SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006

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

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

DELAWARE	22-2343568
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

330 SOUTH SERVICE ROAD, SUITE 120, MELVILLE, NEW YORK	11747
(Address of principal executive offices)	(zip code)

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

(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 X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer __ Accelerated Filer __ Non-accelerated Filer X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes _X_ No __

86,738,633 SHARES, $.001 PAR VALUE, AS OF May 19, 2006

(Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date)

I N D E X

PHASE III MEDICAL, INC. and SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	March 31, 2006	December 31, 2005
Current assets:		
Cash and cash equivalents	$ 29,067	$ 488,872
Prepaid expenses and other current assets	191,385	18,447
Total current assets	220,452	507,319
Property and equipment, net	75,005	1,488
Deferred acquisition costs	14,654	19,121
Goodwill	580,866	-
Other assets	3,000	114,753
	$ 893,977	$ 642,681

LIABILITIES AND STOCKHOLDERS' DEFICIT

	March 31, 2006	December 31, 2005
Current liabilities:		
Interest and dividends payable - preferred stock	$ -	$ 528,564
Accounts payable	455,428	256,976
Accrued liabilities	467,664	617,196
Due to related party - current portion	125,000	-
Notes payable	251,209	135,000
Notes payable - related parties	-	48,000
Convertible debentures - net of debt discount Of $146,638 and $83,333	353,362	166,667
Capitalized lease obligations - current portion	37,598	-
Total current liabilities	1,690,261	1,752,403
Unearned revenues	20,483	26,745
Due to related party - long-term portion	125,000	-
Capitalized lease obligations	76,001	-
Series A mandatorily redeemable convertible preferred stock	-	681,171
Total Liabilities	1,911,745	2,460,329
Stockholders' Deficit:		
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, 83,622,725 shares at March 31, 2006 and 70,543,862 shares at December 31, 2005	83,624	70,545
Additional paid-in capital	14,293,317	12,367,082
Accumulated deficit	(15,394,809)	(14,255,365)
Total stockholders' deficit	(1,017,768)	(1,817,638)

$ 893,977	$ 642,681

See accompanying notes to consolidated financial statements

PHASE III MEDICAL, INC. and SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Earned revenues	$ 6,262	$ 10,535
Direct costs	(4,467)	(7,417)
Gross profit	1,795	3,118
Selling, general and administrative	(939,234)	(215,501)
Operating loss	(937,439)	(212,383)
Other income (expense):		
Interest income	539	-
Interest expense	(192,610)	(25,366)
Interest expense - Series A mandatorily redeemable convertible preferred stock	(9,934)	(11,921)
Net loss attributable to common stockholders	$ (1,139,444)	$ (249,670)
Net loss per common share	$ (.02)	$ (.01)
Weighted average common shares outstanding	75,581,529	41,924,642

See accompanying notes to consolidated financial statements

PHASE III MEDICAL, INC. and SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2006	2005
Cash flows from operating activities:		
Net loss	$ (1,139,444)	$ (249,670)
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	220,766	5,749
Depreciation	5,627	489
Amortization of debt discount	65,862	5,882
Series A mandatorily redeemable convertible preferred stock dividends	9,934	11,921
Deferred acquisition costs	4,467	7,417
Changes in operating asset and liabilities:		
Prepaid expenses and other current assets	(144,852)	2,881
Unearned revenues	(6,262)	(10,535)
Accounts payable, accrued expenses, and other current liabilities	156,180	131,377
Net cash used in operating activities	(827,722)	(94,489)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	26,500	-
Proceeds from advances on notes payable	180,397	-
Payments of capitalized lease obligations	(5,980)	-
Proceeds from sale of convertible debentures	250,000	72,000
Repayments of notes payable	(83,000)	-
Net cash provided by financing activities	367,917	72,000
Net decrease in cash and cash equivalents	(459,805)	(22,489)
Cash and cash equivalents at beginning of period	488,872	27,868
Cash and cash equivalents at end of period	$ 29,067	$ 5,379

	Three Months Ended March 31, 2006	2005
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 4,679	$ 18,541
Supplemental Schedule of Non-cash Financing Activities:		
Issuance of shares for purchase of NeoStem	$ 200,000	-
Net accrual of dividends on Series A Preferred Stock	$ 9,934	$ 11,921

Issuance of common stock for services rendered	$ 25,150	$ 4,875
Compensatory element of stock options	$ 195,616	$ 874

See accompanying notes to consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE COMPANY

Phase III Medical, Inc., a Delaware corporation ("Phase III" or the "Company") is currently engaged 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 storage of adult stem cells that donors can access for their own present and future medical treatment. The Company's previous business was to provide capital and business guidance to companies in the healthcare and life science industries. On January 19, 2006 the Company consummated the acquisition of the assets of NeoStem Inc., a California corporation ("NeoStem") relating to NeoStem's business of collecting and storing adult stem cells. NeoStem had been a company to which Phase III had been providing business guidance. Effective with the acquisition, the business of NeoStem became the principal business of the Company. The Company now intends to provide adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for future healthcare needs. The Company also plans to become the leading provider of adult stem cells for therapeutic use in the burgeoning field of regenerative medicine for potentially addressing heart disease, certain types of cancer and other critical health problems. The Company will attempt to utilize the combined Phase III and NeoStem management teams to develop and expand this business. A marketing and operational plan is being developed to integrate both companies, and a corporate awareness campaign is being prepared.

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

NOTE 2 - BASIS OF PRESENTATION

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-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of March 31, 2006 and December 31, 2005, the results of operations for the three months ended March 31, 2006 and 2005 and the cash flows for the three months ended March 31, 2006 and 2005. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the full year.

The Company's consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company currently has no cash generating revenues and limited financial resources to pay its current expenses and liabilities. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The December 31, 2005 balance sheet has been derived from the audited financial statements at that date included in the Company's Annual Report on Form 10-K. These unaudited financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K.

NOTE 3 -RECENT ACCOUNTING PRONOUNCEMENTS

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

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

NOTE 4 -STOCK OPTIONS

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

Effective January 1, 2006, the Company's Plan is accounted for in accordance with the recognition and measurement provisions of Statement of Financial Accounting Standards ("FAS") No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and related interpretations. FAS 123 (R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, the Company adheres to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

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

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

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

As a result of the adoption of FAS 123 (R), the Company's results for the three month period ended March 31, 2006 include share-based compensation expense totaling approximately $219. Such amounts have been included in the consolidated statements of income within general and administrative expenses. Stock compensation expense recorded under APB No. 25 in the consolidated statements of operations for the three months ended March 31, 2005 totaled $0.

