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, 2013

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 001-33650

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 350 NEW YORK, NEW YORK	10170
(Address of principal executive offices)	(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 x 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

27,141,894 SHARES. $.001 PAR VALUE, AS OF November 6, 2013

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

All references in this Quarterly Report on Form 10-Q to “we,” “us,” the “Company” and “NeoStem” mean NeoStem, Inc., including subsidiaries and predecessors, except where it is clear that the term refers only to NeoStem, Inc. This Quarterly Report on Form 10-Q contains forward-looking statements, which involve risks and 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. Such factors include, without limitation, , (i) our ability to manage our business despite operating losses and cash outflows; (ii) our ability to obtain sufficient capital or strategic business arrangements to fund our operations and expansion plans, including meeting our financial obligations under various licensing and other strategic arrangements, the funding of our clinical trials for AMR-001 and Tregs, and the commercialization of the relevant technology; (iii) our ability to build the management and human resources and infrastructure necessary to support the growth of our business; (iv) our ability to integrate our acquired businesses successfully and grow such acquired businesses as anticipated, including expanding our PCT business internationally; (v) whether a large global market is established for our cellular-based products and services and our ability to capture a share of this market; (vi) competitive factors and developments beyond our control; (vii) scientific and medical developments beyond our control; (viii) our ability to obtain appropriate governmental licenses, accreditations or certifications or comply with healthcare laws and regulations or any other adverse effect or limitations caused by government regulation of our business; (ix) whether any of our current or future patent applications result in issued patents, the scope of those patents and our ability to obtain and maintain other rights to technology required or desirable for the conduct of our business; (x) whether any potential strategic benefits of various licensing transactions will be realized and whether any potential benefits from the acquisition of these licensed technologies will be realized; (xi) the results of our development activities, including our current Phase 2 clinical trial of AMR-001; (xii) our ability to complete our Phase 2 clinical trial of AMR-001 (or initiate future trials) in accordance with our estimated timeline due to delays associated with enrolling patients due to the novelty of the treatment, the size of the patient population and the need of patients to meet the inclusion criteria of the trial or otherwise; and (xiii) the other factors discussed in “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission (“the SEC”) on March 11, 2013, and elsewhere in the Annual Report on Form 10-K.

On June 28, 2013, the Company’s board of directors unanimously approved a 1-for-10 reverse stock split of the Company’s common stock, which the Company effected on July 16, 2013. All share and per share amounts of common stock, options and warrants in the accompanying financial statements have been restated for all periods to give retroactive effect to the reverse stock split.

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PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

NEOSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16,946,200	$ 13,737,452
Accounts receivable, net of allowance for doubtful accounts of $393,524 and $626,054 at September 30, 2013 and December 31, 2012, respectively	1,394,498	1,053,604
Inventory	529,366	1,113,025
Prepaids and other current assets	1,466,677	803,135
Total current assets	20,336,741	16,707,216
Property, plant and equipment, net	11,331,485	11,153,143
Goodwill	11,117,770	11,117,770
Intangible assets, net	14,026,919	14,480,827
Other assets	973,294	947,307
Total assets	$ 57,786,209	$ 54,406,263
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 3,091,287	$ 2,555,240
Accrued liabilities	2,231,848	2,284,813
Notes payable	402,813	202,558
Mortgages payable	3,288,181	3,438,475
Unearned revenues	1,021,942	1,468,341
Total current liabilities	10,036,071	9,949,427
Long-term Liabilities		
Deferred income taxes	4,091,447	3,599,122
Notes payable	348,299	171,528
Derivative liabilities	114,108	101,156
Acquisition-related contingent consideration	7,550,000	7,550,000
Other long-term liabilities	511,889	214,871
Total long-term liabilities	12,615,743	11,636,677
Commitments and Contingencies		
EQUITY		
Stockholders' Equity		
Preferred stock, authorized, 20,000,000 shares; Series B convertible redeemable preferred stock liquidation value, 1/100 share of common stock, $.01 par value; 825,000 shares designated; issued and outstanding, 10,000 shares at September 30, 2013 and December 31, 2012	100	100
Common stock, $.001 par value, authorized 500,000,000 shares; issued and outstanding, 21,193,870 and 16,375,365 shares, at September 30, 2013 and December 31, 2012, respectively	21,194	16,375
Additional paid-in capital	260,212,091	231,218,615
Treasury stock, at cost	(694,767)	(665,600)
Accumulated deficit	(223,839,053)	(197,392,361)
Total NeoStem, Inc. stockholders' equity	35,699,565	33,177,129
Noncontrolling interests	(565,170)	(356,970)
Total equity	35,134,395	32,820,159
Total liabilities and equity	$ 57,786,209	$ 54,406,263

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,	
	2013	**2012**	**2013**	**2012**
Revenues	$ 3,706,918	$ 4,433,961	$ 10,590,237	11,578,783
Cost of revenues	2,975,935	3,747,490	9,603,048	9,439,185
Gross profit	730,983	686,471	987,189	2,139,598
Research and development	4,486,389	2,828,210	11,619,843	7,490,002
Selling, general, and administrative	5,557,425	5,947,264	15,681,731	17,092,493
Operating expenses	10,043,814	8,775,474	27,301,574	24,582,495
Operating loss	(9,312,831)	(8,089,003)	(26,314,385)	(22,442,897)
Other income (expense):				
Other income (expense), net	179,605	(74,881)	248,161	36,924
Interest expense	(98,618)	(384,168)	(208,023)	(1,359,187)
	80,987	(459,049)	40,138	(1,322,263)
Loss from continuing operations before provision for income taxes and noncontrolling interests	(9,231,844)	(8,548,052)	(26,274,247)	(23,765,160)
Provision for income taxes	44,757	—	492,325	—
Net loss from continuing operations	(9,276,601)	(8,548,052)	(26,766,572)	(23,765,160)
Income (loss) from discontinued operations - net	—	152,095	—	(27,260,584)
Net loss	(9,276,601)	(8,395,957)	(26,766,572)	(51,025,744)
Less - loss from continuing operations attributable to noncontrolling interests	(205,844)	(59,572)	(319,880)	(248,294)
Less - income (loss) from discontinued operations attributable to noncontrolling interests	—	74,524	—	(12,513,069)
Net loss attributable to NeoStem, Inc.	(9,070,757)	(8,410,909)	(26,446,692)	(38,264,381)
Warrant inducement	—	(1,012,819)	—	(1,012,819)
Preferred dividends	—	(67,197)	—	(263,432)
Net loss attributable to NeoStem, Inc. common stockholders	$ (9,070,757)	(9,490,925)	$ (26,446,692)	(39,540,632)
Amounts Attributable to NeoStem, Inc. common stockholders:				
Loss from continuing operations	$ (9,070,757)	(8,488,480)	$ (26,446,692)	(23,516,866)
Income (loss) from discontinued operations - net of taxes	—	77,571	—	(14,747,515)
Warrant inducement	—	(1,012,819)	—	(1,012,819)
Preferred dividends	—	(67,197)	—	(263,432)
Net loss attributable to NeoStem, Inc. common stockholders	$ (9,070,757)	(9,490,925)	$ (26,446,692)	(39,540,632)
Basic and diluted income (loss) per share attributable to NeoStem, Inc. common stockholders:				
Continuing operations	$ (0.45)	(0.57)	$ (1.43)	$ (1.79)
Discontinued operations	$ —	0.01	$ —	(1.12)
NeoStem, Inc. common stockholders	$ (0.45)	(0.64)	$ (1.43)	$ (3.01)
Weighted average common shares outstanding	20,203,934	14,819,708	18,482,413	13,153,306

See accompanying notes to consolidated financial statements.

NEOSTEM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net loss	$ (9,276,601)	$ (8,395,957)	$ (26,766,572)	$ (51,025,744)
Other comprehensive income (loss):				
Foreign currency translation elimination on exit of segment	—	—	—	(169,993)
Foreign currency translation	—	(50,128)	—	317,294
Total other comprehensive (loss) income	—	(50,128)	—	147,301
Comprehensive loss	(9,276,601)	(8,446,085)	(26,766,572)	(50,878,443)
Comprehensive loss attributable to noncontrolling interests	(205,844)	(9,611)	(319,880)	(12,610,486)
Comprehensive net loss attributable to NeoStem, Inc. common stockholders	$ (9,070,757)	$ (8,436,474)	$ (26,446,692)	$ (38,267,957)

See accompanying notes to consolidated financial statements.

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

	Series B Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock	Total NeoStem, Inc. Stockholders' Equity	Non-Controlling Interest in Subsidiary	Total Equity
	Shares	Amount	Shares	Amount							
Balance at December 31, 2011	10,000	$ 100	10,932,959	$ 10,933	$ 200,957,035	$ 4,152,343	$ (143,094,854)	$ —	$ 62,025,557	$ 18,106,961	$ 80,132,518
Net loss	—	—	—	—	—	—	(38,264,381)	—	(38,264,381)	(12,761,363)	(51,025,744)
Foreign currency translation	—	—	—	—	—	(3,576)	—	—	(3,576)	150,877	147,301
Share-based compensation	—	—	263,403	263	5,470,903	—	—	—	5,471,166	—	5,471,166
Net proceeds from issuance of common stock	—	—	2,876,561	2,878	12,157,349	—	—	—	12,160,227	—	12,160,227
Proceeds from warrant exercises	—	—	1,016,052	1,016	5,924,915	—	—	—	5,925,931	—	5,925,931
Warrant inducements	—	—	145,895	146	(43,862)	—	—	—	(43,716)	—	(43,716)
Repayment of Series E Preferred Principal and Dividends	—	—	279,238	279	1,201,938	—	(263,432)	—	938,785	—	938,785
Balance at September 30, 2012	10,000	$ 100	15,514,108	$ 15,515	$ 225,668,278	$ 4,148,767	$ (181,622,667)	$ —	$ 48,209,993	$ 5,496,475	$ 53,706,468

