UNITED STATES
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 September 30, 2010

OR

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

For the Transition Period from _____ to _____

Commission File Number 0-10909

NEOSTEM, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	22-2343568
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
420 LEXINGTON AVE, SUITE 450 NEW YORK, NEW YORK (Address of principal executive offices)	10170 (zip code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

57,614,858 SHARES, $.001 PAR VALUE, AS OF November 11, 2010

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

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

NEOSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,066,693	$ 7,159,369
Short term investments	257,415	287,333
Restricted cash	3,321,610	4,714,610
Accounts receivable trade, less allowance for doubtful accounts of $295,215 and $273,600, respectively	4,522,304	5,725,241
Inventories	14,670,611	12,979,008
Prepaids and other current assets	1,419,234	933,657
Total current assets	28,257,867	31,799,218
Property, plant and equipment, net	33,208,054	21,271,405
Land use rights, net	4,718,154	4,698,567
Goodwill	35,115,954	34,425,728
Intangible assets, net		
Lease rights, net	381,751	633,136
Customer list, net	14,213,311	15,079,567
Other intangible assets, net	708,171	747,288
Total intangible assets, net	15,303,233	16,459,991
Other assets	367,266	238,941
	$ 116,970,528	$ 108,893,850
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 7,622,209	$ 8,263,718
Accrued liabilities	4,709,170	2,965,525
Bank loans	-	2,197,500
Notes payable	6,544,682	9,793,712
Unearned revenues	1,694,081	2,048,400
Total current liabilities	20,570,142	25,268,855
Long-term liabilities		
Deferred tax liability	4,345,940	4,440,748
Deferred rent liability	49,513	-
Unearned revenues	217,510	224,705
Amount due related party	8,074,049	7,234,291
COMMITMENTS AND CONTINGENCIES		
Convertible Redeemable Series C Preferred stock; 8,177,512 shares designated, liquidation value $12.50 per share; 8,177,512 shares issued and outstanding at December 31, 2009	-	13,720,048
EQUITY		
Shareholders' Equity		
Preferred stock; authorized, 20,000,000 shares	-	-
Series B convertible redeemable preferred stock liquidation value, 1 share of common stock, $.01 par value; 825,000 shares designated; issued and outstanding, 10,000 shares at September 30, 2010 and December 31, 2009	100	100
Common stock, $.001 par value, authorized 500,000,000 shares; issued and outstanding, 57,613,794 at September 30, 2010 and 37,193,491 shares at December 31, 2009	57,613	37,193
Additional paid-in capital	132,974,293	95,709,491
Accumulated deficit	(88,978,685)	(71,699,191)
Accumulated other comprehensive income (loss)	1,583,208	(67,917)
Total shareholders' equity	45,636,529	23,979,676
Noncontrolling interests	38,076,845	34,025,527
Total equity	83,713,374	58,005,203
	$ 116,970,528	$ 108,893,850

See accompanying notes to consolidated financial statements.

NEOSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$ 16,475,558	$ 85,067	$ 51,716,260	$ 157,709
Cost of revenues	11,232,819	53,121	35,015,540	92,940
Gross profit	5,242,739	31,946	16,700,720	64,769
Research and development	1,679,945	1,829,775	5,113,487	2,599,667
Selling, general, and administrative	9,306,622	5,433,468	23,442,282	11,209,772
Operating loss	(5,743,828)	(7,231,297)	(11,855,049)	(13,744,670)
Other income (expense):				
Other income (expense), net	45,829	13,123	31,326	25,816
Interest expense	(10,663)	(1,038)	(25,380)	(58,966)
	35,166	12,085	5,946	(33,150)
Loss from operations before provision for income taxes and noncontrolling interests	(5,708,662)	(7,219,212)	(11,849,103)	(13,777,820)
Provision for income taxes	285,976	-	1,191,179	-
Net loss	(5,994,638)	(7,219,212)	(13,040,282)	(13,777,820)
Less - net income attributable to noncontrolling interests	1,145,588	-	4,085,743	-
Net loss attributable to controlling interests	(7,140,226)	(7,219,212)	(17,126,025)	(13,777,820)
Preferred dividends	-	404,141	153,469	655,868
Net loss attributable to common shareholders	$ (7,140,226)	$ (7,623,353)	$ (17,279,494)	$ (14,433,688)
Basic and diluted loss per share	$ (0.13)	$ (0.90)	$ (0.36)	$ (1.78)
Weighted average common shares outstanding	56,777,430	8,511,150	48,599,359	8,096,469

See accompanying notes to consolidated financial statements.

NEOSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net Loss	$ (13,040,282)	$ (13,777,820)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock, stock options and warrants issued as payment for compensation, and services rendered	7,399,842	3,832,116
Depreciation and amortization	2,556,994	96,506
Loss on short-term investments	7,215	-
Bad debt expense	16,311	-
Deferred tax liability	(182,417)	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(461,743)	(436,831)
Accounts receivable	1,278,573	(156,464)
Inventory	(1,405,838)	-
Unearned revenues	(392,040)	189,179
Other assets	(128,225)	-
Accounts payable, accrued expenses and other current liabilities	1,175,902	741,443
Net cash used in operating activities	(3,175,708)	(9,511,871)
Cash flows from investing activities:		
Investment in short-term investments	(2,424,132)	-
Proceeds from short-term investments	2,452,015	-
Cash restricted as collateral for bank loans	1,463,710	(180,327)
Acquisition of property and equipment	(12,510,648)	(690,981)
Net cash used in investing activities	(11,019,055)	(871,308)
Cash flows from financing activities:		
Net proceeds from the issuance of convertible redeemable preferred stock and warrants	-	15,669,220
Net proceeds from the exercise of warrants and options	3,101,850	-
Net proceeds from issuance of capital stock	13,138,948	-
Proceeds from related party	566,775	-
Repayment of bank loans	(2,203,650)	-
Proceeds from notes payable	13,256,799	1,431,453
Repayment of notes payable	(16,644,465)	(1,284,753)
Payment of dividend	(222,924)	-
Payment of capitalized lease obligations	-	(14,726)
Net cash provided by financing activities	10,993,333	15,801,194
Effect of currency exchange rate change	108,754	-
Net increase (decrease) in cash and cash equivalents	(3,092,676)	5,418,015
Cash and cash equivalents at beginning of period	7,159,369	430,786
Cash and cash equivalents at end of period	$ 4,066,693	$ 5,848,801
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 219,376	$ 17,823
Taxes	1,784,325	-
Supplemental Schedule of non-cash investing activities		
Acquisition of property and equipment	348,488	-
Capitalized interest	307,200	-
Supplemental Schedule of non-cash financing activities		
Financing costs for capital stock raises	75,466	-
Conversion of Convertible Redeemable Series C Preferred stock	13,720,048	-

See accompanying notes to consolidated financial statements**.**

Note 1 – The Company

NeoStem, Inc. ("NeoStem" or the "Company") was incorporated under the laws of the State of Delaware in September 1980 under the name Fidelity Medical Services, Inc. The Company's corporate headquarters are located at 420 Lexington Avenue, Suite 450, New York, NY 10170, its telephone number is (212) 584-4180 and its website address is www.neostem.com.

In 2009, through the Company's expansion efforts within China and with the acquisition of a controlling interest in Suzhou Erye Pharmaceuticals Company Ltd. ("Erye"), the Company transitioned into a multi-dimensional international biopharmaceutical company with product and service revenues, global research and development capabilities and operations in three distinct business units: (i) U.S. adult stem cells, (ii) China adult stem cells, and (iii) China pharmaceuticals, primarily antibiotics. These business units are expected to provide platforms for the accelerated development and commercialization of innovative technologies and products in both the U.S. and China.

In the U.S., the Company is a leading provider of adult stem cell collection, processing and storage services enabling healthy individuals to donate and store their stem cells for personal therapeutic use. Similar to the banking of cord blood, pre-donating cells at a younger age helps to ensure a supply of one's own stem cells should they be needed for future medical treatment. The Company's current network of U.S. adult stem cell collection centers is focused primarily in the Southern California and Northeast markets and during 2010 we have been entering into new agreements for collection centers with the goal of expanding our coverage to ten centers by the end of 2010. Each collection center agreement is effectively a license that grants a physician practice the right to participate in the Company's stem cell collection network and access to its stem cell banking technology, which includes its know-how, trade secrets, copyrights and other intellectual property rights owned by the Company and utilized in connection with the delivery of stem cell collection services. The Company's stem cell banking technology is proprietary and the subject of pending patent applications. The terms of NeoStem's collection center agreements are substantially similar. NeoStem grants to each physician practice serving as a collection center a non-exclusive license to use its trademarks and intellectual property but otherwise retains all rights thereto, and each collection center is bound by confidentiality obligations to NeoStem and non-competition provisions. NeoStem provides adult stem cell processing and storage services, as well as expertise and certain business, management and administrative services of a non-clinical nature in support of each physician practice serving as a collection center. In each case, the physician practice agrees that NeoStem will be its exclusive provider of adult stem cell processing and storage, management and other specified services. The agreements also make clear that since NeoStem is not licensed to practice medicine, NeoStem cannot and does not participate in clinical care or clinical decision making, both of which are exclusively the responsibility of the collection center (i.e., the responsibility of the physician or the medical practice). The agreements provide for the payment to NeoStem by the collection center of specified fees that typically include upfront licensing fees and license maintenance fees. As part of the licensing program, NeoStem also provides marketing and administrative support services. NeoStem does not have any equity or other ownership interest in any of the physician medical practices that serve as collection centers. Each of the agreements is for a multi-year period, depending on the particular center, and typically has an automatic renewal provision for consecutive one year periods at the end of the initial term that also permits either party to terminate prior to renewal. The agreements may also relate to a territory from which patients seek collection services. The agreements contain insurance obligations and indemnification provisions, limitations on liability, non-compete provisions and other standard provisions. Generally, the agreements may be terminated by either party with prior written notice in the event of an uncured material breach by the other party and may be terminated by either party in the event of the other party's bankruptcy, insolvency, receivership or other similar circumstances, or, depending on the agreement, certain other specified occurrences.

In addition to the Company's services, the Company is conducting research and development activities on its own at its laboratory facility in Cambridge, Massachusetts and through collaborations in pursuit of diagnostic and therapeutic applications using autologous adult stem cells, including applications using its VSEL™ Technology, with regard to very small embryonic-like stem cells, which it licenses from the University of Louisville.

In 2009, the Company began several China-based, adult stem cell initiatives including: (i) creating a separate China-based stem cell operation, (ii) constructing a stem cell research and development laboratory and processing facility in Beijing, (iii) establishing relationships with hospitals to provide stem cell-based therapies, and (iv) obtaining product licenses covering several adult stem cell therapeutics focused on regenerative medicine. In 2010, the Company began offering stem cell banking services and certain stem cell therapies to patients in Asia, as well as to foreigners traveling to Asia seeking medical treatments that are either unavailable or cost prohibitive in their home countries. In the third quarter of 2010, Weihai Municipal Price Bureau, the local authority in charge of pricing for public medical services in China, approved the pricing for single side and bilateral arthroscopic orthopedic autologous adult stem cell based treatment licensed by the Company which is being administered at Wendeng Orthopedic Hospital based in Wendeng, Shandong Province, China, and Weihai Municipal Labor Bureau Medical Insurance Office approved Wendeng Hospital's application for reimbursement whereby patients are eligible to receive reimbursement for up to 80% of the cost of the orthopedic procedure under the new technology category.

The cornerstone of the Company's China pharmaceuticals business is the 51% ownership interest it acquired in Erye in October 2009. On October 30, 2009, China Biopharmaceuticals Holdings, Inc. ("CBH") merged with and into CBH Acquisition LLC ("CBH Merger Sub"), a wholly-owned subsidiary of NeoStem, with Merger Sub as the surviving entity (the "Erye Merger"). As a result of the Erye Merger, NeoStem acquired CBH's 51% ownership interest in Erye, a Sino-foreign joint venture with limited liability organized under the laws of the People's Republic of China. Erye was founded more than 50 years ago and represents an established, vertically-integrated pharmaceutical business. Historically, Erye has concentrated its efforts on the manufacturing and distribution of generic antibiotic products and has received more than 160 production certificates from the State Food and Drug Administration of China ("SFDA"), covering both antibiotic prescription drugs and active pharmaceutical intermediates.

The results of operations for Erye are included in our consolidated results of operations beginning on October 30, 2009. The results of operations for periods prior to October 30, 2009 reflect NeoStem as a stand-alone entity.

On September 16, 2010, the Board of Directors of NeoStem and on September 22, 2010 the Board of Managers of Progenitor Cell Therapy, LLC, a Delaware limited liability company ("PCT"), unanimously approved the merger (the "PCT Merger") of NBS Acquisition Company, LLC, a newly formed wholly-owned subsidiary of NeoStem ("Subco"), with and into PCT pursuant to an Agreement and Plan of Merger, dated September 23, 2010 (as such agreement may be amended from time to time, the "PCT Agreement and Plan of Merger"), among NeoStem, PCT and Subco. PCT is an internationally recognized cell therapy services and development company that, through its cell therapy manufacturing facilities and team of professionals, facilitates the preclinical and clinical development and eventual commercialization of cellular therapies for clients in the United States and internationally. To its clients, PCT offers current Good Manufacturing Practices (cGMP)-compliant cell transportation, manufacturing, storage and distribution services and supporting clinical trial design, process development, logistics, and regulatory and quality systems development services. PCT serves the developing cell therapy industry, including biotechnology, pharmaceutical and medical products companies, health care providers, and academic investigators, from licensed, state-of-the-art cell therapy manufacturing facilities in Allendale, New Jersey and Mountain View, California. PCT supports the research of leading academic investigators designed to expedite the broad clinical application of cell therapy.

Pursuant to the terms of the PCT Agreement and Plan of Merger, all of the membership interests of PCT outstanding immediately prior to the effective time of the PCT Merger (the "Effective Time") will be converted into the right to receive, in the aggregate, 11,200,000 shares of the common stock, par value $0.001 per share, of NeoStem (the "NeoStem Common Stock" or the "Parent Common Stock") and, subject to the satisfaction of certain conditions, warrants to purchase a minimum of 1,000,000 shares and a maximum of 3,000,000 shares of NeoStem Common Stock, as follows:

(i) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock exercisable over a seven year period at an exercise price of $7.00 per share (the "$7.00 Warrants"), and which will vest only if a specified business milestone is accomplished within three (3) years of the closing date of the PCT Merger; and

(ii) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock exercisable over a seven year term at an exercise price of $3.00 per share (the "$3.00 Warrants"), if the volume weighted average of the closing prices of sales of Parent Common Stock on the NYSE-Amex for the three (3) trading days ending on the trading day that is two (2) days prior to the closing date of the PCT Merger (the "Parent Per Share Value") is less than $2.50; and

(iii) common stock purchase warrants to purchase one million (1,000,000) shares of Parent Common Stock exercisable over a seven year period at an exercise price of $5.00 per share (the "$5.00 Warrants") and, collectively with the $7.00 Warrants and the $3.00 Warrants (the "Warrants"), if the Parent Per Share Value is less than $1.70.

The shares of Parent Common Stock issuable in the PCT Merger are subject to adjustment, provided that in no event will NeoStem be required to issue more than 11,200,000 shares of NeoStem Common Stock.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of NeoStem, Inc. and its wholly owned and partially owned subsidiaries and affiliates as listed below:

Entity	Percentage of Ownership	Location
NeoStem, Inc.	Parent Company	United States of America
NeoStem Therapies, Inc.	100%	United States of America
Stem Cell Technologies, Inc.	100%	United States of America
NeoStem (China) Inc.	100%	People's Republic of China
Qingdao Niao Bio-Technology Ltd.*	*	People's Republic of China
Beijing Ruijiao Bio-Technology Ltd.*	*	People's Republic of China
China Biopharmaceuticals Holdings, Inc. (CBH)	100%	United States of America
Suzhou Erye Pharmaceuticals Company Ltd.	51% owned by CBH	People's Republic of China

* Because certain regulations in the People's Republic of China ("PRC") currently restrict or prohibit foreign entities from holding certain licenses and controlling certain businesses in China, the Company created a wholly foreign-owned entity, or WFOE, NeoStem (China), to implement its expansion initiatives in China. To comply with China's foreign investment regulations with respect to stem cell-related activities, these business initiatives in China are conducted via two Chinese domestic entities, Qingdao Niao Bio-Technology Ltd., or Qingdao Niao, and Beijing Ruijieao Bio-Technology Ltd., or Beijing Ruijieao, that are controlled by the WFOE through various contractual arrangements and under the principles of consolidation the Company consolidates 100% of their operations.

Basis of Presentation: The consolidated balance sheet as of September 30, 2010, the consolidated statements of operations for the three and nine months ended September 30, 2010 and 2009, and the consolidated statements of cash flows for the nine months ended September 30, 2010 and 2009 and related disclosures contained in the accompanying notes are unaudited. The consolidated balance sheet as of December 31, 2009 is derived from the audited consolidated financial statements included in the annual report filed on Form 10-K with the U.S. Securities and Exchange Commission (the "SEC") as adjusted – see Note 4. The consolidated financial statements are presented on the basis of accounting principles that are generally accepted in the United States of America for interim financial information and in accordance with the instructions of the SEC on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and notes required by accounting principles generally accepted in the United States for a complete set of financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated balance sheet as of September 30, 2010 and the results of operations and cash flows for the periods ended September 30, 2010 and 2009 have been made. The results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the year ending December 31, 2010 or for any other period. The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. In particular, at December 31, 2009, the Company reclassified short term investments of $287,300 from Prepaid and other current assets to Short term investments, unearned revenues in excess of one year of $224,700 from Current liabilities to Long-term liabilities. In addition, for the Statement of Cash Flows for the nine months ended September 30, 2009 the Company revised its presentation of the reconciliation of cash flows from operating activities to reconcile such cash flows from Net loss attributable to common shareholders to Net Loss. Lastly, the company reclassed the 2009 amount related to Cash restricted as collateral for bank loans from financing activities to investing activities.

In reviewing share-based payment expense to both employees and non-employees, the Company recorded an adjustment in the three months ended September 30, 2010 of approximately $920,000 to reduce share-based payment expense for amounts previously recognized in the prior quarters of 2010 and in the year ended December 31, 2009.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents: Short-term cash investments, which have a maturity of ninety days or less when purchased, are considered cash equivalents.

Concentration of Risks: For the three and nine months ended September 30, 2010, two major suppliers provided approximately 16.5% and 19.7%, respectively, of Erye's purchases of raw materials with each supplier individually accounting for approximately 8.8% and 7.7%, and 11.7% and 8.0%, respectively. As of September 30, 2010, the total accounts payable to the two major suppliers was 19.6% of the total accounts payable balance.

Foreign Exchange Risk: Since 2005, the PRC government has followed a policy of establishing the value of the Renminbi on a basket of certain foreign currencies and as a result the value of the Renminbi has fluctuated within a narrow and managed band. However, the Chinese government has come under increasing U.S. and international pressure to revalue the Renminbi or to permit it to trade in a wider band, which many observers believe would lead to substantial appreciation of the Renminbi against the U.S. dollar and other major currencies. On June 19, 2010, the central bank of China announced that it will gradually modify its monetary policy and make the Renminbi's exchange rate more flexible and allow the Renminbi to appreciate in value in line with its economic strength. There can be no assurance that the Renminbi will be stable against the U.S. dollar.

Economic and Political Risks: The Company faces a number of risks and challenges since a significant amount of its assets are located in China and its revenues are derived primarily from its operations in China. China is a developing country with a young economic market system overshadowed by the state. Its political and economic systems are very different from the more developed countries and are still in the stage of change. China also faces many social, economic and political challenges that may produce major shocks and instabilities and even crises, in both its domestic arena and its relationship with other countries, including but not limited to the United States. Such shocks, instabilities and crises may in turn significantly and negatively affect the Company's performance.

Approximately 70% of Erye's sales are derived from products that use penicillin or cephalosporin as the key active ingredient. These products are manufactured on two of the eight production lines in Erye's manufacturing facility. Any issues or incidents that might disrupt the manufacturing of products requiring penicillin or cephalosporin could have a material impact on the operating results of Erye. Any interruption or cessation in production could impact market sales.

Restricted Cash: Restricted cash represents cash required to be deposited with banks in China as collateral for the balance of bank notes payable and are subject to withdrawal restrictions according to the agreement with the bank. The required deposit rate is approximately 30-50% of the notes payable balance.

*Accounts Receivabl*e: Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. The Company applies judgment in connection with establishing the allowance for doubtful accounts. Specifically, the Company analyzes the aging of accounts receivable balances, historical bad debts, customer concentration and credit-worthiness, current economic trends and changes in the Company's customer payment terms. Significant changes in customer concentrations or payment terms, deterioration of customer credit-worthiness or weakening economic trends could have a significant impact on the collectability of the receivables and the Company's operating results. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Management regularly reviews the aging of receivables and changes in payment trends by its customers, and records a reserve when it believes collection of amounts due are at risk.

Inventories: Inventories are stated at the lower of cost or market using the first-in, first-out basis. The Company reviews its inventory periodically and will reduce inventory to its net realizable value depending on certain factors, such as product demand, remaining shelf life, future marketing plans, obsolescence and slow-moving inventories.

Inventories consisted of the following (in thousands):

	September 30, 2010	December 31, 2009
Raw materials	$ 5,178.8	$ 6,338.8
Work in process	2,844.7	666.7
Finished goods	6,647.1	5,973.5
Total inventory	$ 14,670.6	$ 12,979.0

Property, Plant, and Equipment: The cost of property and equipment is depreciated over the estimated useful lives of the related assets of 3 to 30 years. The cost of computer software programs are amortized over their estimated useful lives of five years. Depreciation is computed on the straight-line method. Repairs and maintenance expenditures that do not extend original asset lives are charged to expense as incurred.

Property, plant, and equipment consisted of the following (in thousands):

	September 30, 2010	December 31, 2009
Building and improvements	$ 1,644.0	$ -
Machinery and equipment	23,890.7	3,289.3
Lab equipment	699.8	704.2
Furniture and fixtures	301.1	273.2
Vehicles	269.8	75.3
Software	91.9	81.7
Leasehold improvements	64.9	58.4
Construction in progress	7,640.5	17,075.1
	34,602.7	21,557.2
Accumulated depreciation	(1,394.6)	(285.8)
Total property, plant, and equipment	$ 33,208.1	$ 21,271.4

The Company's results included depreciation expense of approximately $581,818 and $27,692 for the three months ended September 30, 2010 and 2009, respectively, and $1,058,718 and $70,099 for the nine months ended September 30, 2010 and 2009, respectively.

Erye is constructing a new factory and is in the process of relocating to the new facility as the project is completed. Construction in progress is related to this production facility which is being built in accordance with the PRC's Good Manufacturing Practices ("GMP") Standard. The Company expects that the construction will be completed in 2011; however, certain elements of the project have been completed and put into service in 2010. The estimated additional cost to complete construction will be approximately $7.5 million. No depreciation is provided for construction-in-progress until such time the assets are completed and placed into service. Interest incurred during the period of construction, if material, is capitalized.

Income Taxes: The Company recognizes (a) the amount of taxes payable or refundable for the current year and (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The Company continues to evaluate the accounting for uncertainty in tax positions. The guidance requires companies to recognize in their financial statements the impact of a tax position if the position is more likely than not of being sustained on audit. The position ascertained inherently requires judgment and estimates by management. For the three and nine months ended September 30, 2010 and 2009, management does not believe the Company has any material uncertain tax positions that would require it to measure and reflect the potential lack of sustainability of a position on audit in its financial statements. The Company will continue to evaluate its uncertain tax positions in future periods to determine if measurement and recognition in its financial statements is necessary. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

Comprehensive Income (Loss): The accumulated other comprehensive income (loss) balance at September 30, 2010 and December 31, 2009 in the amount of $1,583,200 and $(67,900), respectively, is comprised entirely of cumulative gains and losses resulting from foreign currency translation. Comprehensive loss for the three and nine months ended September 30, 2010 and 2009 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net loss	$ (5,994.6)	$ (7,219.2)	$ (13,040.3)	$ (13,777.8)
Other comprehensive income (loss)				
Foreign currency translation	1,483.4	(7.5)	1,651.1	(7.6)
Total other comprehensive income (loss)	1,483.4	(7.5)	1,651.1	(7.6)
Comprehensive loss	(4,511.2)	(7,226.7)	(11,389.2)	(13,785.4)
Comprehensive income attributable to non controlling interests	1,864.0	-	4,877.8	-
Comprehensive loss attributable to common shareholders	$ (6,375.3)	$ (7,226.7)	$ (16,267.0)	$ (13,785.4)

Goodwill: Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. The Company reviews recorded goodwill for potential impairment annually or upon the occurrence of an impairment indicator. The Company performs its annual impairment test as of December 31 each year. See Note 4.

Intangible Assets: Accounting standards require purchased intangible assets other than goodwill to be amortized over their useful lives unless those lives are determined to be indefinite. Purchased intangible assets are carried at cost less accumulated amortization. Definite-lived intangible assets, consist of patents and rights associated primarily with the VSEL™ Technology, patent rights owned by Erye, a lease right between Erye and its 49% shareholder, and Eyre's customer list. These intangible assets are amortized on a straight line basis over their respective lives. See Note 5.

Impairment of Long-lived Assets: The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the fair value of the asset. If other events or changes in circumstances indicate that the carrying amount of an asset that the Company expects to hold and use may not be recoverable, the Company will estimate the undiscounted future cash flows expected to result from the use of the asset or its eventual disposition, and recognize an impairment loss. The impairment loss, if determined to be necessary, would be measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Accounting for Share-Based Compensation Expense: The Company records share-based payment expense at fair value. The Company utilizes the Black-Scholes valuation method for determination of share-based compensation expense. The Company accounts for share-based compensation transactions with non-employees in which services are received in exchange for the equity instruments based upon the fair value of the equity instruments issued. Generally, the Company recognizes the fair value of share-based compensation expense in net income on a straight-line basis over the requisite service period. See Note 9. For those awards that contain performance conditions, expense is generally recognized when the performance condition is deemed probable of occurring.

Earnings Per Share: Basic loss per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net loss attributable to common shareholders by the weighted average shares outstanding during the period. Diluted loss per share, which is calculated by dividing net loss attributable to common shareholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented as such potentially dilutive securities are anti-dilutive in all periods presented. For the three and nine months ended September 30, 2010 and 2009, the Company incurred net losses and therefore no common stock equivalents were utilized in the calculation of earnings per share. At September 30, 2010 and 2009, the Company excluded the following potentially dilutive securities:

	September 30, 2010	September 30, 2009
Stock Options	13,558,214	4,633,300
Warrants	17,352,028	18,196,780
Series D Convertible Redeemable Preferred Stock	-	12,932,510

Revenue Recognition: The Company recognizes revenue from pharmaceutical and pharmaceutical intermediary products sales when title has passed, the risks and rewards of ownership have been transferred to the customer, the fee is fixed and determinable, and the collection of the related receivable is probable which is generally at the time of delivery. The Company initiated the collection and banking of autologous adult stem cells in the fourth quarter of 2006. The Company recognizes revenue related to the collection and cryopreservation of autologous adult stem cells when the cryopreservation process is completed which is generally twenty four hours after cells have been collected. Revenue related to advance payments of storage fees is recognized ratably over the period covered by the advanced payments. The Company earns revenue, in the form of license fees, from physicians seeking to establish autologous adult stem cell collection centers. These license fees are typically billed upon signing of the collection center agreement and qualification of the physician by the Company's credentialing committee and at various times during the term of license agreement based on the terms of the specific agreement. The Company also receives licensing fees from a licensee for use of its technology and knowledge to operate an adult stem cell banking operation in China, which licensing fees are recognized as revenues ratably over the appropriate period of time to which the revenue element relates. In addition, the Company earns royalties for the use of its name and scientific information in connection with its License and Referral Agreement with Ceregenex Corporation (see Note 12), which royalties are recognized as revenue when they are received.

Revenues for the three and nine months ended September 30, 2010 and 2009 were comprised of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues				
Prescription drugs and intermediary pharmaceutical products	$ 16,378.1	$ -	$ 51,500.6	$ -
Stem cell revenues	62.0	82.6	128.4	141.2
Other revenues	35.5	2.5	87.3	16.5
	$ 16,475.6	$ 85.1	$ 51,716.3	$ 157.7

Fair Value Measurements: Fair value of financial assets and liabilities that are being measured and reported are defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company is required to classify fair value measurements in one of the following categories:

Level 1 inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 inputs are defined as unobservable inputs for the assets or liabilities. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The Company determined the fair value of funds invested in short term investments, which are considered trading securities, to be level 1 inputs measured by quoted prices of the securities in active markets. The Company determined the fair value of funds invested in money market funds to be level 2 inputs, which does not entail material subjectivity because the methodology employed does not necessitate significant judgment, and the pricing inputs are observed from actively quoted markets. The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2010, and December 31, 2009 (in thousands):

	September 30, 2010		
	Fair Value Measurements Using Fair Value Hierarchy		
	Level 1	Level 2	Level 3
Money Market Funds	-	$ 1.0	-
Short term investments	$ 257.4	-	-

	December 31, 2009		
	Fair Value Measurements Using Fair Value Hierarchy		
	Level 1	Level 2	Level 3
Money Market Funds	-	$ 1,031.0	-
Short term investments	$ 287.3	-	-

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature, such as cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and notes payable.

Foreign Currency Translation: As the Company's Chinese pharmaceutical business is a self-contained and integrated entity, and the Company's Chinese stem cell business' future cash flow is expected to be sufficient to service its additional financing requirements, the Chinese subsidiaries' functional currency is the Renminbi ("RMB"), and the Company's reporting currency is the US dollar. Results of foreign operations are translated at the average exchange rates during the period, and assets and liabilities are translated at the closing rate at the end of each reporting period. Cash flows are also translated at average exchange rates for the period, therefore, amounts reported on the consolidated statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet.

Translation adjustments resulting from this process are included in accumulated other comprehensive income (loss) and amounted to $1,583,200 and $(67,900) as of September 30, 2010 and December 31, 2009 respectively.

Research and Development Costs: Research and development ("R&D") expenses include salaries, benefits, and other headcount related costs, clinical trial and related clinical manufacturing costs, contract and other outside service fees including sponsored research agreements, and facilities and overhead costs. The Company expenses the costs associated with research and development activities when incurred.

Statutory Reserves: Pursuant to laws applicable to entities incorporated in the PRC, the PRC subsidiaries are prohibited from distributing their statutory capital and are required to appropriate from PRC GAAP profit after tax to other non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits (i.e., 50% of the registered capital of the relevant company), the general reserve fund requires annual appropriation at 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end); the appropriation to the other funds are at the discretion of the subsidiaries.

The general reserve is used to offset extraordinary losses. Subject to approval by the relevant authorities, a subsidiary may, upon a resolution passed by the shareholders, convert the general reserve into registered capital provided that the remaining general reserve after the conversion shall be at least 25% of the registered capital of the subsidiary before the capital increase as a result of the conversion. The staff welfare and bonus reserve is used for the collective welfare of the employees of the subsidiary. The enterprise expansion reserve is for the expansion of the subsidiary's operations and can also be converted to registered capital upon a resolution passed by the shareholders subject to approval by the relevant authorities. These reserves represent appropriations of the retained earnings determined in accordance with Chinese law, and are not distributable as cash dividends to the parent company, NeoStem. Statutory reserves are $1,204,600 and $1,126,300 as of September 30, 2010 and December 31, 2009, respectively.