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

The weighted average estimated fair value of stock options granted in the three months ended March 31, 2006 and 2005 was $.05 and $0, respectively. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. During 2006, the Company took into consideration the guidance under SFAS 123(R) and SAB No. 107 when reviewing and updating assumptions. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously such assumptions were determined based on historical data.

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

	Three Months Ended	
	March 31, 2006	March 31, 2005
Expected term (in years)	10	10
Expected volatility	264%	200%
Expected dividend yield	0%	0%
Risk-free interest rate	2.8%	2.8%

The following table addresses the additional disclosure requirements of FAS 123(R) in the period of adoption. The table illustrates the effect on net income and earnings per share as if the fair value recognition provisions of FAS No. 123 had been applied to all outstanding and unvested awards in the prior year comparable period.

	Three Months Ended March 31, 2005
Net loss, as reported	$ (249,670)
Add: Stock-based compensation included in reported net income	-
Deduct: Total stock based compensation expense determined under the fair value based method for all awards (no tax effect)	(17,726)
Pro forma net loss	$ (267,396)
Net loss per share:	
Basic - as reported	$ (.01)
Basic - pro forma	$ (.01)

The Company granted 225,000 options under the Plan during the three months ended March 31, 2006 at exercise prices ranging from $.05 per share to $.08 per share.

The following table represents our stock options granted, exercised, and forfeited during the first quarter of 2006.

Stock Options	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2006	17,885,000	$.07		
Granted	225,000			
Exercised	-			
Forfeited/expired	(500,000)	($.06)		
Outstanding at March 31, 2006	17,610,000	$.07	8.63	$ 366,500
Vested and Exercisable at March 31, 2006	12,210,000	$.07	8.33	$ 260,500

As of March 31, 2006, there was $131,385 of total unrecognized compensation costs related to unvested stock option awards. The $131,385 is expected to vest over the weighted average of less than one year.

	Options	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2005	5,800,000	$ .024
Granted	200,000	$ .025
Vested	(100,000)	$ .030
Forfeited	(500,000)	$ .024
Nonvested at March 31, 2006	5,400,000	$ .024

The total fair value of shares vested during the three month period ended March 31, 2006 was $2,995.

NOTE 5 - NOTES PAYABLE

On March 17, 2003, the Company commenced a private placement offering to raise up to $250,000 in 6-month promissory notes in increments of $5,000 bearing interest at 15% per annum. Only selected investors which qualify as "accredited investors" as defined in Rule 501(a) under the Securities Act of 1933, as amended, were eligible to purchase these promissory notes. The Company raised the full $250,000 through the sale of such promissory notes, resulting in net proceeds to the Company of $225,000, net of offering costs. The notes contain a default provision which raises the interest rate to 20% if the notes are not paid when due. The Company issued $250,000 of these notes. As of March 31, 2006, $90,000 has been converted into 1,530,000 shares of the Company's Common Stock and $95,000 has been repaid and the remaining balance of $65,000 bears interest at 20% and the due date has been extended to September 30, 2006. All interest payments have been made timely.

In August 2004, the Company sold 30 day 20% notes in the amount of $55,000 to two accredited investors to fund current operations. As of March 31, 2006, $30,000 of these notes has been paid and $25,000 converted into 425,000 shares of the Company's Common Stock. All interest payments have been paid timely. In December 2004, the Company sold four notes to four accredited investors totaling $100,000 with interest rates that range from 8% to 20%. As of March 31, 2006, $15,000 has been repaid and $85,000 converted into 1,445,000 shares of the Company's Common Stock. All interest payments have been made timely.

In March 2005, the Company sold a 30 day 8% note in the amount of $17,000, in August 2005, an 8% note in the amount of $10,000 and in September 2005, two 8% notes in the amounts of $6,000 and $15,000 to its President and CEO, totaling $48,000 and were all due on demand. In January 2006, all notes were repaid. The interest on these notes was made timely.

On December 30, 2005, the Company sold $250,000 of convertible nine month Promissory Notes which bear 9% simple interest with net proceeds to the Company of $220,000. In addition, these Promissory Notes have 416,666 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 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 $.06 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 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. The Company recorded a debt discount associated with the conversion feature in the amount of $83,333. The Company recorded an expense of $2,573 associated with the warrants as their fair value using the Black Scholes method. For the three months ended March 31, 2006, the Company charged $27,980 of the debt discount to interest expense.

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. In addition, these Promissory Notes have 416,666 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 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 $.06 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 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. The Company recorded a debt discount associated with the conversion feature in the amount of $129,167. The Company recorded an expense of $82,337 associated with the warrants as their fair value using the Black Scholes method. For the three months ended March 31, 2006, the Company charged $37,882 of the debt discount to interest expense.

In connection with the NeoStem acquisition, the Company assumed a 6% note due to Tom Hirose, a former employee of NeoStem in the amount of $15,812. As of March 31, 2006, $5,812 remains unpaid. Payments are made in the amount of $1,500 per month and will continue until all amounts due including interest are paid.

The Company has financed certain insurance polices and has notes payable at March 31, 2006 in the amount of $136,542 related to these policies. These notes require monthly payments and mature in less than one year.

NOTE 6 - SERIES "A" MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK

The Certificate of Designations for the Company's Series A $.07 Convertible Preferred Stock ("Series A Preferred Stock") provides that at any time after December 1, 1999 any holder of Series A Preferred Stock may require the Company to redeem his shares of Series A Preferred Stock (if there are funds with which the Company may legally do so) at a price of $1.00 per share. Notwithstanding the foregoing redemption provisions, if any dividends on the Series A Preferred Stock are past due, no shares of Series A Preferred Stock may be redeemed by the Company unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed. The holders of Series A Preferred Stock may convert their Series A Preferred Stock into shares of Common Stock of the Company at a price of $5.20 per share. On March 17, 2006, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permits the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay $538,498 (or $.79 per share) in accrued dividends thereon, a total of 5,449,368 shares of Common Stock (eight (8) shares of Common Stock per share of Series A Preferred Stock). Pursuant thereto, at March 31, 2006, all outstanding shares of Series A Preferred Stock were cancelled and converted into Common Stock. Therefore at March 31, 2006 and December 31, 2005, there were 0 and 681,171 shares of Series A Preferred Stock outstanding.

