full Shares provided for herein, there shall be issued to the registered holder hereof or his assignee a new Warrant Certificate covering the number of Shares for which the Warrant has not been exercised.

Warrant Certificates, when surrendered at the office or agency of the Warrant Agent by the registered holder hereof in person or by attorney duly authorized in writing, may be exchanged in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants.

Upon due presentment for registration of transfer of the Warrant Certificate at the office or agency of the Warrant Agent, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any applicable tax or other governmental charge.

The Company and the Warrant Agent may deem and treat the registered holder as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the registered holder, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

This Warrant does not entitle the registered holder to any of the rights of a stockholder of the Company.

The Company reserves the right to redeem the Warrant, at any time prior to its exercise, with a notice of redemption in writing to the Warrant holders of Record, giving 30 days' notice of such redemption at any time after the Warrant becomes exercisable if the Company's Common Stock closes at a price equal to or exceeding \$8.00 per share (subject to adjustment as provided in the Warrant

Agreement) for each of the 20 consecutive trading days on its principal trading market. The redemption price of the Warrants is to be \$.001 per Warrant. Any Warrant either not exercised, or tendered back to the Company by the end of the date specified in the notice of redemption, shall be canceled on the books of the Company and have no further value except for the \$.001 redemption price.

This Warrant Certificate shall be governed by and construed in accordance with the laws of the State of New York.

This Warrant Certificate is not valid unless countersigned by the Warrant Agent.

The terms and provisions of the Warrant Agreement are hereby incorporated by reference into this Warrant Certificate.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed, manually or in facsimile, by officers of the Company thereunto duly authorized and a facsimile of its corporate seal to be imprinted hereon.

Dated: _____ -

NEOSTEM, INC.

By: _____

Name:

Title:

[seal]

Countersigned:

CONTINENTAL STOCK TRANSFER AND TRUST COMPANY

By: _____

Authorized Officer

[FORM OF REVERSE OF WARRANT CERTIFICATE]

SUBSCRIPTION FORM

To Be Executed by the Registered Holder in Order to Exercise Warrants

The undersigned Registered Holder irrevocably elects to exercise _____ Warrants represented by this Warrant Certificate, and to purchase the shares of Common Stock issuable upon the exercise of such Warrants, and requests that Certificates for such shares shall be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

and be delivered to:

[please print or type name and address]

and if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

Dated: _____

X

Address

Taxpayer Identification Number

Signature Guaranteed

ASSIGNMENT

To Be Executed by the Registered Holder in Order to Assign Warrants

For Value Received, _____ hereby sell, assign, and transfer unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

_____ of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitute and appoint _____ Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated: _____

X _____
Signature Guaranteed

THE SIGNATURE TO THE ASSIGNMENT OF THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE OR CHICAGO STOCK EXCHANGE.

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAS BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THIS WARRANT NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

ID No: UW-
 Holder:
 Number of Underwriter Warrants:
 Date of Issuance: August 14, 2007

UNDERWRITER'S WARRANT TO PURCHASE SHARES OF COMMON STOCK
 OF
 NEOSTEM, INC.

THIS CERTIFIES that, for value received, _____, having an address at _____ ("Holder") is entitled to purchase from NEOSTEM, INC., a Delaware corporation, with offices at 420 Lexington Avenue, Suite 450, New York, New York 10170 ("Company"), subject to the terms and conditions hereof, _____ shares of Common Stock, par value \$.001 per share, of the Company, pursuant to the following:

WHEREAS, the Company is engaged in a public offering ("Public Offering") of Units ("Units"), and in connection therewith, has determined to issue and deliver 1,270,000 Units at a price of \$5.00 per unit, through Mercer Capital Ltd. (the "Underwriter") and other broker/dealers (arranged by the Underwriter) who are members of the National Association of Securities Dealers (NASD). Each Unit consists of one share of the Company's common stock and one-half Class A warrant to purchase one-half a share of the Company's common stock, par value \$0.001 per share.