	Series B Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock	Total NeoStem, Inc. Stockholders' Equity	Non-Controlling Interest in Subsidiary	Total Equity
	Shares	Amount	Shares	Amount							
Balance at December 31, 2012	10,000	$ 100	16,375,365	$ 16,375	$ 231,218,615	$ —	$ (197,392,361)	$ (665,600)	$ 33,177,129	$ (356,970)	$ 32,820,159
Net loss	—	—	—	—	—	—	(26,446,692)	—	(26,446,692)	(319,880)	(26,766,572)
Share-based compensation	—	—	451,666	452	5,441,166	—	—	(29,167)	5,412,451	—	5,412,451
Net proceeds from issuance of common stock	—	—	3,949,255	3,949	21,513,473	—	—	—	21,517,422	—	21,517,422
Proceeds from option exercises	—	—	16,369	16	86,642	—	—	—	86,658	—	86,658
Proceeds from warrant exercises	—	—	401,215	402	2,125,889	—	—	—	2,126,291	—	2,126,291
Warrant inducements	—	—	—	—	(62,014)	—	—	—	(62,014)	—	(62,014)
Change in ownership in subsidiary	—	—	—	—	(111,680)	—	—	—	(111,680)	111,680	—
Balance at September 30, 2013	10,000	$ 100	21,193,870	$ 21,194	$ 260,212,091	$ —	$ (223,839,053)	$ (694,767)	$ 35,699,565	$ (565,170)	$ 35,134,395

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2013	**2012**
Cash flows from operating activities:		
Net loss	$ (26,766,572)	$ (51,025,744)
Loss from discontinued operations	—	27,260,584
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock, stock options and warrants issued as payment for compensation, services rendered	5,412,451	5,471,166
Depreciation and amortization	1,197,801	1,160,596
Amortization of preferred stock discount and issuance cost	—	1,195,217
Changes in fair value of derivative liability	12,952	(46,910)
Loss on disposal of assets	—	12,964
Bad debt (recovery) expense	(232,531)	328,003
Deferred income taxes	492,325	—
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Prepaid expenses and other current assets	(663,543)	4,337
Accounts receivable	(108,363)	(1,112,107)
Inventory	583,659	199,700
Unearned revenues	(446,399)	(368,510)
Other assets	421	(187,123)
Accounts payable, accrued expenses and other current liabilities	780,100	711,997
Net cash used in operating activities - continuing operations	(19,737,699)	(16,395,830)
Net cash provided by operating activities - discontinued operations	—	12,168,199
Net cash used in operating activities	(19,737,699)	(4,227,631)
Cash flows from investing activities:		
Cash received in divestiture	—	2,728,000
Acquisition of property and equipment	(948,644)	(197,577)
Net cash (used in) provided by investing activities - continuing operations	(948,644)	2,530,423
Net cash used in investing activities - discontinued operations	—	(5,218,531)
Net cash used in investing activities	(948,644)	(2,688,108)
Cash flows from financing activities:		
Proceeds from exercise of options	86,658	—
Proceeds from exercise of warrants	2,126,291	5,925,931
Net proceeds from issuance of capital stock	21,517,422	12,160,227
Repayment of mortgage loan	(150,294)	(141,353)
Proceeds from notes payable	709,741	223,433
Repayment of notes payable	(332,713)	(187,956)
Repayment of preferred stock	—	(2,258,852)
Payment of dividend	—	(56,850)
Payment for warrant inducement	(62,014)	(43,716)
Net cash provided by financing activities - continuing operations	23,895,091	15,620,864
Net cash used in financing activities - discontinued operations	—	(5,198,330)
Net cash provided by financing activities	23,895,091	10,422,534
Impact of changes of foreign exchange rates	—	(72,136)
Net increase in cash and cash equivalents	3,208,748	3,434,659
Cash and cash equivalents at beginning of period	13,737,452	12,745,432
Cash and cash equivalents at end of period	16,946,200	16,180,091

Less cash and cash equivalents of discontinued operations at end of period	—	10,789,480
Cash and cash equivalents of continuing operations at end of period	$ 16,946,200	$ 5,390,611
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 202,800	$ 1,655,600
Taxes	—	1,841,400
Supplemental Schedule of non-cash investing activities:		
Capitalized interest	—	154,700
Supplemental schedule of non-cash financing activities		
Common stock issued pursuant to the redemption of Convertible Redeemable Series E 7% Preferred Stock	—	1,026,600
Common stock issued in payment of dividends for the Convertible Redeemable Series E 7% Preferred Stock	—	175,700

See accompanying notes to consolidated financial statements.

NEOSTEM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – The Business

Overview

NeoStem, Inc. (“we,” “NeoStem” or the “Company”) is a leader in the emerging cellular therapy industry. Cellular therapy addresses the process by which new cells are introduced into a tissue and administered to prevent or treat disease, or regenerate damaged or aged tissue. Modern cell-based therapies have progressed from the first recorded human to human blood transfusion 200 years ago through to the advanced cellular therapies of today including bone marrow and organ transplantation, tissue banking and reproductive *in vitro* fertilization and future therapies being investigated to treat cancer, cardiologic, neurologic, ophthalmic and orthopedic diseases among others. We anticipate that cellular therapies will have a large role in changing the natural history of the fight against chronic disease and in lessening the economic burden that these diseases pose to modern society.

Our business model includes the development of novel proprietary cell therapy products as well as operating a contract development and manufacturing organization (“CDMO”) providing services to others in the regenerative medicine industry. The combination of a therapeutic development business and revenue-generating service provider business provides the Company with unique capabilities for cost effective in-house product development and immediate revenue and cash flow generation.

Progenitor Cell Therapy, LLC, our wholly owned subsidiary (“PCT”), is a leading CDMO in the cellular therapy industry. Since its inception, PCT has provided pre-clinical and clinical current Good Manufacturing Practice (“cGMP”) development and manufacturing services to over 100 clients advancing regenerative medicine product candidates through rigorous quality standards all the way through to human testing. PCT's core competencies in the cellular therapy industry include manufacturing of cell therapy-based products, product and process development, cell and tissue processing, regulatory support, storage, distribution and delivery and consulting services. PCT has two cGMP, state-of-the art cell therapy research, development, and manufacturing facilities in New Jersey and California, serving the cell therapy community with integrated and regulatory compliant distribution capabilities. Expansion work currently in progress at PCT's New Jersey and California facilities is expected to be completed during the first quarter of 2014. The Company intends to pursue commercial expansion of our manufacturing operations both in the U.S. and internationally.

Our wholly-owned subsidiary, Amorcyte, LLC (“Amorcyte”), is developing AMR-001 for the treatment of cardiovascular disease. AMR-001 represents Amorcyte's most clinically advanced therapeutic product candidate and enrollment for the Phase 2 PreSERVE clinical trial to investigate AMR-001's safety and efficacy in preserving heart function after a particular type of acute myocardial infarction (“AMI”) commenced in 2012. We are on track to complete patient enrollment for this study in 2013 with the first data readout expected six to eight months after the last patient is infused. If approved by the U.S. Food and Drug Administration ("FDA") and/or other worldwide regulatory agencies, AMR-001 would address a significant unmet medical need in the treatment of AMI, potentially improving the quality and longevity of life for those afflicted, and positioning the Company to capture a meaningful share of the worldwide AMI therapy market. Potential congestive heart failure and traumatic brain injury indications for AMR-001 are also being explored.

Through our majority-owned subsidiary, Athelos Corporation (“Athelos”), we are collaborating with Becton-Dickinson and the University of California, San Francisco in early stage clinical development of a therapy that utilizes T-cells, to treat autoimmune and inflammatory conditions. We plan to file an Investigational New Drug Application ("IND") to investigate the clinical feasibility of nTreg-based therapeutics to prevent and/or treat steroid resistant asthma (preparing for Phase 1b/2a trial). Through INDs sponsored by UCSF we also plan to study nTreg-based therapeutics in prevention and/or treatment of type 1 diabetes (Phase 2 IND in preparation), and solid organ transplantation tolerance (Phase 1 IND submitted).

Pre-clinical assets include our VSEL™ (Very Small Embryonic Like) Technology platform. We expect to file an IND with the FDA to initiate a National Institutes of Health ("NIH") funded human clinical study to investigate the impact of VSELs™ in a tissue repair application. We are also working on a Department of Defense funded study of VSELs™ for the treatment of chronic wounds. Other preclinical work with VSELs™ includes exploring macular degeneration as a target indication.

NeoStem's origins are in adult stem cell collection and storage and we believe that as new therapeutics are developed utilizing one's own stored cells (autologous), the market penetration rate for the collection and storage business may rise sharply from its current low single digits percentage level, allowing our developing network to scale rapidly if the demand grows.

In 2011, we operated our business in three reportable segments: (i) Cell Therapy — United States; (ii) Regenerative Medicine — China; and (iii) Pharmaceutical Manufacturing — China. In 2012, we exited our operations in China. Effective

March 31, 2012, we no longer operated in the Regenerative Medicine – China reportable segment, which was reported in discontinued operations in 2012 (see Note 14). On November 13, 2012, we completed the sale of our 51% interest in Suzhou Erye, which represented the operations in our Pharmaceutical Manufacturing - China segment, and is also reported in discontinued operations (see Note 14). As a result, we currently operate in a single reporting segment - Cell Therapy, which will focus on CDMO and cell therapy development programs.

We believe that NeoStem is ideally positioned to be an integrated leader in the cell therapy industry. We have significant basic research and development capabilities, manufacturing facilities on both the east and west coast of the United States, the support of regulatory and logistical expertise and a talented and experienced clinical team. We believe this expertise will allow us to achieve our mission of becoming the premier cell therapy company.

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying Consolidated Financial Statements of the Company and its subsidiaries, which are unaudited, include all normal and recurring adjustments considered necessary to present fairly the Company's financial position as of September 30, 2013 and the results of its operations and its cash flows for the periods presented. The unaudited consolidated financial statements herein should be read together with the historical consolidated financial statements of the Company for the years ended December 31, 2012 and 2011 included in our Annual Report on Form 10-K for the year ended December 31, 2012. Operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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, as well as the operations of our former Regenerative Medicine - China segment through the deconsolidation date on March 31, 2012 (see Note 14), and the operations of our former Pharmaceutical Manufacturing - China reporting segment through November 13, 2012, representing the date which the segment was sold (see Note 14). These former segments are reported in discontinued operations.