Relevant PRC statutory laws and regulations permit payment of dividends by the Company's PRC subsidiaries only out of their accumulated earnings, if any, as determined in accordance with PRC accounting standards and regulations. As a result of these PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets either in the form of dividends, loans or advances. The restricted amount was $211,100 at September 30, 2010, and $213,100 at December 31, 2009.

Note 3 – Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (the "FASB') issued an amendment to the accounting and disclosure requirements for transfers of financial assets, which was effective January 1, 2010. The amendment eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and requires enhanced disclosures to provide financial statement users with greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. The adoption of this standard did not have a material impact on the consolidated financial statements.

In June 2009, the FASB amended the existing accounting and disclosure guidance for the consolidation of variable interest entities, which was effective January 1, 2010. The amended guidance requires enhanced disclosures intended to provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The adoption of this standard did not have a material impact on the consolidated financial statements.

In October 2009, the FASB issued new guidance which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit and modifies the manner in which the transaction consideration is allocated across the separately identified deliverables. The ASU significantly expands the disclosure requirements for multiple-deliverable revenue arrangements. The ASU will be effective for the first annual reporting period beginning on or after June 15, 2010, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. Early adoption is permitted, provided that the guidance is retroactively applied to the beginning of the year of adoption. The Company will not early adopt the guidance and will continue evaluting the impact of this new guidance on its consolidated financial statements.

In January 2010, the FASB amended the existing disclosure guidance on fair value measurements, which was effective January 1, 2010, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective January 1, 2011. Among other things, the updated guidance requires additional disclosure for the amounts of significant transfers in and out of Level 1 and Level 2 measurements and requires certain Level 3 disclosures on a gross basis. Additionally, the updates amend existing guidance to require a greater level of disaggregated information and more robust disclosures about valuation techniques and inputs to fair value measurements. Since the amended guidance requires only additional disclosures, the adoption of the provisions effective January 1, 2010 did not, and for the provisions effective in 2011 will not materially, impact its consolidated financial statements.

In March 2010, the FASB ratified the EITF final consensus on Issue No. 08-9, "Milestone Method of Revenue Recognition." The guidance in this consensus allows the milestone method as an acceptable revenue recognition methodology when an arrangement includes substantive milestones. The guidance provides a definition of substantive milestone and should be applied regardless of whether the arrangement includes single or multiple deliverables or units of accounting. The scope of this consensus is limited to the transactions involving milestones relating to research and development deliverables. The guidance includes enhanced disclosure requirements about each arrangement, individual milestones and related contingent consideration, information about substantive milestones and factors considered in the determination. The consensus is effective prospectively to milestones achieved in fiscal years, and interim periods within those years, after June 15, 2010. Early application and retrospective application are permitted. The Company will not early adopt this EITF. The Company is evaluating the effect this standard will have upon adoption.

In April 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-13 "Compensation – Stock Compensation", which addresses the accounting for stock options when denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity security trades. A share based payment award with an exercise price denominated in the currency of market in which a substantial portion of the entity's equity securities trades shall not be considered to contain a condition that is not a market, performance, or service condition. Therefore such an award shall not be classified as a liability if it otherwise qualifies for equity classification. This standard is effective in fiscal years beginning on or after December 15, 2010. The Company is evaluating the effect this standard will have upon adoption.

Note 4 – Acquisitions

On October 30, 2009, NeoStem consummated the Erye Merger pursuant to which CBH was merged with and into Merger Sub, a wholly-owned subsidiary of NeoStem, with Merger Sub as the surviving entity in accordance with the terms of the Agreement and Plan of Merger, dated November 2, 2008, as amended ("Merger Agreement") by and between NeoStem, Merger Sub, CBH and China Biopharmaceuticals Corp., a wholly-owned subsidiary of CBH ("CBC"). As a result of the Erye Merger, NeoStem acquired CBH's 51% ownership interest in Erye, a Sino-foreign joint venture with limited liability organized under the laws of the PRC. Erye specializes in the production and sale of pharmaceutical products, as well as chemicals used in pharmaceutical products. Erye, which was founded more than 50 years ago, currently manufactures and has received more than 160 production certifications from the SFDA covering both antibiotic prescription drugs and active pharmaceutical intermediaries. Suzhou Erye Economy and Trading Co. Ltd. ("EET") owns the remaining 49% ownership interest in Erye. The Company and EET have negotiated a revised joint venture agreement, which has been approved in principle by the PRC governmental authorities.

Pursuant to the terms of the Merger Agreement, NeoStem issued an aggregate of 13,750,167 shares of its common stock, with a fair value of $20,762,800, and 8,177,512 shares of Series C Convertible Preferred Stock, with a fair value of $13,720,000, in exchange for outstanding CBH securities. In addition, the Company issued Class E warrants to purchase 1,603,191 shares of NeoStem Common Stock, with a fair value of $590,800, to replace warrants issued by CBH.

The fair value of the identifiable net assets acquired in the Erye Merger was $34,904,300. The fair value of the equity issued as consideration by NeoStem was $35,073,600 and the fair value of the noncontrolling interests of Erye was $33,698,200. The goodwill that has been created by this acquisition is reflective of the values and opportunities of expanded access to healthcare in the PRC, the designation of certain antibiotics as essential medicines in China, and that a majority of Erye's antibiotics are on the central or provincial governments' drug formularies. Due to the structure of the transaction, none of the goodwill is expected to be tax deductible.

The summary of assets acquired and liabilities assumed on October 30, 2009 is as follows (in thousands):

Cash & Restricted Cash	$	4,451.2
Accounts Receivable		6,199.5
Inventories		12,469.0
Other Current Asset		2,925.2
Property, Plant & Equipment		18,922.6
Intangibles and land use rights		20,905.9
Goodwill		33,867.6
Accounts Payable	$	6,256.8
Other Liabilities		2,895.3
Deferred Tax Liability		4,720.8
Notes Payable		9,618.1
Amounts due Related Party		7,478.1

A preliminary allocation of the consideration transferred to the net assets of Erye was made as of the acquisition date. During the first nine months of 2010, the Company adjusted the preliminary values assigned to certain assets and liabilities in order to reflect additional information obtained since the Erye Merger date. The estimated purchase price allocation is subject to revision based on additional valuation work that is being conducted. The final allocation is pending the receipt of this valuation work and the completion of the Company's internal review, which is expected in the fourth quarter 2010. Under business combinations accounting guidance, the Company has up to one year from the date of the Erye Merger to finalize the allocation of the consideration transferred. A preliminary assessment of valuation work currently being completed indicates that Goodwill could be decreased approximately $7 million to $9.5 million with a corresponding increase in long lived and indefinite lived intangible assets, net of an increase in deferred tax liabilities. Increases in amortization of intangible assets is not expected to have a material impact on the net loss reported for 2009 or the net loss reported for the nine months ended September 30, 2010.

A preliminary allocation of the consideration transferred to the net assets of CBH was made as of the Erye Merger date. During the nine months ended September 30, 2010, the Company continued to review its preliminary allocation of the purchase price associated with the Erye Merger and made the following retrospective adjustments as of the Erye Merger date:

The Company determined that finished goods inventory acquired in connection with the Erye Merger was incorrectly valued and should have been increased by approximately $1,917,000 to step-up such inventory to fair value at the Erye Merger date. Such finished goods inventory has been sold through December 31, 2009. Therefore, at December 31, 2009, there is no effect on the reported balance of inventories in the consolidated balance sheets.

The Company determined that the fair value of the acquired customer list intangible asset was incorrectly valued by approximately $1,700,000 due to the inclusion of future tax benefits that will not be realized for local Chinese tax purposes in the Company's estimates of future cash flows used to value this intangible asset.

The Company determined that it had incorrectly accounted for the book/tax basis differences that arose in recording the fair value of the net assets acquired in connection with the Erye Merger. Such increases to fair value, while deductible for book purposes, are not deductible for local Chinese tax purposes but require recognition of the impact such non-deductibility will have on future tax expense. Specifically, the Company did not establish at the Erye Merger date deferred tax liabilities of approximately $4,720,800 for such book/tax basis differences.

The Company evaluated the materiality of these errors from both a qualitative and quantitative perspective and concluded that these errors were immaterial to the consolidated financial statements taken as a whole for the fiscal year ended December 31, 2009. The effect of these immaterial errors and related retrospective adjustments at December 31, 2009 and for the year then ended are summarized as follows (in thousands, except share and per share amounts):

	As Previously Reported	Adjustment	As Adjusted
Consolidated Balance Sheet			
Assets:			
Current assets	$ 31,799.2	$ -	$ 31,799.2
Property, plant and equipment, net	21,299.4	(28.0)	21,271.4
Goodwill	29,862.1	4,563.6	34,425.7
Land use rights, net	4,698.6	-	4,698.6
Lease rights	633.2	-	633.2
Customer list, net	16,756.1	(1,676.5)	15,079.6
Other intanbilbles	747.3	-	747.3
Other assets	238.9	-	238.9
	$ 106,034.8	$ 2,859.1	$ 108,893.9
Liabilities and Equity			
Current liabilities	$ 25,493.6	$ -	$ 25,493.6
Deferred tax liability	-	4,440.7	4,440.7
Amount due related party	7,234.3	-	7,234.3
Convertible redeemable Series C preferred stock	13,720.0	-	13,720.0
Preferred stock Series B convertible, redeemable	0.1	-	0.1
Common stock	37.2	-	37.2
Additional paid in capital	95,709.5	-	95,709.5
Accumulated deficit	(70,878.8)	(820.3)	(71,699.1)
Accumulated other comprehensive loss	(67.9)	-	(67.9)
Non controlling interests	34,786.8	(761.3)	34,025.5
Total equity	59,586.9	(1,581.6)	58,005.3
	$ 106,034.8	$ 2,859.0	$ 108,893.9

Consolidated Statement of Operations	As Previously Reported	Adjustment	As Adjusted
Revenues	$ 11,565.1	$ -	$ 11,565.1
Cost of revenues	7,587.2	1,917.0	9,504.2
Gross Profit	3,977.9	(1,917.0)	2,060.9
Research and Development	4,318.8	-	4,318.8
Selling, general and administrative	23,459.6	(28.4)	23,431.2
Operating Loss	(23,800.5)	(1,888.6)	(25,689.1)
Other income (expense):			
Other income (expense), net	(1.4)	-	(1.4)
Interest expense	(37.8)	-	(37.8)
	(39.2)	0.0	(39.2)
Loss from operations before provision for income taxes and non-controlling interests	(23,839.7)	(1,888.6)	(25,728.3)
Provision for taxes	344.2	(280.0)	64.2
Net loss	(24,183.9)	(1,608.6)	(26,092.9)
Less-net income (loss) attributable to non-controlling interests	1,088.6	(788.2)	300.4
Net Loss attributable to controlling Interests	(25,272.5)	(820.4)	(26,092.9)
Preferred Dividends	5,612.0	-	5,612.0
Net Loss attributable to common shareholders	$ (30,884.5)	$ (820.4)	$ (31,704.9)
Basic and diluted loss per share	$ (2.37)		$ (2.44)
Weighted average common shares outstanding	13,019,518		13,019,518

Consolidated Statement of Equity	As Previously Reported	Adjustment	As Adjusted
Preferred stock Series B convertible, redeemable	$ 0.1	$ -	$ 0.1
Common stock	37.2	-	37.2
Additional paid in capital	95,709.5	-	95,709.5
Accumulated deficit	(70,878.8)	(820.4)	(71,699.2)
Accumulated other comprehensive loss	(67.9)	-	(67.9)
Non controlling interests	34,786.8	(788.2)	33,998.6
Total equity	$ 59,586.9	$ (1,608.6)	$ 57,978.3

Consolidated Statement of Cash Flow	As Previously Reported	Adjustment	As Adjusted
Cash flows from operating activities:			
Net Loss	$ (24,183.9)	$ (1,608.6)	$ (25,792.5)
Adjustments to reconcile net loss to net cash used in operating activities:			
Common Stock, stock options and warrants issued as payment for compensation and services rendered	12,324.0	-	12,324.0
Depreciation and amortization	577.0	(28.4)	548.6
Bad debt expense	(90.2)	-	(90.2)
Deferred tax liability	-	(280.0)	(280.0)
Realization of step in basis of inventory received at date of acquisition	-	1,917.0	1,917.0
Unearned revenues			
Deferred acquisition costs			
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	1,796.7	-	1,796.7
Accounts receivable	571.7	-	571.7
Inventory	(2,427.1)	-	(2,427.1)
Other assets	(238.9)	-	(238.9)
Unearned revenues	1,991.8	-	1,991.8
Payments to related party	(243.8)	-	(243.8)
Accounts payable, accrued expenses	-	-	-
and other current liabilities	1,274.7	-	1,274.7
Net cash used in operating activities	(8,648.0)	-	(8,648.0)
Cash associated with Merger	696.5	-	696.5
Acquisition of property and equipment	(2,387.6)	-	(2,387.6)
Net cash used in investing activities	(1,691.1)	-	(1,691.1)
Net proceeds from issuance of Series D Preferred Stock	15,669.2	-	15,669.2
Proceeds from bank loans	2,197.5	-	2,197.5
Cash restricted as collateral for bank loans	(959.9)	-	(959.9)
Proceeds from notes payable	2,918.3	-	2,918.3
Payment of capitalized lease obligations	(14.7)	-	(14.7)
Proceeds from sale of convertible debentures	(2,742.7)	-	(2,742.7)
Net cash provided by financing activities	17,067.7	-	17,067.7
Net increase in cash	6,728.6	-	6,728.6
Cash and cash equivalents at beginning of year	430.8	-	430.8
Cash and cash equivalents at end of year	$ 7,159.4	$ -	$ 7,159.4

Presented below is the unaudited proforma information as if the acquisition had occurred at the beginning of the three and nine months ended September 30, 2009 along with a comparison to the reported results for the three and nine ended September 30, 2010 (in thousands, except share and per share amounts):

(in $000 except for Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30, 2010 (As Reported)	September 30, 2009 (Proforma)	September 30, 2010 (As Reported)	September 30, 2009 (Proforma)
Revenues	$ 16,475.6	$ 17,074.1	$ 51,716.3	$ 45,181.6
Cost of revenues	11,232.9	11,273.3	35,015.5	30,139.0
Gross Profit	5,242.7	5,800.8	16,700.8	15,042.6
Research and development	1,679.9	1,898.5	5,113.5	2,941.1
Selling, general and administrative	9,306.6	7,034.0	23,442.3	16,037.0
Operating loss	(5,743.8)	(3,131.7)	(11,855.0)	(3,935.5)
Other income (expense), net	35.2	58.0	5.9	(14.7)
Loss from operations before provision for income taxes and noncontrolling interests	(5,708.6)	(3,073.7)	(11,849.1)	(3,950.2)
Provision for taxes	286.0	493.5	1,191.2	1,295.1
Net loss	(5,994.6)	(3,567.2)	(13,040.3)	(5,245.3)
Less-net income attributable to noncontrolling interests	1,145.6	1,789.3	4,085.7	4,188.2
Preferred dividends	-	404.1	153.5	655.9
Net loss attributable to common shareholders	$ (7,140.2)	$ (5,760.6)	$ (17,279.5)	$ (10,089.4)
Basic and diluted loss per share	$ (0.13)	$ (0.26)	$ (0.36)	$ (0.46)
Weighted average common shares outstanding	56,777,430	22,464,655	48,599,359	22,049,974

The unaudited supplemental pro forma financial information should not be considered indicative of the results that would have occurred if the Erye Merger had been consummated on January 1, 2009, nor are they indicative of future results.

Note 5 – Intangible Assets

At September 30, 2010, the Company's intangible assets consisted of patent applications and rights associated with the VSEL ™ Technology which constitutes the principal assets acquired in the acquisition of Stem Cells Technologies, Inc., patent rights owned by Erye, a lease right between Erye and EET (the 49% shareholder of Erye) for the use of Erye's current manufacturing plant in Suzhou and Erye's customer list.

As of September 30, 2010 and December 31, 2009, the Company's intangible assets and related accumulated amortization consisted of the following (in thousands):

	Useful Life	September 30, 2010			December 31, 2009		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets obtained in the CBH acquisition							
Lease rights	2	$ 704.8	$ (323.0)	$ 381.8	$ 690.7	$ (57.6)	$ 633.1
Customer list	10	15,647.7	(1,434.4)	14,213.3	15,335.1	(255.6)	15,079.5
Patents	8	153.8	(17.8)	136.0	150.3	(2.7)	147.6
Intangible assets obtained in the Stem Cell Technologies, Inc.							
VSEL patent rights	19	669.0	(96.8)	572.2	672.8	(73.1)	599.7
Total Intangible Assets		$ 17,175.3	$ (1,872.0)	$ 15,303.3	$ 16,848.9	$ (389.0)	$ 16,459.9

Total intangible amortization expense is classified in each of the operating expense categories for the periods included below as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Cost of revenues	$ 87.1	$ -	$ 259.8	$ -
Selling, general, and administrative	401.2	-	1,185.6	8.8
Research and development	-	8.8	8.8	17.6

Estimated intangible amortization expense on an annual basis for the succeeding five years is as follows (in thousands):

Years Ending December 31,	Amount
2010 (remainder)	$ 493.0
2011	1,913.1
2012	1,619.4
2013	1,619.4
2014	1,619.4
Thereafter	8,039.0
Total	$ 15,303.3

Note 6– Accrued Liabilities

Accrued liabilities are as follows (in thousands):

	September 30, 2010	December 31, 2009
Income taxes payable	$ 1,510.8	$ 1,842.0
Patent infringement	747.3	-
VAT payable	641.8	-
Professional fees	458.1	116.8
Accrued construction costs	348.5	-
Security deposits	268.6	-
Salaries and related taxes	265.1	531.6
Utilities accrual	120.7	-
Collection cost	87.2	85.2
Benefits payable	82.8	-
Franchise taxes	25.4	139.0
Rent expense	24.2	69.1
Dividends payable	-	69.4
Other	128.7	112.4
	$ 4,709.2	$ 2,965.5

Note 7 – Notes Payable and Bank Loan

In December 2009, in order to facilitate working capital requirements in China, NeoStem (China) issued a promissory note to the Bank of Rizhao Qingdao Branch for approximately $645,500. The note bore an interest rate of 4.05%. The note was repaid in the second quarter of 2010. The loan was collateralized by cash in a restricted bank account totaling approximately $761,300 and these funds were returned when the note was repaid.

On May 25, 2010 NeoStem (China) issued a promissory note to the Bank of Rizhao Qingdao Branch for approximately $538,000 due November 25, 2010 and bearing interest at 4.86% per annum. The loan is collateralized by cash in a restricted bank account totaling approximately $608,900. In addition, in May 2010 NeoStem (China) entered into a pledge agreement with the bank pledging all of its interest in its VIEs as additional collateral for the loan.

In December 2009, Erye obtained a loan of approximately $2,200,500 from the Industrial and Commercial Bank with an interest rate of 4.86% and was due in June 2010. In April 2010 this loan was paid in full.

Erye has approximately $5,951,900 of notes payable outstanding as of September 30, 2010. Notes are payable to the banks who issue bank notes to Erye's creditors. Notes payable are interest free and usually mature after a three to six month period. In order to issue notes payable on behalf of Erye, the banks required collateral, such as cash deposits which were approximately 30%-50% of notes to be issued, or properties owned by Erye. Restricted cash pledged as collateral for the balance of notes payable at September 30, 2010 and December 31, 2009, amounted to approximately $2,720,700 and $3,955,400, respectively. At September 30, 2010 and December 31, 2009 the restricted cash amounted to 45.7% and 43.2% of the notes payable Erye issued, and the remainder of the notes payable is collateralized by pledging the land use right Erye owns, which amounted to approximately $1,935,100 and $1,896,900 at September 30, 2010 and December 31, 2009, respectively.

The Company has financed certain insurance policies and has notes payable at September 30, 2010 of approximately $54,700 related to these policies. These notes require monthly payments and mature in less than one year.

Note 8 – Convertible Redeemable Series C Preferred Stock

On October 30, 2009, pursuant to the terms of the Merger Agreement, the Company issued 8,177,512 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock") to RimAsia Capital Partners, L.P. ("RimAsia") in exchange for certain outstanding CBH securities.

On May 17, 2010, RimAsia at its option converted its 8,177,512 shares of Series C Preferred Stock into 9,086,124 shares of the Company's common stock at a conversion rate of 0.90 shares of Series C Preferred Stock for 1.0 shares of the Company's common stock. Following this conversion, there are no shares of Series C Preferred Stock outstanding and RimAsia will not be entitled to receive any dividends on such shares, to receive notices or to vote such shares or to exercise or to enjoy any other powers, preferences or rights in respect thereof; provided however that RimAsia was entitled to receive a cash payment of $153,500 which is equal to the dividends accrued but unpaid through from January 1, 2010 to May 17, 2010. This payment was made on May 25, 2010.

Note 9 – Shareholders' Equity

Common Stock:

The authorized common stock of the Company is 500 million shares, par value $0.001 per share.

On February 18, 2010, the Company completed a public offering of its common stock, selling 5,750,000 shares priced at $1.35 per share. The Company received approximately $6,819,500 in net proceeds from the offering, after underwriting discounts, commissions and expenses, of approximately $943,000 of which approximately $75,400 was unpaid as of September 30, 2010.

Effective March 15, 2010, RimAsia exercised a warrant to purchase 1,000,000 shares of restricted Common Stock. This warrant was issued to RimAsia in a private placement completed by the Company in September 2008. The exercise price was $1.75 per share, resulting in proceeds to the Company of $1,750,000. In connection therewith, the Company modified certain terms of RimAsia's Series D Warrant to purchase 4,000,000 shares of Common Stock.

On May 17, 2010, RimAsia, the holder of 8,177,512 shares of Series C Preferred Stock issued by the Company in connection with the Erye Merger, at its option, converted its 8,177,512 shares of Series C Preferred Stock into 9,086,124 shares of the Company's common stock at a conversion rate of 0.90 shares of Series C Preferred Stock for 1.0 shares of the Company's common stock.

On May 19, 2010, the Company entered into a Common Stock Purchase Agreement with Commerce Court Small Cap Value Fund, Ltd., which provides that, subject to certain terms and conditions, Commerce Court is committed to purchase up to $20,000,000 worth of shares of the Company's common stock over a term of approximately 24 months. The Purchase Agreement provides that at the Company's discretion, it may present Commerce Court with draw down notices under this $20 million equity line of credit arrangement from time to time, to purchase the Company's Common Stock, provided certain price requirements are met and limited to 2.5% of the Company's market capitalization at the time of such draw down, which may be waived or modified. The per share purchase price for these shares will equal the daily volume weighted average price of the Company's common stock on each date during the draw down period on which shares are purchased, less a discount of 5.0%. The Purchase Agreement also provides that the Company in its sole discretion may grant Commerce Court the right to exercise one or more options to purchase additional shares of Common Stock during each draw down period at a price which would be based on a discount calculated in the same manner as it is calculated in the draw down notice. The issuance of shares of common stock to Commerce Court pursuant to the Purchase Agreement, and the sale of those shares from time to time by Commerce Court to the public, are covered by an effective registration statement on Form S-3 filed with the SEC.

On May 27, 2010, the Company presented Commerce Court with a Draw Down Notice. Pursuant to the Purchase Agreement, the shares were offered at a discount price to Commerce Court mutually agreed upon by the parties under the Purchase Agreement equal to 95.0% of the daily volume weighted average price of the common stock during the Pricing Period or a 5% discount. Pursuant to the Draw Down Notice, the Company also granted Commerce Court the right to exercise one or more options to purchase additional shares of common stock during the Pricing Period, based on the trading price of the common stock. The Company settled with Commerce Court on the purchase of 685,226 shares of common stock under the terms of the Draw Down Notice and the Purchase Agreement at an aggregate purchase price of $1,802,100, or approximately $2.63 per share, on June 7, 2010. The Company and Commerce Court agreed to waive the minimum threshold price of $3.00 per share set forth in the Purchase Agreement. The Company received net proceeds from the sale of these shares of approximately $1,746,100 after deducting its offering expenses.

On June 1, 2010, Fullbright Finance Limited exercised a warrant to purchase 400,000 shares of restricted Common Stock. This warrant was issued to Fullbright in a private placement of securities by the Company in November 2008. The exercise price was $1.75 per share, resulting in proceeds to the Company of $700,000.

On June 25, 2010, the Company entered into definitive securities purchase agreements with investors in a registered direct public offering, pursuant to which such investors agreed to purchase, and the Company agreed to sell, an aggregate of 2,325,582 Units, consisting of an aggregate of 2,325,582 shares of common stock and warrants to purchase an aggregate of 581,394 shares of common stock. The offering closed on June 30, 2010 with gross proceeds of $5,000,000. Each Unit was priced at $2.15 and consisted of one share of common stock and a warrant which will allow the investor to purchase 0.25 shares of common stock at a per share price of $2.75. The warrants may be called by the Company in the event that the common stock trades over $4.50 per share for 10 consecutive trading days. Subject to certain ownership limitations, the warrants will be exercisable on the date of the closing and will expire 2 years thereafter. The number of shares of common stock issuable upon exercise of the warrants and the exercise price of the warrants are adjustable in the event of stock dividends, splits, recapitalizations, reclassifications, combinations or exchanges of shares, reorganizations, liquidations, consolidation, acquisition of the Company (whether through merger or acquisition of substantially all the assets or stock of the Company) or similar events. The issuance of the securities in this offering was registered on a registration statement on Form S-3 filed with the SEC. Rodman & Renshaw LLC acted as the Company's placement agent in this offering and received a total payment of $340,000 in fees and expenses and Placement Agent Warrants to purchase up to 93,023 shares of our Common Stock at an exercise price of $2.6875 per share expiring May 10, 2015. The Placement Agent Warrants are not covered by the Form S-3. The net proceeds to the Company from such offering, after deducting the Placement Agent's fees and expenses, the Company's estimated offering expenses, and excluding the proceeds, if any, from the exercise of the warrants issued in the offering were approximately $4,497,900.

On July 7, 2010, the Company entered into a consulting agreement pursuant to which a consultant was retained to assist the Company in providing sponsorship of the Company's securities in the public markets and to perform investor relations services for a three month term. In consideration for providing services under this agreement, the Company issued to the consultant 150,000 shares of restricted common stock, to vest as to one-third on each of the first, second and third one-month anniversaries of the effective date of the agreement.

On July 27, 2010, consistent with the Company's previously disclosed intention to provide support for a charitable foundation, The Stem for Life Foundation (the "Foundation"), which promotes public awareness, funds research and development and subsidizes stem cell collection and storage programs, the Company issued to the Foundation 150,000 shares of restricted common stock with a fair value of $298,500. The issuance of such securities was subject to the approval of the Audit Committee, the Compensation Committee and the NYSE Amex. On July 2, 2010, the Company also contributed $75,000 to the Foundation.

On September 30, 2010 a warrant holder exercised a warrant to purchase 600,000 shares of Common Stock. The exercise price was $.78 per share, resulting in proceeds to the Company of $468,000.

Warrants:

The Company has issued common stock purchase warrants from time to time to investors in private placements and public offerings, and to certain vendors, underwriters, placement agents and consultants of the Company. A total of 17,352,028 shares of common stock are reserved for issuance upon exercise of outstanding warrants as of September 30, 2010 at prices ranging from $0.50 to $6.50 and expiring through April 2017.

During the three and nine months ended September 30, 2010 the Company issued warrants for services as follows ($ in thousands):

	Number of Common Stock Purchase Warrants Issued		Value of Common Stock Purchase Warrants Issued		Common Stock Purchase Warrant Expense Recognized	
	Three Months Ended 9/30/2010	Nine Months Ended 9/30/2010	Three Months Ended 9/30/2010	Nine Months Ended 9/30/2010	Three Months Ended 9/30/2010	Nine Months Ended 9/30/2010
Warrants issued for investor relations services	-	200,000	$ -	$ 242.7	$ (70.8)	$ 121.4
Warrants issued for consulting services	25,000	350,000	32.9	425.6	(103.4)	221.5
Warrants issued for legal services	-	77,000	-	104.0	26.9	74.5

On March 15, 2010, the Company and RimAsia, an affiliate of the Company, made certain agreements with respect to outstanding warrants. RimAsia exercised its warrant to purchase 1,000,000 shares of the Company's common stock, exercisable at a per share exercise price of $1.75, which was issued to RimAsia in a private placement completed by the Company in September 2008 (the "September 2008 Warrant"). This exercise resulted in proceeds to the Company totaling $1,750,000. The condition for such exercise was that the Company would modify certain terms of RimAsia's warrant to purchase 4,000,000 shares of Common Stock, issued to RimAsia in a private placement completed by the Company in April 2009 (the "Series D Warrant"). The Series D Warrant was amended to provide for (i) a three (3) year extension of the Termination Date from September 1, 2013 to September 1, 2016, and (ii) an increase in the average closing price that triggers the Company's redemption option under the Series D Warrant from $3.50 to $5.00. The change in terms resulted in a charge to other expense totaling approximately $188,000.

Warrant activity is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at December 31, 2009	19,838,802	$ 3.00		
Granted	1,301,417	2.25		
Exercised	(2,025,000)	1.46		
Expired	(1,613,191)	6.54		
Cancelled	(150,000)	2.78		
Balance at September 30, 2010	17,352,028	$ 2.80	4.0	$ 651,689

At September 30, 2010 the outstanding warrants by range of exercise prices are as follows:

Exercise Price	Number Outstanding September 30, 2010	Weighted Average Remaining Contractual Life (years)	Number Exercisable September 30, 2010
$0.50 to $1.01	99,000	3.11	83,000
$1.01 to $1.99	1,442,709	3.23	1,241,709
$1.99 to $2.53	13,202,512	4.51	13,169,179
$2.53 to $5.99	929,928	2.29	929,928
$5.99 to $6.50	1,677,879	1.98	1,677,879
	17,352,028	2.80	17,101,695

Options:

The Company's 2003 Equity Participation Plan (the "2003 Equity Plan") permits the grant of share options and shares to its employees, directors, consultants and advisors for up to 2,500,000 shares of Common Stock as stock-based compensation. The 2009 Equity Compensation Plan (the "2009 Equity Plan") makes up to 13,750,000 shares of Common Stock of the Company available for issuance to employees, consultants, advisors and directors of the Company and its subsidiaries pursuant to incentive or non-statutory stock options, restricted and unrestricted stock awards and stock appreciation rights.

All stock options under the 2003 Equity Plan and the 2009 Equity Plan are generally granted at the fair market value of the Common Stock at the grant date. Stock options vest either on the date of grant, ratably over a period determined at time of grant, or upon the accomplishment of specified business milestones, and generally expire 10 years from the grant date.

The 2009 Equity Plan was originally adopted by the shareholders of the Company on May 8, 2009. On October 29, 2009, the shareholders of the Company approved an amendment to the 2009 Equity Plan to increase the number of shares of common stock available for issuance thereunder from 3,800,000 to 9,750,000. At the 2010 Annual Meeting of Stockholders of the Company held on June 2, 2010, the shareholders approved an amendment to increase this number to 13,750,000. In September 2010, the Board of Directors authorized an amendment subject to shareholder approval to further increase this number by 2,000,000 shares.

The 2003 Equity Plan and the 2009 Equity Plan are sometimes collectively referred to as the Company's "U.S. Equity Plan."