WHEREAS, in connection with the Public Offering, the Company has determined to issue and deliver to the Underwriter or its designees an aggregate of 95,250 Underwriter Warrants ("Underwriter Warrants"); and

WHEREAS, each Underwriter Warrant will entitle the holder to purchase one share of the Company's common stock for \$6.50; and

WHEREAS, the Company has filed on July 10, 2007 with the Securities and Exchange Commission a Registration Statement on Form SB-2/A, No. 333-142923 as Pre-Effective Amendment No. 3 ("Registration Statement"), for the registration, under the Securities Act of 1933, as amended ("Act") of, among other securities, the common stock issuable upon exercise of the Underwriter Warrants; and

WHEREAS, the Registration Statement was declared effective on July 16, 2007, the final closing occurred on August 14, 2007 and all 1,270,000 Units have been sold: and

WHEREAS, the Company desires to provide for the form and provisions of the Underwriter Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights, and immunities of the Company and the Underwriter and its designees; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Underwriter Warrants, when executed on behalf of the Company, as provided herein, the valid, binding and legal obligations of the Company, and to authorize the execution and delivery of this Underwriter Warrant.

NOW, THEREFORE, the following terms and conditions will govern this Underwriter Warrant:

SECTION 1: WARRANTS

1.1. Registration.

1.1.1. Underwriter Warrant Register. The Company shall maintain books

("Warrant Register"), for the registration of original issuance and the registration of transfer of the Underwriter Warrants. Upon the initial issuance of the Underwriter Warrants, the Company shall issue and register the Underwriter Warrants in the names of the respective holders thereof in such denominations as determined by the Company.

1.1.2. Registered Holder. Prior to due presentment for registration of transfer of any Underwriter Warrant, the Company may deem and treat the person in whose name such Underwriter Warrant shall be registered upon the Warrant Register ("registered holder"), as the absolute owner of such Underwriter Warrant and of each Underwriter Warrant represented thereby (notwithstanding any notation of ownership or other writing on this Underwriter Warrant Certificate made by anyone other than the Company), for the purpose of any exercise thereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

SECTION 2: TERMS AND EXERCISE OF WARRANTS

2.1. Warrant Price. This Underwriter Warrant shall, when signed by the Company, entitle the registered holder thereof, subject to the provisions hereof, to purchase from the Company _____ shares of Common Stock, at the price of \$6.50 per share (the "Warrant Price"), subject to (i) the adjustments provided in Section 3 hereof, and (ii) subject to redemption as provided in Section 5 hereof. The term "Warrant Price" refers to the price per share at which common stock may be purchased at the time an Underwriter Warrant is exercised.

2.2 Duration of Underwriter Warrants. The Underwriter Warrant may be exercised only during the period ("Exercise Period") commencing on August 14, 2008 and thereafter until 5:00 PM New York time on August 14, 2012, unless earlier redeemed ("Expiration Date"). Except with respect to the right to receive the Redemption Price (as set forth in Section 6 hereunder), each Underwriter Warrant not exercised on or before the Expiration Date shall become void, and all rights thereunder and all rights in respect thereof under this Underwriter Warrant shall cease at the close of business on the Expiration Date. The Company in its sole discretion may extend the duration of the Underwriter Warrants by delaying the Expiration Date.

2.3. Exercise of Underwriter Warrants.

2.3.1. Payment. Subject to the provisions of this Underwriter Warrant, an Underwriter Warrant may be exercised by the registered holder thereof by surrendering it, at the office of the Company, in the Borough of Manhattan, City and State of New York, with the subscription form, as attached hereto, duly executed, and by paying in full, in lawful money of the United States, in cash, good certified check or good bank draft payable to the order of the Company, the Warrant Price for each full share of Common Stock as to which the Underwriter Warrant is exercised and any and all applicable taxes due in connection with the exercise of the Underwriter Warrant, the exchange of the Underwriter Warrant for the Common Stock, and the issuance of the Common Stock.

2.3.2. Cashless Exercise. Notwithstanding any provision herein to the contrary, if as of the date of exercise of all or a part of this Underwriter Warrant, the closing sales price of the Common Stock is greater than the Warrant Price, as adjusted, then in lieu of exercising this Underwriter Warrant for cash, the holder may elect to receive, without the cash payment by the holder of the Warrant Price, shares of Common Stock equal to the value of this Underwriter Warrant or any portion hereof by the surrender of this Underwriter Warrant (or such portion of this Underwriter Warrant being so exercised) together with the Net Issue Election Notice annexed hereto duly executed and completed, at the office of the Company. Thereupon, the Company shall issue to the holder such number of shares of Common Stock, equal to the quotient obtained by dividing [(A-B)(X)] by (A), where:

- (A) = the closing sales price on the trading day immediately preceding the date that the holder delivers the Net Issue Election Notice to the Company as provided herein;
- (B) = the Warrant Price of this Underwriter Warrant, as adjusted, in effect on the date that the holder delivers the Net Issue Election Notice to the Company as provided herein; and
- (X) = the total number of shares of Common Stock covered by this Underwriter Warrant which the holder has surrendered for cashless exercise.