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
Amorcyte, LLC	100%	United States of America
Progenitor Cell Therapy, LLC (PCT)	100%	United States of America
NeoStem Family Storage, LLC	100%	United States of America
Athelos Corporation (1)	83.3%	United States of America
PCT Allendale, LLC	100%	United States of America

(1) Pursuant to the Stock Purchase Agreement signed in March 2011, our initial ownership in Athelos was 80.1%, and Becton Dickinson's ("BD") initial minority ownership was 19.9%. Per the Agreement, BD will be diluted based on new investment in Athelos by us (subject to certain anti-dilution provisions). As of September 30, 2013, BD's ownership interest in Athelos was decreased to 16.7%, and our ownership increased to 83.3%. As a result in the change in ownership, approximately $0.1 million was transferred from additional paid in capital to non-controlling interests.

Note 2 – Summary of Significant Accounting Policies

In addition to the policies below, our significant accounting policies are described in Note 2 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. There were no changes during the nine months ended September 30, 2013.

Accounts Receivable

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.

Goodwill and Other Intangible Assets

Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. The Company's intangible assets with an indefinite life are related to in process research and development for AMR-001, the clinical candidate acquired in the Amorcyte acquisition, as the Company expects this research and development to provide the Company with substantial benefit for a period that extends beyond the foreseeable horizon. Amortized intangible assets consist of customer lists, manufacturing technology, and tradename, as well as patents and rights associated primarily with the VSEL™ Technology. These intangible assets are amortized on a straight line basis over their respective useful lives.

The Company reviews goodwill and indefinite-lived intangible assets at least annually for possible impairment. Goodwill and indefinite-lived intangible assets are reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company tests its goodwill and indefinite-lived intangible assets each year on December 31. The Company reviews the carrying value of goodwill and indefinite-lived intangible assets utilizing a discounted cash flow model, and, where appropriate, a market value approach is also utilized to supplement the discounted cash flow model. The Company makes assumptions regarding estimated future cash flows, discount rates, long-term growth rates and market values to determine each reporting unit's estimated fair value. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges.

Revenue Recognition

Clinical Services: The Company recognizes revenue for its (i) cell process development and (ii) cell manufacturing services based on the terms of individual contracts.

Revenues associated with cell process development services generally contain multiple stages that do not have stand-alone values and are dependent upon one another, and are recognized as revenue on a completed contract basis. We recognize revenues for cell development services when all of the following conditions are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or the services have been rendered;
- the fee is fixed or determinable; and
- collectability is probable.

The Company considers signed contracts as evidence of an arrangement. The Company assesses whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the payment terms are subject to refund or adjustment. The Company assesses cash collectability based on a number of factors, including past collection history with the client and the client's creditworthiness. If the Company determines that collectability is not reasonably assured, it defers revenue recognition until collectability becomes reasonably assured, which is generally upon receipt of the cash.

Cell manufacturing services are generally distinct arrangements whereby the Company is paid for time and materials or for fixed monthly amounts. Revenue is recognized when efforts are expended or contractual terms have been met.

Some client agreements include multiple elements, comprised of cell process development and cell manufacturing services. The Company believes that cell process development and cell manufacturing services each have stand-alone value because these services can be provided separately by other companies. In accordance with ASC Update No. 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements," the Company (1) separates deliverables into separate units of accounting when deliverables are sold in a bundled arrangement and (2) allocates the arrangement's consideration to each unit in the arrangement based on its relative selling price.

Clinical Services Reimbursements: The Company separately charges the customers for the expenses associated with certain consumable resources (reimbursable expenses) that are specified in each clinical services contract. On a monthly basis, the Company bills customers for reimbursable expenses and immediately recognizes these billings as revenue, as the revenue is deemed earned as reimbursable expenses are incurred. For the three months ended September 30, 2013 and 2012, clinical services reimbursements were $0.6 million and $0.9 million, respectively. For the nine months ended September 30, 2013 and 2012, clinical services reimbursements were $1.4 million and $2.9 million, respectively.

Processing and Storage Services: The Company recognizes revenue related to the collection and cryopreservation of cord blood and autologous adult stem cells when the cryopreservation process is completed which is approximately 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 advance payments.

Note 3 – Cash and Cash Equivalents

As of September 30, 2013 and December 31, 2012, the Company had cash and cash equivalents of approximately $16.9 million and $13.7 million, respectively, including bank deposits of approximately $0.7 million and $0.8 million, respectively, covered by the Federal Deposit Insurance Corporation.

Note 4 – Inventories

Inventories, representing work in process for costs incurred on projects at PCT that have not been completed, were $0.5 million and $1.1 million as of September 30, 2013 and December 31, 2012, respectively. The Company also has deferred revenue of approximately $0.7 million and $1.2 million of advance billings received as of September 30, 2013 and December 31, 2012, respectively, related to these contracts.

Note 5 – Loss Per Share

For three and nine months ended September 30, 2013 and 2012, the Company incurred net losses and therefore no common stock equivalents were utilized in the calculation of loss per share. At September 30, 2013 and 2012, the Company excluded the following potentially dilutive securities:

	September 30,	
	2013	2012
Stock Options	2,840,668	2,238,964
Warrants	5,054,302	5,631,418
Series E Preferred Stock, Common stock equivalents	—	236,480
Restricted Shares	92,000	23,200

Note 6 – 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 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 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 the warrant derivative liabilities to be level 3 inputs. These inputs require material subjectivity because value is derived through the use of a lattice model that values the derivatives based on probability weighted discounted cash flows.

The Company also determined the fair value of contingent consideration, initially recognized on October 17, 2011 in connection with the Company's acquisition of Amorcyte, to be level 3 inputs. The fair value of contingent consideration obligations is based on a discounted cash flow model using a probability-weighted income approach. The measurement is based upon unobservable inputs supported by little or no market activity based on our own assumptions and experience. The value of our contingent consideration was initially calculated using a discount rate of 30%. We base the timing to complete the development and approval of this product on the current development stage of the product and the inherent difficulties and uncertainties in developing a product candidate, such as obtaining U.S. Food and Drug Administration (FDA) and other regulatory approvals. In determining the probability of regulatory approval and commercial success, we utilize data regarding similar milestone events from several sources, including industry studies and our own experience. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, changes in assumptions could have a material impact on the amount of contingent consideration expense we record in any given period. Changes in the fair value of the contingent consideration obligations are recorded in our consolidated statement of operations.

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, 2013, and December 31, 2012 (in thousands):

	September 30, 2013		
	Fair Value Measurements Using Fair Value Hierarchy		
	Level 1	Level 2	Level 3
Warrant derivative liabilities	$ —	$ —	$ 114.1
Contingent consideration	—	—	7,550.0

	December 31, 2012		
	Fair Value Measurements Using Fair Value Hierarchy		
	Level 1	Level 2	Level 3
Warrant derivative liabilities	$ —	$ —	$ 101.2
Contingent consideration	—	—	7,550.0

For those financial instruments with significant Level 3 inputs, the following table summarizes the activity for the three and nine months ended September 30, 2013 by type of instrument (in thousands):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	Warrants	Contingent Consideration	Warrants	Contingent Consideration
Beginning liability balance	$ 32.6	$ 7,550.0	$ 101.2	$ 7,550.0
Change in fair value recorded in earnings	81.5	—	12.9	—
Ending liability balance	$ 114.1	$ 7,550.0	$ 114.1	$ 7,550.0

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, accounts receivable, accounts payable and notes payable, and long-term notes payable and mortgages.

Note 7 – Goodwill and Other Intangible Assets

The Company's goodwill was $11.1 million as of September 30, 2013 and December 31, 2012.

The Company's intangible assets and related accumulated amortization as of September 30, 2013 and December 31, 2012 consisted of the following (in thousands):

		September 30, 2013			December 31, 2012		
	Useful Life	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer list	10 years	$ 1,000.0	$ (270.1)	$ 729.9	$ 1,000.0	$ (195.1)	$ 804.9
Manufacturing technology	10 years	3,900.0	(1,053.4)	2,846.6	3,900.0	(760.9)	3,139.1
Tradename	10 years	800.0	(216.1)	583.9	800.0	(156.1)	643.9
In process R&D	Indefinite	9,400.0	—	9,400.0	9,400.0	—	9,400.0
VSEL patent rights	19 years	669.0	(202.5)	466.5	669.0	(176.1)	492.9
Total Intangible Assets		$ 15,769.0	$ (1,742.1)	$ 14,026.9	$ 15,769.0	$ (1,288.2)	$ 14,480.8

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Cost of revenue	$ 97.5	$ 97.5	$ 292.5	$ 292.5
Research and development	8.8	8.8	26.4	26.4
Selling, general and administrative	45.0	45.0	135.0	135.0
Total	$ 151.3	$ 151.3	$ 453.9	$ 453.9

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

2013	$ 151.3
2014	605.2
2015	605.2
2016	605.2
2017	605.2
Thereafter	11,454.8
	$ 14,026.9

Note 8 – Accrued Liabilities

Accrued liabilities as of September 30, 2013 and December 31, 2012 were as follows (in thousands):

	September 30, 2013	December 31, 2012
Salaries, employee benefits and related taxes	$ 920.8	$ 1,597.2
Professional fees	654.9	606.6
Other	656.1	81.0
	$ 2,231.8	$ 2,284.8

Note 9 – Debt

Notes Payable

As of September 30, 2013 and December 31, 2012, the Company had notes payable of approximately $0.8 million and $0.4 million, respectively. The notes relate to certain insurance policies and equipment financings, require monthly payments, and mature within one to three years.

Mortgages Payable

On October 31, 2007, PCT issued a note to borrow $3.1 million (the "Note") in connection with its $3.8 million purchase of condominium units in an existing building in Allendale, New Jersey (the "Property") that PCT uses as a laboratory and stem cell processing facility. The Note is payable in 239 consecutive monthly payments of principal and interest, based on a 20 year amortization schedule; and one final payment of all outstanding principal plus accrued interest then due. The current monthly installment is $20,766, which includes interest at an initial rate of 5.00%; the interest rate and monthly installments payments are subject to adjustment on October 1, 2017. On that date, upon prior written notice, the lender has the option to declare the entire outstanding principal balance, together with all outstanding interest, due and payable in full. The Note is secured by substantially all of the assets of PCT, including a first mortgage on the Property and assignment of an amount approximately equal to eighteen months debt service held in escrow. The Note matures on October 1, 2027 if not called by the lender on October 1, 2017. The note is subject to certain debt service coverage and total debt to tangible net worth financial covenant ratios measured semi-annually. PCT was not in compliance with such covenants at the measurement date of December 31, 2012, and June 30, 2013, and obtained a covenant waiver letter from the lender for each period. The outstanding balance was approximately $2.5 million at September 30, 2013, and $2.6 million at December 31, 2012, respectively, of which $0.1 million is payable within twelve months as of September 30, 2013. The mortgage is classified as a current liability.