The Company's 2009 Non-U.S. Based Equity Compensation Plan ("Non-U.S. Plan") makes up to 8,700,000 shares of Common Stock of the Company available for issuance. Persons eligible to receive restricted and unrestricted stock awards, warrants (option-like equity grants), stock appreciation rights or other awards under the Non-U.S. Plan are those service providers to the Company and its subsidiaries and affiliates providing services outside of the United States, including employees and consultants of the Company and its subsidiaries and affiliates, who, in the opinion of the Compensation Committee, are in a position to contribute to the Company's success. Warrants vest either on the date of grant, ratably over a period determined at time of grant, or upon the accomplishment of specified business milestones, and generally expire 10 years from the grant date.

The Non-U.S. Plan was originally adopted by the shareholders of the Company on October 29, 2009. At the 2010 Annual Meeting of Stockholders of the Company held on June 2, 2010, the shareholders approved an amendment to increase the number of shares of common stock authorized for issuance thereunder from 4,700,000 to 8,700,000.

The Company's results include share-based compensation expense of $2,453,100 and $1,368,200 for the three months ended September 30, 2010 and 2009, respectively and $5,982,500 and $2,766,600 for the nine months ended September 30, 2010 and 2009, respectively. Options vesting on the accomplishment of business milestones will not be recognized for compensation purposes until such milestones are deemed probable of accomplishment. At September 30, 2010 there were options to purchase 1,726,075 shares outstanding that will vest upon the accomplishment of business milestones and will be accounted for as an operating expense when such business milestones are deemed probable of accomplishment.

The weighted average estimated fair value of stock options granted in the three and nine months ended September 30, 2010 was $1.34 and $1.61, respectively. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. The expected volatility is based upon historical volatility of the Company's stock. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees.

The range of assumptions made in calculating the fair values of options are as follows (the same assumptions were used for warrants, the term for the warrant is based on the life of the warrant)**:**

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Expected term (in years)	2 to 10	10	2 to 10	10
Expected volatility	91% - 100%	187% to 197%	91% - 122%	187% to 217%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.42% - 3.00%	3.33% to 3.66%	0.42% - 3.58%	3.33% to 3.81%

Stock option activity under the U.S. Equity Plan is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Average Intrinsic Value
Balance at December 31, 2009	8,340,574	$ 1.93		
Granted	1,906,000	1.86		
Exercised	(90,000)	1.56		
Forfeited	(98,360)	1.61		
Balance at September 30, 2010	10,058,214	$ 1.87	8.5	$ 2,033,736
Vested and Exercisable at September 30, 2010	5,850,835			$ 1,030,180

Exercise Price	Number Outstanding September 30, 2010	Weighted Average Remaining Contractual Term	Number Exercisable September 30, 2010
$ 0.71 to $ 1.89	4,827,000	8.98	2,144,000
$ 1.89 to $ 1.96	3,123,664	7.40	2,437,617
$ 1.96 to $ 4.96	2,056,200	9.21	1,217,868
$ 4.96 to $ 7.01	27,250	4.84	27,250
$ 7.01 to $15.00	24,100	4.20	24,100
	10,058,214		5,850,835

Stock option activity under the Non U.S. Equity Plan is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Average Intrinsic Value
Balance at December 31, 2009	1,650,000	$ 2.04		
Granted	1,850,000	2.06		
Exercised	-			
Expired	-			
Cancelled	-			
Balance at September 30, 2010	3,500,000	$ 2.05	9.5	$ 228,000
Vested and Exercisable at Septmber 30, 2010	766,666			$ -

Exercise Price	Number Outstanding September 30, 2010	Weighted Average Remaining Contractual Term	Number Exercisable September 30, 2010
$ 1.65 to $ 1.93	600,000	9.93	-
$ 1.93 to $ 2.08	1,650,000	9.08	416,666
$ 2.08 to $ 2.22	650,000	9.70	150,000
$ 2.22 to $ 2.36	600,000	9.72	200,000
	3,500,000		766,666

The total fair value of shares vested during the three and nine months ended September 30, 2010 was $3,334,677 and $4,781,806, respectively.

The number of remaining shares authorized to be issued under the various equity plans are as follows:

	US Equity Plan	Non US Equity Plan
Shares Authorized for Issuance under 2003 Equity Plan	2,500,000	-
Shares Authorized for Issuance under 2009 Equity Plan	13,750,000	-
Shares Authorized for Issuance under Non US Equity Plan	-	8,700,000
	16,250,000	8,700,000
Outstanding Options - US Equity Plan	(10,058,214)	
Exercised Options	(92,500)	-
Outstanding Options - Non US Equity Plan		(3,500,000)
Common shares issued under the option plans	(2,160,535)	(885,000)
Total common shares remaining to be issued under the Option Plans	3,938,751	4,315,000

As of September 30, 2010, there was approximately $9,037,725 of total unrecognized compensation costs related to unvested stock option awards of which $5,876,909 of unrecognized compensation expense is related to stock options that vest over a weighted average life of 2.2 years. The balance of unrecognized compensation costs, $3,160,817, is related to stock options that vest based on the accomplishment of business milestones as to which expense is generally recognized when such milestones become probable of being achieved.

Note 10 – Income Taxes

The Tax Reform Act of 1986 enacted a complex set of rules limiting the utilization of net operating loss carryforwards to offset future taxable income following a corporate ownership change. The Company's ability to utilize its NOL carryforwards is limited following a change in ownership in excess of fifty percentage points during any three-year period.

Since the year 2000, the Company has had several changes in ownership which has resulted in a limitation on the Company's ability to apply net operating losses to future taxable income. Approximately $7,000,000 of net operating losses had expired due to these limitations. At December 31, 2009, the Company had net operating loss carryforwards of approximately $26,450,000 applicable to future Federal income taxes. The tax loss carryforwards are subject to annual limitations and expire at various dates through 2029. The Company has recorded a full valuation allowance against its net deferred tax asset because of the uncertainty that the utilization of the net operating loss will be realized.

The Company determined that a book/tax basis difference exists in recording the fair value of the intangible assets acquired in connection with the Erye Merger. Increasing the value of the acquired assets to fair value, while deductible for book purposes, is not deductible for local Chinese tax purposes but requires recognition of the impact such non-deductibility will have on future tax expense. Specifically, the Company established as of the Erye Merger date deferred tax liabilities of approximately $4,720,800 for such book/tax basis difference. This deferred tax liability will be recognized ratably as amortization of certain intangible assets occurs.

Note 11 – Segment Information

Historically, the Company's operations have been conducted in only one geographical segment and since March 31, 2007 the Company had realized revenue only from one industry segment, the banking of adult autologous stem cells. In June 2009, the Company established NeoStem (China), Inc. ("NeoStem China" or the "WFOE") as a wholly foreign owned subsidiary of the Company. The WFOE is domiciled in Qingdao and under its scope of business approved by the PRC regulatory authorities, the WFOE may engage in the research and development, transfer and technological consultation service of bio-technology, regenerative medical technology and anti-aging technology (excluding the development or application of human stem cell, gene diagnosis and treatment technologies); consultation of economic information; import, export and wholesaling of machinery and equipment (the import and export do not involve the goods specifically stipulated in/by state-operated trade, import and export quota license, export quota bidding, export permit, etc.). In furtherance of complying with PRC's foreign investment prohibition on stem cell research and development, clinical trials and related activities, the Company conducts its current business in the PRC via two domestic variable interest entities. On October 30, 2009, in connection with the Erye Merger, the Company acquired CBH's 51% ownership interest in Erye which specializes in research and development, production and sales of pharmaceutical products, as well as chemicals used in pharmaceutical products. As a result, the Company now operates in the United States and China.

The Company's segment data is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
United States				
Stem Cell Revenues	$ 32.0	$ 82.6	$ 98.4	$ 141.2
Other Revenues	29.1	2.5	59.2	16.5
China				
Prescription drugs and intermediary pharmaceutical products	16,378.1	-	51,500.6	-
Stem Cell Revenues	30.0	-	30.0	-
Other Revenues	6.4	-	28.1	-
	$ 16,475.6	$ 85.1	$ 51,716.3	$ 157.7
Income/(loss) from operations:				
United States	$ (6,658.7)	$ (5,693.1)	$ (16,547.0)	$ (11,068.1)
China	914.9	(1,538.2)	4,691.9	(2,676.6)
	$ (5,743.8)	$ (7,231.3)	$ (11,855.1)	$ (13,744.7)

Total Assets		
	September 30, 2010	December 31, 2009
United States	$ 4,723.5	$ 3,895.5
China	112,247.0	104,998.4
	$ 116,970.5	$ 108,893.9

Note 12 – Related Party Transactions

On April 30, 2009, the Company entered into a License and Referral Agreement with Promethean Corporation, now Ceregenex Corporation ("Ceregenex"), through its subsidiary Ceres Living, Inc. ("Ceres") to use certain Company marks and publications in connection with certain sales and marketing activities relating to its nutritional supplement known as AIO Premium Cellular (the "Product"); and in connection with the license, Ceres will pay to the Company or the Stem for Life Foundation specified fees for each unit of the Product sold; and Ceres shall engage in a referral service with respect to the Company's adult stem cell collection and storage activities. Ceres will receive a specified fee from the Company for each client referred who completes and pays for a stem cell collection. The term of the agreement is three years with each party having the right to renew annually, thereafter. The Stem for Life Foundation is a 501(c)(3) charitable organization of which the Company's CEO, and Vice President and General Counsel, are directors and the President and Secretary, respectively, and of which the Company participated in the founding. The CEO of Ceregenex is in an exclusive relationship with the CEO of the Company. The Company has earned $4,446 and $13,196 in royalties in connection with this agreement during the three and nine months ended September 30, 2010, respectively. The royalty payments were not material in 2009. Additionally Ceregenex has been responsible for referral of certain clients for the Company's stem cell collection business and receives a commission of 10% for such referrals. Through September 30, 2010 these commissions were not significant.

At September 30, 2010, Erye owed EET, the 49% shareholder of Erye, $8,074,100. Included in the amounts owed to EET are:

- Dividends paid and loaned back to Erye amounting to $7,847,200 and accrued interest of $458,700, the interest rate on this loan is 5.31%. Erye made an interest payment of approximately $195,600 in February 2010.

- Advances to EET of $626,600; and

- A non interest bearing loan from EET of $394,800 due 2011.

Note 13 – Commitments and Contingencies

On May 26, 2006, the Company entered into an employment agreement with Dr. Robin L. Smith, pursuant to which agreement, as amended to date, Dr. Smith serves as the Chief Executive Officer of the Company.

Effective as of September 27, 2009, Dr. Smith's annual base salary is $332,750, increased by 10% annually on that date. On July 29, 2009, the Company amended the terms of its employment agreement with Dr. Smith by means of a letter agreement to extend the term of Dr. Smith's employment to December 31, 2011 and subject to the consummation of the Erye Merger with CBH (which Erye Merger was consummated on October 30, 2009), award Dr. Smith a $275,000 cash bonus for 2009 and comparable minimum annual bonuses for 2010 and 2011. The Company maintains key-man life insurance on Dr. Smith in the amount of $3,000,000. As of October 29, 2009, the Compensation Committee approved the reimbursement to Dr. Smith of premiums, up to $4,000 annually, for disability insurance covering Dr. Smith. The Company has also agreed to pay membership and annual fees for a club in New York of Dr. Smith's choice for business entertaining and meetings, and a car allowance equal to $1,000 per month.

Per Dr. Smith's January 26, 2007 letter agreement with the Company, upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith with good reason, the Company shall pay to Dr. Smith her base salary at the time of termination for the two year period following such termination. Dr. Smith's September 27, 2007 letter agreement provides that such payment of severance can be made instead in 12 equal monthly installments beginning the date of termination. In addition, per Dr. Smith's May 26, 2006 employment agreement, upon termination of Dr. Smith's employment by the Company without cause or by Dr. Smith for good reason, Dr. Smith is entitled to: (i) a pro-rata bonus based on the annual bonus received for the prior year; (ii) COBRA payments for a one year period; and (iii) have all options that would have vested during the 12-month period following the date of termination, become fully vested and , together with all other fully vested options, remain exercisable for a maximum of 48 months (but in no event longer than the original term of exercise.) Upon termination of Dr. Smith's employment by the Company for cause or by Dr. Smith without good reason, Dr. Smith is entitled to: (i) the payment of all amounts due for services rendered under the agreement up until the termination date; and (ii) have all vested options remain exercisable for a period of ninety days (all stock options which have not vested shall be forfeited.) Upon termination for death or disability, Dr. Smith (or her estate) is entitled to: (i) the payment of all amounts due for services rendered under the agreement until the termination date; (ii) family COBRA payments for the applicable term; and (iii) have all vested options remain exercisable for a maximum of 48 months (but in no event longer than the original term of exercise).

Per Dr. Smith's May 26, 2006 employment agreement, upon a change in control of the Company, options held by Dr. Smith shall be governed by the terms of applicable agreements and equity compensation plans, but in any event at least 75% of Dr. Smith's then unvested options shall become immediately vested and exercisable upon a change in control. Further, in the event Dr. Smith voluntarily terminates her employment without good reason following a change in control, Dr. Smith shall be entitled to: (i) the payment of base salary for one year; (ii) a pro-rata bonus based on the annual bonus received for the prior year; (iii) COBRA payments for a one year period; and (iv) have all options which would have vested during the 12-month period following the date of termination, become fully vested and, together with all other fully vested options, remain exercisable for a maximum of 48 months (but in no event longer than the original term of exercise).

On January 26, 2007, the Company entered into an employment agreement with Catherine M. Vaczy pursuant to which agreement, as amended to date, Ms. Vaczy continues to serve as the Company's Vice President and General Counsel.

Ms. Vaczy's January 26, 2007 employment agreement, as amended on January 9, 2008 and August 29, 2008, or the Original Agreement, expired by its terms on December 31, 2008. However, effective July 8, 2009, the Company entered into another letter agreement, or the Extension, with Ms. Vaczy pursuant to which the Original Agreement was extended, subject to certain different and additional terms. The Extension provides that Ms. Vaczy's base salary during the one-year term will be $182,500. The Extension additionally provides for (i) a 25,000 share stock award upon execution under the 2009 Plan where the Company also pays the associated payroll taxes; and (ii) a $5,000 cash bonus upon each of two milestone objectives established by the Board of Directors (one of which was met in the fourth quarter of 2009 and the other in the first quarter of 2010). Pursuant to the Original Agreement, as extended and otherwise amended to date, Ms. Vaczy was also entitled to payment of certain perquisites and/or reimbursement of certain expenses incurred by her in connection with the performance of her duties and obligations under the letter agreement (including a car allowance equal to $1,000 per month), and to participate in any incentive and employee benefit plans or programs which may be offered by the Company and in all other plans in which the Company executives participate.

As of October 29, 2009, the Compensation Committee of the Board (i) awarded Ms. Vaczy a $50,000 cash bonus, 50% of which was payable in 2009 and the remaining 50% payable upon the achievement of a business milestone (which was achieved in February 2010), (ii) increased Ms. Vaczy's salary from $182,500 to $191,000 effective as of November 1, 2009, and (iii) approved the payment of dues to a private club of Ms. Vaczy's choosing for business entertaining and meetings (not to exceed $6,000 annually).

In the event Ms. Vaczy's employment is terminated prior to the end of the term, for any reason, earned but unpaid cash compensation and unreimbursed expenses due as of the date of such termination would be payable in full. In addition, in the event Ms. Vaczy's employment is terminated prior to the end of the term for any reason other than by the Company with cause or Ms. Vaczy without good reason, Ms. Vaczy or her executor of her last will or the duly authorized administrator of her estate, as applicable, would be entitled to receive certain specified severance payments, paid in accordance with the Company's standard payroll practices for executives. In no event would such payments exceed the remaining salary payments in the term. Any severance payments set forth in the Original Agreement to which Ms. Vaczy may become entitled shall be based on Ms. Vaczy's then salary for a three month and not an annual period. In the event her employment is terminated prior to the end of the term by the Company without cause or by Ms. Vaczy for good reason, all options granted by the Company will immediately vest and become exercisable in accordance with their terms. Any options provided for in the Extension, as well as other options granted or to be granted to Ms. Vaczy, shall remain exercisable despite any termination of employment for a period of not less than two years from the date of termination of employment.

On July 7, 2010, pursuant to a letter agreement (the “Employment Agreement Extension”) entered into with Catherine M. Vaczy, Esq., the Company’s Vice President and General Counsel, the Company extended Ms. Vaczy’s employment agreement dated January 26, 2007, as amended on January 9, 2008 and August 29, 2008 and reinstated and extended on July 8, 2009 for a one year term (as so amended and extended, the “Original Employment Agreement”). The Employment Agreement Extension was effective as of July 7, 2010 (the “Effective Date”) and continues through December 31, 2011 (as extended, the “Term”). The Employment Agreement Extension provides that during the Term, Ms. Vaczy shall receive (i) a base salary of $211,000 per annum which will be increased by ten percent (10%) on the one year anniversary of the Effective Date; (ii) a bonus of $50,000, half of which was payable upon the Effective Date and half of which is payable upon achievement of a business milestone; (iii) a minimum bonus of $60,000 during the second year of the Term; (iv) an option (the “Option”) on the Effective Date under the Company’s 2009 Plan to purchase 350,000 shares of the Company’s common stock, which shall vest and become exercisable as to 100,000 shares on the one year anniversary of the Effective Date, 50,000 shares on December 31, 2011, and as to the remaining 200,000 shares upon the achievement of specified business milestones, the per share exercise price of the Option is equal to the closing price of the common stock on the Effective Date and the Option is subject to all the terms and conditions of the 2009 Plan; (v) the costs of personal stem cell collection; and (vi) business club dues not to exceed $5,000 annually. Except as set forth in the Employment Agreement Extension, the terms of the Original Employment Agreement remain unchanged.

On October 29, 2009, the Compensation Committee adopted that certain Additional Compensation Plan providing that contingent cash bonuses, in the total amount of $200,806, would be payable upon the occurrence of a “Cash Flow Event” which occurred in the first quarter of 2010. Two members of the Company’s Board of Directors, one former member of the Company’s Board of Directors, the Company’s CEO, CFO and General Counsel participated in a total of $134,232 of such amount.

Pursuant to the terms of the Director Compensation Plan adopted on November 4, 2009, as amended, each non-employee director of the Company, including directors who are employees of partially owned joint ventures, are entitled to quarterly cash compensation equal to $15,000, payable in arrears. Based on the current Board structure, this will equal approximately $360,000 annually.

As of October 2, 2009, the Company entered into indemnification agreements with its Chief Executive Officer, Chief Financial Officer, General Counsel, certain other employees and each of its directors pursuant to which the Company has agreed to indemnify such party to the full extent permitted by law, subject to certain exceptions, if such party becomes subject to an action because such party is the Company’s director, officer, employee, agent or fiduciary.

In November 2007, the Company entered into an acquisition agreement with UTEK Corporation ("UTEK") and Stem Cell Technologies, Inc., a wholly owned subsidiary of UTEK ("SCTI"), pursuant to which the Company acquired all the issued and outstanding common stock of SCTI in a stock-for-stock exchange. SCTI contains an exclusive, worldwide license to a technology developed by researchers at the University of Louisville to identify and isolate rare stem cells from adult human bone marrow, called very small embryonic like stem cells. Concurrent with the SCTI acquisition, NeoStem entered into a sponsored research agreement (“SRA”) with the University of Louisville under which NeoStem has been supporting further research in the laboratory of Mariusz Ratajczak, M.D., Ph.D. a co-inventor of the VSEL™ Technology and head of the Stem Cell Biology Program at the James Brown Cancer Center at the University of Louisville. The SRA, which has been periodically amended, called for payments in 2008 of $50,000, 2009 of $65,337, and 2010 of $86,068, of which $158,371 has been paid. An additional $95,128 is payable in 2011 until December 31, 2011, the end of the term.

Under a License Agreement entered into with the University of Louisville Research Foundation (“ULRF”) in November 2007, SCTI agreed to engage in a diligent program to develop the VSEL technology. Certain license fees and royalties are to be paid to ULRF from SCTI, and SCTI is responsible for all payments for patent filings and related applications. Portions of the license may be converted to a non-exclusive license if SCTI does not diligently develop the VSEL™ Technology or terminated entirely if SCTI chooses to not pay for the filing and maintenance of any patents thereunder. Under the License Agreement, which has an initial term of 20 years, the Company has paid to date approximately $117,000 consisting of various up-front fees, including $22,000 in connection with its May 2010 amendment, and is required to pay under the license certain other future fees including: (i) a specified non-refundable annual license maintenance fee upon issuance of the licensed patent in the United States; (ii) a specified royalty on net sales; (iii) specified milestone payments; and (iv) specified payments in the event of sublicensing. The License Agreement also contains certain provisions relating to "stacking," permitting SCTI to pay royalties to ULRF at a reduced rate in the event it is required to also pay royalties to third parties exceeding a specified threshold for other technology in furtherance of the exercise of its patent rights or the manufacture of products using the VSEL™ Technology.

As of December 31, 2009, the Company, NeoStem (China), Inc., and Progenitor Cell Therapy, LLC, a Delaware limited liability company ("PCT”), entered into an Agreement (the “Agreement”) whereby NeoStem and NeoStem China engaged PCT to perform the services necessary (1) to construct in Beijing, China a facility consisting of a clean room for adult stem cell clinical trial processing and other stem cell collections which will have the processing capacity on an annual basis sufficient for at least 10,000 samples, research and development laboratory space, collection and stem cell storage area and offices, together with the furnishings and equipment and (2) install quality control systems consisting of materials management, equipment maintenance and calibration, environmental monitoring and compliance and adult stem cell processing and preservation which comply with cGMP standards and regulatory standards that would be applicable in the United States under GTP standards, as well as all regulatory requirement applicable to the program under the laws of the PRC. The aggregate cost of the program, including the phase 1 equipment purchases, is expected to be approximately $3 million. The project is anticipated to take until the end of 2010 to complete. PCT has agreed to provide at least 90 days of support services to NeoStem for an additional fee after completion of the project, which is renewable at NeoStem's request for an additional 90 days. See Note 1, The Company, for information on the proposed Merger of PCT with and into a wholly-owned subsidiary of the Company.

In connection with the issuance to investors and service providers of many of the shares of the Company's common stock and warrants to purchase common stock previously disclosed and described herein, the Company granted the holders registration rights providing for the registration of such shares of common stock and shares of common stock underlying warrants on a registration statement to be filed with the Securities and Exchange Commission so as to permit the resale of those shares. Certain of the registration rights agreements provided for penalties for failure to file or failure to obtain an effective registration statement. With respect to satisfying its obligations to the holders of these registration rights, the Company is in various positions. The Company filed a registration statement as required for some of the holders, but to date, the Company has not had such registration statement declared effective. As to some holders, the Company has not yet satisfied its obligation to file. Certain holders with outstanding registration rights have previously waived their registration rights. No holder has yet asserted any claim against the Company with respect to a failure to satisfy any registration obligations. Were someone to assert a claim against the Company for breach of registration obligations, the Company believes it has several defenses that would result in relieving it from some or any liability, although no assurances can be given. The Company also notes that damage claims may be limited, as (i) all shares of Common Stock as to which registration rights attached are currently salable under Rule 144 of the Securities Act or are currently subject to lock-up agreements and (ii) during much of the relevant periods the warrants with registration rights generally have been out of the money or are currently subject to lock-up agreements. Accordingly, were holders to assert claims against the Company based on breach of the Company's obligation to register, the Company believes that the Company's maximum exposure from non-related parties would not be material.

Xiangbei Welman Pharmaceutical Co., Ltd. v Suzhou Erye Pharmaceutical Co., Ltd. and Hunan Weichu Pharmacy Co., Ltd. involves a patent infringement dispute with respect to a particular antibiotics complex manufactured by Erye (the "Product"). The Changsha Intermediate People's Court in Hunan Province, PRC in the foregoing case rendered a judgment on May 13, 2010 against Erye as follows: (i) awarding plaintiff Xiangbei Welman damages and costs of approximately 5 million RMB (approximately $750,000) against Erye which was fully accrued for at September 30, 2010; and (ii) enjoining Erye from manufacturing, marketing and selling the Product. The Product represented less than 2% of Erye's sales in 2009. Erye has appealed the court judgment, and is also engaged in settlement negotiations.

A related but separate lawsuit entitled *Xiangbei Welman Pharmaceutical Co., Ltd. v Suzhou Erye Pharmaceutical Co., Ltd. and Hunan Weichu Pharmacy Co., Ltd.*, involves a copyright infringement dispute with respect to package inserts of the same Product. The Changsha Intermediate People's Court in Hunan Province, PRC rendered a decision on August 3, 2010 against Erye, dismissing its appeal from a lower court's judgment made by the People's Court of Yuelu District, Changsha City, which (i) enjoins Erye from copying and using the package inserts for the Product and selling the drugs with the aforesaid package inserts; and (ii) awarding Welman economic losses of approximately 50,000 RMB (approximately $7,500) against Erye. This decision is final.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Any statements not of current or historical fact may be considered forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed under the heading "Cautionary Note Regarding Forward-Looking Statements" at the end of this item and under "Risk Factors" and elsewhere in this report. The following discussion should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2009.

The Overview

Through our expansion efforts within China and with the acquisition in October 2009 of a controlling interest in Suzhou Erye Pharmaceuticals Company Ltd., or Erye, we transitioned into a multi-dimensional international biopharmaceutical company with product and service revenues, global research and development capabilities and operations in three distinct business units: (i) U.S. adult stem cells, (ii) China adult stem cells, and (iii) China pharmaceuticals. These business units are expected to provide platforms for the accelerated development and commercialization of innovative technologies and products in both the U.S. and China.

- U.S. adult stem cells — We will continue to focus on growing our stem cell collection, processing and storage business and expanding our research and development activities for diagnostic and therapeutic applications.

- China adult stem cells — We are in the process of launching several stem cell-focused initiatives which include therapeutic applications, the first of which is orthopedic, as well as related collection, processing and storage.

- China pharmaceuticals — Our ownership interest in Erye, a leading antibiotics producer in China, positions us to take advantage of China's growth in healthcare spending through Erye's existing pharmaceutical product portfolio, as well as from products we may develop or license.

The Merger – Erye

On October 30, 2009, pursuant to the Merger Agreement with CBH, we acquired a 51% ownership interest in Erye through a wholly owned subsidiary. The results of operations for Erye are included in our consolidated results of operations beginning on October 30, 2009. Accordingly the year over year comparisons reflect NeoStem as a stand-alone entity for 2009 and the combined results for Erye and NeoStem for 2010.

Erye was founded more than 50 years ago and represents an established, vertically-integrated pharmaceutical business, focused primarily on antibiotics. Suzhou Erye Economy and Trading Co. Ltd., or EET, owns the remaining 49% ownership interest in Erye. We and EET have negotiated a revised joint venture agreement (the "Joint Venture Agreement") which governs our ownership of Erye.

Pursuant to the terms and conditions of the Joint Venture Agreement, dividend distributions to EET and our subsidiary ("Merger Sub") will be made in proportion to their respective ownership interests in Erye; provided, however, that for the three-year period which commenced on the first day of the first fiscal quarter after the Joint Venture Agreement became effective (currently approximately another two years) distributions will be made as follows: (i) 49% of undistributed profits (after tax) of the joint venture due EET will be distributed to EET and lent back to Erye to help finance costs in connection with their construction of and relocation to a new facility; and (ii) of the net profit (after tax) of the joint venture due Merger Sub, 45% will be provided to Erye as part of the new facility construction fund and will be characterized as paid-in capital for Merger Sub's 51% interest in Erye, and 6% will be distributed to Merger Sub directly. As of September 30, 2010 distributions totaling approximately $7,306,700 had been deferred and EET has received and lent back approximately $7,847,200.

Results of Operations

Revenue

Three Months and Nine Months Ended September 30, 2010 and September 30, 2009

For the three months ended September 30, 2010, total revenues were $16,475,600 compared to $85,100 for the three months ended September 30, 2009. Revenues for the three months ended September 30, 2010 were comprised of $16,384,500 of pharmaceutical product sales, $30,000 from stem cell therapies in China and $61,100 related to stem cell collections, license fees, royalties and other revenue in the United States. The pharmaceutical product sales represent sales generated by Erye. The stem cell revenues generated in the United States for the three months ended September 30, 2010 and 2009 were derived from a combination of revenues from the collection of autologous adult stem cells and license fees collected from collection centers in our network. In the three months ended September 30, 2010, NeoStem realized its first stem cell therapy revenues in China which totaled $30,000. In the United States, for the three months ended September 30, 2010, revenues were primarily made up of $27,800 from the collection and storage of autologous adult stem cells and $14,800 of license fees. For the three months ended September 30, 2009, we earned $79,100 from the collection and storage of autologous adult stem cells and $6,000 from license fees. Cost of revenues for the three months ended September 30, 2010 is comprised of Cost of goods sold of $11,191,400 related to the sale of our pharmaceutical products, $20,300 related to stem cell therapies in China and $21,100 of direct costs related to the cost of collecting autologous stem cells from clients. For the nine months ended September 30, 2010, total revenues were $51,716,300 compared to $157,700 for the nine months ended September 30, 2009. Revenues for the nine months ended September 30, 2010 were comprised of $51,528,700 of pharmaceutical product sales, $30,000 from stem cell therapies in China and $157,600 related to stem cell collections, license fees, royalties and other revenue in the United States. The pharmaceutical product sales represent sales generated by Erye. The stem cell revenues generated in the United States in the nine months ended September 30, 2010 and 2009 were derived from a combination of revenues from the collection of autologous adult stem cells and license fees collected from collection centers in our network. For the nine months ended September 30, 2010, we earned $94,200 from the collection and storage of autologous adult stem cells and $44,800 of license fees. For the nine months ended September 30, 2009, we earned $133,600 from the collection and storage of autologous adult stem cells and $24,100 from license fees. Cost of revenues for the nine months ended September 30, 2010 is comprised of Cost of Goods sold of $34,931,900 related to the sale of our pharmaceutical products, $20,300 related to stem cell therapies in China and $63,300 of direct costs related to the cost of collecting autologous stem cells from clients.

Gross margin for the three and nine months ended September 30, 2010 totaled $5,242,700 and $16,700,700 respectively of which 99% is attributable to the sale of pharmaceutical products and the balance is attributable to our stem cell collection and therapy operations.

Operating Expenses

Three Months Ended September 30, 2010 Compared to the Three Months Ended September 30, 2009

For the three months ended September 30, 2010 operating expenses totaled $10,986,600 compared to $7,263,200 for the three months ended September 30, 2009, representing an increase of $3,723,400 or 51%.

For the three months ended September 30, 2010, our selling, general, and administrative expenses were $9,306,000 compared to $5,433,500 for the three months ended September 30, 2009, representing an increase of $3,872,500, which was the result of:

- Our efforts to establish a stem cell operation in China to provide advanced therapies, related processing and storage, as well as research and development capabilities totaled $1,614,100, an increase of $802,400. Such expenses included expenditures for the rental of laboratory space, legal expenses associated with establishing our subsidiary company and related operations in China, consultants retained to support our implementation and introduction of advanced therapies in China, recruiting fees for identifying senior managers for our operation in China and travel. In addition these operating expenses reflect charges resulting from issuing various equity instruments to incentivize staff members and consultants totaling $771,000.