NOTE 7 - STOCKHOLDERS' EQUITY

(a) Common Stock:

In January 2006, the Company issued 765,000 shares of its Common Stock in exchange for $45,000 of notes payable. In addition, the Company issued 250,000 shares of its Common Stock to Westpark Capital, Inc. as additional compensation for its role as placement agent in the sale of the convertible debentures. The fair value of these shares was $22,750 which was charged to expense. In connection with the acquisition of certain assets of NeoStem, the Company issued 2,000,000 shares of its Common Stock to NeoStem. An additional 2,000,000 shares of the Company's Common Stock are being held in escrow pending any potential claims that may be made in connection with the NeoStem transaction to be released one year from the closing less any shares reclaimed due to amounts paid in cash in lieu of stock. The Company issued 1,000,000 additional shares of its Common Stock in escrow pending the approval of the license for the laboratory used for the collection of stem cells. The agreement calls for 16,666 shares to be forfeited each day the license is not obtained past February 15, 2006, with a maximum of 1,000,000 shares of Common Stock subject to forfeiture. As of April 16, 2006, the license had not been obtained and therefore the Company has notified NeoStem of the requirement that the 1,000,000 shares be forfeited to the Company. Subsequent to the closing of the NeoStem transaction, the Company issued 2,012,225 shares of its Common Stock in payment of obligations assumed by the Company. In certain cases, the Company issued shares with a fair market value on the date of issuance greater than the debt being paid and therefore recorded additional expense of $28,344.

In March 2006, the Company sold 602,270 shares of its Common Stock to five accredited investors at a per share price of $.044 resulting in net proceeds to the Company of $26,500.

(b) 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 9,959,152 shares of Common Stock are reserved for issuance upon exercise of outstanding warrants as of March 31, 2006 at prices ranging from $0.05 to $.12 and expiring through March 2009. In connection with the September 2003 equity private placement, the Company issued a 5 year warrant to purchase 282,500 shares of its Common Stock at an exercise price of $0.12 per share to its retained placement agent, Robert M. Cohen & Company. The warrant contains piggyback registration rights. From August 2004 through January 20, 2005, the Company issued three year warrants to purchase a total of 150,000 shares of its Common Stock at $.05 per share to Consulting For Strategic Growth, Ltd., the Company's public relations firm. On September 14, 2005, the Company issued 240,000 Common Stock purchase warrants to the Chairman of its Advisory Board. These warrants vest at the rate of 20,000 per month beginning with September 14, 2005. Each warrant entitles the holder to purchase one share of the Company's Common Stock at a price of $.08 per share. The warrant expires three years from issuance. On December 30, 2005, the Company issued 4,583,326 Common Stock purchase warrants to the investors and placement agent. Each warrant entitles the holder to purchase one share of Common Stock at a price of $.12 per share for a period of three years. In January 2006, the Company issued 4,583,326 Common Stock purchase warrants to the investors who purchased convertible debentures. Each warrant entitles the holder to purchase one share of Common Stock at a price of $.12 per share for a period of three years. In March 2006, the Company issued 120,000 Common Stock purchase warrants to Healthways Communications, Inc., the Company's marketing consultants. These warrants vest 20,000 per month beginning March 2006 and entitle the holder to purchase one share of Common Stock at a price of $.10 per share for a period of three years.

(c) Stock Option Plans:

In February 2003, the Company adopted the 2003 Equity Participation Plan, which was approved by stockholders at the Company's Annual Meeting on July 24, 2003 and amended by approval of stockholders at the Company's Annual Meeting on July 20, 2005. Under this plan, the Company has reserved 50,000,000 shares of common stock for the grant of incentive stock options and non-statutory stock options to employees and non-employee directors, consultants and advisors.

Information with respect to options under the 2003 Equity Participation Plan is summarized as follows:

	For the Three Months Ended March 31, 2006	
	Shares	Prices
Outstanding at beginning of period	17,885,000	$0.03 to $0.18
Granted	225,000	$0.05 to $0.08
Expired	-	-
Cancelled	(500,000)	$.06
Outstanding at end of period	17,610,000	$0.03 to $0.18

Options are usually granted at an exercise price at least equal to the fair value of the common stock at the grant date. During the three months ended March 31, 2006, options to purchase 225,000 shares of the Company's Common Stock at an exercise prices of $.05 and $.08 were granted to a consultant, employee and an officer of the Company.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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 agrees to pay to Mr. Aholt the aggregate sum of $250,000 (less applicable Federal and California state and local withholdings and payroll deductions), payable over a period of two years in biweekly installments of $4,807.69 commencing on April 7, 2006, except that the first payment will be in the amount of $9,615,38. In the event the Company breaches its payment obligations under the Settlement Agreement and such breach remains uncured, the full balance owed shall become due. The Company and Mr. Aholt each provided certain general releases. Mr. Aholt also agrees to continue to be bound by his obligations not to compete with the Company and to maintain the confidentiality of Company proprietary information.

In connection with the Company's acquisition of the assets of NeoStem on January 19, 2006, the Company entered into an employment agreement with Larry A. May. Mr. May is the former Chief Executive Officer of NeoStem. Pursuant to Mr. May's employment agreement, he is to serve as an officer of the Company reporting to the CEO for a term of three years, subject to earlier termination as provided in the agreement. In return, Mr. May will be paid an annual salary of $165,000, payable in accordance with the Company's standard payroll practices, will be entitled to participate in the Company's benefit plans generally available to other executives, including a car allowance equal to $750 per month and was granted on his commencement date an employee stock option under the Company's 2003 Equity Participation Plan to purchase 150,000 shares of the Company's Common Stock at a per share purchase price equal to $.05, the closing price of the Common Stock on the commencement date, which vests as to 50,000 shares of Common Stock on the first, second and third anniversaries of the commencement date. Under certain circumstances, Mr. May is also entitled to a severance payment equal to one year's salary in the event of the early termination of his employment.

In connection with the Company's acquisition of the assets of NeoStem on January 19, 2006, the Company entered into an employment agreement with Denis O. Rodgerson. Dr. Rodgerson is one of the founders of NeoStem. Dr. Rodgerson's employment agreement is identical to Mr. May's employment agreement, except that (i) its term is one year; (ii) he was granted an option to purchase 50,000 shares of Common Stock under the Equity Participation Plan vesting in its entirety after one year; and (iii) his agreement does not contain a provision for severance.