On December 6, 2010 PCT Allendale, a wholly-owned subsidiary of PCT, entered into a note for a second mortgage in the amount of $1 million on the Allendale Property with TD Bank, N.A. This loan is guaranteed by PCT, DomaniCell (a wholly-owned subsidiary of PCT, now known as NeoStem Family Storage, LLC), Northern New Jersey Cancer Associates ("NNJCA") and certain partners of NNJCA and is subject to an annual financial covenant starting December 31, 2011. PCT was not in compliance with such covenants at the measurement date of December 31, 2012, and obtained a covenant waiver letter from the lender. The loan is for 124 months at a fixed rate of 6% for the first 64 months. The loan is callable for a certain period prior to the interest reset date. The outstanding balance was approximately $0.8 million at September 30, 2013, and $0.8 million at December 31, 2012, respectively, of which $0.1 million is payable within twelve months as of September 30, 2013. The mortgage is classified as a current liability.

Note 10 – Preferred Stock

Convertible Redeemable Series E 7% Preferred Stock

On November 19, 2010, the Company sold 10,582,011 Preferred Offering Units consisting of (i) 10,582,011 shares ("Preferred Shares") of Series E 7% Senior Convertible Preferred Stock (the "Series E Preferred Stock"), par value $0.01 per share, of the Company, (ii) Class E Warrants to purchase an aggregate of 132,249 shares of Common Stock, adjusted to an aggregate of 199,031 shares as of September 30, 2013; and (iii) an aggregate of 16,442 shares of Common Stock. Each Preferred Offering Unit was priced at $0.945 and total gross and net proceeds received by the Company were $10.0 million and $8.9 million, respectively.

Monthly dividend and principal payments began in March 2011, and continued each month thereafter with the final payment due in May 2013. In October 2012, the Company completed the redemption of all 2,351,558 Series E Preferred Stock shares then remaining outstanding , for an aggregate cash redemption price of approximately $3.4 million, $2.5 million of which was funded by money placed into escrow when the Series E Preferred stock was issued in November 2010. The cash redemption included the repayment of $3.1 million outstanding principal, an additional early redemption premium of $0.2 million, which was included in dividends, and $36,000 of accrued interest.

The Company recorded the fair value of the warrants as a long-term derivative liability. The fair values of the warrant derivatives as of September 30, 2013 and December 31, 2012 were $114,100 and $101,200, respectively. The Company reports changes in the fair value of the warrant derivative in earnings within other income (expense), net (see Note 6).

Note 11 – Shareholders' Equity

Reverse Stock Split

On June 28, 2013, pursuant to prior shareholder authorization, the Company's board of directors unanimously approved a 1-for-10 reverse stock split of the Company's common stock, which the Company effected on July 16, 2013. All share and per share amounts of common stock, options and warrants in the accompanying financial statements have been restated for all periods to give retroactive effect to the reverse stock split. The shares of common stock retained a par value of $0.001 per share. Accordingly, the stockholders' deficit reflects the reverse stock split by reclassifying from "common stock" to "Additional paid-in capital" an amount equal to the par value of the decreased shares resulting from the reverse stock split.

Equity Issuances

In September 2011, the Company entered into a Common Stock Purchase Agreement, (the "Purchase Agreement") with Aspire Capital Fund, LLC, an Illinois limited liability company ("Aspire Capital"), which provides that, subject to certain terms and conditions, Aspire Capital is committed to purchase up to an aggregate of $20.0 million worth of shares of the Company's common stock over the term of the Purchase Agreement (initially 24 months). At the Company's discretion, it may present Aspire Capital with purchase notices under the Purchase Agreement from time to time, to purchase the Company's Common Stock, provided certain price and other requirements are met. The purchase price for the shares of stock is based upon one of two formulas set forth in the Purchase Agreement depending on the type of purchase notice we submit to Aspire Capital from time to time, and is based on market prices of the Company's common stock (in the case of regular purchases) or a discount of 5% applied to volume weighted average prices (in the case of VWAP purchases), in each case as determined by parameters defined in the Purchase Agreement. The Company and Aspire Capital shall not effect any sales under the Purchase Agreement on any date where the closing sales price is less than 75% of the closing sales price on the business day immediately preceding the date of the Purchase Agreement. The Company's net proceeds will depend on the purchase price and the frequency of the Company's sales of shares to Aspire Capital; provided, however, that the maximum aggregate proceeds from sales of shares is $20.0 million. The Company's delivery of purchase notices will be made subject to market conditions, in light of the Company's capital needs from time to time and under the limitations contained in the Purchase Agreement. As consideration for entering into the Purchase Agreement, effective September 30, 2011, we issued 99,010 shares of our Common Stock to Aspire Capital (the "Commitment Shares"). The issuance of shares of common stock to Aspire Capital pursuant to the Purchase Agreement, including the Commitment Shares, and the sale of those shares from time to time by Aspire Capital to the public, are covered by an effective shelf registration statement on Form S-3.

In August 2012, the Company and Aspire entered into an amendment to the Purchase Agreement providing for an extension of the term of the Purchase Agreement until September 30, 2015. Pursuant to the amendment, we agreed to issue to Aspire a five-year warrant to purchase up to 161,290 shares of our common stock at an exercise price of $6.00 per share (the closing price of our common stock on the date the amendment was executed).

During the nine months ended September 30, 2013, the Company issued 1,639,659 shares of Common Stock under the provisions of its equity line of credit with Aspire for gross proceeds of approximately $11.1 million. As of September 30, 2013, the remaining amount available to the Company under the Purchase Agreement was $5.6 million.

In the second quarter of 2013, the Company completed an underwritten offering of 2.0 million shares of the Company's common stock, at a public offering price of $5.00 per share. The underwriters also exercised their entire over-allotment option of 0.3 million shares. The Company received gross proceeds of $11.5 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company.

Option Exercises

During the nine months ended ended September 30, 2013, option holders exercised an aggregate of 16,369 options at exercise prices between $4.90 and $5.90 per share for gross proceeds of approximately $0.1 million.

Warrant Exercises

To raise capital on terms that we deemed favorable, during the nine months ended September 30, 2013, the Board authorized certain inducements to warrant holders to exercise outstanding common stock purchase warrants significantly before their expiration dates. The Company determined in each instance that such inducements were modifications of equity instruments, and an incremental fair value of the inducement was determined using the Black-Scholes option pricing model.

During the nine months ended ended September 30, 2013, warrant holders exercised an aggregate of 401,215 warrants at exercise prices between $5.10 and $7.40 per share for gross proceeds of approximately $2.1 million. As an inducement to exercise, we paid certain warrant holders $0.30 per share upon each exercise. The incremental fair value of the inducement recorded was $0.

Stock Options and Warrants

The following table summarizes the activity for stock options and warrants for the nine months ended September 30, 2013:

	Stock Options		Warrants	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2012	2,168,668	$12.85	5,528,761	$15.65
Changes during the Year:				
Granted	895,418	7.06	42,835	6.28
Exercised	(16,369)	5.29	(401,215)	5.30
Forfeited	(86,212)	5.51	—	—
Expired	(120,837)	16.99	(116,079)	20.61
Outstanding at September 30, 2013	2,840,668	$11.12	5,054,302	$16.26

During the nine months ended September 30, 2013 and 2012, the Company issued warrants for services as follows ($ in thousands, except share data):

	Nine Months Ended September 30,	
	2013	2012
Number of Common Stock Purchase Warrants Issued	20,407	38,500
Value of Common Stock Purchase Warrants Issued	$ 70.5	$ 166.2

Restricted Stock

During the nine months ended September 30, 2013 and 2012, the Company issued restricted stock for services as follows ($ in thousands, except share data):

	Nine Months Ended September 30,	
	2013	2012
Number of Restricted Stock Issued	452,454	269,727
Value of Restricted Stock Issued	$ 2,967.7	$ 1,438.6

The weighted average estimated fair value of restricted stock issued for services in the nine months ended September 30, 2013 and 2012 was $6.56 and $5.33 per share, respectively. The fair value of the restricted stock was determined using the Company's closing stock price on the date of issuance. The vesting terms of restricted stock issuances are generally within one year.

Note 12 – Share-Based Compensation

Share-based Compensation

We utilize share-based compensation in the form of stock options, warrants and restricted stock. The following table summarizes the components of share-based compensation expense for the three and nine months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Cost of goods sold	$ 88.8	$ 19.8	$ 233.7	$ 120.1
Research and development	319.9	102.2	667.0	362.4
Selling, general and administrative	1,718.9	1,794.2	4,511.8	4,988.7
Total share-based compensation expense	$ 2,127.6	$ 1,916.2	$ 5,412.5	$ 5,471.2

Total compensation cost related to nonvested awards not yet recognized and the weighted-average periods over which the awards are expected to be recognized at September 30, 2013 were as follows (dollars in thousands):

	Stock Options	Warrants	Restricted Stock
Unrecognized compensation cost	$ 3,101.8	$ 16.2	$ 588.7
Expected weighted-average period in years of compensation cost to be recognized	4.07	0.24	0.57

Total fair value of shares vested and the weighted average estimated fair values of shares granted for the nine months ended September 30, 2013 and 2012 were as follows (dollars in thousands):

	Stock Options		Warrants	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total fair value of shares vested	$ 2,470.0	$ 3,637.8	$ 123.0	$ 121.6
Weighted average estimated fair value of shares granted	$ 4.30	$ 3.63	$ 3.45	$ 4.32

Note 13 – Income Taxes

The Tax Reform Act of 1986 enacted a complex set of rules limiting the utilization of net operating loss carryforwards (“NOL”) 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. As of December 31, 2012, the Company has lost $26.0 million or $8.8 million in tax benefits, of net operating losses applicable to Federal income taxes which expired due to these limitations and expiration of net operating loss carryforwards. At December 31, 2012, the Company had net operating loss carryforwards of approximately $69.7 million applicable to future Federal income taxes. The tax loss carryforwards are subject to annual limitations and expire at various dates through 2030. The Company has recorded a full valuation allowance against its net deferred tax asset because it is more likely than not that such deferred tax assets will not be realized.

