

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): July 1, 2009

NEOSTEM, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-10909

(Commission
File Number)

22-2343568

(IRS Employer Identification No.)

420 Lexington Avenue, Suite 450, New York, New York 10170

(Address of Principal Executive Offices)(Zip Code)

(212) 584-4180

Registrant's Telephone Number

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

As of July 1, 2009, NeoStem, Inc. ("NeoStem" or the "Company") entered into an Amendment No. 1 to Agreement and Plan of Merger with China Biopharmaceuticals Holdings, Inc. ("CBH"), China Biopharmaceuticals Corp., CBH's wholly-owned subsidiary ("CBC") and CBH Acquisition LLC, NeoStem's wholly-owned subsidiary. Pursuant to the terms of the Amendment:

- The number of shares of NeoStem Common Stock to be issued to the CBH Common Stockholders was reduced to an aggregate of 7,150,000 shares (such that the Exchange Ratio in the merger will be 0.19255), with no additional shares being escrowed;
 - The number of shares to be issued to RimAsia Capital Partners, L.P. ("RimAsia") will be increased to 6,458,009 shares of Common Stock and 8,177,512 shares of NeoStem Series C Convertible Preferred Stock, each with a liquidation preference of \$1.125 and convertible to shares of NeoStem Common Stock at an initial conversion price of \$.90 (with the Class B warrants to be issued to RimAsia eliminated), in exchange for certain advances made or to be made by RimAsia and described below;
 - 125,000 shares of NeoStem Common Stock will be issued to EET (the 49% holder of Erye, 51% of which is owned by CBH) or its designee for assistance in effectuating the merger;
 - The number of shares to be issued to Steven E. Globus and Chris Mao, respectively a director and CEO of CBH, in exchange for satisfaction of loans made by them to CBH, shall be reduced to an aggregate of approximately 17,158 shares;
 - Conditions to closing were amended to (a) add a condition that in order to satisfy its obligations under a memorandum of understanding with EET, CBH shall have caused Erye to transfer the land and building for its principal manufacturing facility to EET or its affiliate for a sum to be agreed upon, and for EET or its affiliate to lease that facility back to Erye at a nominal fee for a term through construction of Erye's new manufacturing facility and until such date as Erye's new facility is completed and fully operational (which transaction will remove a significant asset from the CBH balance sheet) and (b) provide that instead of a spinoff of the CBC shares as a liquidating distribution to the shareholders of CBH, such shares may be privately sold or transferred to a liquidating trust;
 - Eric Wei will be added to the current NeoStem Board of Directors after the merger is effected, and thereafter, Shi Mingsheng will also be added after receipt of PRC approvals;
 - Privately issued NeoStem warrants outstanding immediately prior to the closing of the merger shall be amended to reduce their exercise price if the current exercise price is \$4.00 and above;
 - the Compensation Committee of NeoStem's Board of Directors may in lieu of lowering the exercise price of outstanding options to \$.80 as provided in the original merger agreement, lower the exercise price to a price which is greater than \$.80 (but not less than fair market value) and provide alternative cash or equity consideration to eligible NeoStem employees, directors, advisors and consultants;
 - The outside date for completion of the merger is extended to October 31, 2009.
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The full text of Amendment No. 1 to the Merger Agreement is annexed hereto as Exhibit 10.1, and the above description is qualified in its entirety by reference to such Amendment.

Additionally, as of July 1, 2009, NeoStem, CBH, CBC and RimAsia, which is already a significant investor in the Company and CBH, entered into a Funding Agreement pursuant to which it was agreed that RimAsia shall supply additional funding to both NeoStem and CBH in an amount up to \$1.6 million (including approximately \$1 million advanced to date), which amount shall be forgiven upon its receipt of the increased amount of NeoStem securities described above to be received by RimAsia as part of the merger consideration. If less than \$1.6 million has been advanced at that time, the difference shall be paid to NeoStem at the closing of the merger. In the event the merger has not received shareholder approval by October 31, 2009, NeoStem is required to repay RimAsia all payments incurred or made by RimAsia on behalf of NeoStem. The full text of the Funding Agreement is annexed hereto as Exhibit 10.2, and the above description is qualified in its entirety by reference to such agreement.