NOTE 9 - ACQUISITION OF NEOSTEM

On January 19, 2006 the Company consummated the acquisition of the assets of NeoStem Inc., relating to NeoStem's business of collecting and storing adult stem cells, issuing 4,000,000 shares of the Company's Common Stock with a value of $200,000. In addition, the Company assumed certain liabilities of NeoStem's which totaled $489,989. The underlying physical assets acquired from NeoStem were valued at $109,123 resulting in the recognition of goodwill in the amount of $580,866. Upon completion of the acquisition the operations of NeoStem were assumed by Phase III and have been reflected in the Statement of Operations since January 19, 2006. Effective with the acquisition, the business of NeoStem became the principal business of the Company. The Company now intends to provide adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for future healthcare needs.

Presented below is the proforma information as if the acquisition had occurred at the beginning of three months ended March 31, 2006 and 2005, respectively. The weighted average shares outstanding for the three months ended March 31, 2005 gives effect to the shares issued in connection with the acquisition.

	Three Months Ended March 31, 2006	2005
Revenue	$ 6,262	$ 10,985
Net income	$ (1,139,444)	$ (982,108)
Net income per share	$ (.02)	$ (.02)

NOTE 10 - RELATED PARTIES

In connection with the acquisition of NeoStem, an officer and an employee of the Company, who were then officers of NeoStem, received Common Stock in payment of liabilities assumed by the Company. Larry May, Chief Financial Officer and Denis Rodgerson, Director of Stem Cell Science, received shares of Common Stock in excess of the value of the liability assumed by the Company. In the case of Mr. May, he received 96,148 shares of Common Stock valued at $4,807 in settlement of a liability assumed by the Company of $2,884. The Company recorded an additional expense of $1,923. In the case of Dr. Rodgerson, he received 675,227 shares of Common Stock valued at $33,761 in settlement of a liability assumed by the Company of $20,257. The Company recorded an additional expense of $13,504.

NOTE 11 - INDUSTRY AND GEOGRAPHICAL SEGMENTAL INFORMATION

On January 19, 2006, the Company acquired substantially all the assets and operations of NeoStem, an adult stem cell collection and banking Company. The Company, with this acquisition, will have operations in two segments when NeoStem commences operations. One segment will be the collection and banking of adult stem cells and the other segment remains the "run off" of its sale of extended warranties and service contracts via the Internet. As March 31, 2006, the Company has not realized any revenues from the collecting or banking of adult stem cells. The Company's operations are conducted entirely in the United States. The Company has a "run off" of extended warranties and service contracts which generated a profit of $1,795 for the three months ended March 31, 2006.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to March 31, 2006, the Company has sold 3,115,908 shares of its Common Stock resulting in proceeds to the Company of $137,100.

On April 25, 2006, the Company granted options under the Equity Participation Plan which all expire in ten years from the date of grant.

- 150,000 options to two employees to purchase shares of Common Stock at an exercise price of $.07 per share which vest one year from the date of grant.

- 75,000 options to a consultant to purchase shares of Common Stock at an exercise price of $.07 per share which vest one year from the date of grant.

- 15,000 options to a consultant to purchase shares of Common Stock at an exercise price of $.07 per share which vest immediately.

In May 2006, the Company entered into an advisory agreement with Duncan Capital Group LLC ("Duncan"). Pursuant to the advisory agreement, Duncan is providing to the Company on a non-exclusive "best efforts" basis, services as a financial consultant in connection with any equity or debt financing, merger, acquisition as well as with other financial matters. In return for these services, the Company is paying to Duncan a monthly retainer fee of $7,500, 50% of which may be paid by the Company in shares of its Common Stock valued at fair market value and reimbursing it for its reasonable out-of-pocket expenses in an amount not to exceed $12,000. Pursuant to the advisory agreement, Duncan also agrees, subject to certain conditions, to act as lead investor in a proposed private placement (the "Private Placement") of shares of Common Stock and warrants to purchase shares of Common Stock in an amount that is not less than $2,000,000 or greater than $3,000,000. In consideration for such role, should the financing close, Duncan will receive a fee of $200,000 in cash and 2,400,000 shares of restricted Common Stock.

On May 17, 2006, the Company sold a 8% promissory note in the amount of $20,000 due on demand to Robin Smith, the Chairman of the Advisory Board.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q 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

On January 19, 2006 the Company consummated the acquisition of the assets of NeoStem Inc., a California corporation ("NeoStem") relating to NeoStem's business of collecting and storing adult stem cells. NeoStem had been a company to which Phase III had been providing business guidance. Effective with the acquisition, the business of NeoStem became the principal business of the Company. The Company now intends to provide adult stem cell processing, collection and banking services with the goal of making stem cell collection and storage widely available, so that the general population will have the opportunity to store their own stem cells for future healthcare needs. The Company also hopes to become the leading provider of adult stem cells for therapeutic use in the burgeoning field of regenerative medicine for potentially addressing heart disease, certain types of cancer and other critical health problems. The Company will attempt to utilize the combined Phase III and NeoStem management teams to develop and expand this business. A marketing and operational plan is being developed to integrate both companies, and a corporate awareness campaign is being prepared.

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

RESULTS OF OPERATIONS

The Company recognizes revenue from its warranty service contracts business over the life of contracts executed. Additionally, the Company purchased insurance to fully cover any losses under the service contracts from a domestic carrier. The insurance premium expense and other costs related to the sale are amortized ratably over the life of the contracts.

Three Months Ended March 31, 2006 Compared To Three Months Ended March 31, 2005

The Company recognized revenues from the sale of extended warranties and service contracts via the Internet of $6,262 for the three months ended March 31, 2006 as compared to $10,535 for the three months ended March 31, 2005. The revenues generated in the quarter were derived entirely from revenues deferred over the life of contracts sold in prior periods. As of March 31, 2006, the Company has not realized any revenues from the NeoStem acquisition. It is anticipated that revenues will begin in 2006. Similarly, direct costs incurred were $4,467 and $7,417 for the three months ended March 31, 2006 and 2005, respectively.

General and administration expenses increased approximately $724,000 to $939,234 for the three months ended March 31, 2006 as compared to $215,501 for the three months ended March 31, 2005. The increase in general and administrative expenses is primarily due to increases in payroll and related expenses of $130,000, the settlement with Robert Aholt of $192,000, investment banking commissions and other consultants of $158,000, insurance primarily related to NeoStem of $82,000, legal expense of $47,000, marketing relating to NeoStem of $20,000, laboratory related expenses of $34,000, printing of $14,000, stock transfer fees of $9,000, travel and entertainment of $13,000 and other general corporate expenses of $25,000.