- Administrative expenses increased by approximately $3,071,900. Approximately $1,491,600 of this increase was the result of the Erye Merger and the attendant operating expenses of the Erye operation. The Company's U.S. administrative operating expenses increased by $1,580,300. The use of equity instruments to incentivize staff, compensate directors and pay for services totaled $2,181,700, an increase of $666,400 over the three months ended September 30, 2009. Staff costs decreased by $47,800. Other staff related cost including travel and entertainment and operating expenses increased by $97,600. Professional fees, including legal and accounting fees increased by $458,000 as the result of costs associated with the pending merger with Progenitor Cell Therapy and our expanded operations in China. In addition, investor relations and other consulting expenses increased $173,400. Insurance expense increased by $62,300. Compensation expenses under the Directors Cash Compensation Plan adopted by the Board of Directors in the first quarter of 2009 increased administrative expense by $94,500. During the three months ended September 30, 2010 the Company contributed $75,000 to Stem for Life, a foundation with a mission of promoting adult stem cell research and in which the Company participated in founding. The balance of the increase in administrative expense was the result of offsetting changes from a variety of activities.

- As a result of completing the Merger with CBH, our activities associated with the Erye Merger ended thus reducing the use of our attorney, accountant and other professional services and reducing our operating costs by $1,396,800 compared to the three month period in 2009.

- Sales and marketing expenses increased by $1,395,700 over the three months ended September 30, 2009. Approximately $516,300 of this increased operating expense was related to the sales and marketing efforts of Erye and $386,900 was related to amortization of intangible assets acquired in the Erye Merger. The use of equity instruments to incentivize staff and pay for services totaled $121,400, an increase of $62,400 over three months ended September 30, 2009, and marketing and consulting fees increased approximately $276,900 in connection with developing new strategies and efforts to increase our U.S. collection network and market penetration. U.S. sales and marketing costs also increased by approximately $111,800 due to increases in staff costs and other operating expenses. The balance of the increase in sales and marketing expenses was the result of other activities.

For the three months ended September 30, 2010, our research and development expenses totaled $1,679,900 compared to $1,829,800 for the three months ended September 30, 2009, representing a decrease of $149,900, which was the result of:

- Research related to our VSEL™ Technology increased operating expenses by $798,000. Our acquisition of Erye added $245,600 of research and development expense to our operating expenses. Research and development efforts at NeoStem China added $28,400 to research and development expense for the three months ended September 30, 2010. The revaluation of equities issued to consultants reduced research and development expenses by approximately $500,000. During the three months ended September 30, 2009, the Company provided funding in the total amount of $721,500 in connection with establishing in China a non-profit research institute to promote adult stem cell research. The Company has not made any similar payments in 2010. The combination of these factors resulted in the reduction in research and development expense in 2010 in comparison to 2009. The balance of the change in research and development expense is related to other activities.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

For the nine months ended September 30, 2010 operating expenses totaled $28,555,800 compared to $13,809,400 for the nine months ended September 30, 2009, representing an increase of $14,746,400 or 107%.

For the nine months ended September 30, 2010, our selling, general, and administrative expenses were $23,442,300 compared to $11,209,800 for the nine months ended September 30, 2009, representing an increase of $12,232,500, which was the result of:

- Our efforts to establish a stem cell operation in China to provide advanced therapies and related processing and storage, as well as research and development capabilities totaled $4,549,000, an increase of $2,598,900. These operating expenses include charges resulting from issuing various equity instruments to incentivize staff members and consultants totaling $2,069,000, an increase of $1,921,400.

- Administrative expenses increased by approximately $7,007,100. Approximately $3,076,800 of this increased operating expense was the result of the Erye Merger and the attendant operating expenses of the Erye operation. The Company's U.S. administrative operating expenses increased by $3,930,200. The use of equity instruments to incentivize staff, compensate directors and pay for services totaled $3,771,400, an increase of $984,600 over nine months ended September 30, 2009. Staffing costs increased by $659,800 as the result of increased staffing levels, contractual salary increases, bonus payments and tax payments, and tax withholdings we paid on behalf of certain executive and other staff members. Professional fees, including legal and accounting fees, increased by $987,700 as the result of costs associated with the pending merger with Progenitor Cell Therapy and our expanded operations in China. Investor relations services and other consulting fees increased by $336,800, as a result of increased communications with shareholders and investors. Other staff related cost including travel and entertainment and operating expenses increased by $226,000, rent increased by $65,400 as a result of an increase in the cost of leasing office space in New York, and franchise taxes increased $123,800. Compensation expense under the Directors Cash Compensation Plan adopted by the Board of Directors in the first quarter of 2009 increased administrative expense by $280,800, insurance increased $161,300 and during the nine months ended September 30, 2010 the Company contributed $75,000 to Stem for Life, a foundation in the United States with a mission of promoting adult stem cell research. The balance of the changes in administrative expense resulted from increases and decreases in other operating activities.

- Included in selling, general and administrative expense is a charge for $734,600 as the result of a judgment on May 13, 2010 against Erye in connection with a patent dispute concerning an antibiotic product that has accounted for less than 2% of Erye sales in the past. (See Note 13 – Commitments and Contingencies for a more detailed discussion).

- As a result of completing the Erye Merger with CBH, our activities associated with the Erye Merger ended thus reducing the use of our attorney, accountant and other professional services and reducing our operating costs by $2,232,000 over the same period in 2009.

- Sales and marketing expenses increased by $4,124,000 over the nine months ended September 30, 2009. Approximately $1,596,500 of this increased operating expense was related to the sales and marketing efforts of Erye and $1,153,600 was related to amortization of intangible assets acquired in the Erye Merger. The use of equity instruments to incentivize staff and pay for services totaled $617,000, an increase of $304,400 over nine months ended September 30, 2009, and marketing and consulting fees increased approximately $831,700 in connection with developing new strategies and efforts to increase our collection network and market penetration. Our U.S. sales and marketing costs also increased by approximately $190,600 due to increases in staff costs and other operating expenses. The balance of the increase in sales and marketing expenses was the result of other activities.

For the nine months ended September 30, 2010, our research and development expenses totaled $5,113,500 compared to $2,599,700 for the nine months ended September 30, 2009, representing an increase of $2,513,800, which was the result of:

- The use of equity instruments to incentivize research staff totaled $727,300, an increase of $104,000 over the nine months ended September 30, 2009. Research related to our VSEL™ Technology increased operating expenses by $2,121,000. In addition, the Company initiated sponsored research with third parties totaling $211,200 related to our VSEL™ Technology research. Our acquisition of Erye added $733,000 of research and development expense to our operating expenses. Research and development at NeoStem China was $45,700 for the nine months ended September 30, 2010. In 2009 the Company funded a grant in China, totaling $721,500, to create a research foundation to promote adult stem cell research in China and the Company has not made any similar payments in 2010. The combination of these factors resulted in an increase in research and development expense in 2010 in comparison to 2009. The balance of the change in research and development expense is related to other activities.

Dividends on Convertible Redeemable Series C Preferred Stock.

In connection with the Erye Merger, the Company issued 8,177,512 shares of Convertible Redeemable Series C Preferred Stock (“Series C Preferred Stock”) which called for an annual dividend of 5% based on the stated value of the preferred stock. For the three and nine months ended September 30, 2010 we recorded a dividend of $0 and $153,500, respectively, as the prorated dividend due. On May 17, 2010, RimAsia Capital Partners LP ("RimAsia"), converted its 8,177,512 shares of Series C Preferred Stock into 9,086,124 shares of the Company's common stock. Following this conversion, there are no shares of Series C Preferred Stock outstanding and RimAsia will not be entitled to receive any further dividends on such shares, provided however that RimAsia was entitled to receive a cash payment of $153,500 which was equal to the dividends accrued but unpaid from January 1, 2010 through May 17, 2010. This payment was made on May 25, 2010.

Noncontrolling Interests

When the Company acquired Erye from CBH it acquired a 51% interest in Erye. In preparing our financial statements the full operations of Erye are reflected in our results as of and after October 30, 2009. We account for the 49% minority shareholder share of Erye's net income with a charge to noncontrolling interests. For the three and nine months ended September 30, 2010, Erye's minority shareholder's share of net income totaled $1,145,600 and $4,085,700, respectively.

Other Income and Expense

For the three and nine months ended September 30, 2010 the Company incurred interest expense of approximately $10,700 and $25,400 respectively, net of capitalized interest. In accordance with the Joint Venture Agreement that governs the operation of Erye, the minority shareholder has agreed to loan back to Erye dividends it is entitled to for three years starting in 2008, to help fund the construction of the new manufacturing facility. At September 30, 2010 these loans totaled $7,847,200. The loan calls for interest to accrue at a rate of 5.31% annually.

For the nine months ended September 30, 2010 the Company recognized other income of $31,300 Included in this other income is income of $175,000 recognized in connection with the extinguishment of certain liabilities that Erye determined were no longer payable. This income was offset by expenses related to the modification of the term of certain warrants issued to RimAsia of approximately $188,500.

Provision for taxes

The provision for taxes of $286,000 and $1,191,200 represents income taxes due on income of Erye for the three and nine months ended September 30, 2010, respectively, and is net of utilization of the deferred tax liability associated with amortization of intangible assets acquired in the Erye Merger of $61,200 and $182,400 for the respective periods.

Liquidity and Capital Resources

At September 30, 2010 we had a cash balance of $4,066,700, working capital of $7,687,700 and shareholders' equity of $45,636,500. During the nine months ended September 30, 2010 we invested approximately $12,510,600 into the business, specifically in property and equipment related to the construction of the new manufacturing plant for Erye in China, while reducing cash used in operating activities by $6,336,200 compared to the first nine months of 2009.

During the nine months ended September 30, 2010, we met our immediate cash requirements through existing cash balances, public offerings of our common stock which raised approximately $13,138,948, the exercise of warrants and options which raised approximately $3,101,900, the issuance of notes payable for our operations in China and the use of equity and equity-linked instruments to pay for services and compensation.

We incurred a net loss of $5,994,600 and $13,040,300 for the three and nine months ended September 30, 2010, respectively. The following chart represents the net funds provided by or used in operating, investing, and financing activities for each period indicated (in thousands):

	The Nine Months Ended	
(in $000)	September 30, 2010	September 30, 2009
Cash used in operating activities	$ (3,175.7)	$ (9,511.9)
Cash used in investing activities	(11,019.1)	(871.3)
Cash provided by financing activities	10,993.3	15,801.2

Operating Activities

Our cash used for operating activities in the nine months ended September 30, 2010 totaled $3,175,700, which is the sum of (i) our net loss, adjusted for non-cash expenses totaling $9,956,800 which includes, principally, common stock, common stock options and common stock purchase warrants issued for services rendered in the amount of $7,399,800 and depreciation and amortization of $2,557,000; (ii) cash retained in the operation as the result of increases in accounts payable and accrued expenses of $1,175,900 and a reduction in accounts receivable of $1,278,600; and (iii) a decrease in cash resulting from a reduction in advance payments and unearned revenue from customers and licensees of $392,000, cash used for prepaids and payments of other assets of $461,743, increases in inventory of $1,405,800 and utilization of a deferred tax liability in the amount of $182,400.

Investing Activities

During the nine months ended September 30, 2010 we spent approximately $12,510,600 for property and equipment. Erye is building a new production facility and during the nine months ended September 30, 2010 $10,821,400 was spent on construction. This plant is expected to be fully operational in 2011. The new production facility, once completed, will increase Erye's production capacity and should enable Erye to respond to expected increases in demand for pharmaceutical products in China. In March 2010 we initiated construction of our stem cell laboratory in Beijing and through September 30, 2010 we have invested $852,200. The balance of our capital expenditures was spent on equipping our laboratory in Boston and our stem cell operations in China.

Idle cash in our Erye subsidiary of approximately $2,424,132 was invested in short term instruments and proceeds from these investments of approximately $2,452,000 was used for various operating and financing activities in the nine months ended September 30, 2010.

Financing Activities

In December 2009, in order to facilitate working capital requirements in local currency in China, NeoStem (China) issued a promissory note to the Bank of Rizhao Qingdao Branch in the amount of $645,500. The note, bore an interest rate of 4.05%, was due on June 21, 2010 and was paid in full in April 2010. On May 25, 2010, NeoStem (China) issued a promissory note to the Bank of Rizhao Qingdao Branch for approximately $538,000 due November 25, 2010 and bearing interest at 4.86% per annum. The loan is collateralized by cash in a restricted bank account totaling $775,600. In addition, in May 2010 NeoStem (China) entered into a pledge agreement with the bank pledging all of its interest in its VIEs as additional collateral for the loan.

In December 2009, Erye obtained a loan of approximately $2,200,500 from the Industrial and Commercial Bank with an interest rate of 4.86% and was due in June 2010. In April 2010 this loan was paid in full.

Erye has $5,951,900 of notes payable as of September 30, 2010 and $9,150,000 of notes payable as of December 31, 2009. Notes are payable to the banks who issue bank notes to Erye's creditors. Notes payable are interest free and usually mature after a three to six months period. In order to issue notes payable on behalf of Erye, the banks required collateral, such as cash deposits which were approximately 30%-50% of the value of notes to be issued, or properties owned by Erye. At September 30, 2010, $2,720,700 of restricted cash was pledged as collateral for the balance of notes payable which was approximately 46% of the notes payable Erye issued, and the remaining notes payable are collateralized by pledging Erye's land use right. The use of notes payable to pay creditors is a feature of the money and banking system of China and we expect these types of notes to be a continuing feature of Erye's capital structure.

On February 18, 2010 the Company completed a public offering of its common stock, selling 5,750,000 shares priced at $1.35 per share. The Company received approximately $6,819,500 in net proceeds from the offering, after underwriting discounts, commissions and other expenses, of approximately $943,000.

On March 15, 2010, the Company and RimAsia made certain agreements with respect to outstanding warrants. RimAsia exercised its warrant to purchase 1,000,000 shares of the Company's common stock, exercisable at a per share exercise price of $1.75, which was issued to RimAsia in a private placement completed by the Company in September 2008. This exercise resulted in proceeds to the Company totaling $1,750,000. The condition for such exercise was that the Company would modify certain terms of RimAsia's warrant to purchase 4,000,000 shares of Common Stock, issued to RimAsia in a private placement completed by the Company in April 2009 (the "Series D Warrant"). The Series D Warrant was amended to provide for (i) a three (3) year extension of the Termination Date (as defined in the Series D Warrant) from September 1, 2013 to September 1, 2016 and (ii) an increase in the average closing price that triggers the Company's redemption option under the Series D Warrant from $3.50 to $5.00.

On May 19, 2010, the Company entered into a Common Stock Purchase Agreement with Commerce Court Small Cap Value Fund, Ltd., which provides that, subject to certain terms and conditions, Commerce Court is committed to purchase up to $20,000,000 of shares of the Company's common stock over a term of approximately 24 months. The Purchase Agreement provides that at the Company's discretion, it may present Commerce Court with draw down notices under this $20 million equity line of credit arrangement from time to time, to purchase the Company's Common Stock, provided certain price requirements are met and limited to 2.5% of the Company's market capitalization at the time of such draw down. The per share purchase price for these shares will equal the daily volume weighted average price of the Company's common stock on each date during the draw down period on which shares are purchased, less a discount of 5.0%. The Purchase Agreement also provides that the Company in its sole discretion may grant Commerce Court the right to exercise one or more options to purchase additional shares of Common Stock during each draw down period at a price which would be based on a discount calculated in the same manner as it is calculated in the draw down notice. The issuance of shares of common stock to Commerce Court pursuant to the Purchase Agreement, and the sale of those shares from time to time by Commerce Court to the public, are covered by an effective registration statement on Form S-3 filed with the SEC.

On May 27, 2010, the Company presented Commerce Court with a Draw Down Notice. Pursuant to the Purchase Agreement, the shares were offered at a discount price to Commerce Court equal to 95.0% of the daily volume weighted average price of the common stock during the Pricing Period or a 5% discount. Pursuant to the Draw Down Notice, the Company also granted Commerce Court the right to exercise one or more options to purchase additional shares of common stock during the pricing period, based on the trading price of the common stock. The Company settled with Commerce Court on the purchase of 685,226 shares of common stock under the terms of the Draw Down Notice and the Purchase Agreement at an aggregate purchase price of $1,802,100, or approximately $2.63 per share, on June 7, 2010. The Company and Commerce Court agreed to waive the minimum threshold price of $3.00 per share set forth in the Purchase Agreement. The Company received net proceeds from the sale of these shares of approximately $1,746,100 after deducting its offering expenses.

On June 1, 2010, Fullbright exercised a warrant to purchase 400,000 shares of restricted Common Stock. This warrant was issued to Fullbright in a private placement of securities by the Company in November 2008. The exercise price was $1.75 per share, resulting in proceeds to the Company of $700,000.

On June 25, 2010, the Company entered into definitive securities purchase agreements with investors in a public offering, pursuant to which such investors agreed to purchase, and the Company agreed to sell, an aggregate of 2,325,582 Units, consisting of an aggregate of 2,325,582 shares of Common Stock and warrants to purchase an aggregate of 581,394 shares of Common Stock. The offering closed on June 30, 2010 with gross proceeds of $5,000,000. Each Unit was priced at $2.15 and consisted of one share of common stock and a warrant which will allow the investor to purchase 0.25 shares of common stock at a per share price of $2.75. The warrants may be called by the Company in the event that the common stock trades over $4.50 per share for 10 consecutive trading days. Subject to certain ownership limitations, the warrants were exercisable on the date of the closing and will expire 2 years thereafter. The number of shares of Common Stock issuable upon exercise of the warrants and the exercise price of the warrants are adjustable in the event of stock dividends, splits, recapitalizations, reclassifications, combinations or exchanges of shares, reorganizations, liquidations, consolidation, acquisition of the Company (whether through merger or acquisition of substantially all the assets or stock of the Company) or similar events. The net proceeds to the Company from such offering, after deducting the Placement Agent's fees and expenses, the Company's estimated offering expenses, and excluding the proceeds, if any, from the exercise of the warrants issued in the offering were approximately $4,497,900.

Pursuant to the terms and conditions of the Joint Venture Agreement, dividend distributions to EET and Merger Sub will be made in proportion to their respective ownership interests in Erye; provided, however, that for the three-year period which commenced on the first day of the first fiscal quarter after the Joint Venture Agreement became effective (currently approximately another two years) distributions will be made as follows: (i) the 49% of undistributed profits (after tax) of the joint venture due EET will be distributed to EET and lent back to Erye to help finance costs in connection with their construction of and relocation to a new facility; and (ii) of the net profit (after tax) of the joint venture due Merger Sub, 45% will be provided to Erye as part of the new facility construction fund and will be characterized as paid-in capital for Merger Sub's 51% interest in Erye, and 6% will be distributed to Merger Sub directly. At September 30, 2010, these loans totaled $7,847,200 plus accrued interest of $458,687. The loan calls for interest to accrue at a rate of 5.31% annually. In addition, during the first quarter of 2010 Erye made an interest payment of approximately $195,600.

Liquidity and Capital Requirements Outlook

With our acquisition of a controlling interest in Erye and expansion into China, we have transitioned from being a one-dimensional U.S. service provider with nominal revenues to being a multi-dimensional international biopharmaceutical company with current revenues and operations in three distinct business units — U.S. adult stem cells, China adult stem cells and China pharmaceuticals. The following is an overview of our collective liquidity and capital requirements.

Erye is constructing a new pharmaceutical manufacturing facility and began transferring its operations in January 2010. The relocation will continue as the new production lines are completed and receive cGMP certification through 2011. In January 2010, Eyre received notification that the SFDA approved Erye's application for cGMP certification to manufacture solvent crystallization sterile penicillin and freeze dried raw sterile penicillin at the new facility, which provides for 50% to 100% greater manufacturing capacity, than its existing facility. Historically these lines accounted for 20% of Erye's sales. In June 2010, Erye passed the government inspection by the SFDA to manufacture penicillin and cephalosporin powder at the new facility. The facility is fully operational with respect to these lines. Erye has now relocated 90% of its 2009 sales capacity to the new facility. The new facility is estimated to cost approximately $36 million, of which approximately $29 million has been incurred through September 30, 2010. Construction has been and will continue to be self-funded by Erye and EET, the holder of the minority joint venture interest in Erye. We have agreed for a period of another two years to reinvest in Erye approximately 90% of the net earnings we would be entitled to receive under the Joint Venture Agreement by reason of our 51% interest in Erye.

We are also engaged in other initiatives to expand our operations into China including with respect to technology licensing, establishment of stem cell processing and storage capabilities and research and clinical development. In June 2009 we established NeoStem (China) as our wholly foreign-owned subsidiary or WFOE. To comply with PRC's foreign investment regulations regarding stem cell research and development, clinical trials and related activities, we conduct our current stem cell business in the PRC through two domestic variable interest entities. We have incurred and expect to continue to incur substantial expenses in connection with our China activities. In order to implement the establishment of the Beijing Facility, as of December 31, 2009, our Company, our WFOE subsidiary NeoStem (China), and PCT entered into the PCT Agreement, whereby NeoStem and NeoStem (China) engaged PCT to perform the services necessary (1) to construct the Beijing Facility, consisting of a clean room for adult stem cell clinical trial processing and other stem cell collections which will have the processing capacity on an annual basis sufficient for at least 10,000 samples, research and development laboratory space, collection and stem cell storage area and offices, together with the furnishings and equipment, and (2) to effect the installation of quality control systems consisting of materials management, equipment maintenance and calibration, environmental monitoring and compliance and adult stem cell processing and preservation which comply with cGMP standards and regulatory standards that would be applicable in the United States under GTP standards, as well as all regulatory requirements applicable to the program under the laws of the PRC. The aggregate cost of the program, including the Phase 1 equipment purchases, is expected to be approximately $3,000,000. The project commenced on April 1, 2010, and is anticipated to be completed by the end of 2010. We have the option to terminate the PCT Agreement without cause upon providing no less than 60 days written notice to PCT, subject to our obligation to pay for any services performed up to the date of termination and certain costs and expenses incurred by PCT.

We expect to rely partly on dividends paid to us by the WFOE under the contracts with the VIEs, and under the Joint Venture Agreement, attributable to our 51% ownership interest in Erye, to meet some of our future cash needs. However, there can be no assurance that the WFOE in China will receive payments uninterrupted or at all as arranged under the contracts with the VIEs. In addition, pursuant to the Joint Venture Agreement that governs the ownership and management of Erye, for the next two years: (i) 49% of undistributed profits (after tax) will be distributed to EET and loaned back to Erye for use in connection with its construction of the new Erye facility; (ii) 45% of the net profit after tax will be provided to Erye as part of the new facility construction fund, which will be characterized as paid-in capital for our 51% interest in Erye; and (iii) only 6% of the net profit will be distributed to us directly for our operating expenses.

The payment of dividends by entities organized under PRC law to non-PRC entities is subject to limitations. Regulations in the PRC currently permit payment of dividends by our WFOE and Erye only out of accumulated distributable earnings, if any, as determined in accordance with accounting standards and regulations in China. Moreover, our WFOE and Erye are required to appropriate from PRC GAAP profit after tax to other non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits (i.e., 50% of the registered capital of the relevant company), the general reserve fund requires annual appropriation at 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end); the appropriation to the other funds are at the discretion of WFOE and Erye. In addition, if Erye incurs debt on its own behalf in the future, the instruments governing the debt may restrict Erye's or the joint venture's ability to pay dividends or make other distributions to us. This may diminish the cash flow we receive from Erye's operations, which would have a material adverse effect on our business, operating results and financial condition.

Our interests in China are subject to China's rules and regulations on currency conversion. In particular, the initial capitalization and operating expenses of the two VIEs are funded by our WFOE. In China, the State Administration for Foreign Exchange, or the SAFE, regulates the conversion of the Chinese Renminbi into foreign currencies. Currently, foreign investment enterprises are required to apply to the SAFE for Foreign Exchange Registration Certificates, or IC Cards of Enterprises with Foreign Investment. Foreign investment enterprises holding such registration certificates, which must be renewed annually, are allowed to open foreign currency accounts including a "basic account" and "capital account." Currency translation within the scope of the "basic account," such as remittance of foreign currencies for payment of dividends, can be effected without requiring the approval of the SAFE. However, conversion of currency in the "capital account," including capital items such as direct investments, loans, and securities, require approval of the SAFE. According to the *Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises* promulgated on August 29, 2008, or the SAFE Notice 142, to apply to a bank for settlement of foreign currency capital, a foreign invested enterprise shall submit the documents certifying the uses of the RMB funds from the settlement of foreign currency capital and a detailed checklist on use of the RMB funds from the last settlement of foreign currency capital. It is stipulated that only if the funds for the settlement of foreign currency capital are of an amount not more than US$50,000 and are to be used for enterprise reserve, the above documents may be exempted by the bank. This SAFE Notice 142, along with the recent practice of Chinese banks of restricting foreign currency conversion for fear of "hot money" going into China, have limited and may continue to limit our ability to channel funds to the two VIE entities for their operation. We are exploring options with our PRC counsels and banking institutions in China as to acceptable methods of funding the operation of the two VIEs, including advances from Erye, but there can be no assurance that acceptable funding alternatives will be identified.

Neither Erye nor our other expansion activities into China are expected to generate sufficient excess cash flow to support our platform business or our initiatives in China in the near term.

NeoStem, Inc. agreed to acquire Progenitor Cell Therapy, LLC ("PCT"), pursuant to a merger (the "PCT Merger") of a newly formed wholly-owned subsidiary of NeoStem ("Subco"), with and into PCT pursuant to an Agreement and Plan of Merger, dated September 23, 2010 (the "PCT Agreement and Plan of Merger").

Pursuant to the terms of the PCT Agreement and Plan of Merger, all of the membership interests of PCT outstanding immediately prior to the effective time of the PCT Merger (the "Effective Time") will be converted into the right to receive, in the aggregate, 11,200,000 shares of the common stock of NeoStem and, subject to the satisfaction of certain conditions, warrants to purchase a minimum of 1,000,000 and a maximum of 3,000,000 shares of NeoStem Common Stock.

In order to fund the development of advanced stem cell technologies and therapies in the U.S. and China, including the VSEL™ Technology licensed from the University of Louisville and other regenerative technologies, management believes that we will need to raise additional capital. We will also require additional cash in connection with our closing of the PCT Merger and expansion of the PCT business. We currently expect to fund our operating activities through the use of existing cash balances, the use of a current or other equity line or other capital raising transaction, potential additional warrant and option exercises, the 6% of net profits to which we are entitled from Erye, and, ultimately, the growth of our revenue generating activities in China. In addition, we will continue to seek grants for scientific and clinical studies from the National Institutes of Health and other governmental agencies and foundations, but there can be no assurance that we will be successful in obtaining such grants. We also review acquisition opportunities for revenue generating businesses around which we could consider raising capital and consider from time to time other restructuring activities, including with respect to the potential divestiture of assets.

At September 30, 2010, we had a cash balance of approximately $4,066,700. The trading volume of our common stock, coupled with our history of operating losses and liquidity problems, may make it difficult for us to raise capital on acceptable terms or at all. The demand for the equity and debt of small cap biopharmaceutical companies like ours is dependent upon many factors, including the general state of the financial markets. During times of extreme market volatility, capital may not be available on favorable terms, if at all. Our inability to obtain such additional capital on acceptable terms could materially and adversely affect our business operations and ability to continue as a going concern.

The following table reflects a summary of NeoStem's contractual cash obligations as of September 30, 2010 (in thousands):

	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Employment Agreements	$ 3,742.0	$ 2,277.4	$ 1,464.6	$ -	$ -
Facility Leases	2,454.2	960.4	1,493.8	-	-
License Fees	60.0	30.0	30.0	-	-
Sponsored Research Agreements	854.4	579.9	274.5	-	-
Consulting Agreements	2,770.8	1,691.8	1,073.0	6.0	-
Design & Construction of Laboratory	1,387.1	1,387.1	-	-	-
Director Fees	90.0	90.0	-	-	-
	$ 11,358.5	$ 7,016.6	$ 4,335.9	$ 6.0	$ -

SEASONALITY

NeoStem does not believe that its operations are seasonal in nature.

OFF-BALANCE SHEET ARRANGEMENTS

NeoStem does not have any off-balance sheet arrangements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes "forward-looking" statements as well as historical information. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from anticipated results, performance or achievements expressed or implied by such forward-looking statements. When used in this 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. Additionally, statements concerning our ability to successfully develop the adult stem cell business at home and abroad, the future of regenerative medicine and the role of adult stem cells in that future, the future use of adult stem cells as a treatment option and the role of VSEL™ Technology in that future, and the potential revenue growth of such business are forward-looking statements. Our future operating results are dependent upon many factors, and our further development is highly dependent on future medical and research developments and market acceptance, which is outside its control. Forward-looking statements may not be realized due to a variety of factors, including, without limitation, (i) our ability to manage the business despite continuing operating losses and cash outflows; (ii) our ability to obtain sufficient capital or a strategic business arrangement to fund our operations and expansion plans, including meeting our financial obligations under various licensing and other strategic arrangements and the successful commercialization of the relevant technology; (iii) our ability to build the management and human resources and infrastructure necessary to support the growth of the business; (iv) competitive factors and developments beyond our control; (v) scientific and medical developments beyond our control; (vi) our inability to obtain appropriate governmental licenses or any other adverse effect or limitations caused by government regulation of the business; (vii) whether any of our current or future patent applications result in issued patents and our ability to obtain and maintain other rights to technology required or desirable for the conduct of our business; (viii) whether any potential strategic benefits of various licensing transactions will be realized and whether any potential benefits from the acquisition of these new licensed technologies will be realized; (ix) whether we can obtain the consents we may require to sublicensing arrangements from technology licensors in connection with technology development; (x) our ability to maintain our NYSE Amex listing; (xi) factors regarding our business in China and, generally, regarding doing business in China, including through our variable interest entity structure; (xii) factors relating to the proposed PCT Merger; and (xiii) the other factors discussed or incorporated by reference in "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 under the heading "Part I — Item 1A. Risk Factors", in the Company's Current Report on Form 8-K dated September 23, 2010 and in other periodic Company filings with the Securities and Exchange Commission. The Company's filings with the Securities and Exchange Commission are available for review at www.sec.gov under "Search for Company Filings."

All forward-looking statements attributable to us are expressly qualified in their entirety by these and other factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. With respect to these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the uncertainties and factors described above, as well as others that we do not anticipate at this time. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and the breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

As of the end of the Company's quarter ended September 30, 2010 covered by this report, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that due to the material weaknesses discussed below the Company's disclosure controls and procedures were not effective, at the reasonable assurance level, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

CBH, which was acquired by the Company on October 30, 2009, previously identified the material weaknesses identified below. Because the acquisition was completed in the fourth quarter of 2009, the Company has not had sufficient time to remediate the material weaknesses previously identified by CBH. However, since the filing date of the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2010 the Company has made additional progress in remediating the material weaknesses previously identified by CBH.

Prior to the Merger, in its assessment of its internal control over financial reporting as of December 31, 2008, CBH identified in substance the material weaknesses set forth below. As of September 30, 2009, CBH reported that such material weaknesses had not been remediated and continued to exist.