Additional Information about the Merger and Where to Find It

NeoStem intends to file a Proxy Statement/Registration Statement with the SEC with respect to the shares of NeoStem Common Stock to be issued in connection with the Merger. Investors and security holders are advised to read the Proxy Statement/Registration Statement when it becomes available because it contains important information about NeoStem, CBH, the proposed Merger and other related matters. The Proxy Statement/Registration Statement will be sent to stockholders of NeoStem seeking their approval of the proposed transaction. Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>. Since such documents are not currently available, NeoStem's stockholders will receive information at an appropriate time as to how to obtain transaction-related documents free of charge from NeoStem.

Safe Harbor for Forward-Looking Statements

This Current Report on Form 8-K contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are typically preceded by words such as "believes," "expects," "anticipates," "intends," "will," "may," "should," or similar expressions. These forward-looking statements are subject to risks and uncertainties that may cause actual future experience and results to differ materially from those discussed in these forward-looking statements. Important factors that might cause such a difference include, but are not limited to, costs related to the merger; failure of NeoStem's or CBH's stockholders to approve the Merger; NeoStem's or CBH's inability to satisfy the conditions of the Merger; NeoStem's inability to maintain its NYSE Amex listing; the inability to integrate NeoStem's and CBH's businesses successfully; the need for outside financing to meet capital requirements; failure to have an effective Joint Venture Agreement with respect to Erye satisfactory to the parties and regulatory authorities and other events and factors disclosed previously and from time to time in NeoStem's filings with the SEC, including NeoStem's Annual Report on Form 10-K for the year ended December 31, 2008, and the Proxy Statement/Registration Statement to be filed. NeoStem does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

This Current Report on Form 8-K may be deemed to be solicitation material in respect of the proposed Merger. The directors and executive officers of each of NeoStem and CBH may be deemed to be participants in the solicitation of proxies from the holders of NeoStem Common Stock in respect of the proposed transaction. Information about the directors and executive officers of NeoStem is set forth in NeoStem's Proxy Statement for its 2009 Annual Meeting of Stockholders and in subsequent Forms 8-K. Investors may obtain additional information regarding the interest of NeoStem and its directors and executive officers, and CBH and its directors and executive officers in connection with the proposed Merger, by reading the Proxy Statement/Registration Statement when it becomes available.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 10.1 Amendment No. 1 to Agreement and Plan of Merger made as of July 1, 2009

Exhibit 10.2 Funding Agreement made as of July 1, 2009

SIGNATURE

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

NEOSTEM, INC.

By: /s/ Catherine M. Vaczy

Name: Catherine M. Vaczy

Title: Vice President and General

Date: July 8, 2009

**AMENDMENT NO. 1 TO
AGREEMENT AND PLAN OF MERGER**

THIS AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER (this "Amendment") is made and entered into as of the 1st day of July, 2009, by and among **NEOSTEM, INC.**, a Delaware corporation ("NeoStem"), **CBH ACQUISITION LLC**, a Delaware limited liability company and a wholly owned subsidiary of NeoStem ("Subco"), **CHINA BIOPHARMACEUTICALS HOLDINGS, INC.**, a Delaware corporation ("CBH") and **CHINA BIOPHARMACEUTICALS CORP.**, a British Virgin Islands corporation ("CBC"). NeoStem, Subco and CBH are sometimes collectively referred to as the "Parties," each individually a "Party."

The Parties entered into an Agreement and Plan of Merger (the "Original Agreement") on November 2, 2008, and hereby wish to amend certain provisions in that Original Agreement. Terms not defined herein shall have the meanings set forth in the Original Agreement.

1. Exchange Securities. (a) The definition of "Exchanged Common Shares" in Preliminary Statement E(1) of the Original Agreement is amended to reduce it from 7,500,000 shares to 7,150,000 shares of NeoStem Common Stock.

(b) The definition of "Exchange Ratio" set forth in Section 2.2.4 is amended to be equal to the quotient of 7,150,000 shares divided by the sum of (x) the number of shares of CBH stock outstanding as of the Effective Time and (y) the number of shares of CBH common stock issuable upon exercise of in-the-money warrants of CBH immediately prior to the Effective Time, subject to adjustment as set forth in the Original Agreement. CBH represents and warrants that the denominator of the Exchange Ratio as of the date hereof is 37,132,313 shares (after conversion of all CBH Series A Preferred shares to CBH Common Stock, which CBH represents was effective in June 2009), such that as of the date hereof, the Exchange Ratio would be 0.19255.