2.3.3. Issuance of Certificates. As soon as practicable after the exercise of any Underwriter Warrant and the clearance of the funds in payment of the Warrant Price (if applicable), the Company shall issue to the registered holder of such Underwriter Warrant a certificate or certificates for the number of full shares of Common Stock to which he is entitled, registered in such name or names as may be directed by him, and if such Underwriter Warrant shall not have been exercised in full, a new Underwriter Warrant for the number of shares as to which such Underwriter Warrant shall not have been exercised. Notwithstanding the foregoing, the Company shall not be obligated to deliver any securities pursuant to the exercise of an Underwriter Warrant unless a registration statement under the Act with respect to the Common Stock is effective. Underwriter Warrants may not be exercised by, or securities issued to, any registered holder in any state in which such exercise would be unlawful.

2.3.4. Valid Issuance. All shares of Common Stock issued upon the proper exercise of an Underwriter Warrant in conformity with the terms hereof shall be validly issued, fully paid and nonassessable.

2.3.5. Date of Issuance. Each person in whose name any such certificate for shares of Common Stock is issued shall for all purposes be deemed to have become the holder of record of such shares on the date on which the Underwriter Warrant was surrendered and payment of the Warrant Price was made, irrespective of the date of delivery of such certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

SECTION 3: ADJUSTMENTS

3.1. Stock Dividends--Split-Ups. If after the date hereof, and subject to the provisions of Section 3.6 below, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock, or by a split-up of shares of Common Stock, or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares issuable on exercise of each Underwriter Warrant shall be increased in proportion to such increase in outstanding shares.

3.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 3.6, the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares issuable on exercise of each Underwriter Warrant shall be decreased in proportion to such decrease in outstanding shares.

3.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of the Underwriter Warrants is adjusted, as provided in Section 3.1 and 3.2 above, the Warrant Price shall be adjusted (to the nearest cent) by multiplying such Warrant Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of the Underwriter Warrants immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

3.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than a change covered by Section 3.1 or 3.2 hereof or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Underwriter Warrant holders shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Underwriter Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, by an Underwriter Warrant holder of the number of shares of Common Stock of the Company obtainable upon exercise of the Underwriter Warrants immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Section 3.1 or 3.2, then such adjustment shall be made pursuant to Sections 3.1, 3.2, 3.3 and this

Section 3.4. The provisions of this Section 3.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

3.5. Notices of Changes in Warrant. Upon every adjustment of the Warrant Price or the number of shares issuable on exercise of an Underwriter Warrant, the Company shall give written notice thereof to the registered Holder, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of an Underwriter Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in Sections 3.1, 3.2, or 3.4, then, in any such event, the Company shall give written notice to the Underwriter Warrant holder, at the last address set forth for such holder in the warrant register, of the record date or the effective date of the event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

3.6. Fractional Shares. Notwithstanding any provision contained in this Underwriter Warrant to the contrary, the Company shall retain the option not to issue fractional shares upon exercise of Underwriter Warrants. If, by reason of any adjustment made pursuant to this Section 4, the holder of any Underwriter Warrant would be entitled, upon the exercise of such Underwriter Warrant, to receive a fractional interest in a share, the Company may, upon such exercise, either deliver fractional shares of Common Stock to be issued to the Underwriter Warrant holder, or round to the nearest whole share, or pay the fractional share in cash at the market price at the close of business on the date the Underwriter Warrant is exercised.

3.7. Form of Warrant. The form of Underwriter Warrant need not be changed because of any adjustment pursuant to this Section 3, and Underwriter Warrants issued after such adjustment may state the same Warrant Price and the same number of shares as is stated in the Underwriter Warrants initially issued. However, the Company may at any time in its sole discretion make any change in the form of Underwriter Warrant that the Company may deem appropriate and that does not affect the substance thereof, and any Underwriter Warrant thereafter issued, whether in exchange or substitution for an outstanding Underwriter Warrant or otherwise, may be in the form as so changed.

SECTION 4: TRANSFER AND EXCHANGE OF WARRANTS

4.1. Procedure for Surrender of Underwriter Warrants. Underwriter Warrants may be surrendered to the Company, together with a written request for exchange or transfer, and thereupon the Company shall issue in exchange therefor one or more new Underwriter Warrants as requested by the registered holder of the Underwriter Warrants so surrendered, representing an equal aggregate number of Underwriter Warrants; provided, however, that in the event that an Underwriter Warrant surrendered for transfer bears a restrictive legend, the Company shall not cancel such Underwriter Warrant and issue new Underwriter Warrants in exchange therefor until the Company has received an opinion of counsel stating that such transfer may be made and indicating whether the new Underwriter Warrants must also bear a restrictive legend.