Deferred tax liabilities were $4.1 million and $3.6 million as of September 30, 2013 and December 31, 2012, and relate to the taxable temporary differences on the goodwill recognized in the PCT acquisition in 2011, and the in-process R&D intangible asset recognized in the Amorcyte acquisition in 2011. The taxable temporary difference associated with the goodwill, which is tax deductible and will be amortized over 15 years, will continue to increase the deferred tax liability balance over the amortization period, with an associated charge to the tax provision in each period. The deferred tax liabilities will only reverse when these indefinite-lived assets are sold, impaired, or reclassified from an indefinite-lived asset to a finite-lived asset.

As of September 30, 2013, 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 year.

Note 14 – Discontinued Operations

Regenerative Medicine - China segment

In 2009, the Company operated its Regenerative Medicine-China business in the People's Republic of China ("China" or "PRC") through its subsidiary, a wholly foreign owned entity ("WFOE") and entered into contractual arrangements with certain variable interest entities ("VIEs"). Foreign companies have commonly used VIE structures to operate in the PRC, and while such structures are not uncommon, they had drawn greater scrutiny from the local Chinese business community in the PRC who urged the PRC State Council to clamp down on these structures. In addition, in December 2011, China's Ministry of Health announced its intention to more tightly regulate stem cell clinical trials and stem cell therapeutic treatments in the PRC, which created uncertainty regarding the ultimate regulatory environment in the PRC. Accordingly, the Company took steps to restrict, and ultimately eliminate, its regenerative medicine business in the PRC. As a result of these steps, the Company discontinued its operations in its Regenerative Medicine-China business. The Company determined that any liability arising from the activities of the WFOE and the VIEs will likely be limited to the net assets currently held by each entity. As of March 31, 2012, the Company recognized the following loss on exit of the Regenerative Medicine-China business (in thousands):

Cash	$	195.1
Prepaid expenses and other current assets		14.9
Property, plant and equipment, net		1,023.7
Other Assets		330.5
Accounts payable		(177.1)
Accrued liabilities		(79.2)
Accumulated comprehensive income		(169.9)
Loss on exit of segment	$	1,138.0

The operations and cash flows of the Regenerative Medicine - China business were eliminated from ongoing operations as a result of our exit decision, and the Company will not have continuing involvement in this business going forward. The operating results of the Regenerative Medicine – China business for the nine months ended September 30, 2012, which are included in discontinued operations, were as follows (in thousands):

		Nine Months Ended September 30, 2012
Revenue	$	52.3
Cost of revenues		(30.6)
Research and development		(103.3)
Selling, general, and administrative		(497.3)
Other income (expense)		(6.8)
Loss on exit of segment		(1,138.0)
Loss from discontinued operations	$	(1,723.7)

Pharmaceutical Manufacturing - China segment

On November 13, 2012, the Company completed the divestiture (the "Erye Sale") of our 51% interest (the "Erye Interest") in Suzhou Erye Pharmaceuticals Company Ltd., a Sino-foreign equity joint venture with limited liability organized under the laws of the PRC primarily engaged in the manufacture of generic antibiotics ("Erye"), to Suzhou Erye Economy & Trading Co., Ltd., a limited liability company organized under the laws of the PRC ("EET"), and Highacheive Holdings Limited, a limited liability

company organized under the laws of the British Virgin Islands ("Highacheive" and together with EET, each a "Purchaser" and collectively the "Purchasers"). The Erye Sale was consummated pursuant to the terms and conditions of the Equity Purchase Agreement, dated as of June 18, 2012 (as amended, the "Equity Purchase Agreement"), by and among our Company, China Biopharmaceuticals Holdings, Inc., a wholly-owned subsidiary of NeoStem ("CBH"), EET, Highacheive, Fullbright Finance Limited, a limited liability company organized under the laws of the British Virgin Islands ("Fullbright"), and Erye. Pursuant to the Equity Purchase Agreement, the aggregate purchase price paid to the Company by the Purchasers for the Erye Interest consisted of (i) approximately $12.3 million in cash, (ii) the return to the Company of 104,000 shares of NeoStem common stock and (iii) the cancellation of 117,000 options and 64,000 warrants to purchase our common stock. The fair value of the shares was based on the Company's closing price on the date of sale, and was recorded as Treasury Stock in our balance sheet. The fair values of the canceled options and warrants were based on the Black-Scholes values on the date of sale, and were recorded against Additional Paid in Capital in the accompanying balance sheet. The Company recognized the following loss on the date of sale of its 51% interest in Erye on November 13, 2012 (in thousands):

Fair value of consideration received	$	13,397.9
Carrying value of segment non-controlling interest		6,015.0
Carrying value of segment accumulated comprehensive income		4,387.4
	$	23,800.3
Less carrying amount of assets and liabilities sold:		
Cash	$	8,457.5
Restricted Cash		2,918.1
Accounts Receivable		6,130.2
Inventories		15,077.7
Prepaid expenses and other current assets		957.8
Property, plant and equipment, net		38,102.0
Other assets		5,946.3
Accounts payable		(9,604.8)
Accrued liabilities		(2,008.8)
Bank loans		(15,133.5)
Notes payable		(6,599.3)
Other liabilities		(9,166.8)
Amount due related party		(7,859.7)
	$	(27,216.7)
Loss on exit of segment	$	(3,416.4)

The operations and cash flows of the Pharmaceutical Manufacturing - China business were eliminated from ongoing operations with the sale of the Company's Erye Interest. The operating results of the Pharmaceutical Manufacturing - China business for the three and nine months ended September 30, 2012, including the estimated asset impairments based on the definitive agreement purchase price as of September 30, 2012, were as follows (in thousands):

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Revenue	$ 20,036.4	$ 57,254.7
Cost of revenues	(11,551.5)	(37,131.5)
Research and development	(611.8)	(2,231.5)
Selling, general, and administrative	(3,514.7)	(9,714.8)
Other expense	(0.9)	(1,008.3)
Provision for income taxes	(1,029.9)	(1,535.4)
Asset impairments	(3,175.5)	(31,170.1)
Loss on sale of segment	—	—
Loss from discontinued operations	$ 152.1	$ (25,536.9)

Note 15 – Related Party Transactions

On November 13, 2012, we and our subsidiary, CBH, sold our 51% ownership interest in Erye to Fullbright and EET (see Note 14). EET was prior to the sale the holder of the minority 49% ownership interest in Erye, and was a party along with our subsidiary CBH to the Joint Venture Agreement which had governed the ownership of the respective interests in Erye. Fullbright is an affiliate of EET. Mr. Shi Mingsheng (a former member of our Board of Directors, and Chairman of the Board of Erye) and Madam Zhang Jian (the General Manager of Erye, and formerly our Vice President of Pharmaceutical Operations) are the principal equity holders of each of EET and Fullbright. Fullbright assigned all its rights and obligations under the Equity Purchase Agreement (except for its obligations in respect of the return of certain NeoStem securities held by it as part of the purchase price, and its obligations in respect of closing deliverables) to Highacheive. As a result of the assignment, the Purchasers of our Erye Interest were EET and Highacheive.

Note 16 – Commitments and Contingencies

Lease Commitments

The Company leases offices, of which certain have escalation clauses and renewal options, and also leases equipment under certain noncancelable operating leases that expire from time to time through 2017.

A summary of future minimum rental payments required under operating leases that have initial or remaining terms in excess of one year as of September 30, 2013 are as follows (in thousands):

Years ended	Operating Leases
2013	$ 223.1
2014	900.9
2015	726.7
2016	568.6
2017	294.7
Total minimum lease payments	$ 2,714.0

Expense incurred under operating leases was approximately $0.3 million and $0.4 million for the three months ended September 30, 2013 and 2012, respectively, and $0.9 million and $1.2 million for the nine months ended September 30, 2013 and 2012, respectively.

Contingencies

Under license agreements with third parties the Company is typically required to pay maintenance fees, make milestone payments and/or pay other fees and expenses and pay royalties upon commercialization of products. The Company also sponsors research at various academic institutions, which research agreements generally provide us with an option to license new technology discovered during the course of the sponsored research.

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 ("SEC") 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 has been in various situations. The Company had previously filed a registration statement as required for some of the holders, and in May 2011 filed a registration statement for all of the holders (except for holders whose shares of Common Stock were currently salable under Rule 144 of the Securities Act or who waived certain rights); such registration statement was declared effective by the SEC on September 30, 2011. The Company has certain obligations to maintain the effectiveness of this registration statement. Certain holders who had outstanding registration rights had previously waived their registration rights or were subject to lock-up agreements. 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) most shares of Common Stock as to which registration rights attached are either now registered or currently salable under Rule 144 of the Securities Act or are otherwise currently subject to other restrictions on sale and (ii) the shares of Common Stock underlying warrants with registration rights are now registered, and during much of the relevant periods the warrants with registration rights generally have been out of the money, were subject to lock-up agreements and/or the underlying shares of Common Stock were otherwise subject to restrictions on resale. 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 would not be material.

Note 17 – Subsequent Events

Public Offering

On October 3, 2013, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with Aegis Capital Corp. ("Aegis"), providing for the offer and sale in a firm commitment underwritten public offering (the "Offering") of 5,000,000 shares of the Company's common stock, par value $0.001 per share at a public offering price of $7.00 per share. The underwriter also exercised its entire over-allotment option of 750,000 shares in accordance with the Underwriting Agreement. The Company received gross proceeds of approximately $40.3 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company. The Offering closed on October 9, 2013.

Option and Warrant Exercises

Subsequent to September 30, 2013, warrant holders exercised an aggregate of 161,951 warrants at exercise prices between $5.10 and $7.00 per share for gross proceeds of approximately $0.9 million, and option holders exercised an aggregate of 15,000 options at exercise prices between $4.00 and $4.40 per share, for gross proceeds of approximately $0.1 million.

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. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Cautionary Note Regarding Forward-Looking Statements" herein and under "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2012. The following discussion should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this quarterly report and in our annual report on Form 10-K for the year ended December 31, 2012.

Overview

NeoStem, Inc. ("we," "NeoStem" or the "Company") is a leader in the emerging cellular therapy industry. Cellular therapy addresses the process by which new cells are introduced into a tissue and administered to prevent or treat disease, or regenerate damaged or aged tissue. Modern cell-based therapies have progressed from the first recorded human to human blood transfusion 200 years ago through to the advanced cellular therapies of today including bone marrow and organ transplantation, tissue banking and reproductive *in vitro* fertilization and future therapies being investigated to treat cancer, cardiologic, neurologic, ophthalmic and orthopedic diseases among others. We anticipate that cellular therapies will have a large role in changing the natural history of the fight against chronic disease and in lessening the economic burden that these diseases pose to modern society.