(c) Sections 2.12 and 2.3.1 are amended to change the references from 7,500,000 shares to 7,150,000 shares. Further, notwithstanding any omission in this Amendment, all similar references to the purchase price of 7,500,000 shares shall hereafter refer to 7,150,000 shares. NeoStem shall not be required to issue 150,000 shares of NeoStem Common Stock in escrow.

2. RimAsia Securities. (a) Preliminary Statement E(2) of the Original Agreement is deleted and replaced with the following:

(b) 6,458,009 shares of NeoStem Common Stock ("RimAsia Exchanged Common Shares"), and (b) 8,177,512 shares of NeoStem Series C Convertible Preferred Stock (as defined herein), each with a liquidation preference of \$1.125 and convertible to shares of Neo Stem Common Stock at \$.90 ("RimAsia Exchanged Preferred Shares") (collectively, the RimAsia Exchanged Common Shares and the RimAsia Exchanged Preferred Shares are referred to as the "RimAsia Exchanged Securities"), to be issued to RimAsia Capital Partners, L.P. ("RimAsia");

All references in the Original Agreement to the Class B Warrants or the Class B Warrant Agreement are deleted, and Exhibit A (the Class B Warrant Agreement) is deleted from the Original Agreement.

In addition, the parties acknowledge that since November 2008 RimAsia has provided certain advances in connection with the parties' business initiatives, and will continue to incur costs relating to the transaction, including costs for legal and accounting services and the increased stock consideration set forth above relates in part to the forgiveness of such advances as further specified in a separate agreement among the parties.

3. CBH Common Stock Purchase Warrants. (a) Preliminary Statement E(3) of the Original Agreement is deleted and replaced with the following:

(b) Subject to acceptance by the holders of CBH Common Stock Purchase Warrants to purchase an aggregate of up to 8,370,298 shares of CBH Common Stock (collectively, the "CBH Common Stock Purchase Warrants"), Class C warrants (the "Class C Warrants") to purchase up to 2,012,097 shares of NeoStem Common Stock at an exercise price equal to \$2.50 per share under the Class C Warrant Agreement, the form of which is attached hereto as Exhibit B, to be issued to such holders of CBH Common Stock Purchase Warrants.

4. EET Shares. A new Preliminary Statement E(4) is added to the Original Agreement as follows:

125,000 shares of NeoStem Common Stock to be issued to EET or its designee ("EET Exchanged Common Shares") for assistance in effecting the Merger.

5. Escrow Shares. Section 2.5 of the Original Agreement is modified. NeoStem shall have no obligation to issue the 200,000 shares of NeoStem Common Stock into escrow as set forth therein, since the payment is now highly unlikely, as the parties acknowledge that the Share Exchange Agreement of NeoStem with respect to the Shandong Institute, dated as of November 2, 2008, has been or is being terminated, and CBH and CBC consent to such termination. The Escrow Agreement attached as Exhibit D to the Original Agreement is also deleted. Notwithstanding the lack of an escrow, NeoStem will still owe CBC a payment of 200,000 shares of its Common Stock if it does purchase the Shandong Institute within six (6) months of consummation of the Merger but shall have no other obligations to CBC whatsoever in connection with acquisition activity.

6. Globus/Mao. Section 2.7 of the Original Agreement is amended to read in its entirety as follows:

At the Effective Time, NeoStem shall issue (a) to Steven E. Globus, a director of CBH (“Globus”), in exchange for a complete release and full satisfaction of the Globus Obligation (as defined in Section 6.2.21), 9,532 shares of NeoStem Common Stock, and (b) to Chris Peng Mao, the Chief Executive Officer of CBH (“Mao”) in exchange for a complete release and full satisfaction of the Mao Obligation (as defined in Section 6.2.21), 7,626 shares of NeoStem Common Stock.

7. Section 5.5.7(vii) is hereby amended to clarify that such issuances may be options or shares of Common Stock, with applicable withholding paid by the Company, and that such issuances may be made, in the discretion of the Compensation Committee, to NeoStem officers, consultants and advisors upon the Closing of the Merger, and such officers, significant employees and/or directors of Erye (“Erye Personnel”) following receipt of all PRC approvals after the Closing of the Merger, as the Compensation Committee shall determine in connection with the closing of the transactions contemplated by this Agreement.