4.2. Service Charges. No service charge shall be made for any exchange or registration of transfer of Underwriter Warrants.

4.3 Limits on Transfer. This Underwriter Warrant shall not be sold during the offering or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness or commencement of sales of the Public Offering, except to any member participating in the offering and the officers or partners thereof, or as otherwise permitted under 2710(g)(2) of the NASD's Corporate Financing Rule and only if the Underwriter Warrants so transferred remain subject to this lock-up restriction for the remainder of the lock-up period.

4.4 Compliance with Securities Act and Legends. The Holder, by acceptance hereof, agrees that it will not offer, sell or otherwise dispose of this Underwriter 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, or any state's securities laws.

SECTION 5: REDEMPTION

5.1. Redemption. All or any part of the outstanding Underwriter Warrants may be redeemed, at the option of the Company, at any time after they become exercisable and prior to their expiration, at the office of the Company, upon the notice referred to in Section 5.2, at the price of \$.001 per Underwriter Warrant ("Redemption Price"), provided that the Company's stock closes at a price equal to or exceeding \$8.00 (subject to the adjustments proportional to

the adjustments to the Warrant Price provided in Section 3 hereof) for 20 consecutive trading days on its principal trading market.

5.2. Date Fixed for, and Notice of, Redemption. In the event the Company shall elect to redeem all of the Underwriter Warrants, the Company shall fix a date for the redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, by the Company not less than 30 days prior to the date fixed for redemption to the registered holders of the Underwriter Warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the registered holder received such notice.

5.3. Exercise After Notice of Redemption. The Underwriter Warrants may be exercised in accordance with Section 2 of this Agreement at any time after notice of redemption shall have been given by the Company pursuant to Section 5.2 hereof and prior to the time and date fixed for redemption, which time shall be 5:00 PM New York time. On and after the redemption date, the record holder of the Underwriter Warrants shall have no further rights except to receive, upon surrender of the Underwriter Warrants, the Redemption Price.

SECTION 6. OTHER PROVISIONS RELATING TO RIGHTS OF UNDERWRITER WARRANT HOLDERS

6.1. No Rights as Stockholder. The Underwriter Warrant does not entitle the registered holder thereof to any of the rights of a stockholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as stockholders in respect of the meetings of stockholders or the election of directors of the Company or any other matter.

6.2. Lost, Stolen, Mutilated, or Destroyed Underwriter Warrants. If any Underwriter Warrant is lost, stolen, mutilated, or destroyed, the Company may on such terms as to indemnity or otherwise as they may in their discretion impose (which may include a surety bond and shall, in the case of a mutilated Underwriter Warrant, include the surrender thereof), issue a new Underwriter Warrant of like denomination, tenor, and date as the Underwriter Warrant so lost, stolen, mutilated, or destroyed. Any such new Underwriter Warrant shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Underwriter Warrant shall be at any time enforceable by anyone.

6.3. Reservation of Common Stock. The Company shall at all times reserve and keep available a number of its authorized but unissued shares of Common Stock that will be sufficient to permit the exercise in full of all outstanding Underwriter Warrants issued

SECTION 7. MISCELLANEOUS PROVISIONS

7.1. Payment of Taxes. The Company will from time to time promptly pay all taxes and charges that may be imposed upon the Company in respect of the issuance or delivery of shares of Common Stock upon the exercise of Underwriter Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Underwriter Warrants or such shares.

7.2. Successors. All the covenants and provisions of this Underwriter Warrant by or for the benefit of the Company or the registered Holder shall bind and inure to the benefit of their respective successors and assigns.

7.3. Notices. Any notice, statement or demand authorized by this Underwriter Warrant to be given or made by the holder hereof to or on the Company shall be sufficiently given or made if sent by certified mail, or private courier service, postage prepaid, addressed (until another address is provided in writing by the Company), as follows:

NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, New York 10170
Attn: Catherine Vaczy, Vice President and General Counsel

With a copy to:

Lowenstein Sandler PC
65 Livingston Avenue
Roseland, New Jersey 07068
Attn: Alan Wovsaniker, Esq.

7.4 Applicable law. The validity, interpretation, and performance of this Underwriter Warrant shall be governed in all respects by the laws of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it arising out of or relating in any way to this Underwriter Warrant shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 7.3 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim.