1. Insufficient U.S. GAAP qualified accounting and finance personnel.
As the U.S. GAAP closing process related to non-routine transactions and estimates, CBH did not have sufficient US GAAP qualified accounting and finance personnel necessary to close its books at its subsidiaries in China. CBH's subsidiaries in China did not maintain books and records in accordance with US GAAP and had to make adjusting entries to prepare and report financial statements in accordance with US GAAP. Because the accounting personnel were not familiar with US GAAP non-routine transactions and estimates were not properly accounted for under US GAAP. This material weakness resulted in adjustments to several significant accounts and disclosures and contributed to other material weaknesses described below.

2. Lack of Internal Audit System.
CBH did not have an internal audit department and therefore was unable to effectively prevent and detect control lapses and errors in the accounting of certain key areas like revenue recognition, purchase approvals, inter-company transactions, cash receipt and cash disbursement authorizations, inventory safeguard and proper accumulation for cost of products, in accordance with the appropriate costing method used by CBH.

3. Financial Statement Closing Process.
CBH's controls over the financial statement close process related to account reconciliation and analyses, including bank accounts, certain long-lived assets and accrued liabilities, were not effective. As a result, a large volume of adjustments were necessary to completely and accurately present the financial statements in accordance with US GAAP.

As of September 30, 2010, the Company was unable to conclude that the above material weaknesses previously reported by CBH had been fully remediated.

Since the acquisition of CBH in the fourth quarter of 2009, the Company has been in the process of implementing the following remediation plans.

While the Company has sufficient US GAAP qualified accounting and financial personnel at the parent level, the accounting and financial accounting personnel at Company's subsidiary, Erye, continue to need additional training on US GAAP. The Company is seeking to remediate this by deploying its finance and accounting personnel to Erye to account for non-routine, complex transactions at the Erye level and to assist with Erye's closing processes from time to time and use the services of another accounting firm for this role as well as to provide additional training on US GAAP to Erye's personnel so they can do the accounting for Erye without significant participation from the Company's finance and accounting personnel.

The Company does not believe its size warrants an internal audit staff. The Company engaged a public accounting firm to provide internal audit services in 2010, including to review and assess key risk areas such as revenue recognition, purchase approvals, inter-company transactions, cash receipt and cash disbursement authorizations, inventory safeguard and proper accumulation for cost of products as well as complex, non-routine transactions and will participate in the closing processes. In September 2010, this review was commenced and is currently in process.

The parent Company's Chief Financial Officer and Vice President of Finance, each of whom is US GAAP qualified, are participating in the quarterly financial statement closing process at the Erye subsidiary. The Company has established a process whereby the accounting reconciliation and analyses prepared by Erye as part of the financial statement closing process are reviewed by the parent Company's Chief Financial Officer and its Vice President of Finance.

In addition, the Company believes that the oversight provided by its audit committee, which, unlike CBH's audit committee, is comprised of three independent and financially sophisticated members, at least one of whom qualifies as an "audit committee financial expert" as defined in applicable SEC rules, will support and further the remediation steps set forth above.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting, as such term is defined in Exchange Act Rule 13a-15, that occurred during the Company's last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except that during the fiscal quarter ended March 31, 2010 we extended the parent company internal controls to our new operations in China and these changes continued in the fiscal quarters ended June 30, 2010 and September 30, 2010.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material changes to the disclosures provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

ITEM 1A. RISK FACTORS

We have a significant number of securities convertible into, or allowing the purchase of our common stock, and the Company anticipates issuing a substantial number of shares of common stock and securities allowing the purchase of common stock in the proposed PCT Merger. Investors could be subject to increased dilution. Also, the issuance of additional shares as a result of such conversion or purchase or the proposed PCT merger, or the subsequent sale of such shares, could adversely affect the price of our common stock.

Investors in our company will be subject to increased dilution upon conversion of our preferred stock and upon the exercise of outstanding stock options and warrants. Additionally, pursuant to the PCT Merger we may issue up to 11,200,000 shares of common stock and warrants to purchase up to 3,000,000 shares of common stock. There were 57,614,858 shares of our common stock outstanding as of November 11, 2010. As of that date, preferred stock outstanding could be converted into 10,000 shares of our common stock and stock options and warrants outstanding that are exercisable represented an additional 24,467,529 shares of our common stock that could be issued in the future. Most of the outstanding shares of our common stock, as well as the vast majority of the shares of our common stock that may be issued under our outstanding options and warrants, are not restricted from trading or have the contractual right to be registered.

Any significant increase in the number of shares offered for sale could cause the supply of our common stock available for purchase in the market to exceed the purchase demand for our common stock. Such supply in excess of demand could cause the market price of our common stock to decline.

Erye's production will be concentrated in two production lines and Erye will be operating in a new facility.

Erye recently passed the government inspection by the State Food and Drug Administration ("SFDA") in China to manufacture penicillin powder for injection and cephalosporin powder for injection at its new manufacturing facility which provides 50% greater manufacturing capacity than its existing plant. The two production lines recently approved accounted for over 70% of Erye's product sales in 2009. More recently, these two production lines became fully operational. These production lines, coupled with the approval of the lines earlier in 2010 for solvent crystallization sterile penicillin and freeze dried raw sterile penicillin, is allowing Erye to relocate over 90% of its 2009 sales to the new facility. Any interruptions in production with respect to those lines once they are operational at the new facility will have a material adverse effect on Erye's business and ours. There are inherent problems in commencing operations at any new production facility. If Erye encounters operational difficulties in commencing production at its new facility, it could have a material adverse effect on Erye's business and ours.

As a result of Erye's relocation to a new manufacturing facility, Erye may experience certain delays and disruptions in its manufacturing operations which could adversely affect our business.

Erye has built a new production facility for purposes of manufacturing its products and is in the process of relocating its manufacturing operations from its existing facility to the new facility. The new facility is expected to be fully operational in 2011. As a result of this relocation, Erye may experience certain delays and disruptions in its manufacturing operations which may adversely impact our business.

Taxing authorities in the PRC may attempt to impose an enterprise income tax on the gain on the transfer of the ownership of the 51% ownership interest in Erye.

Transactions involving the merger of two non-PRC companies, but that result in the change in ownership of joint venture interests in the PRC, historically have not been taxed by the taxing authorities in the PRC. However, the PRC State Administration of Taxation issued the *Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfer Gains of Non-residence Enterprise*, or Circular 698, in December of 2009, according to which, if any non-residence enterprise indirectly transfers the shares of any residence enterprise, and if the total tax rate applicable in the country/jurisdiction, where the offshore holding company transferred is incorporated, is lower than 12.5% or there is no income tax on income of its residents sourced outside of such country/region, relevant parties shall submit the share transfer agreement and other relevant documents and information to the competent tax authority having jurisdiction over the residence enterprise, whose equity is indirectly transferred, within 30 days after the share transfer agreement is signed. Subject to approval by the State Administration of Taxation, if the non-residence enterprise transferring party is deemed to have indirectly transferred the shares of the residence enterprise for purpose of evading PRC enterprise income tax through abuse of transaction structure, and the transaction structure does not have reasonable commercial purposes, relevant tax authorities have the right to re-determine the nature of the transaction based on its substance and deny the existence of offshore vehicles established for purpose of evading PRC tax and levy enterprise income tax on the share transfer gains pursuant to PRC laws. The tax rate applicable to the share transfer gains under such circumstance should be 10% or lower treaty tax rate under EIT Law and its implementation rules. Accordingly, recently the taxing authorities in the PRC have levied enterprise income tax at the rate of approximately 10% of the gain on a few real estate and mining transactions that resulted in a change in ownership in joint ventures located in the PRC. Circular 698 applies retrospectively and shall be deemed to have become effective since January 1, 2008. Although it is still unclear on whether or not the Circular 698 shall also apply to the merger, as opposed to share transfer, of two non-PRC companies resulting in the change in ownership of PRC companies, there can be no assurance that the PRC taxing authorities will not impose enterprise income tax on the gain on the transfer to us of ownership of the 51% equity interests in Erye.

Foreign-invested enterprises in China will be subject to city maintenance and construction tax and education expenses surtax starting from December 1, 2010.

According to relevant tax rules in China, foreign-invested enterprises (e.g., WFOE) were not subject to city maintenance and construction tax and education expenses surtax in the past; however, the State Council of PRC issued the *Notice regarding Unifying Rules of City Maintenance and Construction Tax and Education Expenses Surtax Applicable to Foreign-invested Enterprises and Domestic Enterprises and Individuals* (Guo Fa (2010) 35) on October 18, 2010, or the State Council Notice No. 35. According to the State Council Notice No. 35, starting from December 1, 2010, the *Interim Measures on City Maintenance and Construction Tax* promulgated by the State Council in the year of 1985 and the *Interim Rules on Levying Education Expenses Surtax* promulgated by the State Council in the year of 1986, and relevant rules, measures promulgated thereafter shall also apply to foreign-invested enterprises, foreign enterprises and foreign individuals. Accordingly, foreign-invested enterprises will be subject to city maintenance and construction tax and education expenses surtax starting from December 1, 2010 (Erye was already subject to such taxes). Both city maintenance and construction tax and education expense surtax are levied based on the value-added tax, consumer tax and business tax actually paid by the tax payer, depending on location of the tax payer, the tax rate of city maintenance and construction tax applicable could be 7%, 5% or 1%, and the tax rate of education expense surtax applicable is currently 3%.

Because of the State Council Notice No. 35, we expect that the tax liabilities of WFOE will increase, which could have a material adverse effect on our results of operations and financial condition.

Fluctuations in the value of the Renminbi relative to the U.S. dollar could affect our operating results.

We prepare our financial statements in U.S. dollars, while our underlying businesses operate in two currencies, U.S. dollars and Chinese Renminbi. It is anticipated that our Chinese operations will conduct their operations primarily in Renminbi and our U.S. operations will conduct their operations in dollars. At the present time we do not expect to have significant cross currency transactions that will be at risk to foreign currency exchange rates. Nevertheless, the conversion of financial information using a functional currency of Renminbi will be subject to risks related to foreign currency exchange rate fluctuations. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and supply and demand in local markets. As we have significant operations in China, and will rely principally on revenues earned in China, any significant revaluation of the Renminbi could materially and adversely affect our financial results. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on our business, financial condition and results of operations.

Beginning in July of 2005, the PRC government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, the value of the Renminbi has fluctuated within a narrow and managed band against a basket of certain foreign currencies. However, the Chinese government has come under increasing U.S. and international pressure to revalue the Renminbi or to permit it to trade in a wider band, which many observers believe would lead to substantial appreciation of the Renminbi against the U.S. dollar and other major currencies. There can be no assurance that Renminbi will be stable against the U.S. dollar. On June 19, 2010 the central bank of China announced that it will gradually modify its monetary policy and make the Renminbi's exchange rate more flexible and allow the Renminbi to appreciate in value in line with its economic strength.

There are Risks Related to PCT and the Proposed Merger with PCT.

See the Company's Current Report on Form 8-K filed with the SEC on September 23, 2010, regarding certain risks relating to PCT's business and the proposed Merger with PCT, which risk factors under the headings "Risks Related to PCT and PCT's Business" and "Risks Relating to the Merger" are hereby incorporated by reference into this quarterly report.

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

Effective July 7, 2010, the Company entered into a consulting agreement pursuant to which a consultant was retained to assist the Company in providing sponsorship of the Company's securities in the public markets and to perform investor relations services for a three month term. In consideration for providing services under this agreement, the Company issued to the consultant 150,000 shares of restricted common stock, to vest as to one-third on each of the first, second and third one-month anniversaries of the effective date of the agreement.

Effective July 27, 2010, consistent with the Company's previously disclosed intention to provide support for a charitable foundation, The Stem for Life Foundation (the "Foundation"), which promotes public awareness, funds research and development and subsidizes stem cell collection and storage programs, the Company issued to the Foundation 150,000 shares of restricted common stock.

Effective July 30, 2010, the Company entered into a financial advisory and consulting agreement pursuant to which this consultant was retained to provide financial advisory as well as consulting services in connection with potential business combinations for a three month term. In consideration for providing services under this agreement, in addition to certain specified cash consideration, the Company agreed to issue to the consultant a five year warrant to purchase 25,000 shares of restricted common stock at a per share exercise price of $2.50, vesting as to one-third of the shares on each one month anniversary of the effective date, with certain rights of cashless exercise.

Effective September 30, 2010, the Company issued 600,000 shares of restricted common stock to a warrant holder pursuant to the exercise of a warrant issued to a consultant for services in July 2008. The exercise price was $.78 per share, resulting in proceeds to the Company of $468,000.

The offer and sale by the Company of the securities described above were made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), for transactions by an issuer not involving a public offering. The offer and sale of such securities were made without general solicitation or advertising to "accredited investors" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit	Description	Reference
2(a)	Agreement and Plan of Merger, dated as of September 23, 2010, by and among NeoStem, Inc., Progenitor Cell Therapy LLC and NBS Acquisition Company LLC (1)	2.1
10(a)	Letter Agreement dated July 7, 2010 between NeoStem, Inc. and Catherine M. Vaczy, Esq.*	10.1
10(b)	Employment Agreement dated September 1, 2010 between NeoStem (China), Inc. and Ian Zhang*	10.2
10(c)	English Translation of Amendment Agreement to Joint Venture Contract of Suzhou Erye Pharmaceutical Co., Ltd. dated May 21, 2010 approved August 16, 2010*	10.3
10(d)	Equity Pledge Agreement dated August 30, 2010 among Beijing Ruijieao Bio-Technology Ltd., NeoStem (China), Inc. and The Shareholder of Beijing Ruijieao Bio-Technology Ltd.*	10.4
10(e)	Exclusive Purchase Option Agreement dated June 21, 2010 among Beijing Ruijieao Bio-Technology Ltd., NeoStem (China), Inc. and The Shareholder of Beijing Ruijieao Bio-Technology Ltd.*	10.5
10(f)	Consigned Management and Technology Service Agreement dated June 21, 2010 among Beijing Ruijieao Bio-Technology Ltd., NeoStem (China), Inc. and The Shareholder of Beijing Ruijieao Bio-Technology Ltd.*	10.6
10(g)	Loan Transfer Agreement dated June 21, 2010 among NeoStem (China), Inc., the Shareholder of Beijing Ruijieao Bio-Technology Ltd. and Jianhua Sui*	10.7
10(h)	Form of Voting and Lock Up Agreement August/September 2010 by and between NeoStem, Inc. and the persons listed therein, with related Form of Amendment No. 1 to Voting and Lock-Up Agreement October 2010*	10.8
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*	31.1
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*	31.2
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**	32.1
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**	32.2

(1) Filed with the Securities and Exchange Commission on September 23, 2010 as an exhibit, numbered as indicated above, to our Current Report on Form 8-K dated September 23, 2010, which exhibit is incorporated here by reference

* Filed herewith
** Furnished herewith

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.

NEOSTEM, INC. (Registrant)

By: /s/ Robin Smith M.D.
Robin Smith M.D., Chief Executive Officer

Date: November 12, 2010

By: /s/ Larry A. May
Larry A. May, Chief Financial Officer

Date: November 12, 2010

By: /s/ Christopher C. Duignan
Christopher C. Duignan, Chief Accounting Officer

Date: November 12, 2010

NeoStem

YOUR CELLS. YOUR USE. YOUR LIFE

July 7, 2010

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

Dear Catherine:

We are pleased to enter into this extension (the "Extension") of your employment agreement dated as of January 26, 2007 (the "2007 Agreement"), as thereafter amended by amendments on January 9, 2008 and August 29, 2008 and reinstated and extended on July 8, 2009 (the 2007 Agreement as so amended and extended, the "Original Agreement"), with respect to your service to the Company as its Vice President and General Counsel. This Extension shall become effective (the "Effective Date") on the date that it is fully executed by you and the Company and shall modify the Original Agreement with respect to those different and additional terms as set forth below.

1. Your Base Salary for the first year of the Term shall be $211,000, which will be increased by ten percent (10%) on the one year anniversary of the Effective Date.
2. You shall receive a $50,000 cash bonus, half of which is payable upon the Effective Date and the remaining half of which is payable upon completion of an acquisition. During the second year of the Term, you shall receive a bonus in a minimum amount of $60,000.
3. During the Term, the Company will pay membership and annual dues for a club in New York of your choice that can be used for business entertainment, meetings, etc. in an amount not to exceed $5,000.
4. The "Term" as extended shall begin as of the Effective Date and continue through December 31, 2011.
5. You shall be granted on the Effective Date an option (the "Option") under the Company's 2009 Equity Compensation Plan (the "2009 Plan") to purchase 350,000 shares of the Company's Common Stock, which shall vest and become exercisable as to 100,000 shares on the one year anniversary of the Effective Date, 50,000 shares on December 31, 2011, and as to the remaining 200,000 shares upon the achievement of business milestones as determined by the Compensation Committee of the Board of Directors. The per share exercise price of the Option shall equal the closing price of the Common Stock on the Effective Date and the Option shall be subject to all the terms and conditions of the 2009 Plan.

6. The Company shall pay for the collection of your stem cells.

Terms not otherwise defined herein shall have the meaning ascribed to them in the Original Agreement. Except as set forth herein the terms of the Original Agreement shall remain unchanged.

Very truly yours,

NeoStem, Inc.

By: _____
Name: Robin Smith
Title: CEO

_____
Catherine M. Vaczy

EMPLOYMENT AGREEMENT

Party A (Employer): Full Name: NeoStem (China), Inc.
Address: Room 0425A, Building C, No. 6
Xiang Gang Zhong Road, Shinan District, Qingdao, Shandong
P.R. China
Phone Number: 86-532-8090-9800
Legal Representative: Peter Sun

Party B (Employee): Name: Ian Zhang
Date of Birth:
Permanent Address:
China 200233
ID Type: Passport
Valid ID number:
Current Address:
Phone Number:

In accordance with the Labor Law of the People's Republic of China, Labor Contract law of the People's Republic of China and other applicable laws and regulations, and the principles of legality, impartiality, equality, voluntarily, and honesty, both parties enter into this employment agreement.

TERM OF THE AGREEMENT

1. Both parties agree to choose (1) as the term.
(1) Fixed period: from September 1, 2010 (Commencement Date) to August 31, 2013.
(2) Indefinite period: from _____ until the Agreement is terminated according to its terms.
(3) Assignment period: from _____ until the assignment is finished.

If parties choose option (1) or (2), the probationary period is from September 1, 2010 to February 28, 2011.

JOB DUTIES AND JOB LOCATION

2. (1) Party B will be employed as Party A's President and Managing Director. Party B will have such responsibilities as are consistent with such positions and will have executive authority over all business operations of Party A, including but without limitation, making proposals for Party A's strategic development and overseeing the overall implementation of any strategic proposals as adopted by Party A's Board of Directors. Party B will report to the CEO of Party A's Parent Company, NeoStem, Inc. ("Parent Company") and the Board of Directors of Party A. The position will be based out of Party A's Beijing office with travel from time to time to the Parent Company's executive offices in the United States and Party A's executive offices in Shandong and

other locations domestically in China. Party B shall devote his full time, attention and abilities to the business of Party A and other affiliates of the Parent Company as may be directed to him by the Parent Company CEO and/or Party A's Board of Directors. Party B is not allowed to carry out or enter into any other assignment, consultancy, employment or any other service agreement other than those approved by the Parent Company and Party A.

(2) As used in this Agreement, all references to Party A's Board of Directors shall be deemed to refer to Party A's Executive Director until such time as Party A effectively amends its Articles of Association to provide for a Board of Directors.

3. Additional matters relating to performance of job duties:

(1) Party B shall perform his job duties in accordance with Party A's requirements with due diligence and on a timely manner and be in compliance with Party A's rules and regulations that are stipulated in accordance with laws, and in compliance with any similar or applicable requirements, rules or regulations of the Parent Company.

(2) During the term of this Agreement, with Party B's consent, Party A may change Party B's job duties due to the changes in business scopes or business needs.

4. During the probationary period, Party B's performance shall be evaluated by the CEO of the Parent Company.

WORKING CONDITIONS AND PROTECTIONS AGAINST JOB HAZARDS

5. Party A shall implement operation rules, office policies, work safety and hygiene policies and protection measures against job hazards/risks and provide Party B with necessary trainings on the above rules and policies. Party B shall comply with all the above rules and policies.

6. Party A shall provide Party B with safe and clean working environments and necessary protection tools that are in compliance with national regulations. If Party A assigns any dangerous tasks to Party B, Party A shall conduct physical examinations on Party B regularly.

7. If job duties may lead to work related illness, Party A shall inform Party B of such possibilities, offer B trainings on work safety and hygiene, take measures to prevent accidents and reduce job hazards.

8. Party A shall strictly implement national, provincial and municipal regulations on work related injuries and illnesses reporting. Party B shall strictly comply with safety operational rules while performing job duties. Party B has the right to refuse to perform dangerous tasks assigned by Party A in violation of laws or rules and shall not be deemed to be in breach of this Agreement.

9. Party A shall protect women and minority employees in accordance with national, provincial and municipal regulations.

WORKING HOURS, HOLIDAYS AND VACATIONS

10. Party A requires Party B to perform job duties according to schedule (1). Upon approval from local labor and security administration department, Party B shall perform job duties according to schedule (3).

(1) Standard hours: Party B shall work for 8 hours per day, i.e. 40 hours per week.
(2) Total hours: the total working hours per day and per week shall not exceed the legal limits.
(3) Flexible hours: working hours, vacations and holidays are mutually agreed by both parties provided that Party B shall finish Party A's assignments.

If parties choose (2) or (3), Party A will obtain approval from local labor and security administration department.

11. Party A shall protect Party B's legal rights to rest. During the term of this Agreement, Party B shall enjoy legal holidays, personal days for visiting relatives, weddings and funerals, child birth. Party B will have annual paid leave of 20 working days. A schedule of annual leave is subject to the approval of the Parent Company's CEO. Unused annual leave shall be carried over into the following year; provided, that such leave can only be accrued up to two years and accumulated for a maximum of forty days.

COMPENSATIONS

12. Party A shall decide its compensation policy based on its business features and profits. Party B's salary shall be decided based on its employer's compensation policy, and Party B's skills and contributions.

13. Under this Agreement, based on Party B's job duties, Party A will pay Party B his salary in the amount of RMB 1,496,000 per year (RMB 124,667 per month). Party B's bonus shall be as decided by Party A's Board of Directors and the Parent Company's Compensation Committee of its Board of Directors (the "Parent Compensation Committee"); however, Party B's target bonus will be 30% of his annual salary and the milestones to achieve this bonus will be as agreed to between Party A's Board of Directors, the Parent Compensation Committee and Party B. Such bonus can be paid in cash, or in stock under the Parent's 2009 Non-U.S. Based Equity Compensation Plan (the "Parent Non-U.S. Plan") if permitted at such time, based on mutual agreement among Party A's Board of Directors, the Parent Compensation Committee and Party B.

14. Party B's salary during the probationary period shall be paid in the amount of RMB 1,496,000 per year (RMB 124,667 per month).

15. Party A shall pay Party B his salary in full in cash or through account transfer on or before 30th day of each month. If payday falls on a holiday or vacation day, Party B will be paid on the business day immediately prior to such holiday or vacation day.

16. Party A shall record Party B's salary information, such as payment date, amount, number of working days, overtime, signatures, etc. and provide Party B with wage slips.

17. Party A shall establish salary adjustment policy. During the term of the Agreement, Party A will adjust Party B's compensations according to national, provincial and municipal regulations and based on company's business conditions and Party B's job performance.

SOCIAL SECURITY AND EMPLOYEE BENEFITS

18. In accordance with national, provincial and municipal regulations if applicable, Party A will pay a variety of social security fees for Party B, such as benefits related to retirement, unemployment, medical expenses, work related injury and pregnancy. The portion of social security fees that shall be paid by Party B will be taken out of Party B's salary and submitted by Party A.

19. During the term of this Agreement, if Party B becomes sick or suffers injuries unrelated to job, then Party A shall offer Party B medical benefits and sick pays in accordance with national, provincial and municipal regulations.

20. Women employees shall enjoy benefits set forth under national, provincial and municipal regulations during pregnancy, birth, postpartum and abortion.

21. In addition, Party A also offers Party B the following benefits.

(1) Party B will receive an allowances reimbursement of up to RMB 93,500 per quarter upon presentation of appropriate documentation and receipts to Party A, toward the following expenses:

- Schooling allowance
- Transportation allowance

(2) Party B will receive a housing allowance of up to RMB 26,000 per month, inclusive of tax, management fees, government rates, utilities and related charges, for which Party B shall provide official rental and other receipts to Party A.

(3) Subject to the approval by the Parent Compensation Committee and contingent on other regulatory and NYSE Amex requirements, Party B shall be granted the following

on or after the Commencement Date under the Parent Non-U.S. Plan as an employee of Party A: a warrant (the "Warrant") to purchase 750,000 shares (the "Warrant Shares") of the Parent Company's Common Stock at a per share purchase price equal to the closing price of the Common Stock on the date of grant, which shall vest and become exercisable subject to Party B's continued employment as to (i) 200,000 shares on each of the first, second and third one year anniversaries of the Commencement Date and (ii) 50,000 shares in each of the first three years of employment upon the achievement of specified milestones in each such year, such milestones to be mutually agreed to by Party A's Board of Directors, the Parent Compensation Committee and Party B on or after the Commencement Date. The Warrant and the Warrant Shares shall be subject in all respects to the terms and conditions of the Parent Non-U.S. Plan and applicable law.

(4) Subject to the same approvals and contingencies (except as to vesting) set forth in Section 21(3) and subject in all respects to the terms and conditions of the Parent Non-U.S. Plan and applicable law, Party B will also receive a one time signing bonus of 10,000 shares (the "Bonus Shares") of the Parent Company's Common Stock under the Parent Non-U.S. Plan, to vest in their entirety upon the expiration of the probationary period. If either party terminates this Agreement during the probationary period, the Bonus Shares will revert back to the Parent Company.

(5) If Party A requests that Party B relocate from Shanghai to Beijing, Party B shall also be entitled to a one-time relocation allowance of up to RMB 136,000, based on receipts submitted.

(6) Party B's work-related travel and mobile phone expenses will be reimbursed with valid receipts or invoices. Party B will also be provided with a laptop computer for his work-related use.

(7) Party B is entitled to participate in any equity plan, profit participation scheme or similar employee incentive program developed and implemented by the Parent Company in which PRC subsidiary employees may participate.

(8) Party B is entitled to participate in Party A's benefits plans made generally available to its employees in the PRC, including medical insurance for Party B's immediate family members, and he shall also be provided with or reimbursed for the reasonable costs of life and travel insurance for himself.

AMENDMENT; TERMINATION; AND COMPENSATION

22. If there is any change to the laws, rules or policies that are applicable to this Agreement, the provisions affected by such laws, rules or policies shall be amended accordingly.

23. Both parties may agree to amend certain provisions of this Agreement provided such amendment shall be in writing.

24. Either party may terminate this Agreement in accordance with Articles 36, 37, 38, 39, 40, 41, 42, 43 and 44 of the Labor Contract Law. If Party A terminates this Agreement for non-cause reasons after the satisfactory completion of the probationary period, Party B shall continue to get paid for three (3) months of base salary or as required by applicable law.

25. If either party terminates this Agreement in accordance with Article 46 of the Labor Contract Law, then Party A shall compensate Party B according to the standard compensation amount set forth in Article 47 of the Labor Contract Law or other applicable law.

26. In case Party A terminates this Agreement in violation of law, (i) if Party B demands further enforcement of this Agreement, Party A shall continue carrying out its obligations under this Agreement; or (ii) if Party B does not demand further enforcement of this Agreement or this Agreement can no longer be enforced, Party A shall pay Party B twice the standard compensation amount set forth in Article 47 of the Labor Contract Law. If Party B terminates this Agreement in violation of law and as a result, Party A suffers losses, then Party B shall compensate Party A for such losses.

27. Upon termination of the Agreement, Party A shall issue a termination certificate in accordance with laws and regulations and transfer Party B's records and social security relationships within 15 days of the termination date and each party shall refrain from disparagement of the other.

MISCELLANEOUS

28. A Confidentiality and Non-Compete agreement between two parties is attached as an appendix to this agreement and shall be deemed a part of this Agreement.

29. Other matters agreed upon by both parties.

(1) Party B represents and warrants that he recognizes that all compensation must be paid in accordance with all applicable laws, including laws relating to tax and withholding obligations, and that he is responsible for his own tax obligations as applicable to him in all applicable jurisdictions.

(2) Party B represents and warrants that he holds a valid residential certificate and work permit that allow him to reside and work legally in the People's Republic of China. In order to maintain Party B's legal status, Party A will provide due assistance with the requirement from the appropriate governmental agency in order to maintain or obtain necessary work visa status.

(3) Party B represents and warrants that he is in good health and knows of no physical or mental disability which would prevent him from fulfilling his job duties hereunder.

(4) Party A agrees that, after the satisfactory completion of the probationary period, it will provide Party B with no less than sixty (60) days' prior written notice should it desire to terminate Party B's employment for non-cause reasons, and Party B hereby agrees, acknowledging that Party A and the Parent Company will be relying upon his expertise, that should he desire to terminate his employment he will provide Party A and the Parent Company with no less than sixty (60) days' prior written notice.

(5) Every notice required under this Agreement shall be in writing and shall be deemed sufficiently given if delivered personally or sent by mail, FedEx or DHL. The date of notice shall be the date of delivery. Each party shall notify the other party of their change of address in writing.

(6) This Agreement supersedes the Offer Letter dated August 3, 2010.

30. This Agreement is governed by the laws of the People's Republic of China. If there is any dispute arising out of performance of this Agreement, either party may request for mediation, apply for arbitration or initiate litigation within legally permissible time limits.

31. Any subject that is not set forth in this Agreement or any provision that is in conflict with national, provincial or municipal laws or regulations shall be carried out in accordance with such laws or regulations.

32. This Agreement is prepared in both Chinese and English. In the event of ambiguity or conflict between the two versions, the Chinese language will control.

33. This Agreement is not effective until it is signed and/or sealed by both parties. This Agreement will have three copies in original, two of which for Party A, and one of which for Party B. All three copies have the same legal force.

PARTY A: NeoStem (China), Inc.

Date: Sept 1, 2010

PARTY B: Ian Zhang

Date: Aug. 31, 2010

Attachment A

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

Party A: NeoStem (China), Inc.
Address: Room 0425A, Building C, No.6 XiangGangZhong Road, Shinan District, Qingdao City

Party B: Ian Zhang
ID/Passport Number:
Address:
Tel:

To protect Party A's confidential information, in accordance with the laws of People's Republic of China, the Parties hereby agree to enter into this Agreement.

1. **Confidential Information**

Confidential Information in this Agreement includes:

1.1 **Company Information**. **Company Information** means any proprietary information, technical data, trade secrets or know-how, including, but not limited to, the data, design, model, methods, formula, results, records and processes in connection with the experiments, and formulas, technical programs, indicators, standards; clinical procedures, data, records and cases; the method, model, plan of the research; compilations, inventions and developments, products, know-how, computer programs and software (whether as source code or object code), database, development plans, technical report, inspection report, drawings and samples, operation manual, technical documentation, hardware configuration information, yield data, equipment modifications, services, customer lists and customers , supplier lists, purchasing and sales plans and channels, partners and their information, markets, pricing, marketing, finances, human resources, legal affairs, other business information of Party A or its parent company, NeoStem, Inc. ("Parent Company") or any of their subsidiaries or affiliates, disclosed to Party B or obtained by Party B from Party A and/or any other such party either directly or indirectly in writing, orally or by drawings or observation of parts or equipment, or other related correspondence, or other confidential information which is marked as "secret", "confidential" or obviously have the nature of "confidentiality" and etc. Confidential Information may be a complete set of plan, documentation or product, and may also be part of the information or elements of the complete set of plan, documentation or product. The Parties further understand that Confidential Information does not include any of the foregoing items which has become publicly known and made generally available through no wrongful act of Party

B or of others who were under confidentiality obligations as to the item or items involved.