Interest expense increased by approximately $165,000 for the three months ended March 31, 2006 from the three months ended March 31, 2005. Such increase was primarily as a result of the amortization of debt discount associated with the convertible debentures of $66,000 and the value charged to interest expense for the warrants associated with the convertible debentures of $110,000 offset by reductions related to debt repaid.

For the reasons cited above the net loss for the three months ended March 31, 2006 increased to $1,139,444 from $249,670 for the three months ended March 31, 2005.

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:

	Three Months Ended	
	March 31, 2006	March 31, 2005
Cash used in Operating Activities	$ (827,722)	$ (94,489)
Cash provided by Financing Activities	$ 367,917	$ 72,000

The Company incurred a net loss of $1,139,444 for the three months ended March 31, 2006. Such loss adjusted for non-cash items such as deferred revenues (net of deferred acquisition costs) ($1,795) and other non cash credits totaling $302,189 consisting of common stock, options and warrants issued for services and interest of $220,766, amortization and depreciation of $71,489 and interest related to the Series A Preferred of $9,934 resulted in cash used in operations totaling $827,722 for the three months ended March 31, 2006. This use of cash included additions to prepaid expenses and other current assets of $144,852 offset by increases in accounts payable and accrued expenses of $156,180.

To meet its cash requirement for the three months ended March 31, 2006, the Company relied on $223,880 of net proceeds from the sale of $250,000 of convertible debentures and the sale of shares of Common Stock resulting in proceeds of $26,500.

Subsequent to March 31, 2006, the Company has sold 3,115,908 shares of its Common Stock resulting in proceeds to the Company of $137,100.

In May 2006, the Company entered into an advisory agreement with Duncan Capital Group LLC ("Duncan"). Pursuant to the advisory agreement, Duncan is providing to the Company on a non-exclusive "best efforts" basis, services as a financial consultant in connection with any equity or debt financing, merger, acquisition as well as with other financial matters. In return for these services, the Company is paying to Duncan a monthly retainer fee of $7,500, 50% of which may be paid by the Company in shares of its Common Stock valued at fair market value and reimbursing it for its reasonable out-of-pocket expenses in an amount not to exceed $12,000. Pursuant to the advisory agreement, Duncan also agrees, subject to certain conditions, to act as lead investor in a proposed private placement (the "Private Placement") of shares of Common Stock and Warrants to purchase shares of Common Stock in an amount that is not less than $2,000,000 or greater than $3,000,000. In consideration for such role, should the financing close, Duncan will receive a fee of $200,000 in cash and 2,400,000 shares of restricted Common Stock. The Company is relying on this investment to fund current and future operations. In the event this transaction is not closed, the Company will have to rely on other sales of securities to fund its current and future operations. There can be no assurance that the Company will be able to raise sufficient funds to meet its obligations.

The Company's financial statements have been prepared assuming the Company will continue as a going concern. The Company currently has no operations and limited financial resources to pay its current expenses and liabilities. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

INFLATION

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable

ITEM 4. 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-Q (as defined under Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934) that such disclosure controls and procedures 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 executives, as appropriate, to allow timely decisions regarding required disclosure.

(b) During our last fiscal quarter and subsequent to our evaluation, there were no significant changes in internal controls or other factors that have materially affected, are reasonably likely to materially affect our internal controls over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

None

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

The following securities were sold during the first quarter of 2006 in private transactions that, unless otherwise stated, were exempt from registration pursuant to Section 4(2) of the Securities Act and/or Regulation D thereunder: (i) on January 6, January 13, and January 31, 2006 the Company issued $250,000 of convertible debentures which bear 9% simple interest with 416,666 detachable warrants for each $25,000 of debt, which entitle the holder to purchase shares of the Company's Common Stock at a price of $.12 per share; (ii) on January 6, January 13, and January 31, 2006, the Company issued a total of 250,000 shares of its Common Stock as compensation to Westpark Capital and its agents for the sale of the convertible debentures; and (iii) on January 10 and 11, 2006, the Company issued 765,000 shares of its Common Stock in exchange for the conversion of promissory notes (such issuances were exempt under Section 3(a)(9) of the Securities Act); and (iv) on January 19, 2006 the Company issued 6,012,225 shares of its Common Stock in connection with the NeoStem transaction; and (v) on March 27, 29 and 30, 2006, the Company sold 602,270 shares of its Common Stock to five accredited investors at a per share purchase price equal to $.044.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

(a) A special meeting of stockholders was held on March 17, 2006.
(b) Not applicable.
(c) At the special meeting, the stockholders of the Company voted to approve an amendment to the Certificate of Incorporation which permits the Company to issue in exchange for all 681,171 shares of Series A Preferred Stock outstanding and its obligation to pay $538,498 (or $.79 per share) in accrued dividends thereon, a total of 5,449,368 shares of Common Stock (eight (8) shares of Common Stock per share of Series A Preferred Stock). Pursuant thereto, all outstanding shares of Series A Preferred Stock will be cancelled and converted into Common Stock. The Common Stockholders voted (i) 40,916,160 shares in favor, (ii) 139,956 shares against and (iii) 70,571 shares abstained from voting. The Series A Preferred Stockholders voted (i) 360,730 shares in favor, (ii) 2,354 shares against, and (iii) 1,610 shares abstained from voting. Broker non-votes were not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits

10(ee) Advisory Agreement dated May 2006 with Duncan Capital Group LLC
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

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

PHASE III MEDICAL, INC. (Registrant)

By: /s/ Mark Weinreb

Mark Weinreb, President and Chief Executive Officer

Date: May 22, 2006

[GRAPHIC OMITTED]

Exhibit 10(ee)

May 5, 2006

Mr. Mark Weinreb
President & CEO
Phase III Medical, Inc.
330 South Service Road
Melville, NY 11747

RE: ADVISORY AGREEMENT

Dear Mark:

This letter confirms the terms upon which Phase III Medical, Inc., together with all subsidiaries, affiliates, successors and other controlled units, either existing or formed subsequent to the execution of this engagement (the "Company"), engages Duncan Capital Group LLC ("Duncan"), to act as its financial consultant in connection with arranging any equity or debt financings, mergers or acquisitions, or with respect to any other financial matter of the Company.

1. Scope of Engagement.

The Company hereby engages Duncan (the "Engagement") on a non-exclusive, "best efforts" basis to act as financial consultant to the Company and to provide recommendations to the Company in connection with any equity or debt financing, merger, acquisition as well as with other financial matters.