8. Real Estate. As an additional covenant of CBH and an additional condition to NeoStem’s obligation to close, at least 15 days prior to Closing, in order to satisfy its obligations under a Memorandum of Understanding with EET, CBH shall have caused Erye and EET to enter into binding agreements whereby (a) Erye is bound to transfer the land and building for its principal manufacturing facility to EET or its affiliate for a sum to be agreed upon by the parties, with such transfer reported and accounted for in the financial records of Erye and CBH prior to Closing, and (b) EET or its affiliate is bound to lease such principal manufacturing facility back to Erye at a nominal fee for a term through the construction and validation period of Erye’s new manufacturing facility and until such date as Erye’s new facility is completed and fully operational, such that Erye is assured that there is no interruption of its operations by reason of such transfers and agreements. All documents and accounting for such transactions shall be reasonably acceptable to NeoStem, including release by Erye of all obligations due to it from NeoStem or CBH under the Memorandum of Understanding or otherwise.

9. CBC Spin-Off. Preliminary Statement C and Section 6.2.12 are amended. CBC shall not be spun-off to the shareholders of CBH in a liquidating distribution. Instead, as an additional covenant of CBH and an additional condition to NeoStem’s obligation to close, (a) no later than 15 days prior to the effective date of the Form S-4, CBH shall have entered into a binding agreement to transfer the stock of CBC to a third party in a private transaction and (b) no later than 15 days prior to the Closing, CBH shall have consummated the transfer of all of the CBC stock to such third party, all in a manner such that, following the transfer, as contemplated by the Original Agreement, the only material assets and liabilities of CBH at the time of the merger shall be the Erye Ownership, land rights and at least \$550,000 cash, and CBH shall have no liabilities except transaction related expenses of \$450,000 or less. All documents and accounting for such CBC sale transaction shall be reasonably acceptable to NeoStem and shall include a full release in favor of NeoStem and its affiliates from any and all claims or liabilities due or asserted to be due to CBC, Keyuan or any of their affiliates. CBH shall take appropriate action to liquidate or extinguish any intercompany debt owed to CBH or Erye by CBC or Keyuan or any of their affiliates. CBH and CBC represent and warrant that CBC has de minimis value, if any, and that it has the corporate power and authority to effect the CBC sale transaction on the terms set forth herein without any further corporate action other than approval of its Board of Directors, so that no shareholder approval is required. No CBC shares will be registered as part of the Prospectus/Joint Proxy Statement. Where appropriate following this Amendment, references to the Spin-Off in the Original Agreement shall refer to the private sale of CBC.

10. Board of Directors. Section 5.8(i) of the Original Agreement is deleted. Eric Wei will be added to the current Board of Directors of NeoStem immediately after the Effective Time. Shi Mingsheng will be added to the current Board of Directors of NeoStem immediately after receipt of all PRC approvals following the Effective Time.

11. Capitalization; Equity Incentive Compensation Plan. Section 4.19.1(ii) and Section 5.5.7(iv)(b) of the Original Agreement (relating to the amendment of NeoStem option vesting schedules) are hereby deleted in their entirety, and Section 4.19.1(ii) is replaced with the following: “NeoStem may make the issuances of securities described in Section 5.5.7(vii) hereof, including the issuance of shares.” Further, it was agreed under Sections 4.19.1 and 5.5 of the Original Agreement, that the exercise price of certain outstanding options and warrants of NeoStem will be reduced as provided for in Schedule 4.19. It is agreed that Schedule 4.19 in the Original Agreement is deleted in its entirety and replaced as follows.

- (a) All warrants outstanding immediately prior to the closing of the Merger (other than warrants issued to the public or the underwriters in the Company’s August 2007 public offering) shall be amended to provide that the Current Exercise Price shall be amended effective on the Closing of the Merger to provide the Adjusted Exercise as set forth below:

NeoStem Warrant Repricing Table

<u>Current Exercise Price</u>	<u>Adjusted Exercise Price</u>
\$ 4.00	\$ 3.8182
\$ 4.50	\$ 4.1932
\$ 4.61	\$ 4.2726
\$ 4.70	\$ 4.3368
\$ 4.90	\$ 4.4768
\$ 4.95	\$ 4.5113
\$ 5.00	\$ 4.5455
\$ 5.10	\$ 4.6132
\$ 5.30	\$ 4.7459
\$ 5.50	\$ 4.8750
\$ 5.80	\$ 5.0618
\$ 6.00	\$ 5.1818
\$ 6.10	\$ 5.2405
\$ 6.50	\$ 5.4659
\$ 6.70	\$ 5.5732
\$ 7.00	\$ 5.7273
\$ 8.00	\$ 6.1818

(b) The Compensation Committee in its discretion may determine for any or all options outstanding immediately before the closing of the Merger, to lower the exercise price to as low as the \$.80 originally provided in the Original Agreement; however, if the Compensation Committee determines to lower the exercise price of such outstanding options to a price that is greater than \$.80, it may also, in its sole discretion, grant to the respective holder of such outstanding options, additional stock, options or other consideration (including cash) such that the value overall of consideration granted to the optionee is generally equivalent, in the judgment of NeoStem's Compensation Committee, to the value that would have been provided if the exercise prices of the options had been reduced to \$.80 and in each case the vesting schedule of the options shall be maintained. The exercise price shall in no case be reduced below fair market value on the closing of the Merger.

12. Outside Date. Section 7.1.13 of the Original Agreement is hereby amended to mean "October 31, 2009.

13. Employment Agreements. Section 6.1.5 of the Original Agreement, with respect to the need for new employment contracts for Robin Smith and Zhang Jian, is deleted. Robin Smith will continue to serve as CEO pursuant to the terms of her existing employment agreement as it may be amended from time to time. Section 6.2.18 of the Original Agreement is hereby amended to delete the consulting agreement for Chris Mao and to add the underlined language:

Mao shall have executed and delivered to NeoStem a NeoStem Confidentiality Agreement and shall release NeoStem and CBH from any obligation with respect to any employment agreement or arrangements which he had with CBH or any of its Subsidiaries. Any other parties with employment agreements with CBH will execute amendments whereby CBC will assume all liabilities of CBH under such agreements. The employees will release NeoStem and CBH from all liabilities due to them as employees, whether under such agreements or otherwise, and CBH and CBC will certify to NeoStem that no other employment or consulting agreements with CBH exist.

14. PRC Approvals. Section 6.1.6 of the Original Agreement contemplates that as a condition of Closing, certain approvals from PRC regulatory authorities shall have been obtained prior to Closing, including approvals with respect to the Merger, and the terms of the Amended and Restated Erye Joint Venture Agreement, the Erye Articles of Incorporation and related organizational documents. Section 6.2.23 of the Original Agreement also contemplates certain assurances from PRC Governmental Authorities. The parties now understand that under PRC law, they may not be able to obtain certain approvals until after Closing. CBH shall use reasonable commercial efforts to obtain such approvals prior to the Closing, however, the Parties agree that if NeoStem, in its sole and unfettered discretion, determines to waive such condition in whole or in part, and agree to consummate the Merger prior to approval from any PRC Governmental Authority including but not limited to approval of the matters listed above, the condition shall remain as a condition subsequent to the Merger and all related transactions, and the parties shall at Closing either permit NeoStem to defer delivery of any NeoStem securities to holders of CBH securities through a provision in the certificate of merger or otherwise, or enter into an escrow agreement on terms satisfactory to NeoStem, such that in either event consummation of the Merger or issuance of all consideration to be paid or issued by NeoStem in connection with, related to, or contingent upon the consummation of the Merger (except as contemplated by Sections 5.5.7(iv) and (vii)) may be deferred or held back by NeoStem, or held in escrow, in each case subject to an absolute right of NeoStem to receive back all such consideration and rescind the Merger and all related transactions if any such PRC regulatory approvals are not obtained within a reasonable period of time after Closing (such time period to be fixed in the escrow agreement; but not in excess of 45 days). Mr. Shi and Madame Jian shall be paid an aggregate of 203,338 shares of NeoStem Common Stock if all PRC approvals are timely received.

15. Potential Reverse Stock Split. It is acknowledged that share numbers and prices shall be appropriately adjusted to reflect any reverse stock split the Company may undertake at the time of the Merger.