1.2 **Third Party Information**. Party B recognize that Party A has received and in the future will receive from third parties, including Party A's subsidiaries, affiliates and partners, their confidential or proprietary information that is disclosed under a confidentiality agreement between Party A or an affiliate and the third party. Party B agrees to hold all such third party information in the strictest confidence and not to disclose it to any person, partnership or corporation or to use it, unless authorized by Party A, in which case Party B shall comply with the agreement(s) Party A or the affiliate has entered into with such third party.

Party B shall indemnify Party A for any losses, claims, damages, awards, penalties, or injuries incurred, including reasonable attorney's fees, which arises from any third party claim caused by Party B's breach of this Agreement. In case liabilities of compensation for infringement is assumed by Party A, Party A has the right to claim compensation from Party B, and such expenses and compensation may be deducted from the Party B's salaries.

2. **Media of Confidential Information**

2.1 All documents, information, photographs, diagrams, notes, reports, letters, faxes, magnetic tapes, disks, prototypes, apparatus and any other forms of media, which are containing Confidential Information and held or kept by Party B in need of his/her work, shall be owned by Party A, no matter whether the Confidential Information is of business value.

2.2 Party B shall return Party A all the properties and media containing Confidential Information upon Party A's request or Party B's dismissal (whatever the reason is), and shall not reproduce, hold or give the media herein above to any other person without authorization of Party A.

3. **Maintenance of Confidentiality**

3.1 Party B agrees at all times during the term of his/her employment and thereafter, to hold in strictest confidence, and not to use, except authorized by Party A in writing, or to disclose, publicize, release, impart, transfer, to any person, firm or corporation (including other employees who are not entitled to know Confidential Information in accordance with Party A's internal administrations) without written authorization of Party A, any Confidential Information. Party B agrees that he/she shall secure and keep such Confidential Information confidential and shall protect and safeguard the Confidential Information against any unauthorized use, disclosure, report, transfer or publication with the highest degree of care;

3.2 Party B shall not take any Confidential Information out of Party A's office without written authorization of Party A.

3.3 Except authorized by Party A in writing, Party B shall not inquire, disclose or discuss the salary, bonus, welfare, option or any other payments to or with any other persons except for the direct relatives of Party B.

4. **Intellectual Property Rights**

4.1 **Disclosure**. Party B agrees that Party B will promptly make full written disclosure to Party A or its designee, and will transfer to Party A or its designee, all his/her right, title, and interest in and to any and all inventions, discoveries, experimental results, standards, exponents, clinical data, clinical cases, technology developments, technology improvements, designs, trademarks or business secrets, processes, copyright works, know-how, any other work's information or matter which gives rise or may give rise to any intellectual property of whatsoever nature, whether or not patentable or registrable under any law of any country, which Party B may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period that Party B is employed by Party A (collectively referred to as "Works").

4.2 **Intellectual Property Rights**. The Parties acknowledge that Party A or its designee, has the absolute title, right or interest in and to any and all Works made by Party B (solely or jointly with others) during Party B's employment period with Party A or within one year after termination of Party B's employment, and which are the job duties of Party B or the tasks assigned to him by Party A or its designee, or which are created mainly with the materials and technical resources of Party A or its designee and under Party A or its designee's responsibility. Those Works are the "inventions made for hire" (*zhi wu fa ming*)" and "works made for hire (*zhi wu zuo pin*)" as defined under the patent and copyright laws of the People's Republic of China. Party B understands and agrees that the decision whether or not to commercialize or market Works is within Party A's sole discretion and for the sole benefit of Party A. Party B shall put forward written applications if he/she claims for authorship of the works made by him during the period of Party B's employment with Party A, and Party B is entitled to such works upon written confirmation of Party A that such works are not Works made for hire (*zhi wu zuo pin*). The works made by Party B for which Party B does not claim will be regarded as the Works made for hire. In respect of such works of Party B which are not the Works but related to the business of Party A, Party A shall have a preemptive right to acquire for itself or its nominee all or any part (at Party A's option) of Party B's rights therein within three (3) months of Party B's disclosure to Party A of such works.

4.3 **Maintenance of Records**. Party B agrees to keep and maintain adequate and current written records of all Works made by Party B (solely or jointly with others) during the term of his/her employment with Party A. The records will be in the form of notes, sketches, drawings, and any other format. The records will be available to and remain the sole property of Party A at all times.

4.4 **Patent and Copyright Registrations**. Party B agrees to assist Party A, or its designee, at Party A's expense, in every proper way to secure Party A's (or its designee's) rights in the Works and any copyrights, patents or other intellectual property rights relating thereto in any and all countries, including the disclosure to Party A of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which Party A shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to Party A, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Works, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. Party B further agrees that his/her obligation to execute or cause to be executed, when it is in his/her power to do so, any such instrument or papers shall continue after the termination of this Agreement.

5. **Conflicting Employment**. Party B agrees that, during the term of his/her employment with Party A, Party B will provide full-time services to Party A and will not accept, provide or engage in, directly or indirectly any other employment, occupation, consulting or other business activity related to the business in which Party A is now involved or becomes involved during the term of his/her employment, nor will Party B engage in any other activities that conflict with his/her obligations to Party A. Without unanimous written consent from Party A, Party B shall not acquire any shares or interests of other companies which have business activity related to the business in which Party A is now involved or becomes involved during the term of his/her employment other than that have been disclosed to Party A upon the execution of this Agreement.

6. **Non-competition**.

6.1 Party B agrees that during the course of his/her employment and for a period of twenty four (24) months immediately following the termination of his/her relationship with Party A for any reason, whether with or without good cause or for any or no cause, voluntarily or involuntarily, with or without notice, Party B will not, without the prior unanimous written consent of Party A, (i) serve as a partner, employee, consultant, officer, director, manager, agent, associate, investor, or otherwise for, (ii) directly or indirectly, own, purchase, organize or take preparatory steps for the organization of, (iii) build, design, finance, acquire, lease, operate, manage, invest in, work or consult for or otherwise affiliate Party B with, any business, in competition with or otherwise similar to Party A's business, as stated under Section 5 of this Agreement. The foregoing covenant shall cover Party B's activities in every part of the Territory in which

Party B may conduct business during the term of such covenant as set forth above. "Territory" shall mean (a) the People's Republic of China, (b) Taiwan, (c) Hong Kong, (d) Macao, (e) the United States of America, and (f) all other countries and/or regions of the world.

6.2 Party B acknowledges that Party B will derive significant value from Party A's agreement to provide Party B with Confidential Information to enable Party B to optimize the performance of Party B's duties to Party A. Party B further acknowledge that Party B's fulfillment of the obligations contained in this Agreement, including, but not limited to, Party B's obligation neither to disclose nor to use the Confidential Information other than for Party A's exclusive benefit and Party B's obligation not to compete contained in Section 6.1 above, is necessary to protect the Confidential Information of Party A and, consequently, to preserve the value and goodwill of Party A. Party B further acknowledges the time, geographic and scope limitations of Party B's obligations under Section 6.1 above are reasonable, especially in light of Party A's desire to protect Confidential Information.

6.3 The covenants contained in Section 6.1 above shall be construed as a series of separate covenants, one for each city, county and state of any geographic area in the Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in Section 6.1 above. If, in any arbitration or litigation proceeding, the arbitration panel or court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event the provisions of Section 6.1 above are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, then permitted by such law.

6.4 Party B further agrees that during the twenty four (24) months after termination of this Agreement, Party B will be compensated by Party A according to the laws of People's Republic of China for the performance of the covenants that Party B make in this Section 6 of this Agreement. If Party A releases Party B from obligations under this Section 6, then Party A is not required to make any payments to Party B.

7. **Returning Party A's Documents**. Party B agrees that, at the time of leaving the employ of Party A, Party B will deliver to Party A (and will not keep in Party B's possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by Party B pursuant to Party B's employment with Party A or otherwise belonging to Party A, the Parent, any affiliate, or their successors or assigns. In the event of the termination of Party B's employment, Party

B agrees to sign and deliver the Termination Certification attached hereto as Exhibit A.

8. **Liability for Default.** In the event that Party B breaches this Agreement and causes any damages of Party A, he/she shall be liable for such breach and shall pay a penalty equal to 5 times of the total amount of Compensation to Party A. If such penalty can not cover all damages and losses actually resulting thereof (including but not limited to the reasonable fees incurred by Party A for investigating such breach and identifying the damages and losses), Party B shall compensate Party A for the actual damages and losses.

9. **Notification of New Employer**. In the event that Party B leave the employ of Party A, Party B hereby grant consent to notification by Party A to his/her new employer about his/her rights and obligations under this Agreement.

10. **Solicitation of Employees**. Party B agrees that for a period of 24 months immediately following the termination of his/her relationship with Party A for any reason, whether with or without cause, Party B shall not either directly or indirectly solicit, induce, recruit or encourage any employees of Party A or any of its affiliates to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away any such employees, either for himself/herself or for any other person or entity.

11. **Representations**. Party B agrees to execute any warranties or verify any proper document required to carry out the terms of this Agreement. Party B represent that his/her performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Party B in confidence or in trust prior to his/her employment by Party A. Party B has not entered into, and Party B agrees he/she will not enter into any oral or written agreement in conflict herewith.

12. **Arbitration**. THE PARTIES AGREE THAT ANY DISPUTE OR CONTROVERSY ARISING OUT OF, RELATING TO, OR CONCERNING ANY INTERPRETATION, CONSTRUCTION, PERFORMANCE OR BREACH OF THIS AGREEMENT, SHALL BE RESOLVED BY FRIENDLY NEGOTIATION. IF NO SETTLEMENT IS ACHIEVED THROUGH NEGOTIATION, SUCH DISPUTE CAN BE SUBMITTED TO THE LABOR DISPUTE ARBITRATION COMMISSION IN THE DOMICILE OF PARTY A.

13. **General Provisions**

13.1 **Governing Law**. This Agreement will be governed by the laws of the People's Republic of China, without reference to choice of laws or conflict of laws principles.

13.2 **Entire Agreement**. This Agreement sets forth the entire agreement and understanding between Party A and Party B relating to the subject matter herein, supersedes any prior agreement(s) between us regarding the subject matter herein, and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in Party B's duties, salary or compensation will not affect the validity or scope of this Agreement.

13.3 **Severability**. If one or more of the provisions in this Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

13.4 **Successors and Assigns**. This Agreement will be binding upon Party B's heirs, executors, administrators and other legal representatives and will be for the benefit of Party A, its successors, and its assigns.

13.5 **Languages**. This Agreement is prepared in both Chinese and English. In the event of ambiguity or conflict between the two versions, the Chinese language will control.

Party A: NeoStem (China), Inc.

By:

Name: Rob Smith

Date: Sept 1 2010

Party B: Ian Zhang

By:

Date:

EXHIBIT A

NeoStem (China), Inc.

TERMINATION CERTIFICATION

This is to certify that the undersigned employee (the "Employee") does not have in his/her possession, nor have the Employee failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to NeoStem (China), Inc., its parent company NeoStem, Inc., any of their subsidiaries or other affiliates, successors or assigns (together, the "Company").

The Employee further certify that he/she has complied with all the terms of the Confidentiality and Non-Competition Agreement signed by him/her, including the reporting of any Works, conceived or made by him/her (solely or jointly with others) covered by that agreement.

The Employee further agrees that, in compliance with the Confidentiality and Non-Competition Agreement, the Employee will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, know-how, designs, formulas, developmental or experimental work, computer programs, data bases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its employees, clients, consultants or licensees.

The Employee further agrees that for 24 months from this date, he/she will not hire any employees of Party A and Party B will not solicit, induce, recruit or encourage any of Company's employees to leave their employment.

Employee's Signature:

_____

Type/Print Employee's Name:

_____

Date:

_____

AMENDMENT AGREEMENT TO JOINT VENTURE CONTRACT OF SUZHOU ERYE PHARMACEUTICAL CO., LTD.

This Agreement is executed on May 21, 2010 in Suzhou, PRC and will take effect at the same time with the Board Resolution of Suzhou Erye Pharmaceutical Co., Ltd. executed on the dame day. This Agreement is written in Chinese, and its English translation is for the convenience of understanding only and will not have legal force.

The two parties of this Agreement are:

Party A: **Suzhou Erye Economy & Trade Co., Ltd.**
Registered Address: Tainan Road, Canglang District, Suzhou
Legal Representative: Shi Mingsheng Title: Chairman Nationality: Chinese

Party B: **China Biopharmaceuticals Holdings Inc.**
Legal Address: 101 East 52nd Street, New York, New York
Legal Representative: Peng Mao Title: CEO Nationality: Canadian

According to the business development needs of Suzhou Erye Pharmaceutical Co., Ltd. (the "JV Company"), it is decided to amend the Joint Venture Contract of the JV Company ("JV Contract") as follows:

1. The legal address of China Biopharmaceuticals Holdings Inc., a shareholder of the JV Company, shall be changed to: 420 Lexington Avenue, Suite 450, New York, New York 10170; its legal representative shall be changed to: Robin L. Smith, with the position of Chief Executive Officer and nationality of USA.

2. Original language of Article 2 of the JV Contract reads:
"The legal address of the JV Company is at 859 Panxu Road, Canglang District, Suzhou, Jiangsu Province."

Now this article shall be changed to:
"The legal address of the JV Company is at Anmin Road, Huangdi Town, Xiangcheng District, Suzhou, Jiangsu Province, PRC"

3. Original language of Article 7 of the JV Contract reads:
"The amount of the total investment of the JV Company shall be Renminbi Thirty Two Million Two Hundred and Forty Thousand *yuan* (RMB32,240,000)."

Now this article shall be changed to:
"The amount of the total investment of the JV Company shall be Renminbi One Hundred and Fifteen Million and Three Hundred Thousand yuan (RMB115,300,000)."

4. Original language of Article 8 of the JV Contract reads:

"The registered capital of the JV Company after the split-off amounts to RMB16,120,000. The paid-in capital of the JV Company amounts to RMB16,120,000.

1. The registered capital of the JV Company before the split-off amounted to RMB 20,400,000 has been fully paid in, in which:

A. an amount of RMB10,000,000 was subscribed by the original 38 Chinese individual shareholders upon the establishment of the JV Company on June 6, 2003 as a domestic company. Party A became a shareholder of the JV Company by purchasing such amount from the original 38 Chinese individual shareholders on May 19, 2008.

B. an amount of RMB10,400,000 was injected by Party B in two installments to increase the investment, respectively, in February, 2006 and April, 2006. The total investment of Party B was USD 2,200,000 (equivalent to RMB 18,208,300 based on the exchange rate valid at that time), in which RMB10,400,000 is confirmed as registered capital and the rest is reckoned in Capital Surplus – Capital Premium.

2. After the split-off, as the Subsisting Company, the registered capital of the JV Company will be reduced from RMB 20,400,000 to RMB 16,120,000. Thereamong, Party A holds registered capital of RMB 7,898,800; and Party B holds registered capital of RMB 8,221,200. Both parties have fully paid in the amount."

Now this article shall be changed to:

"The registered capital of the JV Company amounts to RMB46,120,000. The paid-in capital of the JV Company amounts to RMB46,120,000. The history of capital contribution is as follow:

1. The registered capital of the JV Company before the split-off amounted to RMB 20,400,000 has been fully paid in, in which:

A. an amount of RMB10,000,000 was subscribed by the original 38 Chinese individual shareholders upon the establishment of the JV Company on June 6, 2003 as a domestic company. Party A became a shareholder of the JV Company by purchasing such amount from the original 38 Chinese individual shareholders on May 19, 2008.

B. an amount of RMB10,400,000 was injected by Party B in two installments to increase the investment, respectively, in February, 2006 and April, 2006. The total investment of Party B was USD 2,200,000 (equivalent to RMB 18,208,300 based on the exchange rate valid at that time), in which RMB10,400,000 is confirmed as registered capital and the rest is reckoned in Capital Surplus – Capital Premium.

2. After the split-off, as the Subsisting Company, the registered capital of the JV Company will be reduced from RMB 20,400,000 to RMB 16,120,000. Thereamong, Party A holds registered capital of RMB 7,898,800; and Party B holds registered capital of RMB 8,221,200. Both parties have fully paid in the amount.

3. According to the Board Resolution on May 21, 2010, the amount of RMB 30,000,000 under the subject of Capital Reserve – Capital Surplus of JV Company will be transferred to increase its registered capital. After such transfer, the registered capital of the JV Company shall be increased to RMB 46,120,000 from the original amount of RMB 16,120,000. Thereamong, Party A holds registered capital of RMB 22,608,000; and Party B holds registered capital of RMB 23,512,000. Both parties have fully paid in the amount."

Execution by Both Parties:

Party A: **Suzhou Erye Economy & Trade Co., Ltd.**
Legal Representative or Authorized Representative:

For and on behalf of
China Biopharmaceuticals Holdings Inc.
中國生物藥業控股有限公司

Party B: **China Biopharmaceuticals Holdings Inc.**

Legal Representative or Authorized Repres*Authorized Signature(s)*

Equity Pledge Agreement

By and among

The Shareholder of Beijing Ruijieao Bio-Technology Ltd.

Beijing Ruijieao Bio-Technology Ltd.

and

NeoStem (China), Inc.

[August 30], 2010

EQUITY PLEDGE AGREEMENT

THIS EQUITY PLEDGE AGREEMENT (hereinafter referred to as "this Agreement") is executed by the following parties on [August 20], 2010 in Qingdao City, People's Republic of China (the "PRC"):

(1) Sole shareholder of Beijing Ruijieao Bio-Technology Ltd. (hereinafter as "Party A" or "Pledgor")

Name of the Shareholder	Shareholding Ratio (%)	ID Card No.	Domicile
Sui Jianhua	100		

(2) NeoStem (China), Inc. (hereinafter as "Party B" or "Pledgee")

Registered Address: Room 0425A, Building C, No.6 XiangGangZhong Road, Shinan District, Qingdao City
Legal Representative: Sun Ping

(3) Beijing Ruijieao Bio-Technology Ltd. (hereinafter as "Party C" or the "Company")

Registered Address: Room 2007 20/F, Qingyundangdai Building, No.9 Mantingfangyuan Community, Qingyun Li, Haidian District, Beijing City
Legal Representative: Sui Jianhua

(Pledgor, Pledgee and the Company may be collectively called the "Parties" and individually as "Each Party".)

WHEREAS,

1. The Company is a domestic company incorporated and validly existing under PRC Laws, and its business license No. is 110108011860295;

2. The Pledgor, the PRC citizen, legally holds 100% Equity Interests in the Company;

3. The Pledgee, as a wholly foreign-owned enterprise, was duly incorporated and validly existing under the PRC Laws;

4. Party B signed a consigned management and technology service agreement (the

"Consigned Management and Technology Service Agreement") on [June 21], 2010 with Party C and Party A, and Party A agrees to pledge all his equities in Party C to Party B as a guaranty for the performance of the obligations thereunder.

5. The Parties signed an exclusive purchase option agreement (the "Exclusive Purchase Option Agreement") on [June 21], 2010, and the Parties thereto agree that Party A shall pledge all his equities in Party C to Party B as a guaranty of the performance of the obligations assumed by Party A and Party C thereunder.

6. Party A and Party B signed two loan agreements (the "Loan Agreements") on respectively June 1, 2009 and December 17, 2009, and the Party A agrees to pledge all his equities in Party C to Party B as a guaranty of the performance of the obligations thereunder.

NOW THEREFORE, the Parties, through friendly negotiations, hereby enter into this Agreement with respect to the equity pledge.

1. Definitions and Interpretation

Unless otherwise provided in this Agreement, the following terms shall have the following meanings:

1.1 "PRC" refers to the People's Republic of China, excluding the HongKong Special Administrative Region, Macao Special Administrative Region and Taiwan Province;

1.2 "PRC Laws" refers to all PRC laws, administrative regulations and government rules in effect;

1.3 "Pledged Equity" refers to all the equity in the Company as provided in Article2.1;

1.4 "Main Agreements" refers to the Loan Agreement, Consigned Management and Technology Service Agreement and Exclusive Purchase Option Agreement and the Appendixes thereof (if applicable);

1.5 "Right of Pledge" refers to the right owned by the Pledgee to be first compensated from the money converted from or the proceeds from the auction or sale of the Pledged Equity by the Pledgor to the Pledgee in the event of default of Pledgor and/or Party C, and such right shall cause the Pledgee to be entitled to the bonus arising from Pledged Equity;

1.6 "AICB" refers to the competent Administration Bureau of Industry and Commerce which is authorized in accordance with PRC Laws to register the

Pledged Equity hereunder;

1.7 "Event of Default" refers to the event as defined in Article 8 hereunder.

1.8 "Business Day" refers to any day except Saturday, Sunday and other public holidays as permitted by PRC Laws;

2. Equity Pledge

2.1 The Parties agree that Pledgor shall pledge all his Equities in the Company to the Pledgee as a guaranty for the performance of the obligations assumed by the Pledgor and/or the Company under each of the Main Agreements.

2.2 In case the Pledgor increases the registered capital in the Company during the term of this Agreement, such increased capital shall be equally deemed as the Pledged Equity.

2.3 In case any act conducted by the Pledgor or the Company may cause the Right of Pledge damaged so as to harm the interests of the Pledgee, the Pledgee is entitled to require the Pledged Equity to be auctioned or sold in advance and the proceeds from such auction or sale shall be used to discharge the debt secured by the Pledged Equity in advance.

3. Registration of Pledge

3.1 Upon the execution of this Agreement, the Pledgor shall cause the Company to record the Right of Pledge in the register of shareholders and deliver it with the common seal of the Company as well as the original of equity contribution certificate of the Pledgor to the Pledgee for keeping. Within the term of this Agreement, Party B shall return the register of shareholders and equity contribution certificate to the Company for modification registration with AICB, and the Company shall complete the modification registration within 10 business days upon receipt of the register of shareholders and equity contribution certificate, and Party A together with the Company shall continue to deliver such modified register of shareholders and equity contribution certificate to Party B within 2 business days following the completion of the aforesaid registration.

3.2 The Parties agree that if AICB accept the registration with respect to the equity pledge, he will promptly cause the Pledged Equity under this Agreement to be recorded at AICB, and the Parties confirm that whether the Pledged Equity is recorded as above or not shall not affect the validity of this Agreement unless compulsorily required by PRC Laws.

3.3 After the signing of this Agreement, the Pledgor shall in accordance with the Pledgee's written request which may be made by the Pledgee from time to time, together with the Pledgee, notarized this agreement as well as the register of shareholders with the recorded Pledged Equity in a notary public office as designated by the Pledgee, and Party A and the Company shall give assistant with respect to the notarization following the delivery of the notice with the request of notarization by Party B.

4. Representations and Warranties

4.1 Each Party under this Agreement represents and warrants to other Parties that:
(1) it has relevant power, rights and authorizations for the execution hereof, and performance of the obligations hereunder;
(2) the execution and performance of this Agreement shall not violate or conflict with any of the terms and conditions of other agreements signed between the Parties.

4.2 The Pledgor represent and warrant to the Pledgee that:
(1) he is the legal owner of the Pledged Equity, and have fulfilled the obligations of capital contribution in the registered capital of the Company;
(2) except for the Right of Pledge as setup hereunder, the Pledged Equity is not subject to any pledge, guaranty or other form of encumbrances;
(3) he does not or will not transfer the Pledged Equity to any third party or make any agreements, whether oral or written, with respect to the transfer of Pledged Equity.

4.3 The Company agrees to undertake the joint liability with respect to the representations and warrants made by the Pledgor.

5. Obligations of Pledgor

5.1 The dividend and bonus arising from the Pledged Equity shall be deposited in an escrow account for the supervision of the Pledgee.

5.2 Apart from the encumbrance set forth hereunder and under the Exclusive Purchase Option Agreement, without the Pledgee's prior written consent, the Pledgor shall not sell, transfer, mortgage or otherwise dispose of the Pledged Equity, nor shall place encumbrances on such Pledged Equity;

5.3 Without the Pledgee's prior written consent, the Pledgor shall not supplement or amend the articles of association of the Company in any manner, nor shall it increase or decrease the registered capital or change the shareholding structure of the Company in any manner;

5.4 The Pledgor shall not approve for the resolutions on the dissolution, liquidation and change of legal form of the Company;

5.5 The Pledgor shall not approve for any Profit Distribution Proposal, nor shall accept such distributed dividend without the Pledgee's prior written consent; At the Pledgee's request, it shall promptly approve for the Profit Distribution Proposal, and accept such distributed dividend;

5.6 At the Pledgee's request, the Pledgor shall provide the Pledgee with all information regarding the business operation and financial condition of the Company;

5.7 The Pledgor shall not incur or succeed to any debts or liabilities which may adversely affect his equity interests in the Company without the Pledgee's prior written consent;

5.8 The Pledgor shall appoint, and appoint only, the candidates nominated by the Pledgee to be the executive director of the Company, and shall not replace such candidates without the Pledgee's prior written consent;

5.9 The Pledgor shall not approve any acquisition of, any consolidation with, or any investment in any third party without the Pledgee's prior written consent;

5.10 The Pledgor shall promptly notify the Pledgee of any pending or threatened lawsuit, arbitration or administrative dispute which involve the assets, business or incomes of the Company, and take positive measures against aforesaid lawsuits, arbitrations or administrative dispute;

5.11 The Pledgor shall not commit any conducts or omissions that may adversely affect the assets, business operation, the debts and liabilities of the Company without the Pledgee's prior written consent;

5.12 To the extent permitted by the PRC laws and regulations, and at any time upon Pledgee's request, the Pledgor shall promptly and unconditionally transfer his equity interests of the Company to Pledgee or its designated third party in accordance with the Exclusive Purchase Option Agreement;

5.13 The Pledgor shall approve for the resolution in respect of the Equity Transfer or Assets Transfer hereunder within the extent permitted by the PRC laws;

5.14 The Pledgor shall make every efforts to cause the Company perform the obligations of Article 6 hereunder;

5.15 The Pledgor shall, to the extent permitted by applicable laws, cause the

business term of Party C (including the circumstance of change of business terms) not shorter than that of Party B(including the circumstance of change of business terms);

5.16The Pledgor shall strictly comply with the provisions of this Agreement, and effectively perform its obligations hereunder, and shall be prohibited from committing any act or omission which may affect the validity or enforceability of this Agreement.

5.17The Pledgor hereby authorizes the Pledgee to exercise all the shareholder's rights as the Party C's shareholder within the scope permitted by the PRC laws and articles of association of Party C on behalf of the Pledgor, including the voting right and decision right in Party C.

6. Obligations of the Company

6.1 Without the Pledgee's prior written consent, it shall not supplement or amend the articles of association or rules of the Company in any manner, nor shall it increase or decrease the registered capital or change the shareholding structure of aforesaid entities in any manner;

6.2 It shall prudently and effectively maintain its business operations according to good financial and business standards so as to maintain or increase the value of its assets;

6.3 Unless as required necessary for the business operation of the Company or upon the prior written consent by Party B , it shall not transfer, mortgage or otherwise dispose of the lawful rights and interests to and in its assets or incomes, nor shall it encumber its assets and income in any way that would affect the Pledgee's security interests hereunder;

6.4 It shall not incur or succeed to any debts or liabilities unless as required necessary for the business operation of the Company or upon the prior written consent by Party B;

6.5 Without the Pledgee's prior written consent, it shall not enter into or materially amend any material contract (exceeding RMB100,000 in value), except for the routine business contracts;

6.6 Without the Pledgee's prior written consent, it shall not provide any loans or guaranty to any third party;

6.7 At the Pledgee's request, it shall provide the Pledgee with all information regarding its business operation and financial condition;

6.8 The Company shall purchase insurance from insurance companies acceptable to the Pledgee in such amounts and of such kinds as are customary in the region among companies doing similar business and having similar assets;

6.9 Without the Pledgee's prior written consent, it shall not acquire or consolidate with any third party, nor shall they invest in any third party;

6.10It shall promptly notify the Pledgee of any pending or threatened lawsuit, arbitration or administrative dispute which involve its assets, business or incomes, and take positive measures against aforesaid lawsuits, arbitrations or administrative dispute;

6.11Without the Pledgee's prior written consent, it shall not distribute any dividends to the Pledgor in any manner, and at the Pledgee's request, it shall promptly distribute all distributable dividends to the Pledgor.

6.12Without the Pledgee's prior written consent, it shall not commit any act or omission that would materially affect its assets, business or liabilities;

7. Exercise of Right of Pledge

7.1 The Pledgee may exercise the Right of Pledge at any time following the delivery of Notice of Default as provided in Article 8.2 to the Pledgor.

7.2 The Pledgee is entitled to be first compensated with the money converted from or the proceeds from auction or sale of all or part of Pledged Equity in accordance with legal proceedings unless the Pledgor has duly and completely performed the obligations under Main Agreements.

7.3 Within the term of this Agreement, If the Pledged Equity hereunder is subjected to any compulsory measures implemented by a court or other departments due to the Pledgor' failing to repay the debts which fall due or violation of PRC Laws or state policies etc., the Pledgor shall,
(1) notify the Pledgee in written form of such compulsory measures within three (3) days following its occurrence;
(2) use all efforts (including but not limited to provide other security to the court or other government authorities), in order to dismiss the compulsory measures taken by the court or other government authorities over the Pledged Equity.

7.4 The Pledgor shall not hinder the Pledgee from exercising the Right of Pledge and shall give necessary assistance so that the Pledgee could realize its Right of Pledge.

8. Event of Default

8.1 The following events shall be regarded as the Events of Default:

8.1.1 Any Party breaches any of the representations or warranties hereunder;

8.1.2 The Pledgor and/or the Company breache(s) any of the representations or warranties under the Main Agreements;

8.1.3 The Pledgor and/or the Company fail(s) to duly and completely perform the obligations hereunder;

8.1.4 The Pledgor and/or the Company fail(s) to duly and completely perform the obligations under the Main Agreements;

8.1.5 Any other external borrowing, guaranty, compensation or other liabilities of the Pledgor: (1) is required for an early repayment or performance prior to the scheduled date due to any breach by the Pledgor; or (2) is due but can not be repaid or perform as scheduled, which , at the discretion of the Pledgee, has an adverse effect on the Pledgor' ability of performing the obligations under this Agreement;

8.1.6 The properties owned by Pledgor have significant adverse changes, which, at the discretion of Pledgee, has an adverse effect on Pledgor's ability of performing the obligations under this Agreement;

8.2 Unless the Pledgor takes the action to Pledgee's satisfaction to remedy the defaults as listed in Article 8.1 hereof, the Pledgee may give a written notice about default ("Notice of Default") to the Pledgor when such default occurs or at any time thereafter.

9. Taxes and Expenses

9.1 The Parties shall pay, in accordance with relevant PRC laws and regulations, their respective taxes and expenses arising from the execution and performance of this Agreement.

10. Assignment

10.1 The Pledgor shall not transfer part or all of the rights and obligations under this Agreement without prior written consent from the Pledgee.

10.2 To the extent being permitted by law, the Pledgee shall have the right to transfer any or all of its rights and obligations under this Agreement to any

third party upon a six (6) -day written notice to the Pledgor or the Company without its approval.