2. Scope of Work; Parameters.

In connection with the Engagement:

- Duncan will familiarize itself to the extent it deems appropriate with the business, operations, financial condition and prospects of the Company;
- Duncan will assist the Company and its counsel in a merger or acquisition and any concurrent financing;
- Duncan will assist in navigating the public markets including, but not limited to, identifying outside board members, investor relations firms, public relations firms, auditors, lawyers, market makers, research analysts and broker-dealers / underwriters for a private placement or follow-on offering (a "Follow-On Offering") and assist the Company in negotiating an agreement with such broker-dealer/underwriter;
- Duncan is not broker-dealer and will assist only as advisor to the Company.

3. Company Responsibilities, Representations and Warranties.

In connection with the Engagement:

The Company agrees to cooperate with Duncan and will furnish to Duncan all information and data concerning the Company (the "Information") which Duncan reasonably deems appropriate for purposes of rendering its services hereunder (including monthly financial statements and budgets), and will provide Duncan access to its officers, directors, employees and advisors as shall be reasonably requested by Duncan. Duncan acknowledges that by the very nature of its relationship with the Company it may, from time to time, have knowledge of or access to material non-public information. Duncan agrees that it will utilize its commercially reasonable best efforts to safeguard and prevent the disclosure of such material non-public information to third parties unless such third parties agree to maintain the confidentiality of such information. All such information should be marked as confidential.

o Duncan Capital Group LLC o 830 Third Avenue, 14th Floor o New York, NY 10022 o
o Phone: (212) 581-5180 o Fax: (212) 581-5198 o www.dcfunds.com o

- The Company represents and warrants to Duncan that all Information included or incorporated by reference in any documents or otherwise made available to Duncan by the Company to be communicated to parties in connection with any transaction: (a) will be complete and correct in all material respects to the best of their ability; and (b) any projected financial information or other forward-looking information which the Company provides to Duncan will be made by the Company in good faith, based on management's best estimates at the time and based on facts and assumptions which the Company believed were reasonable at the time.
- The Company agrees to notify Duncan as promptly as is reasonably practicable if the Company believes that any Information that was previously provided to Duncan has become materially misleading or materially inaccurate.
- The Company acknowledges and agrees that, in rendering its services hereunder, Duncan will be using and relying on the Information (and information available from public sources and other sources deemed reliable by Duncan) without independent investigation or verification thereof or independent appraisal or evaluation of the Company or its business or assets, or any other party to the Financing. Duncan has no responsibility for the accuracy or completeness of any information, regarding the Company furnished to Duncan by the Company.
- The Company agrees it is solely responsible for the decision to pursue or execute any transaction. The Company acknowledges that Duncan is not responsible for the due diligence, legal, regulatory, compliance and success or failure of any transaction.
- Any advice rendered by Duncan during the Engagement or in meetings with the Company or its Board of Directors, as well as any written materials provided by Duncan, are intended solely for the benefit and confidential use of the Company and will not be reproduced, summarized, described or referred to or given to any other person for any purpose without Duncan's prior written consent, except as required by law, legal process or the rules of any regulatory agency.

4. Fees.

4.1 Retainer. The Company shall pay to Duncan a monthly retainer fee of $7,500, for a period of twelve (12) months due on the first of every month upon signing of this agreement. The Company may pay at its option fifty percent (50%) of the monthly retainer fee in common stock of the Company at the then fair market value of the stock which shall be based upon the closing price of the common stock for the five (5) trading days ending on the date on which such payment is due; provided that the Company shall include any such shares of common stock for resale in the registration statement required to be filed with the Securities and Exchange Commission pursuant to the terms of the Transaction described in Section 4.2 below.

4.2 Public or Private Offering. In consideration for being lead investor in the transaction (the "Transaction") outlined in the Term Sheet, dated March 14, 2006 and signed by the Company and Duncan, the Company shall pay Duncan a fee equal to $200,000 and 2.4 million shares of the Company's restricted common stock (the "Fee") upon the closing of the Transaction. Other advice or services not covered by this Section 4.2 or the scope of services set forth in Section 2 shall be negotiated on a case by case basis and be commercially reasonable. The parties acknowledge that the Company may raise through Westpark Capital, Inc. up to $750,000 on the same terms as the Transaction with fees paid to Westpark as agreed.

4.3 Mergers and Acquisitions. For acting as financial consultant by identifying and assisting with the completion of any potential merger or acquisition where the Company is a buyer Duncan shall be paid a commercially reasonable fee to be negotiated by the Company and Duncan, if the transaction closes within two (2) years of initial introduction by Duncan. For acting as financial consultant by identifying and assisting with the completion of any potential merger or acquisition where the Company is a seller, Duncan shall be paid a commercially reasonable fee to be negotiated by the Company and Duncan, if the transaction closes within two (2) years of initial introduction by Duncan. For purposes of this Section 4.3, any such introduction by Duncan shall be made during the term of this Agreement and Duncan shall notify the Company in writing or by email of the introduced party to the Company. If the Company does not dispute, refuse or contest within fifteen (15) days the introduced party then Duncan will be entitled to rely upon such absence as indication of acceptance.

5. Expenses.

The Company will reimburse Duncan for all out-of-pocket expenses reasonably incurred by it in connection with its Engagement hereunder, including reasonable fees and expenses of its counsel and any other independent experts reasonably retained by Duncan (and any retainers related thereto); provided, however, that without the prior written consent of the Company, all expenses shall not exceed $12,000 in the aggregate over the twelve months and no counsel or outside consultant fees shall be reimbursed unless prior written approval from the Company is obtained. The Company, however, will additionally reimburse Duncan for all out-of-pocket expenses reasonably incurred by it in connection with the Transaction. Subject to the provisions of Section 8, all such fees and expenses referred to above shall be paid to Duncan whether or not any transaction, as described under Section 1 "Scope of Engagement", is consummated. Such out-of-pocket expense reimbursement will be payable promptly upon submission by Duncan of statements to the Company.

6. Scope of Responsibility.

Neither Duncan nor any of its affiliates (nor any of their respective control persons, directors, officers, employees or agents) shall be liable to the Company or to any other person claiming through the Company for any claim, loss, damage, liability, cost or expense suffered by the Company or any such person arising out of or related to Duncan's Engagement hereunder except for a claim, loss or expense that arises solely out of or is based solely upon any action or failure to act by Duncan, other than an action or failure to act undertaken at the request or with the consent of the Company, that is found to constitute bad faith, willful misconduct or gross negligence on the part of Duncan. The Company understands that Duncan is not a broker-dealer and will not be performing any services that may only be performed by a registered broker-dealer.