16. Representations and Warranties. The parties hereto reaffirm their respective representations and warranties contained in the Original Agreement through the date hereof. CBH and CBC also represent and warrant to NeoStem that the financial statements of CBC delivered to NeoStem for the year ended December 31, 2008 and for the three month period ended March 31, 2009 comply in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with U.S. generally accepted accounting principles consistently applied and SEC accounting standards, and present fairly in all material respects, the consolidated financial position and results of operations of CBC and its consolidated subsidiaries as of their respective dates, and for the periods presented therein (subject, in the case of the unaudited interim financial statements, to notes and normal year-end adjustments that were not material in amount or effect). Each party represents and warrants to the other, that with respect to the information about it contained in the draft joint Form S-4 which they are participating in preparing, the information is accurate in all material respects and does not omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. CBC acknowledges that neither it nor any of its affiliates or associates has or will have any claims against NeoStem or CBH and hereby releases NeoStem and CBH in full.

17. Opinions. As an additional closing condition, NeoStem shall provide CBH with an opinion of its counsel with respect to NeoStem's corporate authorization of the Merger, and CBH shall provide NeoStem with an opinion of its counsel with respect to CBH's corporate authorization of the Merger.

18. Acceptance. Except as amended pursuant to the terms of this Amendment, the Original Agreement shall continue in full force and effect. The Amendment shall be considered as part of the Original Agreement. The Amendment shall be governed in accordance with the laws of the State of Delaware, without regard to any internal conflicts of law principles.

19. Language Translation. Each party acknowledges that this Amendment has been prepared in English. In the event of a conflict between different translations of these terms, the English translation will govern.

20. Counterparts. This Amendment may be executed in counterparts, which together shall constitute one and the same agreement. The parties may execute more than one copy of the Amendment, each of which shall constitute an original. Execution and delivery of this Amendment by pdf or facsimile transmission shall constitute execution and delivery of this Amendment for all purposes, with the same force and effect as execution and delivery of an original manually signed copy.

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IN WITNESS WHEREOF, NeoStem, Subco, CBH and CBC have signed this Amendment as of the date first written above.

NEOSTEM, INC.

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

CBH ACQUISITION LLC

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

**CHINA BIOPHARMACEUTICALS
HOLDINGS, INC.**

By: /s/Chris Peng Mao
Name: Chris Peng Mao
Title: CEO

**CHINA BIOPHARMACEUTICALS
CORP.**

By: /s/ Stephen Globus
Name: Stephen Globus
Title: Director

[Signature Page to Amendment No. 1 to Agreement and Plan of Merger]

FUNDING AGREEMENT

THIS FUNDING AGREEMENT (this "**Agreement**") is made as of July 1, 2009, by and among NeoStem, Inc., a Delaware corporation ("**NeoStem**"), RimAsia Capital Partners L.P., a limited partnership organized under the laws of the Cayman Islands ("**RimAsia**"), China Biopharmaceuticals Holdings, a Delaware corporation ("**CBH**"), and China Biopharmaceutical Corp., a British Virgin Islands corporation ("**CBC**"). Each of the foregoing parties is sometimes hereinafter referred to as a "**Party**"; collectively, the "**Parties**"; references to amounts in \$ herein are to such amounts in United States dollars.

RECITALS:

- A. Based upon a Conditional Loan Conversion Agreement between RimAsia and CBH dated as of November 16, 2007, RimAsia holds certain preferred shares and modified warrants to purchase common shares of CBH.
- B. RimAsia also currently holds 1,000,000 shares of common stock, warrants to purchase 5,000,000 shares of common stock, 400,000 shares of Series D Convertible Redeemable Preferred Stock of NeoStem.
- C. As of November 2, 2008, NeoStem entered into an Agreement and Plan of Merger (the "**Merger Agreement**") with CBH and CBC, which provides for the merger of CBH with a wholly-owned subsidiary of NeoStem (the "**Merger**"). Pursuant to the Merger Agreement, RimAsia is entitled to receive in connection with the closing of the Merger, (a) 5,383,009 shares of NeoStem common stock, (b) 6,977,512 shares of NeoStem Series C Convertible Preferred Stock, each with a liquidation preference of \$1.125 and convertible to shares of NeoStem common stock at \$.90 and (c) Class B warrants to purchase 2,400,000 shares of NeoStem common stock at \$.80 per share (the "**Class B Warrants**").
- C. In anticipation of the Merger, RimAsia has incurred as of the date of this Agreement substantial expenses and costs in connection with the business activities of NeoStem and CBH. These expenses and costs have included expenses of NeoStem, CBH and RimAsia internal costs which unreimbursed expenses and advances totaled approximately \$1,024,800 as of June 15, 2009 (the "**Current Unreimbursed Expenses**"). Separately, a combined \$250,000 advance (the "**SRC Fees**") towards the \$150,000 initial capitalization of China StemCell Medical Holding Ltd. ("**CSCMH**") and the payment of \$100,000 audit fees for Shandong New Medicine Research Institute of Integrated Traditional and Western Medicine Limited Liability Company ("**SRC**") have been made by RimAsia.
- D. In connection with RimAsia's advancement of certain fees included in the Current Unreimbursed Expenses to CBH, RimAsia and CBH entered into an Acknowledgement of Advance Payment as of February 3, 2009 (the "**Prior Acknowledgement**"), pursuant to which RimAsia would be entitled to deduct such amounts from a \$300,000 payment that CBH was to receive at the closing of the Merger.
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E. At the request of NeoStem and CBH, subject to the terms and conditions of this Agreement, RimAsia agrees to provide additional funding (the “**Additional Funding**”) to cover business activities leading to the closing of the Merger for the benefit of NeoStem and CBH, subject to a total funding cap of \$1,600,000 that includes the Current Unreimbursed Expenses, provided that if the SRC Fees are not agreed to be satisfied by CSCMH by the issuance to RimAsia by CSCMH of not less than 150,000 shares of NeoStem Common Stock then the amount of the SRC Fees will be included in the Additional Funding.

F. In consideration of RimAsia’s funding, NeoStem and CBH agree that RimAsia shall receive, at the closing of the Merger, additional NeoStem securities, subject to the terms and conditions of this Agreement and as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, intending to be legally bound, the Parties agree as follows:

1. Additional Funding.

1.1 Additional Funding. Pursuant to the terms and subject to the conditions of this Agreement, from the date of this Agreement through the closing of the Merger (the “**Additional Funding Period**”), RimAsia shall provide Additional Funding to cover business activities leading to the closing of the Merger for the benefit of NeoStem and CBH, subject to a total funding cap of \$1,600,000 (the “**Funding Cap**”) and subject to the mutual agreement of NeoStem and RimAsia, that includes the Current Unreimbursed Expenses and Additional Funding (which Additional Funding shall include the SRC Fees unless separately provided for as described in Recital E.).

1.2 Third-Party Payments. If at any time during the Additional Funding Period either CBH or NeoStem wishes to have a payment made on its behalf to its outside legal counsel, auditor or accountant or to any other third party with respect to payment of expenses in connection with the Merger or transactions incidental thereto, CBH or NeoStem, as the case may be, shall make a funding request to RimAsia through electronic mail, and in the case of CBH copying NeoStem, and RimAsia shall send the requested payment directly to such third party accordingly so long as the Funding Cap has not been reached, and provided that RimAsia deems such payment request to be reasonable, and in the case of CBH, NeoStem and RimAsia agree to the making of such payment. RimAsia will also be able to make, as part of the Additional Funding, such payments to other third-party service providers as RimAsia deems reasonable and necessary in the furtherance of the Merger so long as the Funding Cap has not been reached; provided that other than expenses that are routine based on RimAsia’s course of conduct in 2009 in connection with NeoStem’s expansion activities in China, RimAsia shall obtain the prior approval of NeoStem.

2. Modification of the Prior Acknowledgement.

2.1 No Deduction. In modification of the Prior Acknowledgement, RimAsia hereby agrees that it will no longer be entitled to deduct certain Current Unreimbursed Expenses totaling \$212,500 from the \$300,000 that CBH is to receive at the closing of the Merger pursuant to the Understanding on Litigation Residual Payment dated as of September 2, 2008.

2.2 CBH Loan Liability. In modification of the Prior Acknowledgement, RimAsia and CBH agree that, in the event that the Merger does not close for any reason by October 31, 2009, all Current Unreimbursed Expenses made on behalf of CBH and any other payments made by RimAsia on behalf of CBH since the date of this Agreement shall be deemed a loan liability of CBH in favor of RimAsia and be added to the accreted dividend amount on the outstanding shares of the Series B Preferred Stock of CBH held by RimAsia.