11. Effectiveness Modification and Cancellation

11.1 This Agreement shall be executed on the date set forth in the first page and shall become effective on the day on which the Pledged Equity is recorded on the register of the shareholders.

11.2 The modification of this Agreement shall not be effective without written agreement through negotiation. If the Parties could not reach an agreement, this Agreement remains effective.

11.3 This Agreement shall not be discharged or canceled without written agreement through negotiation.

12. Confidentiality

12.1 Any information, documents, data and all other materials (herein "Confidential Information") arising out of the negotiation, signing, and implement of this Agreement, shall be kept in strict confidence by the Parties. Without the written approval by the other Parties, any Party shall not disclose to any third party any Confidential Information, but the following circumstances shall be excluded:

a. The materials that is known by the Public (but not include the materials disclosed by each Party receiving the Confidential Information);

b. The materials required to be disclosed subject to the applicable laws or the rules or provisions of stock exchange; or

c. The materials disclosed by each Party to its legal or financial consultant relating the transaction of this Agreement, and this legal or financial consultant shall comply with the confidentiality set forth in this Section. The disclosure of the Confidential Information by staff or employed institution of any Party shall be deemed as the disclosure of such Confidential Information by such Party, and such Party shall bear the liabilities for breaching the contract.

12.2 This Clause shall survive whatever this Agreement is invalid, amended, revoked, terminated or unable to implement by any reason.

13. Force Majeure

13.1 An event of force majeure means an event that could not be foreseen, and could not be avoided and overcome, which includes among other things, but without limitation, acts of nature (such as earthquake, flood or fire),

government acts, strikes or riots;

13.2 If an event of force majeure occurs, any of the Parties who is prevented from performing its obligations under this Agreement by an event of force majeure shall notify the other Parties without delay and within fifteen (15) days of the event provide detailed information about and notarized documents evidencing the event and take appropriate means to minimize or remove the negative effects of force majeure on the other Parties, and shall not assume the liabilities for breaching this Agreement. The Parties shall keep on performing this Agreement after the event of force majeure disappears.

14. Applicable Law and Dispute Resolution

14.1 The execution, validity, construing and performance of this Agreement and the disputes resolution under this Agreement shall be governed by the laws and regulations of the PRC.

14.2 The Parties shall strive to settle any dispute arising from or in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation within thirty (30) days after such dispute is raised, each Party can submit such matter to Qingdao Arbitration Commission for arbitration in accordance with its rules. The arbitration award shall be final conclusive and binding upon the Parties.

14.3 During the process of dispute-resolution, the Parties shall continue to perform other terms under this Agreement, except for provisions subject to the dispute resolution.

15. Miscellaneous

15.1 Entire Agreement

The Parties acknowledge that this Agreement constitutes the entire agreement of the Parties with respect to the subject matters therein and supersedes and replaces all prior or contemporaneous oral or written agreements and understandings.

15.2 Successor

This Agreement shall bind and benefit the successor of each Party and the transferee permitted hereunder with the same rights and obligations as if the original parties hereof.

15.3 Notice

Any notice required to be given or delivered to the Parties hereunder shall be in writing and delivered to the address as indicated below or such other address or as such party may designate, in writing, from time to time. All notices shall be deemed to have been given or delivered upon by personal delivery, fax and

registered mail. It shall be deemed to be delivered upon: (1) registered air mail: 5 business days after deposit in the mail; (2) personal delivery or delivery by fax: the next business day after transmission. If the notice is delivered by fax, it should be confirmed by original through registered air mail or personal delivery.

Party A
Contact person: Sui Jianhua
Contact Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208
Tel: 13811728329
Fax:

Party B
Contact person: Sun Ping
Contact Address: Room 0425A, Building C, No.6 XiangGangZhong Road, Shinan District, Qingdao City
Tel: 0532-80909800
Fax: 0532-80909801

Party C
Contact person: Sui Jianhua
Contact Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208
Tel:13811728329
Fax:

15.4This Agreement is executed in three (3) originals with each Party holding one original, and each of the originals shall be equally valid and authentic.

15.6Whenever the consent of the Pledgee is required under this Agreement, such consent shall not be effective unless such consent is also provided by either the sole shareholder, or the Executive Director, of the Pledgee.

(No contents below)

IN WITNESS WHEREOF, each party has caused this Agreement to be executed and delivered as of the date first above written.

Party A: The Shareholder of Beijing Ruijieao Bio-Technology Ltd. ("Pledgor")

Name of the Shareholder	Signature
Sui Jianhua	

Party B: NeoStem (China), Inc. ("Pledgee") (Company Seal)

Legal Representative: Sun Ping

Party C: Beijing Ruijieao Bio-Technology Ltd. ("Company") (Company Seal)

Legal Representative: Sui Jianhua

EXCLUSIVE PURCHASE OPTION AGREEMENT

by and among

NEOSTEM (CHINA), INC.

BEIJING RUIJIEAO BIO-TECHNOLOGY LTD.

and

THE SHAREHOLDER OF BEIJING RUIJIEAO BIO-TECHNOLOGY LTD.

[June 21], 2010

EXCLUSIVE PURCHASE OPTION AGREEMENT

This Exclusive Option Purchase Agreement (the "Agreement") is executed by the following parties on [illegible], 2010 in Qingdao City, the People's Republic of China.

(1) NeoStem (China), Inc. ("Party A")

Registered Address: Room 0425A, Building C, No.6 XiangGangZhong Road, Shinan District, Qingdao City
Legal representative: Sun Ping

(2) Beijing Ruijieao Bio-Technology Ltd. ("Party B")

Registered Address: Room 2007 20/F, Qingyundangdai Building, No.9 Mantingfangyuan Community, Qingyun Li, Haidian District, Beijing City
Legal representative: Fu Wenyuan

(3) Sole Shareholder of Beijing Ruijieao Bio-Technology Ltd. (the "Shareholder")

Name of Sole Shareholder	Shareholding Ratio (%)	ID Card No.	Domicile
Sui Jianhua	100		

Party A, Party B, and the Shareholder are hereinafter from time to time, collectively, referred to as the "Parties", and each of them is hereinafter from time to time referred to as a "Party". The equity interests in Party B held by the Shareholder now existing or hereafter acquired is hereinafter from time to time referred to as the "Equity Interests" or "Equity".

WHEREAS:

1. Party A, a wholly foreign-owned enterprise incorporated under the laws of the People's Republic of China (the "PRC"), which engages the research & development, transfer and technological consultation service of biotech technology, regenerative medical technology and anti-aging technology (excluding the development or application of human stem cell, gene diagnosis and treatment technologies); consultation of economic information; import, export and sales of machines and equipments (the import and export do not involve the goods specifically stipulated in/by state-operated trade, import & export quota license, export quota bidding, export permit, etc.) (The aforesaid business scope should be operated with relevant permits if such permits are required).

2. Party B, as a domestic limited liability company, incorporated under PRC laws in Beijing, and licensed by Beijing Administration for Industry and Commerce, it

engages in technology development, technology transfer, technology consultation and technology service.

3. As of the date of this Agreement, the percentage ownership of the Equity Interests in Party B held by the Shareholder shall be set forth as described above.

4. To secure the performance of the obligations assumed by Party B and the Shareholder under this Agreement, the Shareholder agrees to pledge all its equity in Party B to Party A, and has executed Equity Pledge Agreement on [June 21], 2010 with respect thereto (the "Equity Pledge Agreement").

NOW, THEREFORE, the Parties through mutual negotiations hereby enter into this Agreement with respect of the exclusive purchase option right:

1. THE GRANT AND EXERCISE OF PURCHASE OPTION

1.1 The Shareholder hereby irrevocably grants to Party A an exclusive purchase right at any time, or designate any third party to purchase all or part of the Shareholder' Equity Interests in Party B, provided permitted under the PRC laws and regulations and Party B agrees to such grant by the Shareholder to Party A. Apart from Party A or any third party designated by Party A, no other person shall have the right to purchase such Equity Interests. The Shareholder shall transfer his Equity Interests in Party B to Party A provided Party A selects to purchase the Shareholder' Equity Interests.

1.2 Party B hereby irrevocably grants to Party A an exclusive purchase option, at any time to acquire all or a substantial part of Party B's assets, provided permitted under the PRC laws and regulations and the Shareholder agrees to such grant by Party B to Party A.

1.3 For the purpose of this Agreement, a "third party" or a "person" may be a natural person, company, partnership, enterprise, trust agency or other non-corporate entity.

1.4 To the extent permitted under the PRC laws and regulations, Party A shall determine at any time and at its own option to exercise such exclusive right to (i) purchase the Equity Interests as provided in Section 1.1 by written notice to the applicable Shareholder(s) specifying the amount of equity to be purchased and the identity of the purchaser (hereinafter referred to as "**Equity Transfer**") or (ii) purchase all or substantially all of Party B's assets as provided in Section 1.2 (hereinafter referred to as "**Assets Transfer**") by written notice to Party B (each an "**Exercise Notice**"). Each Exercise Notice shall be signed by either the sole shareholder, or the Executive Director, of Party A.

1.5 Within thirty (30) days of the receipt of the Exercise Notice, the applicable

Shareholder and Party B shall execute a share/asset transfer agreement and other documents (collectively, the "Transfer Documents") necessary to effect the respective transfer of equity or assets to Party A (or any eligible party designated by Party A), and shall unconditionally assist Party A to obtain all approvals, permits, registrations, filings and other procedures necessary to effect the Equity or Assets Transfer.

1.6 Unless otherwise required under the PRC laws and regulations, the transaction price for the Equity Transfer or the Assets Transfer hereunder, as applicable, shall be the lowest price permitted under the PRC laws and regulations.

1.7 The consideration after tax payment (the "Consideration of Equity Transfer") obtained by the Shareholder from Equity Transfer in Party B hereunder shall be used to satisfy their repayment obligations under the Loan Transfer Agreement (the "Loan") dated as of [June 21], 2010, signed by and among, Party A, Fu Wenyuan and the Shareholder (the "Loan Transfer Agreement");

The consideration after tax payment (the "Consideration of Assets Transfer") by the Party B, if as applicable, from Assets Transfer hereunder shall be allocated to the Shareholder, to the largest extent as permitted by PRC laws and regulations, through profit allocation proposal and fulfill their payment obligations under the Loan Agreement, and Party B shall give full cooperation;

And if the Consideration of Equity Transfer or Assets Transfer is higher than the total principal under the Loan Transfer Agreement due to the requirement by the applicable law or any other reasons, the excess shall be deemed as loan interests and/or utilizing fees of the Loan under the Loan Transfer Agreement to the largest extent being permitted by PRC Laws, and be paid to Party A by the Shareholder together with loan principal.

2. REPRESENTATIONS AND WARRANTIES

2.1 Each Party hereto represents to the other Parties that: (1) it has all the necessary rights, powers and authorizations to enter into this Agreement and perform its duties and obligations hereunder; and (2) the execution or performance of this Agreement shall not violate or conflict with the terms of any other contracts or agreements to which it is a party.

2.2 The Shareholder hereby represents to Party A that: (1) the Shareholder is the legally registered shareholder of party B and has paid full amount of registered capital in Party B as required to be contributed by the Shareholder under the PRC laws and regulations; (2)except for the Equity Pledge Agreement executed among the Parties, the Shareholder has not created any other mortgage, pledge, secured interests or other form of debt liabilities over the Equity Interests held by the Shareholder; and (3) the Shareholder has not transfer to any third party (and entered into any agreement in respect of) such Equity Interests.

2.3 Party B hereto represents to Party A that: (1) it is a limited liability company duly registered and validly existing under the PRC laws and regulations; and (2) its business operations are in compliance with applicable laws and regulations of the PRC in all material respects.

3. OBLIGATIONS OF PARTY B AND ALL SHAREHOLDER

The Parties further agree as follows:

3.1 Before Party A has acquired all the equity/assets of Party B by exercising the purchase option provided hereunder, Party B:

a. without Party A's prior written consent, shall not supplement or amend the articles of association or rules of Party B in any manner, nor shall it increase or decrease the registered capital or change the shareholding structure of aforesaid entities in any manner;

b. shall prudently and effectively maintain its business operations according to good financial and business standards so as to maintain or increase the value of its assets;

c. shall not transfer, mortgage or otherwise dispose of the lawful rights and interests to and in its assets or incomes, nor shall it encumber its assets and income in any way that would affect Party A's security interests unless as required necessary for the business operation of Party B or upon prior written consent by Party A ;

d. shall not incur or succeed to any debts or liabilities without Party A's prior written consent;

e. without Party A's prior written consent, shall not enter into or materially amend any material contract (exceeding RMB 100,000 in value) except for the routine business contracts;

f. without Party A's prior written consent, shall not provide any loans or guaranty to any third party;

g. at Party A's request, it shall provide Party A with all information regarding Party B's business operation and financial condition;

h. shall purchase insurance from insurance companies acceptable to Party A in such amounts and of such kinds as are customary in the region among companies doing similar business and having similar assets;

i. without Party A's prior written consent, shall not acquire or consolidate with any third party, nor shall they invest in any third party;

j. shall promptly notify Party A of any pending or threatened lawsuit, arbitration or administrative dispute which involve Party B's assets, business or incomes, and take positive measures against aforesaid lawsuits, arbitrations or administrative dispute;

k. without Party A's prior written consent, shall not distribute any dividends to the Shareholder in any manner, and, at Party A's request, shall promptly distribute all distributable dividends to the Shareholder of Party B;

l. without Party A's prior written consent, shall not commit any act or omission that would materially affect Party B's assets, business or liabilities;

m at Party A's request, shall promptly and unconditionally transfer its assets to Party A or its designated third party as permitted by PRC laws and regulations;

n shall strictly comply with the provisions of this Agreement, and effectively perform its obligations hereunder, and shall be prohibited from committing any act or omission which may affect the validity or enforceability of this Agreement.

3.2 Before Party A has acquired all the equity/assets of Party B by exercising the purchase option provided hereunder, the Shareholder:

a. apart from relevant provisions in each of the Equity Pledge Agreements, without Party A's prior written consent, shall not transfer, sell, mortgage or otherwise dispose of the Equity Interests in Party B; nor shall the Shareholder places encumbrances on the Equity Interests that would affect Party A's interest hereunder and thereunder;

b. without Party A's prior written consent, shall not supplement or amend the articles of association or rules of Party B in any manner, nor shall it increase or decrease its registered capital or change the shareholding structure in any manner;

c. without Party A's prior written consent, shall not approve for the resolutions on the dissolution, liquidation and change of legal form of Party B;

d. shall not approve for any Profit Distribution Proposal, nor shall accept such distributed dividend without Party A's written consent; At Party A's request, he shall promptly approve for the Profit Distribution Proposal, and accept such distributed dividend.

e. at Party A's request, shall provide Party A with all information regarding Party B's business operation and financial condition;

f. shall not incur or succeed to any debts or liabilities which may adversely affect its Equity Interests in Party B without Party A's prior written consent;

g. shall appoint, and appoint only, the candidates nominated by Party A to be the executive director of Party B, and shall not replace such candidates without Party A's prior written consent;

h. shall not approve any acquisition of, any consolidation with, or any investment in any third party without Party A's prior written consent;

i. shall promptly notify Party A of any pending or threatened lawsuit, arbitration or administrative dispute which involve Party B's assets, business or incomes, and take positive measures against aforesaid lawsuits, arbitrations or administrative dispute;

j. without Party A's prior written consent, shall not commit any act or omission that would materially affect Party B's assets, business or liabilities;

k. to the extent permitted by the PRC laws and regulations, and at any time upon Party A's request, shall promptly and unconditionally transfer their Equity Interests in Party B to Party A or a third party designated by Party A;

l. shall approve for the resolution in respect of the Equity Transfer or Assets Transfer hereunder within the extent permitted by the PRC laws;

m. shall make every efforts to cause Party B perform the obligations of Section 3.1 hereunder; and

n. shall strictly comply with the provisions of this Agreement, and effectively perform its obligations hereunder, and shall be prohibited from committing any act or omission which may affect the validity or enforceability of this Agreement.

3.3 The Shareholder shall, to the extent permitted by applicable laws, cause Party B's operational term (including the circumstance of change of business terms) to be extended to equal the operational term of Party A (including the circumstance of change of business terms).

4. GUARANTY OF THIS AGREEMENT

4.1 To secure the performance of the obligations assumed by the Shareholder and Party B hereunder, the Parties agree to execute the Equity Pledge Agreement with respect thereto.

5. TAXES AND FEES

5.1 The Parties shall pay, in accordance with relevant PRC laws and regulations, their respective taxes arising from Equity or Assets transfer and related registration formalities and other charges during the transactions contemplated herein and therein.

6. ASSIGNMENT OF AGREEMENT

6.1 Party B and the Shareholder shall not transfer the Shareholder's rights and obligations under this Agreement to any third party without the prior written consent of Party A.

6.2 The Shareholder and Party B agree that Party A shall have the right to transfer any or all of its rights and obligations under this Agreement to any third party upon a six(6)-day written notice to the Shareholder and Party B without approval by the Shareholder and Party B.

7. EVENTS OF DEFAULT

7.1 Any violation of any provision hereof, incomplete performance of any obligation provided hereunder, any misrepresentation made hereunder, material concealment or omission of any material fact or failure to perform any covenants provided hereunder by any Party shall constitute an event of default. The defaulting Party shall assume all the legal liabilities pursuant to the applicable PRC laws and regulations.

7.2 In the event of default by Party B or the Shareholder, Party A shall be entitled to exercise the Pledgee's right under the Equity Pledge Agreement in the event that Party B and Shareholder commit an event of default and fail to redress such default within sixty (60) business days upon receipt of written notification from Party A.

8. EFFECTIVEMESS, MODIFICATION AND CANCELLATION

8.1 This Agreement shall be effective upon the execution hereof by all Parties hereto.

8.2 The modification of this Agreement shall not be effective without written agreement through negotiation. If the Parties could not reach an agreement, this Agreement remains effective.

8.3 This Agreement shall not be discharged or canceled without written agreement through negotiation, provided Party A may, by giving a thirty (30) days prior notice to the other Parties hereto, terminate this Agreement.

9. CONFIDENTIALITY

9.1 Any information, documents, data and all other materials (herein "confidential information") arising out of the negotiation, signing, and implement of this Agreement, shall be kept in strict confidence by the Parties. Without the written approval by the other Parties, any Party shall not disclose to any third party any relevant materials, but the following circumstances shall be excluded:

a. The materials that is known by the Public (but not include the materials disclosed by each Party receiving the materials);

b. The materials required to be disclosed subject to the applicable laws or the rules or provisions of stock exchange; or

c. The materials disclosed by each Party to its legal or financial consultant relating the transaction of this Agreement, and this legal or financial consultant shall comply with the confidentiality set forth in this Section. The disclosure of the confidential materials by staff or employed institution of any Party shall be deemed as the disclosure of such materials by such Party, and such Party shall bear the liabilities for breaching the contract.

9.2 If this Agreement is terminated or becomes invalid or unenforceable, the validity and enforceability of Article 9 shall not be affected or impaired.

10. FORCE MAJEURE

10.1 An event of force majeure means an event that could not be foreseen, and could not be avoided and overcome, which includes among other things, but without limitation, acts of nature (such as earthquake, flood or fire), government acts, strikes or riots;

10.2 If an event of force majeure occurs, any of the Parties who is prevented from performing its obligations under this Agreement by an event of force majeure shall notify the other Parties without delay and within fifteen (15) days of the event provide detailed information about and notarized documents evidencing the event and take appropriate means to minimize or remove the negative effects of force majeure on the other Parties, and shall not assume the liabilities for breaching this Agreement. The Parties shall keep on performing this Agreement after the event of force majeure disappears.

11. APPLICABLE LAW AND DISPUTE RESOLUTION

11.1 Applicable Law

The execution, validity, construing and performance of this Agreement and the disputes resolution under this Agreement shall be governed by the laws and regulations of the PRC.

11.2 Dispute Resolution

Any dispute arising out of or in connection with this Agreement shall be resolved through amicable consultations between all the Parties. If the Parties cannot reach an agreement on the resolution of such dispute within thirty (30) days after the occurrence of such dispute, any Party may submit such dispute to Qingdao Arbitration Commission for arbitration. The arbitration award shall be final and binding on the Parties.

12. MISCELLANEOUS

12.1 Entire Agreement

The Parties acknowledge that this Agreement constitutes the entire agreement of the Parties with respect to the subject matters therein and supersedes and replaces all prior or contemporaneous oral or written agreements and understandings.

12.2 Successor

This Agreement shall bind and benefit the successor of each Party and the transferee permitted hereunder with the same rights and obligations as if the original parties hereof.

12.3 Notice

Any notice required to be given or delivered to the Parties hereunder shall be in writing and delivered to the address as indicated below or such other address or as such party may designate, in writing, from time to time. All notices shall be deemed to have been given or delivered upon by personal delivery, fax and registered mail. It shall be deemed to be delivered upon: (1) registered air mail: 5 business days after deposit in the mail; (2) personal delivery: the next business day after transmission. If the notice is delivered by fax, it should be confirmed by original through registered air mail or personal delivery.

Party A
Contact person: Sun Ping
Contact Address: Room 0425A, Building C, No.6 XiangGangZhong Road, Shinan District, Qingdao City
Tel: 0532-80909800
Fax: 0532-80909801

Party B
Contact person: Sui Jianhua
Contact Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208

Tel: 13811728329
Fax:

The Shareholder: Sui Jianhua
Contact Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208
Tel: 13811728329
Fax:

12.4 Copies

This Agreement is executed in three (3) originals with each of the person for signing this Agreement holding one original, and each of the originals shall be equally valid and authentic.

12.5 Whenever the consent of Party A is required under this Agreement, such consent shall not be effective unless such consent is also provided by either the sole shareholder, or the Executive Director, or Party A.

(No contents below)

IN WITNESS THEREFORE, the parties hereof have caused this Agreement to be executed and delivered as of the date first written above.

Party A: NeoStem (China), Inc. (Seal)

Legal Representative: Sun Ping

Party B: Beijing Ruijieao Bio-Technology Ltd. (Seal)

Legal Representative: Fu Wenyuan

Shareholder of Beijing Ruijieao Bio-Technology Ltd.

Name of the Shareholder	Signature
Sui Jianhua	

Consigned Management and Technology Service Agreement

by and among

Beijing Ruijieao Bio-Technology Ltd.

NeoStem (China), Inc.

and

The Shareholder of Beijing Ruijieao Bio-Technology Ltd.

June 21, 2010

Consigned Management and Technology Service Agreement

This Consigned Management and Technology Service Agreement ("this Agreement") is entered into on [June 21], 2010, in Qingdao City PRC, by and between the following Parties:

(1) Beijing Ruijieao Bio-Technology Ltd. ("Party A"), a domestic funded limited liability company duly incorporated in Beijing, whose legal address is: Room 2007 20/F, Qingyundangdai Building, No.9 Mantingfangyuan Community, Qingyun Li, Haidian District, Beijing.

(2) NeoStem (China), Inc. ("Party B"), a wholly foreign owned enterprise duly incorporated in Qingdao City, whose registered address is Room 0425A, Building C, No.6 XiangGangZhong Road, Shinan District, Qingdao City.

(3) Sole shareholder of Beijing Ruijieao Bio-Technology Ltd. (the "Shareholder")

Name of the Shareholder	Shareholding Ratio (%)	ID Card No.	Domicile
Sui Jianhua	100		

(Party A, Party B and the Shareholder are referred to collectively in this agreement as the "Parties" or "the Parties", and individually as "a Party" or "each Party".)

WHEREAS:

(1) Party A's business scope is as follows: technology development, technology transfer, technology consultation and technology service;

(2) Party B's business scope is the research & development, transfer and technological consultation service of biotech technology, regenerative medical technology and anti-aging technology (excluding the development or application of human stem cell, gene diagnosis and treatment technologies); consultation of economic information; import, export and sales of machines and equipments (the import and export do not involve the goods specifically stipulated in/by state-operated trade, import & export quota license, export quota bidding, export permit, etc.) (The aforesaid business scope should be operated with relevant permits if such permits are required);

(3) The Parties agree that, Party A consigns Party B to manage all its business and human resources, etc., and engages Party B to provide technology services such as the update and maintenance of internal software and hardware, technology

training and technology support.

(4) The Shareholder holds 100% of equity interests of Party A.

NOW THEREFORE, the Parties hereby agree through friendly negotiation as follows:

Article 1 Definition

1.1 "PRC" refers to the People's Republic of China, for the purpose of this Agreement, excluding the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Province;
1.2 "PRC Laws" refers to all PRC laws, administrative regulations and government rules in effect;
1.3 "RMB" refers to the legal currency within the PRC;
1.4 "Party A Staff" refers to the senior management staff of Party A and the manager of each plant;
1.5 "Consigned Management and Technology Service Fee" or "Consideration" refers to the consideration as defined in Article 3.1 and paid to Party B by Party A.

Article 2 Contents of Consigned Management and Technology Services

2.1 Contents of Consigned Management Services

2.1.1 Business Management Services

2.1.1.1 Target

Provide services on management and staff training so as to enhance the professional management and eventually promote economic achievement of Party A.

2.1.1.2 Contents

(1) Training to Party A Staff
A. Latest biotech industry knowledge training
B. Related operating methods and skills training
C. Preserve and maintenance of equipments training
D. Management principals and skills training

(2) Business Management
A. Procedure management
B. Operation and technology management
C. Equipment management
D. Field management

E. Quality management
F. Sales and Marketing management
G. Service management

2.1.2 Advertising and Development Services

2.1.2.1 Target

Improve the economic benefits of the Company, ensure the healthy development of the Company, improve the fame of the Company, establish the image of the Company, gain the good reputation, contribute to the public welfare, and expand the popularity of the Company.

2.1.2.2 Contents of Service

(1) Advertising Services
A. Products planning
B. Price planning
E. Sales planning
F. Advertising planning
G. Marketing planning
H. Promotion planning
I. Public relation planning
J. Brand planning
K. Corporate image planning

(2) Development Services
A. Conduct research on the market and provide suggestions on the selection of location and layout of new businesses;
B. Conduct research on the impressions of customers, and provide suggestions for perfection of customer services in accordance with the results of that research.
C. Conduct research on the potential cooperative partners, and provide suggestions for business expansion and cooperation development in accordance with the results of that research.

2.1.3 Human Resources Management Services

2.1.3.1 Target: Achieve the proper distribution of human resources, maintain the stability of the management team, and stimulate the employees to positively work so as to increase the economic achievement.

2.1.3.2 Contents of Service

(1) Recommend and nominate the candidates of senior management staff of Party A, and Party A shall appoint such candidates in accordance with the requirement of the position;
(2) Facilitate to perfect the organizational structure to improve the effects of the management;
(3) Establish the labor management system for Party A, including, but without limitation, employment policies, training, systems of leaves and vocations, overtime working, resignation, demission and etc.;
(4) Complete the employees' salary system including its senior management staff;
(5) Facilitate to complete the working effectiveness assessment system of the employees and perfect the salary incentive system;
(6) Provide training of labor management in the human resources department of Party A;
(7) Provide consultancy services to Party A in relation to the labor policies and social insurance;
(8) Facilitate Party A to standardize the management of human resources and establishment of related system.

2.1.4 Internal Control Services

Party B shall assist Party A to establish internal control system and provide the proper suggestions on the following systems:

(1) Rules for stamp usage
(2) Rules for receipts and checks
(3) Rules of budgeting management
(4) Assets management system
(5) Quality management system
(6) Authorization and agency system

2.2 Contents of Technology Services

2.2.1 Select, purchase and update the proper software in accordance with practical requirements of Party A with respect to human resources and business management, etc., and conduct training on the use of such software, and provide relevant consulting services.

2.2.2 Assist with other related systems and software in accordance with the specific requirements of Party A, and the relative costs shall be borne by Party A.

2.2.3 If necessary, seek qualified network service companies to provide services to Party A with respect to its application for the domain name and design of website, assist Party A in communication with the network service company on

matters relating to the domain name and website.

2.2.4 Assist with the computers, server and other facilities in accordance with the requirements of Party A.

2.2.5 Make periodic maintenance and necessary update on hardware facilities in accordance with the requirements of Party A.

2.2.6 Conduct technology training of the technical employees of Party A.

(1) Conduct training to Party A for the operation of technologies with regard to latest bio-technologies, regenerative medical technologies, anti-aging technologies, etc.
(2) Conduct training to Party A with regard to research and development of relevant technologies.
(3) Strengthen the training of Party A's staff to use new apparatus and equipments, quickly apply the new equipments into research and operation, and improve the capacity and efficiency.

2.2.7 In the event of occurrence of technical problems of Party A, Party B shall designate relevant staff to perform on-site research for assisting Party A to resolve such problems if necessary.

2.2.8 Party B shall be the sole and exclusive owner of all rights, title, interests and intellectual property rights arising from the performance of this Agreement (including but not limited to, any copyrights, patent, know-how, commercial secrets and otherwise), regardless developed independently by Party B or by Party A based on Party B's intellectual property or by Party B based on Party A's intellectual property. Party A shall not claim against Party B on any rights, ownership, interests or intellectual property.

If such development is conducted on the basis of Party A's intellectual property, Party A shall ensure that such intellectual property is clear and free from any lien or encumbrance or license, or Party A shall indemnify Party B any and all damages incurred thereby. In case Party B shall be liable to any third party by reason thereof, Party B shall be compensated in full by Party A as long as Party B has compensated the third party.

Article 3 Consigned Management and Technology Service Fee

3.1 Party A shall pay the Consigned Management and Technology Service Fee, equal to 51-90 % of its total annual after-tax profit on a yearly basis as the Consideration of services provided Party B as set forth in Article 2 hereunder.

3.2 Party A shall pay to Party B the year's Consigned Management and Technology Service Fee before each calendar day of December 31st.

3.3 Whereas the daily business operations of Party A shall bear a material impact on its capacity to make the payments due to Party B, the Shareholders of Party A jointly agree that they will immediately and unconditionally pay or transfer to Party B any bonus, dividends or any other incomes or benefits (regardless of the forms) obtained from Party A as the shareholders of Party A at the time when such payables occur and provide all necessary documents or take all necessary actions required by Party B to realize such payment or transfer.

3.4 Party B shall be entitled to request Party A in writing to adjust the Consideration in accordance with the quantity and quality of the consigned services. The Parties shall positively negotiate with each other in respect of the Consigned Management and Technology Service Fee, and Party A shall agree with such adjustment.

Article 4 Warranties and Undertakings by Party A

4.1 Within the term of this Agreement, Party B shall be the entity exclusively consigned by Party A to provide the services as set forth in Article 2 hereunder, and Party A shall not consign any other entities to provide to Party A any services same as or similar with those services provided in Article 2 hereunder.

4.2 Without the prior written consent by Party B, Party A shall not change its business target.

4.3 Without the prior written consent by Party B, Party A shall not change its rules and policies regarding the business operation, management, human resources and finance.

4.4 Without the prior written consent by Party B, Party A shall not change its internal control system.

4.5 Without the prior written consent by Party B, Party A shall not change its internal organization.

4.6 Without the prior written consent by Party B, Party A shall not replace any senior management staff itself.

4.7 Party A shall provide Party B information regarding the business operation, management and finance of Party A.

4.8 Party A shall promptly and proactively notify Party B of any matters that adversely affect Party A.

4.9 Party A shall give full cooperation to Party B, and provide assistance and convenience to Party B for its on-site working, and shall not hinder Party B to provide services as set forth in Article 2 hereunder.