Our business model includes the development of novel proprietary cell therapy products as well as operating a contract development and manufacturing organization ("CDMO") providing services to others in the regenerative medicine industry. The combination of a therapeutic development business and revenue-generating service provider business provides the Company with unique capabilities for cost effective in-house product development and immediate revenue and cash flow generation.

Progenitor Cell Therapy, LLC, our wholly owned subsidiary ("PCT"), is a leading CDMO in the cellular therapy industry. Since its inception, PCT has provided pre-clinical and clinical current Good Manufacturing Practice ("cGMP") development and manufacturing services to over 100 clients advancing regenerative medicine product candidates through rigorous quality standards all the way through to human testing. PCT's core competencies in the cellular therapy industry include manufacturing of cell therapy-based products, product and process development, cell and tissue processing, regulatory support, storage, distribution and delivery and consulting services. PCT has two cGMP, state-of-the art cell therapy research, development, and manufacturing facilities in New Jersey and California, serving the cell therapy community with integrated and regulatory compliant distribution capabilities. Expansion work currently in progress at PCT's New Jersey and California facilities is expected to be completed during the first quarter of 2014. The Company intends to pursue commercial expansion of our manufacturing operations both in the U.S. and internationally.

Our wholly-owned subsidiary, Amorcyte, LLC ("Amorcyte"), is developing AMR-001 for the treatment of cardiovascular disease. AMR-001 represents Amorcyte's most clinically advanced therapeutic product candidate and enrollment for the Phase 2 PreSERVE clinical trial to investigate AMR-001's safety and efficacy in preserving heart function after a particular type of acute myocardial infarction ("AMI") commenced in 2012. We are on track to complete patient enrollment for this study in 2013 with the first data readout expected six to eight months after the last patient is infused. If approved by the U.S. Food and Drug Administration ("FDA") and/or other worldwide regulatory agencies, AMR-001 would address a significant unmet medical need in the treatment of AMI, potentially improving the quality and longevity of life for those afflicted, and positioning the Company to capture a meaningful share of the worldwide AMI therapy market. Potential congestive heart failure and traumatic brain injury indications for AMR-001 are also being explored.

Through our majority-owned subsidiary, Athelos Corporation ("Athelos"), we are collaborating with Becton-Dickinson and the University of California, San Francisco in early stage clinical development of a therapy that utilizes T-cells, to treat autoimmune and inflammatory conditions. We plan to file an Investigational New Drug Application ("IND") to investigate the clinical feasibility of nTreg-based therapeutics to prevent and/or treat steroid resistant asthma (preparing for Phase 1b/2a trial). Through INDs sponsored by UCSF we also plan to study nTreg-based therapeutics in prevention and/or treatment of type 1 diabetes (Phase 2 IND in preparation), and solid organ transplantation tolerance (Phase 1 IND submitted).

Pre-clinical assets include our VSEL™ (Very Small Embryonic Like) Technology platform. We expect to file an IND with the FDA to initiate a National Institutes of Health ("NIH") funded human clinical study to investigate the impact of VSELs™ in a tissue repair application. We are also working on a Department of Defense funded study of VSELs™ for the treatment of chronic wounds. Other preclinical work with VSELs™ includes exploring macular degeneration as a target indication.

NeoStem's origins are in adult stem cell collection and storage and we believe that as new therapeutics are developed utilizing one's own stored cells (autologous), the market penetration rate for the collection and storage business may rise sharply from its current low single digits percentage level, allowing our developing network to scale rapidly if the demand grows.

In 2011, we operated our business in three reportable segments: (i) Cell Therapy — United States; (ii) Regenerative Medicine — China; and (iii) Pharmaceutical Manufacturing — China. In 2012, we exited our operations in China. Effective March 31, 2012, we no longer operated in the Regenerative Medicine – China reportable segment, which was reported in discontinued operations in 2012 (see Note 14). On November 13, 2012, we completed the sale of our 51% interest in Suzhou Erye, which represented the operations in our Pharmaceutical Manufacturing - China segment, and is also reported in discontinued operations (see Note 14). As a result, we currently operate in a single reporting segment - Cell Therapy, which will focus on CDMO and cell therapy development programs.

We believe that NeoStem is ideally positioned to be an integrated leader in the cell therapy industry. We have significant basic research and development capabilities, manufacturing facilities on both the east and west coast of the United States, the support of regulatory and logistical expertise and a talented and experienced clinical team. We believe this expertise will allow us to achieve our mission of becoming the premier cell therapy company.

Results of Operations

Three and Nine Months Ended September 30, 2013 Compared to Three and Nine Months Ended September 30, 2012

Net loss for the three months ended September 30, 2013 was approximately $9.3 million compared to $8.4 million for the three months ended September 30, 2012. Our net losses from continuing operations for the three months ended September 30, 2013 and 2012 were approximately $9.3 million and $8.5 million, respectively. The net income from discontinued operations - net for the three months ended September 30, 2012 were approximately $0.2 million, representing the operations of our former Pharmaceutical Manufacturing - China segment, comprised of our 51% interest in Suzhou Erye, which was sold in the fourth quarter of 2012.

Net loss for the nine months ended September 30, 2013 was approximately $26.8 million compared to $51.0 million for the nine months ended September 30, 2012. Our net losses from continuing operations for the nine months ended September 30, 2013 and 2012 were approximately $26.8 million and $23.8 million, respectively. The net losses from discontinued operations - net for the nine months ended September 30, 2012 were approximately $27.3 million, representing the operations of our former Regenerative Medicine – China segment, which was deconsolidated in the first quarter of 2012, and the operations of our Pharmaceutical Manufacturing - China segment.

Revenues

For the three months ended September 30, 2013, total revenues were approximately $3.7 million compared to $4.4 million for the three months ended September 30, 2012, representing a decrease of $0.7 million, or 16%. Revenues were comprised of the following (in thousands):

	Three Months Ended September 30,	
	2013	2012
Clinical Services	$ 2,241.0	$ 2,921.8
Clinical Services Reimbursables	649.9	928.0
Processing and Storage Services	816.0	577.9
Other	—	6.3
	$ 3,706.9	$ 4,434.0

- Clinical Services, representing *process development* and *clinical manufacturing* services provided by PCT to its various clients, were approximately $2.2 million for the three months ended September 30, 2013 compared to $2.9 million for the three months ended September 30, 2012, representing a decrease of approximately $0.7 million or 23%. The decrease was primarily due to $1.6 million of lower process development revenue, such revenue being recognized on a "completed contract" basis, which was partially offset by $0.9 million of higher clinical manufacturing revenue (which is recognized as services are rendered). Overall, there were approximately 50% more Clinical Services active clients as of September 30, 2013 compared to September 30, 2012.

- *Process Development Revenue* - In accordance with our revenue recognition policy, process development revenue is recognized upon contract completion for certain clinical service contracts (i.e., when the services under a particular contract are completed). In other words, there is no revenue recognized for process development contracts that have not been completed, regardless of the amount of progress billing or the total amount of revenue that will be recognized upon contract completion. During the three months ended September 30, 2013, the majority of process development contracts had not been completed, resulting in the deferral of approximately $0.6 million of process development revenue as of September 30, 2013. As a result, only $0.2 million of process development revenue was recognized during the quarter. Conversely, during the three months ended September 30, 2012, more process development contracts had been completed, resulting in approximately $1.8 million in process development revenue recognition. Process development revenue will continue to fluctuate from period to period as a result of our process development revenue recognition policy.

- *Clinical Manufacturing Revenue* - Clinical manufacturing revenues were approximately $2.0 million for the three months ended September 30, 2013, compared to $1.1 million for the three months ended September 30, 2012. The increase is primarily due to an increase in the number of patients our customers have enrolled and treated in clinical trials.

- Clinical Services Reimbursables, representing reimbursement of expenses for certain consumables incurred on behalf of our clinical service revenue clients, were approximately $0.6 million for the three months ended September 30, 2013 compared to $0.9 million for the three months ended September 30, 2012, representing a decrease of approximately $0.3 million or 30%. Our reimbursable revenue decrease was impacted by changes in contractual terms with certain clients that shifted clinical service expense reimbursables to a fully absorbed billing rate. Generally, our terms for billing reimbursable expenses do not include significant mark up in the acquisition cost of such consumables, and as a result the impact of changes in this revenue category has little or no impact on our net loss.

- Processing and Storage Services, representing revenues from our oncology, cord blood, and adult stem cell processing and banking activities, were approximately $0.8 million for the three months ended September 30, 2013 compared to $0.6 million for the three months ended September 30, 2012, representing an increase of approximately $0.2 million or 41%. The increase is primarily attributable to increased revenue from our oncology stem cell processing services.

For the nine months ended September 30, 2013, total revenues were approximately $10.6 million compared to $11.6 million for the nine months ended September 30, 2012, representing a decrease of $1.0 million, or 9%. Revenues were comprised of the following (in thousands):

	Nine Months Ended September 30,	
	2013	2012
Clinical Services	$ 6,720.8	$ 6,701.2
Clinical Services Reimbursables	1,436.3	2,881.8
Processing and Storage Services	2,433.1	1,976.8
Other	—	19.0
	$ 10,590.2	$ 11,578.8

- Clinical Services were approximately $6.7 million for the nine months ended September 30, 2013 compared to $6.7 million for the nine months ended September 30, 2012, representing no overall change. However, process development revenue decreased approximately $0.9 million, which was offset by approximately $1.0 million of higher clinical manufacturing revenue.

- *Process Development Revenue* - Process development revenues were approximately $2.0 million for the nine months ended September 30, 2013, compared to $2.9 million for the nine months ended September 30, 2012. The decrease is due to fewer process development contracts being completed during the nine months ended September 30, 2013 compared to the prior year period. Process development revenue will continue to fluctuate from period to period as a result of our process development revenue recognition policy.

- *Clinical Manufacturing Revenue* - Clinical manufacturing revenues were approximately $4.6 million for the nine months ended September 30, 2013, compared to $3.7 million for the three months ended September 30, 2012.

The increase is primarily due to an increase in the number of patients our customers have enrolled and treated in clinical trials.