7. Indemnification.

Since Duncan will be acting on behalf of the Company in connection with its Engagement, the Company agrees to indemnify Duncan as set forth in Exhibit A to this Agreement.

8. Termination.

The term of this Agreement is one (1) year from the date hereof; provided, however, that Duncan's Engagement hereunder may be earlier terminated, with or without cause, by either the Company or Duncan upon 30 days prior written notice to the other party; provided, further, that such termination will not affect obligations or rights of the parties incurred prior to such date of earlier termination, including Duncan's right to (i) expense reimbursement under Section 5, (ii) receipt of payment of any fees or compensation pursuant to Section 4, (iii) the indemnification contemplated by Section 7 above, and (iv) any other remaining compensation due under this Agreement.

9. Other Relationships.

9.1 The parties acknowledge that Dr. Robin Smith is the Chairman of the Advisory Board of the Company and serves from time to time as an advisor to Duncan and is entitled to a fee from the Company in connection with the consummation of the Transaction.

10. Governing Law; Jurisdiction; Waiver of Jury Trial.

10.1 This Agreement will be deemed made in New York and will be governed by the laws of the State of New York without regard to the conflict of law principles contained therein. The Company and Duncan irrevocably submit to the jurisdiction of the United States District Court for the Southern District of New York or any court of the State of New York, in each case located in New York County, New York, for the purpose of any suit, action or other proceeding arising out of this Agreement, or any of the agreements or transactions contemplated hereby, which is brought by or against the Company or Duncan. Each of the Company (and, to the extent permitted by law, on behalf of the Company's equity holders and creditors) and Duncan hereby knowingly, voluntarily and irrevocably waive any right it may have to a trial by jury in respect of any claim based upon, arising out of or in connection with this Agreement and the transactions contemplated hereby.

10.2 Any dispute arising hereunder, if not settled by mutual agreement, shall, at Duncan's option, and, upon written notice by Duncan to the Company, be settled by final and binding arbitration in New York, New York. The arbitration shall be conducted in accordance with the Commercial Dispute Resolution Procedures and Rules of the American Arbitration Association ("AAA Rules") by a single disinterested arbitrator appointed in accordance with such AAA Rules.

10.3 The arbitrator shall have authority to award relief under legal or equitable principles, including interim or preliminary relief, and to allocate responsibility for the costs of the arbitration and to award recovery of attorneys' fees and expenses in such manner as is determined by the arbitrators.

10.4 Judgment upon the award rendered by the arbitrators may be entered in any court having personal and subject matter jurisdiction. Each party hereby submits to the in personal and subject matter jurisdiction of the federal and state courts in the County of New York for the purpose of confirming any such award and entering judgment thereon.

All proceedings under Section 10 and all evidence given or discovered pursuant hereto, shall be maintained in confidence by both parties, except as required by law.

11. No Rights in Equityholders, Creditors.

This Agreement does not create, and will not be construed as creating, rights enforceable by any person or entity not a party hereto, except those entitled thereto by virtue of Section 7 herein. The Company acknowledges and agrees that (a) Duncan will act as an independent contractor and is being retained solely to assist the Company in its efforts to help with possible financial transactions, and that, Duncan is not being retained to advise the Company on, or to express any opinion as to, the wisdom, desirability or prudence of consummating any financial transaction; and (b) Duncan is not and will not be construed as a fiduciary of the Company or any affiliate thereof and will have no duties or liabilities to the equity holders or creditors of the Company, and affiliates of the Company or any other person by virtue of this Agreement and the retention of Duncan hereunder, all of which duties and liabilities are hereby expressly waived. Neither equity holders nor creditors of the Company are intended beneficiaries hereunder. The Company confirms that it will rely on its own counsel, accountants and other similar expert advisors for legal, accounting, tax and other similar advice.

12. Duncan; Other Activities; Public Announcements.

(a) The Company acknowledges that Duncan and its affiliates are in the business of providing financial services and consulting advice to others. Nothing herein contained shall be construed to limit or restrict Duncan in conducting such business with respect to others, or in rendering such advice to others, except as such advice may relate to matters relating to the Company's business and properties.

(b) Except as required by law or any regulatory agency, neither Duncan nor the Company shall make or issue any public announcements or other communications regarding this Agreement or the Financing without the prior approval of the other, which consent shall not be unreasonably withheld, delayed or conditioned.

13. Miscellaneous.

13.1 This Agreement may not be modified or amended except in writing executed in counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument.

13.2 This Agreement supersedes all prior agreements between the parties concerning the subject matter hereof.

13.3 Neither party may assign this Agreement without the prior written consent of the other party.

13.4 This Agreement can be modified or amended only by a written instrument signed by both parties.

13.5 If any provision of this Agreement shall for any reason be held invalid or unenforceable by any court, governmental agency or arbitrator of competent jurisdiction, such invalidity or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

13.6 The provisions contained in Sections 3, 4, 5, 6, 7, 10, 11 and 13 shall survive expiration or termination of this Agreement.

13.7 All notices, requests, demands and other communications hereunder shall be given in writing and shall be (a) personally delivered; (b) sent by telecopier; (c) sent by an internationally-recognized overnight courier, or (d) sent to the parties at their respective addresses indicated herein by registered or certified mail, return receipt requested and postage prepaid. The respective addresses to be used for all such notices, demands or requests are as follows:

If to the Company,

Phase III Medical, Inc.
330 South Service Road
Melville, NY 11747
Telecopier: (631) 574 - 4956
Attention: Mr. Mark Weinreb

Or to such other person or address as the Company shall designate in writing to the other party.

If to Duncan,

Duncan Capital Group LLC
830 Third Avenue (14th Floor)
New York, New York 10022
Telecopier: (212) 581-5198
Attention: Michael Crow

with a copy to:

The same address listed above for Duncan, Attn: General Counsel.

Such communication shall be deemed delivered upon actual receipt (provided, that if notice is sent by telecopier it shall be deemed delivered the next day business after transmission and the sender shall bear the burden of proof of delivery) or refusal of receipt. Either party to this Agreement may change its address at any time by giving notice thereof in accordance with this Section 13.

If the foregoing correctly sets forth our Agreement, please so indicate by signing below and returning an executed copy to Duncan Capital Group LLC. This Agreement may be executed by the exchange by facsimile/telecopy or e-mail/electronic signature between the Parties of signed counterparts of this Agreement. We look forward to working with you and the rest of the management team in a long-term relationship that assists the Company in achieving its business goals.

Sincerely, ACCEPTED AND APPROVED:

Duncan Capital Group LLC Phase III Medical, Inc.