4.10 Party A shall promptly make full payment of Consigned Management and Technology Service Fee to Party B in accordance with the provisions hereunder.

4.11Without the prior written consent by Party B, Party A shall not take any action that would materially affect Party B's rights and interests hereunder.

Article 5 Warrants and Undertakings by Party B

5.1 Party B shall take advantage of its capacity and resources to provide the services as stipulated in Article 2 hereunder.

5.2 Party B shall timely adjust and improve the services in accordance with the practical request from Party A.

5.3 In the event that Party B proposes to provide services to any other entities engaged in similar business as Party A, it shall give prior notice to Party A and strictly keep the confidential information obtained during the course of providing services to Party A .

5.4 Party B shall accept any reasonable suggestions from Party A during the course of providing services to Party A.

Article 6 Guaranty for this Agreement

6.1 To secure the performance of the obligations assumed by Party A hereunder, Shareholder agree to pledge all their equity interests in Party A to Party B, and the Parties agree to execute the Equity Pledge Agreement with respect thereto.

Article 7 Taxes and Expenses

7.1 The Parties shall pay, in accordance with relevant PRC laws and regulations, their respective taxes and fees arising from the execution and performance of this Agreement.

Article 8 Assignment of the Agreement

8.1 Party A shall not transfer part or all its rights and obligations under this Agreement to any third party without the prior written consent of Party B.

8.2 The Parties agree that Party B shall be entitled to transfer, at its own discretion, any or all of its rights and obligations under this Agreement to any third party upon a

six (6) -day written notice to Party A.

Article 9 Liability of Breach

9.1 If Party A fails to duly pay the Consigned Management and Technology Service Fee in accordance with the provisions of Article 3 hereunder, then Party A shall pay the liquidated damage per day equal to 0.03% of the unpaid Consideration which falls due; if any delay of payment amounts to sixty (60) days, then Party B shall be entitled to exercise the right of pledge under the Equity Pledge Agreement.

9.2 If Party A violates its representations and warranties hereunder and fails to redress such violation within sixty (60) days upon receipt of written notice from Party B, Party B shall be entitled to exercise the right of pledge under the Equity Pledge Agreement.

9.3 If Party B is in non-performance, or incomplete performance of this Agreement, or is otherwise in default of any of its representations and warranties hereunder, Party A shall be entitled to request Party B to redress its default.

Article 10 Effect, Modification and Cancellation

10.1 This Agreement shall take effect on the day of execution hereof, and the valid term hereof shall be expired upon the day of completion of the acquisition of all or the substantial part of assets or the equity of Party A by Party B or its designated third party.

10.2 The modification of this Agreement shall not be effective without written agreement of the Parties through negotiation. If the Parties could not reach an agreement, this Agreement remains effective.

10.3 This Agreement shall not be discharged or canceled without written agreement of the Parties through negotiation, provided Party B may, by giving a thirty (30)-day prior notice to the other Parties hereto, terminate this Agreement.

Article 11 Confidentiality

11.1 Any information, documents, data and all other materials (herein "Confidential Information") arising out of the negotiation, signing, content and implementing of this Agreement, shall be kept in strict confidentiality by the Parties. Without the written approval by the other Parties, none of the Parties shall disclose to any third party any confidential information, but the following shall not be considered to be "confidential information":

(1) The materials that are known by the general public (but not include the materials disclosed by a Party receiving the materials in breach of this Agreement);

(2) The materials required to be disclosed subject to the applicable laws or the rules or provisions of any stock exchange; or

(3) The materials disclosed by each Party to its legal or financial consultants relating the transactions under this Agreement, provided the legal or financial consultants shall comply with the confidentiality set forth in this Section. The disclosure of the Confidential Information by staff or employed institution of any Party shall be deemed as the disclosure of Confidential Information by such Party, and such Party shall bear the liabilities for breaching the contract.

11.2 If this Agreement is terminated or becomes invalid or unenforceable, the validity and enforceability of Article 11 shall not be affected or impaired.

Article 12 Force Majeure

12.1 "Force Majeure" refers to any event that could not be foreseen, and could not be avoided and overcome, which includes among other things, but without limitation, acts of nature (such as earthquake, flood or fire), governmental acts, strikes or riots.

12.2 If an event of force majeure occurs, any of the Parties who is prevented from performing its obligations under this Agreement by an event of force majeure shall notify the other Party without delay and within fifteen (15) days of the event provide detailed information about and notarized documents evidencing the event and take appropriate means to minimize or remove the negative effects of force majeure on the other Parties, and shall not assume the liabilities for breaching this Agreement. The Parties shall keep on performing this Agreement after the event of force majeure disappears.

Article 13 Governing Law and Dispute Resolution

13.1 The effectiveness, interpretation, implementation and dispute-resolution related to this Agreement shall be governed under the PRC Laws.

13.2 Any dispute arising out of this Agreement shall be resolved by the Parties through friendly negotiation. If the Parties could not reach an agreement within thirty (30) days since the dispute is brought forward, each Party may submit the dispute to Qingdao Arbitration Commission for arbitration under its applicable rules. The arbitration award should be final and binding upon the Parties.

13.3 During the process of dispute-resolution, the Parties shall continue to perform other terms under this Agreement, except for provisions subject to dispute resolution.

Article 14 Miscellaneous

14.1 The Parties acknowledge that this Agreement constitutes the entire agreement of

the Parties with respect to the subject matters therein and supersedes and replaces all prior or contemporaneous oral or written agreements and understandings.

14.2 This Agreement shall bind and benefit the successor of each Party and the transferee permitted hereunder with the same rights and obligations as if such successor or transferee were an original party hereof.

14.3 Any notice required to be given or delivered to the Parties hereunder shall be in writing and delivered to the address as indicated below or such other address or as such party may designate, in writing, from time to time. All notices shall be deemed to have been given or delivered upon by personal delivery, fax and registered mail. It shall be deemed to be delivered upon: (1) registered air mail: five (5) business days after deposit in the mail; (2) personal delivery and fax: the next business day after transmission. If the notice is delivered by fax, it should be confirmed by original through registered air mail or personal delivery:

Party A:
Contact person: Sui Jianhua
Contact Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208
Tel: 13811728329
Fax:

Party B:
Contact person: Sun Ping
Contact Address: Room 0425A, Building C, No. 6 Hong Kong Zhong Road, Shinan District, Qingdao
Tel: 532-80909800
Fax: 532-80909801

The Shareholder: Sui Jianhua
Contact Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208
Tel: 13811728329
Fax:

14.4 This Agreement is executed in three (3) originals with each Party holding one original, and each of the originals shall be equally valid and authentic.

14.5 Whenever the consent of Party B is required under this Agreement, such consent shall not be effective unless such consent is also provided by either the sole shareholder, or the Executive Director, of Party B.

(No contents below)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

Party A: Beijing Ruijieao Bio-Technology Ltd. (Company seal)

Legal Representative: Fu Wenyuan

Signature:

Party B: NeoStem (China), Inc. (Company Seal)

Legal Representative: Sun Ping

Signature:

The Shareholder of Beijing Ruijieao Bio-Technology Ltd.

Name of the Shareholder	Signature
Sui Jianhua	

Loan Transfer Agreement

This Loan Transfer Agreement (this "Agreement") is entered into on June 21, 2010 in Qingdao, China, by and among:

(1) NeoStem (China), Inc. (hereinafter referred as the "Lender")
Legal Representative: Sun Ping
Domicile: Room 0425A, Building C, No. 6 Hong Kong Zhong Road, Shinan District, Qingdao

(2) Sole Shareholder of Beijing Ruijiecao Bio-Technology Ltd. (hereinafter as the "Loan Transferor"):

Name of Sole Shareholder	Shareholding Ratio (%)	ID Card No.	Domicile
Fu Wenyuan	100		No.27 Shandabei Road, Licheng District, Ji'nan City

and

(3) Sel Jianhua (hereinafter referred as "Loan Transferee")
ID card No.:
Domicile:

The Lender, Loan Transferor and Loan Transferee hereinafter individually referred to as the "Party", and collectively as the "Parties".

Whereas:

(1) The Loan Transferor and the Lender executed two Loan Agreements on respectively June 1, 2009 and December 17, 2009, according to which the Lender has provided an interest-free loan in a total amount of RMB 1,200,000 to the Loan Transferor (hereinafter referred to as "Loan Agreements", which are attached hereto as Appendix I);

(2) The Loan Transferor and the Loan Transferee executed an Equity Transfer Agreement on [June 21], 2010, according to which the Loan Transferor agrees to transfer the 100% equity interest it held in Beijing Ruijiecao Bio-Technology Co., Ltd. to the Loan Transferee and the Loan Transferee agrees to pay RMB 1,200,000 as consideration. The consideration shall be paid in the way that the Loan Transferor transfers all its debt under the Loan Agreements against the Lender to the Loan Transferee.

(3) Based on the above (1) and (2), the Loan Transferor intends to transfer all its debt against the Lender under the Loan Agreements to the Loan Transferee and thereby renders the Loan Transferee to become the borrower under the Loan Agreements (hereinafter referred to as "Loan Transfer") and the Lender agrees the Loan Transfer.

To further clarify the rights and obligations among the Lender, the Loan Transferor and the Loan Transferee, after friendly consultation, the Parties reached this Agreement:

1. Loan Transfer

1.1 The Parties agree that all the debt assumed by the Loan Transferor to the Lender under the Loan Agreements shall be transferred to the Loan Transferee and the Loan Transferee shall become the borrower under the Loan Agreements.

1.2 The transferred debt under this Agreement shall include all the debts under the Loan Agreements that are not discharged by the Loan Transferor.

2. Undertakings of the Loan Transferee

2.1 The Loan Transferee undertakes that it has fully acknowledged and confirmed all the debt that the Loan Transferor assumed under the Loan Agreements, it is willing to assume all the rights and obligations of the Loan Tranferor under the Loan Agreements and it thereby becomes the borrower under the Loan Agreements.

2.2 Any other agreements or creditor's right and debt obligation between the Loan Transferee and the Loan Transferor and/or any other third parties are not related to this Agreement. Upon the effectiveness of this Agreement, the Loan Transferee shall not refuse to perform this Agreement by the excuses that any other agreements or creditor's right and debt obligation between the Loan Transferee the the Loan Transferor and/or any other third parties are invalid, revoked or terminated.

2.3 The Loan Transferee shall not refuse to perform the obligations under this Agreement by the excuses of any fault or negligence of the Loan Transferor.

3. Notice

All notices or other communications required to be given by any Party hereunder shall be in writing in Chinese and shall be delivered by hand, mail or facsimile transmission to the other Parties at the following addresses or such other addresses as notified to it from time to time. All the notices or other communications shall be deemed to have been duly given: (a) on the date of delivery, if delivered by hand; (b) on the third day following the delivery of the registered mail, postage prepaid (as indicated by the post mark), or on the second day after the mail is delivered to an internationally acceptable courier service, if delivered by mail; and (c) at such time as shown on the transmission sheet, if delivered by facsimile transmission.

Lender: NeoStem (China), Inc.
Address: Room 0425A, Building C, No. 6 Hong Kong Zhong Road, Shinan District, Qingdao
Fax: 0532-80909801

Loan Transferor: Fu Wenyuan
Address: No. 27, Shan Da North Road, Licheng District, Jinan
Fax:

Loan Transferee: Sui Jianhua
Address: Room 202, Suite 2, Building 6, Tong Da Yuan, Hui Long Guan, Changping District, Beijing, 102208
Fax:

4. Confidentiality

The Parties acknowledge and confirm that any oral or written materials exchanged between the Parties in connection with this Agreement shall be confidential information and the Parties shall keep it secret. None of the Parties shall disclose to any third party any of such confidential information without the other Parties' written consent. This obligation shall not apply to the extent information so acquired which: (a) is or becomes part of the public domain (through no fault of the receiving Party); (b) is required to disclose according to applicable laws or regulations, or the rules of the stock exchange, or by the relevant competent authorities; or (c) is necessary to disclose by any Party to its director and management (if applicable), employee, agent, legal or accounting advisor in connection with this Agreement provided such person shall also comply with the obligations of confidentiality similar to this provision. The disclosure of any personnel or engaged agent of a Party shall be deemed as the disclosure of such Party for which such Party shall take the liabilities of breach according to this Agreement. This provision shall survive the termination of this Agreement for any reason.

5. Governing Law and Settlement of Dispute

5.1 The execution, validity, interpretation, performance and the settlement of disputes under this Agreement shall be governed by the PRC laws.

5.2 Any dispute arising out of or in connection with this Agreement shall be resolved through amicable consultations between all the Parties. If the Parties cannot reach an agreement on the resolution of such dispute within thirty (30) days after the occurrence of such dispute, any Party may submit such dispute to Qingdao Arbitration Commission for arbitration. The arbitration award shall be final and binding on the Parties.

6. Miscellaneous

6.1 This Agreement will come into effect upon execution of the Parties and remain valid until the Parties have completed the performance of their obligations under this Agreement.

6.2 In the event that this Agreement is held invalid, illegal or unenforceable in any aspects under any laws or regulations, the Loan Transferor shall continue to perform its obligations in accordance with the Loan Agreements.

6.3 This Agreement shall be written in Chinese and is made in three (3) originals, of which each Party shall hold one. All originals hereof shall be equally authentic.

6.4 This Agreement may be supplemented or amended by a written agreement between the Parties hereto. The amendment and supplementary agreement to this Agreement shall constitute an integral part hereof and be equally authentic with this Agreement.

6.5 The Loan Transferor and the Loan Transferee shall not assign its rights and obligations under this Agreement to any third party without the prior written consent from the Lender. The Lender may, at the time deemed as necessary, assign its rights and obligations under this Agreement. The Lender shall only send a written notice to the Loan Transferor and the Loan Transferee upon such assignment, and is not required to obtain the consent of the Loan Transferor and the Loan Transferee with respect to such assignment.

6.6 If any one or more provisions of this Agreement are held invalid, illegal or unenforceable in any respect under any laws or regulations, the validity, legality or enforceability of the remainder of this Agreement shall in no way be affected or impaired thereby. The Parties shall negotiate in good faith to agree on a lawful and most satisfactory replacement, so as to preserve the original economic effects of those invalid, illegal or unenforceable provisions as much as possible.

(NO CONTENTS BELOW)

(Execution page)

IN WITNESS WHEREOF, this Agreement has been executed by the authorized representative of the Lender, the Loan Transferor and the the Loan Transferee as of the date first written above.

Lender: NeoStem (China), Inc. (Official Seal)

Signature:
Name: Sun Ping
Position: Legal Representative

Loan Transferor: Fu Wenyuan

Signature:

Loan Transferee: Sui Jianhua

Signature:

Appendix I: Loan Agreements executed on June 1, 2009 and December 17, 2009 respectively

VOTING AND LOCK UP AGREEMENT

VOTING AND LOCK UP AGREEMENT dated September __, 2010 (the "Lock Up Agreement") by and between NEOSTEM, INC., a Delaware corporation (the "Parent"), and the individuals or entities listed on Schedule A annexed hereto (collectively, the "Inside Stockholders" and each individually, a "Inside Stockholder").

RECITALS

WHEREAS, Progenitor Cell Therapy, LLC (the "Company"), Parent and a wholly owned subsidiary of Parent ("Subco"), intend to enter into an Agreement and Plan of Merger (as amended from time to time, the "Merger Agreement") pursuant to which the Company, will be merged with and into Subco with the Company continuing as the surviving company and as a direct wholly owned subsidiary of Parent (the "Merger");

WHEREAS, the Inside Stockholders are executive officers and/or directors or affiliates of executive officers or directors of the Parent, who in that capacity are fully familiar with the terms of the Merger and the Merger Agreement, the terms of which have been substantially agreed upon, and are the record and beneficial owners of certain shares common stock, par value $0.001 per share, of the Parent (the "Shares"); and

WHEREAS, to induce the Company to enter into the Merger Agreement, Parent needs to demonstrate shareholder support for the Merger, and so desires that each of the Inside Stockholders agree, and each of the Inside Stockholders is willing to agree, to enter into this Lock Up Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parent and each of the Inside Stockholders, intending to be legally bound, hereby agree as follows:

1. *Certain Definitions.* For purposes of this Lock Up Agreement:

   (a) "*Beneficially Own*" or "*Beneficial Ownership*" with respect to any securities means having "beneficial ownership" of such securities as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including pursuant to any agreement, arrangement or understanding, whether or not in writing. Without duplicative counting of the same securities by the same holder, securities Beneficially Owned by a Person shall include securities Beneficially Owned by all other Persons with whom such Person would constitute a "group" within the meaning of Section 13(d)(3) of the Exchange Act.

   (b) "*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

2. *Disclosure*. Each of the Inside Stockholders hereby agrees to permit the Parent to publish and disclose in the Parent's Proxy Statement, and any press release or other disclosure document which Parent reasonably determines to be necessary or desirable in connection with the Merger and any transactions related thereto, each Inside Stockholder's identity and ownership of the Shares and the nature of each Inside Stockholder's commitments, arrangements and understandings under this Lock Up Agreement.

3. *Voting of Shares*.

(a) Each of the Inside Stockholders hereby consents to the Parent's execution and delivery of the Merger Agreement and the taking of all actions by the Parent to effect the Merger.

(b) Each of the Inside Stockholders hereby agrees that, during the period commencing on the date hereof and continuing until the first to occur of (x) the effective time of the Merger or (y) the taking by the Board of Directors of the Parent of any action permitted under the Merger Agreement properly to terminate the Merger Agreement in accordance with its terms or (z) November 20. 2010 (the first to occur being the "Termination Date"), at any meeting of the stockholders of Parent, however called, or in connection with any written consent of the holders of the shares of the Parent's Common Stock, he shall vote (or cause to be voted) the Shares held of record or Beneficially Owned by the Inside Stockholder, whether now owned or hereafter acquired in favor of approval of the Merger, adoption of the Merger Agreement, issuance of the merger consideration to the members of the Company and any other actions required in furtherance thereof and hereof.

4. *Covenants, Representations and Warranties each Inside Stockholder*. Each of the Inside Stockholders hereby severally represents and warrants (with respect to such Inside Stockholder only and his Shares, and not with respect to each other Inside Stockholder) to, and agrees until the Termination Date with, the Parent as follows:

(a) *Authorization*. Such Inside Stockholder has the legal capacity, power and authority to enter into and perform all of such Inside Stockholder's obligations under this Lock Up Agreement. The execution, delivery and performance of this Lock Up Agreement by such Inside Stockholder will not violate any other agreement to which such Inside Stockholder is a party including, without limitation, any voting trust, trust or similar agreement. This Lock Up Agreement has been duly and validly executed and delivered by such Inside Stockholder and constitutes a valid and binding agreement enforceable against such Inside Stockholder in accordance with its terms. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which such Inside Stockholder is a trustee whose consent is required for the execution and delivery of this Lock Up Agreement or the consummation by such Inside Stockholder of the transactions contemplated hereby. If such Inside Stockholder is married and such Inside Stockholder's Shares constitute community property, this Lock Up Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, such Inside Stockholder's spouse, enforceable against such person in accordance with its terms.

(b) *No Conflicts.* (i) Except as may be required under Section 13 of the Exchange Act, no filing with, and no permit, authorization, consent or approval of, any state or federal public body or authority is necessary for the execution of this Lock Up Agreement by such Inside Stockholder and the consummation by such Inside Stockholder of the transactions contemplated hereby and (ii) none of the execution and delivery of this Lock Up Agreement by such Inside Stockholder, the consummation by such Inside Stockholder of the transactions contemplated hereby or compliance by such Inside Stockholder with any of the provisions hereof shall (A) conflict with or result in any breach of the organizational documents of such Inside Stockholder (if applicable), (B) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, material modification or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind to which such Inside Stockholder is a party or by which such Inside Stockholder or any of its properties or assets may be bound, or (C) violate any order, writ injunction, decree, judgment, order, statute, rule or regulation applicable to such Inside Stockholder or any of its properties or assets.

(c) *Restriction on Transfer; Proxies and Non-Interference.* At any time during the period (the "Lock-Up Period") from the date hereof until the Termination Date, such Inside Stockholder shall not, directly or indirectly, (i) except for a Permitted Transfer (as defined below), offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of, any or all of any such Inside Stockholder's Shares, or any interest therein, whether such shares are held by such Inside Stockholder as of the date hereof or are acquired by such Inside Stockholder from and after the date hereof, whether in connection with the Merger or otherwise, (together with the Shares, the "Lock-Up Shares"), (ii) except as contemplated by this Lock Up Agreement, grant any proxies or powers of attorney, deposit any Shares into a voting trust or enter into a Lock Up Agreement with respect to the Lock-Up Shares, or (iii) take any action that would make any representation or warranty of such Inside Stockholder contained herein untrue or incorrect or have the effect of preventing or disabling such Inside Stockholder from performing such Inside Stockholder's obligations under this Lock Up Agreement.

(d) *Reliance by the Company.* Such Inside Stockholder understands and acknowledges that the Company will enter into the Merger Agreement in reliance upon such Inside Stockholder's execution and delivery of this Lock Up Agreement.

(e) *Permitted Transfer*. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, any Inside Stockholder may sell or transfer any Shares to any Inside Stockholder or any other Person who executes and delivers to the Parent an agreement, in form and substance acceptable to Parent, to be bound by the terms of this Agreement to the same extent as the transferring Inside Stockholder (any such transfer, a "Permitted Transfer").

5. *Stop Transfer Legend.*

(a) Each of the Inside Stockholders agrees and covenants to the Parent that such Inside Stockholder shall not request that the Parent register the transfer (book-entry or otherwise) of any certificate representing any of such Inside Stockholder's Shares, unless such transfer is made in compliance with this Lock Up Agreement.

(b) Without limiting the covenants set forth in paragraph (a) above, in the event of a stock dividend or distribution, or any change in Shares by reason of any stock dividend, split-up, recapitalization, combination, exchange of shares or the like, the term "Shares" shall be deemed to refer to and include any and all shares into which or for which any or all of the Shares may be changed or exchanged.

6. *Further Assurances.* From time to time until the expiration of the Lock-Up Period, at the Parent's request and without further consideration, each Inside Stockholder shall execute and deliver such additional documents and take all such further lawful action as may be necessary or desirable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Lock Up Agreement.

7. *Stockholder Capacity.* If any Inside Stockholder is or becomes during the term hereof a director or an officer of the Parent, such Inside Stockholder makes no agreement or understanding herein in his capacity as such director or officer. Each of the Inside Stockholders signs solely in his or her capacity as the record and Beneficial Owner of the Inside Stockholder's Shares.

8. *Termination.* Except as otherwise provided herein, the covenants and agreements contained herein with respect to the Shares shall terminate upon the Termination Date regardless of the circumstances.

9. *Miscellaneous.*

(a) *Entire Agreement.* This Lock Up Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(b) *Certain Events.* Subject to Sections 4(d) and (f) hereof, each of the Inside Stockholders agrees that this Lock Up Agreement and the obligations

hereunder shall attach to each such Inside Stockholder's Shares and shall be binding upon any Person to which legal or Beneficial Ownership of such Shares shall pass, whether by operation of law or otherwise, including without limitation, each Inside Stockholder's heirs, guardians, administrators or successors. Notwithstanding any such transfer of Shares, the transferor shall remain liable for the performance of all obligations under this Lock Up Agreement.

(c) *Assignment*. This Lock Up Agreement shall not be assigned by operation of law or otherwise without the prior written consent of the Parent.

(d) *Amendment and Modification*. This Lock Up Agreement may not be amended, changed, supplemented, waived or otherwise modified or terminated, except upon the execution and delivery of a written agreement executed by the parties hereto affected by such amendment.

(e) *Notices*. Any notice or other communication required or which may be given hereunder shall be in writing and delivered (i) personally, (ii) via telecopy, (iii) via overnight courier (providing proof of delivery) or (iv) via registered or certified mail (return receipt requested). Such notice shall be deemed to be given, dated and received (i) when so delivered personally, via telecopy upon confirmation, or via overnight courier upon actual delivery or (ii) two days after the date of mailing, if mailed by registered or certified mail. Any notice pursuant to this section shall be delivered as follows:

If to the Inside Stockholder, to the address set forth for the Inside Stockholder on Schedule A to this Lock Up Agreement.

If to Parent:

NeoStem, Inc.
420 Lexington Avenue
Suite 450
New York, New York 10170
Attn: Catherine Vaczy, Esq.
Facsimile: (646) 514-7787

(f) *Severability*. Whenever possible, each provision or portion of any provision of this Lock Up Agreement will be interpreted in such a manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Lock Up Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision of this Lock Up Agreement in such jurisdiction, and this Lock Up Agreement will be reformed, construed

and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(g) *Specific Performance.* Each of the parties hereto agrees, recognizes and acknowledges that a breach by it of any covenants or agreements contained in this Lock Up Agreement will cause the other parties to sustain damages for which they would not have an adequate remedy at law for money damages, and therefore each of the parties hereto agrees that in the event of any such breach any aggrieved party shall be entitled to the remedy of specific performance of such covenants and agreements (without any requirement to post bond or other security and without having to prove actual damages) and injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity.

(h) *Remedies Cumulative.* All rights, powers and remedies provided under this Lock Up Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any such rights, powers or remedies by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

(i) *No Waiver.* The failure of any party hereto to exercise any right, power or remedy provided under this Lock Up Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, will not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

(j) *No Third Party Beneficiaries.* This Lock Up Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder other than the Company, which is an intended third party beneficiary.

(k) *Governing Law.* This Lock Up Agreement will be governed and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof.

(l) *Submission to Jurisdiction.* Each party to this Lock Up Agreement irrevocably consents and agrees that any legal action or proceeding with respect to this Agreement and any action for enforcement of any judgment in respect thereof will be brought in the state or federal courts located within the jurisdiction of the United States District Court for the Southern District of New York, and, by execution and delivery of this Lock Up Agreement, each party to this Lock Up Agreement hereby irrevocably submits to and accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts and appellate courts from any appeal thereof. Each party to this Lock Up

Agreement further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof in the manner set forth in Section 10(e). Each party to this Lock Up Agreement hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Lock Up Agreement brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing in this Section 10(l) shall be deemed to constitute a submission to jurisdiction, consent or waiver with respect to any matter not specifically referred to herein.

(m) WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY ACTION, SUIT OR PROCEEDING IN CONNECTION WITH THIS LOCK UP AGREEMENT.

(n) *Description Headings.* The description headings used herein are for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Lock Up Agreement.

(o) *Counterparts.* This Lock Up Agreement may be executed in counterparts, each of which will be considered one and the same Lock Up Agreement and will become effective when such counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

(p) *No Survival.* No representations, warranties and covenants of the Inside Stockholder in this Agreement shall survive the Merger. The Inside Stockholder shall have no liability hereunder except for any willful and material breach of this Agreement by the Inside Stockholder.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Parent and each of the Inside Stockholders have caused this Lock Up Agreement to be duly executed as of the day and year first above written.

NEOSTEM, INC.

By:_____
Name: _____
Title:_____

_____
Name:

_____

_____

By:_____
Name: _____
Title:_____

_____

By:_____
Name: _____
Title:_____

Schedule A

Names

Robin Smith
Catherine Vaczy
Larry May
Alan Harris
Anthony Salerno
Teresa Lepore
Richard Berman
Steven Myers
Drew Bernstein
Edward Geehr
Eric Wei
RimAsia Capital Partners L.P.
Madame Zhang Jian
Shi Mingsheng
Fullbright Finance Limited
Christopher Duignan
Peter Sun
Daisy Dai
Chris Peng Mao
Jian Qian Cai Mao
Wayne Marasco
Shari Pine

AMENDMENT NO. 1 TO VOTING AND LOCK UP AGREEMENT

THIS AMENDMENT NO. 1 (this "Amendment"), dated as October ____, 2010, to that certain VOTING AND LOCK UP AGREEMENT dated August __, 2010 (the "Lock Up Agreement") by and between NeoStem, Inc., a Delaware corporation (the "Parent"), and the individuals or entities listed on Schedule A annexed thereto (collectively, the "Inside Stockholders" and each individually, an "Inside Stockholder"), amends said Lock Up Agreement in accordance with the amendment provisions set forth in Section 9(d) thereof. Capitalized terms used and not defined herein shall have the respective meanings ascribed to them in the Lock Up Agreement.

1. Section 3(b) of the Lock Up Agreement is amended to extend the Termination Date, so as to read in its entirety as follows:

> (b) Each of the Inside Stockholders hereby agrees that, during the period commencing on the date hereof and continuing until the first to occur of (x) the effective time of the Merger or (y) the taking by the Board of Directors of the Parent of any action permitted under the Merger Agreement properly to terminate the Merger Agreement in accordance with its terms or (z) December 31, 2010 (the first to occur being the "Termination Date"), at any meeting of the stockholders of Parent, however called, or in connection with any written consent of the holders of the shares of the Parent's Common Stock, he shall vote (or cause to be voted) the Shares held of record or Beneficially Owned by the Inside Stockholder, whether now owned or hereafter acquired in favor of approval of the Merger, adoption of the Merger Agreement, issuance of the merger consideration to the members of the Company and any other actions required in furtherance thereof and hereof.

2. No Other Changes. The Lock Up Agreement, as amended by this Amendment, is hereby ratified and confirmed in all respects. Except as specifically amended or modified herein, the Lock Up Agreement shall continue in full force and effect in accordance with the terms thereof.

IN WITNESS WHEREOF, Parent and each of the Inside Stockholders have caused this Amendment No. 1 to Voting and Lock Up Agreement to be duly executed as of the day and year first above written.

NEOSTEM, INC.

By:_____
Name:
Title:

_____
Name:

_____
Name:

_____

By:_____
Name:
Title:

_____

By:_____
Name:
Title:

[Signature Page to Amendment No. 1 to Voting and Lock Up Agreement]

Schedule A

Names

Robin Smith
Catherine Vaczy
Larry May
Alan Harris
Anthony Salerno
Teresa Lepore
Richard Berman
Steven Myers
Drew Bernstein
Edward Geehr
Eric Wei
RimAsia Capital Partners L.P.
Madame Zhang Jian
Shi Mingsheng
Fullbright Finance Limited
Christopher Duignan
Peter Sun
Daisy Dai
Chris Peng Mao
Jian Qian Cai Mao
Wayne Marasco
Shari Pine
Ian Zhang

Exhibit 31.1

CERTIFICATION

I, Robin Smith, M.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeoStem, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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 report based on such evaluation; and

d) Disclosed in this 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; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of 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: November 12, 2010

/s/ Robin Smith, M.D.
Name: Robin Smith, M.D.
Title: Chief Executive Officer of NeoStem, Inc.

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

Exhibit 31.2

CERTIFICATION

I, Larry A. May, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NeoStem, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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 report based on such evaluation; and

d) Disclosed in this 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; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of 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: November 12, 2010

/s/ Larry A. May
Name: Larry A. May
Title: Chief Financial Officer of NeoStem, Inc.

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

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 NeoStem, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robin Smith, M.D., 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, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the dates presented and the results of operations of the Company for the periods presented.

Dated: November 12, 2010

/s/ Robin Smith, M.D.
Robin Smith, M.D.
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 NeoStem, Inc. and will be retained by NeoStem, 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 NeoStem, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry A. May, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended ; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of the dates presented and the results of operations of the Company for the periods presented.

Dated: November 12, 2010

/s/ Larry A. May
Larry A. May
Chief Financial Officer

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

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