- Clinical Services Reimbursables were approximately $1.4 million for the nine months ended September 30, 2013 compared to $2.9 million for the nine months ended September 30, 2012, representing a decrease of approximately $1.4 million or 50%. Our reimbursable revenue decrease was impacted by changes in contractual terms with certain clients that shifted clinical service expense reimbursables to a fully absorbed billing rate. Generally, our terms for billing reimbursable expenses do not include significant mark up in the acquisition cost of such consumables, and as a result the impact of changes in this revenue category has little or no impact on our net loss.

- Processing and Storage Services were approximately $2.4 million for the nine months ended September 30, 2013 compared to $2.0 million for the nine months ended September 30, 2012, representing an increase of approximately $0.5 million or 23%. The increase is primarily attributable to increased revenue from our oncology stem cell processing service.

Cost of Revenues

For the three months ended September 30, 2013, total cost of revenues were approximately $3.0 million compared to $3.7 million for the three months ended September 30, 2012, representing a decrease of $0.8 million or 21%. The decrease is primarily due to fewer third party process development contracts being completed during the three months ended September 30, 2013, resulting in the net deferral of approximately $0.5 million of costs associated with the contracts. Overall, gross profit for the three months ended September 30, 2013 was $0.7 million or 20%, compared to gross profit for the three months ended September 30, 2012 of $0.7 million or 15%. Gross profit percentages generally will increase as clinical service revenue increases. However, gross profit percentages will also fluctuate from period to period due to the mix of service and reimbursable revenues and costs, as well as the timing of our revenue recognition under our clinical services revenue recognition policy.

For the nine months ended September 30, 2013, total cost of revenues were approximately $9.6 million compared to $9.4 million for the nine months ended September 30, 2012, representing an increase of $0.2 million or 2%. The increase is primarily due higher operating costs to support more project initiatives during the nine months ended September 30, 2013 compared to the prior year period, as well as the net recognition of approximately $0.6 million of deferred costs associated with process development contracts during the nine months ended September 30, 2013. Overall, gross profit for the nine months ended September 30, 2013 was $1.0 million or 9%, compared to gross profit for the nine months ended September 30, 2012 of $2.1 million or 18%.

Operating Expenses

For the three months ended September 30, 2013 operating expenses totaled $10.0 million compared to $8.8 million for the three months ended September 30, 2012, representing an increase of $1.2 million or 14%. Operating expenses were comprised of the following:

- Research and development expenses were approximately $4.5 million for the three months ended September 30, 2013 compared to $2.8 million for the three months ended September 30, 2012, representing an increase of approximately $1.7 million, or 59%. Research and development expenses associated with our Phase 2 clinical trial for AMR-001 increased by approximately $0.4 million for the three months ended September 30, 2013 compared to the prior year period. The trial was initiated in January 2012 and is expected to complete enrollment in the second half of 2013. Research and development expenses associated with our human Regulatory T cell (“Treg”) platform increased by approximately $0.8 million, and was primarily due to the licensing of patents and collaboration with the third parties to develop Tregs for the treatment of type 1 diabetes, steroid resistant asthma, and organ transplant rejection. Research and development associated with our VSEL™ Technology platform, patent-related costs, and engineering and innovation initiatives at PCT to improve scale up, automation, and integration capabilities also increased. Equity-based compensation included in research and development expenses for the three months ended September 30, 2013 and September 30, 2012 were approximately $0.3 million and $0.1 million, respectively.

- Selling, general and administrative expenses were approximately $5.6 million for the three months ended September 30, 2013 compared to $5.9 million for the three months ended September 30, 2012, representing a decrease of approximately $0.3 million, or 7%. Equity-based compensation included in selling, general and administrative expenses for the three months ended September 30, 2013 was approximately $1.7 million, compared to approximately $1.8 million for the three months ended September 30, 2012, representing a decrease of $0.1 million. Non-equity-based general and administrative expenses for the three months ended September 30, 2013 were approximately $3.8 million, compared to approximately $4.1 million for the three months ended September 30, 2012, representing a decrease of $0.3 million.

For the nine months ended September 30, 2013 operating expenses totaled $27.3 million compared to $24.6 million for the nine months ended September 30, 2012, representing an increase of $2.7 million or 11%. Operating expenses were comprised of the following:

- Research and development expenses were approximately $11.6 million for the nine months ended September 30, 2013 compared to $7.5 million for the nine months ended September 30, 2012, representing an increase of approximately $4.1 million, or 55%. Research and development expenses associated with our Phase 2 clinical trial for AMR-001 increased by approximately $2.7 million for the nine months ended September 30, 2013 compared to the prior year period. Research and development expenses associated with our Treg platform increased by approximately $0.4 million compared to the prior year period. Research and development associated with our VSEL™ Technology platform, patent-related costs, and engineering and innovation initiatives at PCT to improve scale up, automation, and integration capabilities also increased. Equity-based compensation included in research and development expenses for the nine months ended September 30, 2013 and September 30, 2012 were approximately $0.7 million and $0.4 million, respectively.

- Selling, general and administrative expenses were approximately $15.7 million for the nine months ended September 30, 2013 compared to $17.1 million for the nine months ended September 30, 2012, representing a decrease of approximately $1.4 million, or 8%. Equity-based compensation included in selling, general and administrative expenses for the nine months ended September 30, 2013 was approximately $4.5 million, compared to approximately $5.0 million for the nine months ended September 30, 2012, representing a decrease of $0.5 million. Non-equity-based general and administrative expenses for the nine months ended September 30, 2013 were approximately $11.0 million, compared to approximately $11.6 million for the nine months ended September 30, 2012, representing a decrease of $0.6 million. Selling expenses also decreased $0.4 million compared to the prior year period.

Historically, to minimize our use of cash, we have used a variety of equity and equity-linked instruments to compensate employees, consultants and other service providers. The use of these instruments has resulted in charges to the results of operations, which has from time to time in the past been significant. In general, these equity and equity-linked instruments were used to pay for employee and consultant compensation, director fees, marketing services, investor relations and other activities.

Other Income (Expense)

Other income, net for the three months ended September 30, 2013 was approximately $180,000, and other expense, net, for the three months ended September 30, 2012 was $75,000. Other income for the nine months ended September 30, 2013 and September 30, 2012 was approximately $248,000 and $37,000, respectively. Other income (expense), net primarily relates to the revaluation of derivative liabilities that have been established in connection with our formerly outstanding Convertible Redeemable Series E Preferred Stock and the warrants issued in connection therewith.

For the three months ended September 30, 2013 interest expense was $0.1 million compared with $0.4 million for the three months ended September 30, 2012. For the nine months ended September 30, 2013 interest expense was $0.2 million compared with $1.4 million for the nine months ended September 30, 2012. Interest expense in the prior year period was primarily due to the amortization of debt discount related to the Series E Preferred Stock, which was fully redeemed in October 2012.

Provision for Income Taxes

The provision for income taxes for the three and nine months ended September 30, 2013 relate to the taxable temporary differences on the goodwill recognized in the PCT acquisition in 2011, which is being amortized over 15 years for tax purposes. A tax provision will continue to be recognized each period over the amortization period, and will only reverse when the goodwill is eliminated through a sale, impairment, or reclassification from an indefinite-lived asset to a finite-lived asset.

Discontinued Operations

Regenerative Medicine - China segment

In 2009, we operated our Regenerative Medicine-China business in the People’s Republic of China (“China” or “PRC”) through our subsidiary, a wholly foreign owned entity (“WFOE”) and entered into contractual arrangements with certain variable

interest entities (“VIEs”). Foreign companies have commonly used VIE structures to operate in the PRC, and while such structures are not uncommon, they had drawn greater scrutiny from the local Chinese business community in the PRC who urged the PRC State Council to restrict the use of these structures. In addition, in December 2011, China’s Ministry of Health announced its intention to more tightly regulate stem cell clinical trials and stem cell therapeutic treatments in the PRC, which created uncertainty regarding the ultimate regulatory environment in the PRC. Accordingly, we took steps to restrict, and ultimately eliminate our regenerative medicine business in the PRC. As a result of these steps, we discontinued our operations in our Regenerative Medicine-China business. We determined that any liability arising from the activities of the WFOE and the VIEs will likely be limited to the net assets currently held by each entity.

The operations and cash flows for the Regenerative Medicine - China business for the three months ended March 31, 2012 were reported in discontinued operations. For the three months ended March 31, 2012, the loss from discontinued operations was $1.7 million, and included a $1.1 million loss on exit of segment.

Pharmaceutical Manufacturing - China segment

On November 13, 2012, we completed the divestiture (the “Erye Sale”) of our 51% interest (the “Erye Interest”) in Suzhou Erye Pharmaceuticals Company Ltd., a Sino-foreign equity joint venture with limited liability organized under the laws of the PRC primarily engaged in the manufacture of generic antibiotics (“Erye”), to Suzhou Erye Economy & Trading Co., Ltd., a limited liability company organized under the laws of the PRC (“EET”), and Highacheive Holdings Limited, a limited liability company organized under the laws of the British Virgin Islands (“Highacheive” and together with EET, each a “Purchaser” and collectively the “Purchasers”). The Erye Sale was consummated pursuant to the terms and conditions of the Equity Purchase Agreement, dated as of June 18, 2012 (as amended, the “Equity Purchase Agreement”), by and among NeoStem, China Biopharmaceuticals Holdings, Inc., a wholly-owned subsidiary of NeoStem (“CBH”), EET, Highacheive, Fullbright Finance Limited, a limited liability company organized under the laws of the British Virgin Islands (“Fullbright”), and Erye. Pursuant to the Equity Purchase Agreement, the aggregate purchase price paid to us by the Purchasers for the Erye Interest consisted of (i) $12.3 million in cash, (ii) the return to us of 104,000 shares of NeoStem common stock and (iii) the cancellation of 117,000 options and 64,000 warrants to purchase our common stock. The fair value of the shares was based on our closing price on the date of sale, and was recorded as Treasury Stock in our balance sheet. The fair values of the canceled options and warrants were based on the Black-Scholes values on the date of sale, and were recorded against Additional Paid in Capital in the accompanying balance sheet. This transaction resulted in a loss on exit of segment of $3.4 million, which was recorded in the fourth quarter of 2012.