/s/Michael Crow	/s/Mark Weinreb
Michael Crow	Mark Weinreb
President	President&CEO

EXHIBIT A - INDEMNIFICATION PROVISIONS

In connection with our engagement of Duncan as our consultant and advisor, the Company hereby agrees to indemnify and hold Duncan and its affiliates, and the directors, officers, partners, shareholders, members, employees and agents of Duncan and each other person, if any, controlling Duncan or any of its affiliates (collectively the "Indemnified Persons"), harmless from and against any and all claims, actions, suits, proceedings (including those of shareholders), damages, liabilities and expenses incurred by any of them (including, but not limited to, fees and expenses of counsel) which are (A) related to or arise out of (i) any actions taken or omitted to be taken (including any untrue statements made or any statements omitted to be made) by the Company, or (ii) any actions taken or omitted to be taken by any Indemnified Person in connection with the Company's engagement of Duncan pursuant to this Agreement between the Duncan and the Company, or (B) otherwise related to or arising out of Duncan's activities on our behalf pursuant to Duncan's engagement under this Agreement, and the Company shall reimburse any Indemnified Person for all expenses (including, but not limited to, fees and expenses of counsel) as incurred by such Indemnified Person in connection with investigating, preparing or defending any such claim, action, suit or proceeding (collectively a "Claim"), whether or not in connection with pending or threatened litigation in which any Indemnified Person is a party. The Company will not, however, be responsible for any Claim which is finally judicially determined to have resulted exclusively from the gross negligence or willful misconduct of any person seeking indemnification hereunder. The Company further agrees that no Indemnified Person shall have any liability to the Company for or in connection with Duncan's engagement under the Agreement except for any Claim incurred by the Company solely as a direct result of any Indemnified Person's gross negligence or willful misconduct.

The Company further agrees that it will not, without the prior written consent of Duncan settle, compromise or consent to the entry of any judgment in any pending or threatened Claim in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is an actual or potential party to such Claim), unless such settlement, compromise or consent includes a legally binding, unconditional, and irrevocable release of each Indemnified Person hereunder from any and all liability arising out of such Claim.

Promptly upon receipt by an Indemnified Person of notice of any complaint or the assertion or institution of any Claim with respect to which indemnification is being sought hereunder, such Indemnified Person shall notify the Company in writing of such complaint or of such assertion or institution, but failure to so notify the Company shall not relieve the Company from any obligation it may have hereunder, unless, and only to the extent that, such failure results in the forfeiture by it of substantial rights and defenses, and such failure to so notify the Company will not in any event relieve it from any other obligation or liability it may have to any Indemnified Person otherwise than under this Agreement. If the Company so elects or is requested by such Indemnified Person, it will assume the defense of such Claim, including the employment of counsel reasonably satisfactory to such Indemnified Person and the payment of the fees and expenses of such counsel. In the event, however, that such Indemnified Person reasonably determines in its sole judgment that having common counsel would present such counsel with a conflict of interest or such Indemnified Person reasonably concludes that there may be legal defenses available to it or other Indemnified Persons different from or in addition to those available to the Company, then such Indemnified Person may employ its own separate counsel to represent or defend it in any such Claim and the Company shall pay the reasonable fees and expenses of such counsel. Notwithstanding anything herein to the contrary, if the Company fails timely or diligently to defend, contest, or otherwise protect against any Claim, the relevant Indemnified Party shall have the right, but not the obligation, to defend, contest, compromise, settle, assert crossclaims or counterclaims, or otherwise protect against the same, and shall be fully indemnified by the Company therefor, including, but not limited to, for the fees and expenses of its counsel and all amounts paid as a result of such Claim or the compromise or settlement thereof. In any Claim in which the Company assumes the defense, the Indemnified Person shall have the right to participate in such defense and to retain its own counsel therefor at its own expense.

The Company agrees that if any indemnity sought by an Indemnified Person hereunder is held by a court to be unavailable for any reason, then (whether or not Duncan is the Indemnified Person) the Company and Duncan shall contribute to the Claim for which such indemnity is held unavailable in such proportion as is appropriate to reflect the relative benefits to the Company, on the one hand, and Duncan, on the other, in connection with Duncan's engagement by the Company under the Agreement, subject to the limitation that in no event shall the amount of Duncan's contribution to such Claim exceed the amount of fees actually received by Duncan from the Company pursuant to Duncan's engagement under the Agreement. The Company hereby agrees that the relative benefits to it, on the one hand, and Duncan, on the other hand, with respect to Duncan's engagement under the Agreement shall be deemed to be in the same proportion as (a) the total value paid or proposed to be paid or received by the Company or its stockholders as the case may be, pursuant to the transaction (whether or not consummated) for which Duncan is engaged to render services bears to (b) the fee paid or proposed to be paid to Duncan in connection with such engagement.

The Company's indemnity, reimbursement and contribution obligations under this Agreement shall be in addition to, and shall in no way limit or otherwise adversely affect any rights that an Indemnified Party may have at law or at equity.

Should Duncan, or any of its directors, officers, partners, shareholders, members, agents or employees, be required or be requested by the Company to provide documentary evidence or testimony in connection with any proceeding arising from or relating to Duncan's engagement under the Agreement, the Company agrees to pay all reasonable expenses (including, but not limited to, fees and expenses of counsel) in complying therewith and customary fees for sworn testimony or preparation thereof, payable in advance.

Exhibit 31.1

CERTIFICATION

I, Mark Weinreb, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phase III Medical, 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 registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) (if any) 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 registrant 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 registrant, 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 registrant's disclosure controls and procedures and presented in this 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) presented in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: May 22, 2006

/s/ Mark Weinreb
- ----------------
Name: Mark Weinreb
Title: Chief Executive Officer of Phase III Medical, Inc.

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

Exhibit 31.2

CERTIFICATION

I, Larry May, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phase III Medical, 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 registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) (if any) 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 registrant 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 registrant, 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 registrant's disclosure controls and procedures and presented in this 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) presented in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: May 22, 2006

/s/ Larry May
- -------------
Name: Larry May
Title: Chief Financial Officer of Phase III Medical, Inc.

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

Exhibit 32.1

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 Phase III Medical, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2006 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Weinreb, 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; 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: May 22, 2006

/s/ Mark Weinreb

Mark Weinreb
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-Q or as a separate disclosure document.

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

Exhibit 32.2

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 Phase III Medical, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2006 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry 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; 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: May 22, 2006

/s/ Larry May

Larry May
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-Q or as a separate disclosure document.

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