3. Issuance of Additional NeoStem Securities.

3.1 Common Stock and Preferred Stock. In consideration of RimAsia's funding for the benefit of NeoStem and CBH in anticipation of the Merger, and in full satisfaction of any and all obligations to repay RimAsia \$1,600,000 in funding provided, the Parties agree that in connection with the closing of the Merger RimAsia shall receive (a) 1,200,000 shares of NeoStem common stock in addition to the 5,383,009 shares RimAsia is to receive pursuant to the Merger Agreement, so that the total number of shares of NeoStem common stock RimAsia shall receive in connection with the closing of the Merger shall be 6,458,009 (after giving effect to other adjustments); and (b) 1,200,000 shares of NeoStem Series C Convertible Preferred Stock in addition to the 6,977,512 shares of NeoStem Series C Convertible Preferred Stock RimAsia is to receive pursuant to the Merger Agreement, so that the total number of shares of NeoStem Series C Convertible Preferred Stock RimAsia shall receive in connection with the closing of the Merger shall be 8,177,512.

3.2 Elimination of Class B Warrants. In consideration of the additional securities to be received as set forth under Section 3.1 above, RimAsia shall no longer be entitled to receive in connection with the closing of the Merger the Class B Warrants to purchase 2,400,000 shares of NeoStem common stock as originally provided in the Merger Agreement.

3.3 Shortfall Adjustment. In the event that at the closing of the Merger the total funding provided by RimAsia, including the Current Unreimbursed Expenses and Additional Funding, is less than the Funding Cap of \$1,600,000, RimAsia shall at the closing of the Merger pay NeoStem cash, as supplemental consideration for the additional securities to be received pursuant to Section 3.1 above, in an amount equal to the difference between the Funding Cap and the aggregate funding actually provided.

3.4 NeoStem Loan Liability. In the event that the Merger does not obtain shareholder approval by October 31, 2009, NeoStem shall repay RimAsia promptly following October 31, 2009, all the expenses, costs and payments incurred or made by RimAsia on behalf or for the benefit of NeoStem.

4. Miscellaneous.

4.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties (including transferees of any securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

4.2 Governing Law; Jurisdiction. This Agreement shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents, entered into and to be performed entirely within Delaware. The Parties agree that the courts of the State of Delaware and Federal District Courts located in Delaware, shall have exclusive jurisdiction and venue of any action or proceeding directly or indirectly arising out of or related to the negotiation, execution, delivery, performance, breach, enforcement or interpretation of this Agreement, regardless of whether or not any claim, counterclaim or defense in any such action or proceeding is characterized as arising out of fraud, negligence, intentional misconduct, breach of contract or fiduciary duty, or violation of any law. Each Party irrevocably consents to the personal jurisdiction of such courts, to such venue, and to the service of process in the manner provided for the giving of notices in this Agreement. Each Party waives all objections to such jurisdiction and venue, including all objections that are based upon inconvenience or the nature of the forum.

4.3 Waiver of Jury Trial. **TO THE EXTENT PERMITTED BY LAW, THE PARTIES HEREBY IRREVOCABLY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.** The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Agreement including, without limitation, contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each Party (i) acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this relationship, and that each will continue to rely on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. **THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS OF THE AGREEMENT.** In the event of litigation, this provision may be filed as a written consent to a trial by the court.

4.4 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures transmitted via facsimile or PDF files shall be deemed to be same as the originals.

4.5 Entire Agreement. This Agreement, together with the Merger Agreement and the Prior Acknowledgement as such documents are modified by this Agreement or otherwise, and the other documents delivered pursuant hereto or thereto, constitute the entire agreement among the Parties regarding the subject matters hereof and thereof, and no Party shall be liable or bound to any other Party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

4.6 Amendment and Waiver. Any term of this Agreement may be amended and the observance of any term of this Agreement may only be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Parties.

4.7 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Funding Agreement as of the date first written above.

NeoStem, Inc.

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

RimAsia Capital Partners, L.P.

By: /s/ Eric Wei
Name: _____
Title: _____

China Biopharmaceuticals Holdings, Inc.

By: /s/ Stephen Globus
Name: Stephen Globus
Title: Director

China Biopharmaceutical Corporation

By: /s/ Chris Peng Mao
Name: Chris Peng Mao
Title: Director