7.5. Persons Having Rights under this Underwriter Warrant. Nothing in this Underwriter Warrant expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the Company and the registered holder of this Underwriter Warrant any right, remedy, or claim under or by reason of this Underwriter Warrant or of any covenant, condition, stipulation, promise, or agreement hereof. All covenants, conditions, stipulations, promises, and agreements contained in this Underwriter Warrant shall be for the sole and exclusive benefit of the registered holder hereof and the Company and their respective successors and assigns.

7.6. Effect of Headings. The Section headings herein are for convenience only and are not part of this Underwriter Warrant and shall not affect the interpretation thereof.

IN WITNESS WHEREOF, this Underwriter Warrant has been duly executed by the Company as of the day and year first above written.

NEOSTEM, INC.

By:

Robin L. Smith
Chairman and Chief Executive Officer

SUBSCRIPTION FORM

To Be Executed by the Registered Holder in Order to Exercise Underwriter Warrants

TO: NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, NY 10170
Attention: Chairman and CEO

The undersigned Registered Holder irrevocably elects to exercise _____ Underwriter Warrants represented by the attached Underwriter Warrant Certificate No. _____, and to purchase the shares of Common Stock issuable upon the exercise of such Underwriter Warrants.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in the Underwriter Warrant. Such payment takes the form of \$_____ in lawful money of the United States.

The undersigned hereby requests that Certificates for such shares shall be issued in the name of

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

and be delivered to:

[please print or type name and address]

and if such number of Underwriter Warrants shall not be all the Underwriter Warrants evidenced by this Underwriter Warrant Certificate, that a new Underwriter Warrant Certificate for the balance of such Underwriter Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

Dated: _____

X

Address

Taxpayer Identification Number

Signature Guaranteed

NET ISSUE ELECTION NOTICE

To Be Executed by the Registered Holder in Order to Make a Cashless Exercise of Underwriter Warrants

TO: NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, NY 10170
Attention: Chairman and CEO

The undersigned hereby elects under Section 2.3.2 of the attached Underwriter Warrant No. _____, to surrender the right to purchase _____ shares of Common Stock pursuant to the Underwriter Warrant and hereby requests the issuance of the number of shares of Common Stock determined in accordance with Section 2.3.2.

The undersigned hereby requests that Certificates for the shares issuable upon such net issue election shall be issued in the name of:

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

and be delivered to:

[please print or type name and address]

and if there shall be remaining Underwriter Warrants after such net issue election, that a new Underwriter Warrant Certificate for the balance of such Underwriter Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

Dated: _____

X

Address

Taxpayer Identification Number

Signature Guaranteed

ASSIGNMENT

To Be Executed by the Registered Holder in Order to Assign Underwriter Warrants

For Value Received, _____ hereby sell, assign, and transfer unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER

[please print or type name and address]

_____ of the Underwriter Warrants represented by the attached Underwriter Warrant Certificate No. _____, and hereby irrevocably constitute and appoint _____ Attorney to transfer this Underwriter Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated: _____

X _____
Signature Guaranteed

THE SIGNATURE TO THE ASSIGNMENT OF THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME WRITTEN UPON THE FACE OF THIS UNDERWRITER WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER, AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE OR CHICAGO STOCK EXCHANGE.

CERTIFICATION

I, Robin Smith, MD, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of NeoStem, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this quarterly report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) disclosed in this quarterly report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting;
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 14, 2007

/s/ Robin Smith, MD

Name: Robin Smith, MD

Title: Chief Executive Officer of NeoStem, Inc.

A signed original of this written statement required by Section 302 has been provided to NeoStem, Inc. and will be retained by NeoStem, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION

I, Larry A. May, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of NeoStem, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this quarterly report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) disclosed in this quarterly report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting;
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 14, 2007

/s/ Larry A. May

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Name: Larry A. May

Title: Chief Financial Officer of NeoStem, Inc.

A signed original of this written statement required by Section 302 has been provided to NeoStem, Inc. and will be retained by NeoStem, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NeoStem, Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2007 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robin Smith MD, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the dates presented and the result of operations of the Company for the periods presented.

Dated: November 14, 2007

/s/ Robin Smith, MD

Robin Smith, MD
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-QSB or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to NeoStem, Inc. and will be retained by NeoStem, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NeoStem, Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2007 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry A. May, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the dates presented and the result of operations of the Company for the periods presented.

Dated: November 14, 2007

/s/ Larry A. May

Larry A. May
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-QSB or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to NeoStem, Inc. and will be retained by NeoStem, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.