The operations and cash flows of the Pharmaceutical Manufacturing - China business were eliminated from ongoing operations with the sale of the Company's 51% interest in Erye. The operating results of the Pharmaceutical Manufacturing - China business for the three and nine months ended September 30, 2012 were classified as discontinued operations. For the three and nine months ended September 30, 2012, net loss from discontinued operations were $0.2 million and $25.5 million, respectively.

Noncontrolling Interests

In connection with accounting for our 51% interest in Erye, which is reported in discontinued operations, we account for the 49% minority shareholder share of Erye's net income or loss with a charge to Noncontrolling Interests. For the three months ended September 30, 2012, Erye's minority shareholders' share of net loss totaled approximately $0.1 million. For the nine months ended September 30, 2012, Erye's minority shareholders' share of net loss totaled approximately $12.5 million. On November 13, 2012, we completed the divestiture of our 51% interest in Erye.

In March 2011, we acquired rights to use patents under licenses from Becton, Dickinson and Company ("BD") in exchange for a 19.9% interest in our Athelos subsidiary. Pursuant to the Stock Purchase Agreement signed in March 2011, BD's ownership will be diluted based on new investment in Athelos (subject to certain anti-dilution provisions). As of September 30, 2013, BD's ownership interest in Athelos was decreased to 16.7%, and our ownership increased to 83.3%. For the three months ended September 30, 2013 and 2012, Becton’s minority shareholder’s share of Athelos’ net loss totaled approximately $0.2 million and $0.1 million, respectively. For the nine months ended September 30, 2013 and 2012, Becton’s minority shareholder’s share of Athelos’ net loss totaled approximately $0.3 million and $0.2 million, respectively.

Preferred Dividends

The formerly outstanding Convertible Redeemable Series E Preferred Stock called for annual dividends of 7% based on the stated value of the preferred stock. We recorded dividends of approximately $0.1 million and $0.3 million for the three and nine months ended September 30, 2012. The Series E Preferred Stock was fully redeemed in October 2012.

Analysis of Liquidity and Capital Resources

At September 30, 2013 we had a cash balance of approximately $16.9 million, working capital of approximately $10.3 million, and shareholders' equity of approximately $35.7 million.

During the nine months ended September 30, 2013, we met our immediate cash requirements through revenue generated from our PCT operations, existing cash balances, the completion of an underwritten common stock offering (which raised an aggregate of $11.5 million, before deducting underwriting discounts and commissions and offering expenses payable by us), the issuance of common stock under the provisions of our equity line of credit with Aspire (which raised an aggregate of approximately $11.1 million), warrant exercises (which raised approximately $2.1 million), and the use of equity and equity-linked instruments to pay for services and compensation.

Net cash provided by or used in operating, financing and investing activities from continuing operations were as follows (in thousands):

	Nine Months Ended September 30,	
	2013	2012
Net cash used in operating activities - continuing operations	$ (19,737.7)	$ (16,395.8)
Net cash (used in) provided by investing activities - continuing operations	(948.6)	2,530.4
Net cash provided by financing activities - continuing operations	23,895.1	15,620.9

Operating Activities - Continuing Operations

Our cash used in operating activities - continuing operations in the nine months ended September 30, 2013 totaled approximately $19.7 million, which is the sum of (i) our net loss from continuing operations of $26.8 million, and adjusted for non-cash expenses totaling $6.9 million (which includes adjustments for equity-based compensation and depreciation and amortization), and (ii) changes in operating assets and liabilities providing approximately $0.1 million.

Our cash used in operating activities - continuing operations in the nine months ended September 30, 2012 totaled approximately $16.4 million, which is the sum of (i) our net loss from continuing operations of $23.8 million, and adjusted for non-cash expenses totaling $8.1 million (which includes adjustments for equity-based compensation and depreciation and amortization), and (ii) changes in operating assets and liabilities providing approximately $0.8 million.

Investing Activities - Continuing Operations

During the nine months ended September 30, 2013, we spent approximately $0.9 million for property and equipment. During the nine months ended September 30, 2012, we spent approximately $0.2 million for property and equipment. In addition, during the nine months ended September 30, 2012, we received advance sale proceeds of approximately $2.7 million from the divestiture of Erye.

Financing Activities - Continuing Operations

During the nine months ended September 30, 2013, our financing activities consisted of the following:

- We raised $11.5 million (or $10.5 million in net proceeds after deducting underwriting discounts and commissions and offering expenses) through an underwritten offering of 2.3 million shares of our common stock at a public offering price of $5.00 per share.
- We raised gross proceeds of approximately $11.1 million through the issuance of approximately 1.6 million shares of Common Stock under the provisions of our equity line of credit with Aspire.
- We raised approximately $0.1 million from the exercise of 16,369 options.
- We raised approximately $2.1 million from the exercise of 401,215 warrants. To induce the exercise of certain of these warrants, we provided consideration to the warrant holders in the form of cash.

During the nine months ended September 30, 2012, our financing activities consisted of the following:

- We raised $6.8 million (or $6.0 million in net proceeds after deducting underwriting discounts and offering expenses) through an underwritten offering of 1.7 million units, each unit consisting of one share of common stock and a five year warrant to purchase one share of common stock at an exercise price of $5.10 per share.

- We raised an aggregate of approximately $6.1 million in private placements through the issuance of 1.2 million shares of common stock, and 0.8 million five year warrants at exercise prices ranging from $5.10 to $7.40.

- We raised an aggregate of approximately $5.9 million from the exercise of approximately 1.0 million warrants. To induce the exercise of certain of these warrants, we provided consideration to the warrant holders in the form of either cash, stock or additional warrants.

- We paid $2.3 million in cash for principal and dividend payments of our Convertible Redeemable Series E Preferred Stock.

Liquidity and Capital Requirements Outlook

Capital Requirements

We expect to incur substantial additional costs in connection with our cell therapy development initiatives. In particular, Amorcyte is currently enrolling patients at clinical trial sites for its Phase 2 clinical trial for Amorcyte’s lead product candidate, AMR-001, for the treatment of acute myocardial infarction ("AMI"). The trial began enrollment in January 2012, and is expected to cost approximately $19 million over the first two years and anticipated to cost up to approximately $27 million over a five year period, inclusive of internal manufacturing and project management costs. We have incurred approximately $15.6 million on the Phase 2 trial through September 30, 2013. We are on track to complete enrollment for this study in 2013 with the first data readout expected six to eight months after the last patient is infused. As of November 6, 2013, of the 160 patients required for the trial, 147 have been infused.

Liquidity

We anticipate requiring additional capital for strategic transactions and otherwise in order to (i) fund the development of advanced cell therapies, including the development of AMR-001 and our Treg program, and (ii) grow the PCT business, including implementing additional automation capabilities and pursuing plans to establish commercial capacity and expand into Europe. Additionally, we are currently engaged in a build out of each of our MountainView, California and Allendale, New Jersey facilities to include up to five additional clean rooms in order to expand capacity.

On October 3, 2013, the Company entered into an Underwriting Agreement (the “Underwriting Agreement”) with Aegis Capital Corp. (“Aegis”), providing for the offer and sale in a firm commitment underwritten public offering (the “Offering”) of 5,000,000 shares of the Company's common stock, par value $0.001 per share at a public offering price of $7.00 per share. The underwriter also exercised its entire over-allotment option of 750,000 shares in accordance with the Underwriting Agreement. The Company received gross proceeds of $40.3 million, before deducting underwriting discounts and commissions and offering expenses payable by the Company. The Offering closed on October 9, 2013.

To meet our short and long term liquidity needs, we currently expect to use existing cash balances (including $40.3 million in gross proceeds raised in October 2013 through an underwritten public offering), our revenue generating activities, and a variety of other means. Those other means include the use of our current equity line of credit with Aspire, which as of September 30, 2013, had a remaining amount available to the Company of $5.6 million. Other sources of liquidity could include potential additional warrant exercises, option exercises, issuances of other debt or equity securities in public or private financings, and/or sale of assets. In addition, we will continue to seek as appropriate grants for scientific and clinical studies from the National Institutes of Health, Department of Defense, and other governmental agencies and foundations, but there can be no assurance that we will be successful in qualifying for or obtaining such grants. Our history of operating losses and liquidity challenges, 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 could materially and adversely affect our business operations.

In August 2011, the Department of Defense (DoD) Peer Reviewed Medical Research Program (PRMRP) of the Office of the Congressionally Directed Medical Research Programs (CDMRP) awarded NeoStem approximately $1.78 million to be applied towards funding the Company's VSEL ™ Technology, which award supports an investigation of a unique stem cell population, Very Small Embryonic-Like (VSEL) stem cells, for its bone building and regenerative effects in the treatment of osteoporosis. In 2012, a new level of achievement for VSEL™ Technology was realized as we received a two year grant totaling approximately $1.2 million for “Repair of Bone Defects with Human Autologous Pluripotent Very Small Embryonic-Like Stem Cells (VSEL)” from the National Institute of Dental and Craniofacial Research (NIDCR), a division of the National Institutes of Health (NIH). This peer-reviewed grant is to support the first NIH approved clinical study of VSELs in humans for which we expect to file an IND with the FDA in late 2013 or early 2014. In March 2013, we received notice of an award of $300,000 from the National Institute of Allergy and Infectious Diseases (NIAID), a division of NIH, to support year two of the research investigating the use of VSELs for the treatment of acute radiation exposure; approximately $295,000 was previously awarded to support year one of the research. In September 2013, we received notice of an award of approximately $148,000 from the NIH to support research investigating the use of VSELs for the treatment of scleroderma.

While we continue to seek capital through a number of means, there can be no assurance that additional financing will be available on acceptable terms, if at all, and our negotiating position in capital generating efforts may worsen as existing resources are used. Additional equity financing may be dilutive to our stockholders; debt financing, if available, may involve significant cash payment obligations and covenants that restrict our ability to operate as a business, our stock price may not reach levels necessary to induce option or warrant exercises, and asset sales may not be possible on terms we consider acceptable. If we are unable to raise the funds necessary to meet our long-term liquidity needs, we may have to delay or discontinue the acquisition and development of cell therapies, and/or the expansion of our business or raise funds on terms that we currently consider unfavorable.

Commitments and Contingencies

The following table summarizes our obligations to make future payments under current contracts as of September 30, 2013 (in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations					
Mortgages Payable	$ 3,288.1	$ 210.2	$ 456.1	$ 2,320.1	$ 301.7
Notes Payable	751.1	402.8	345.5	2.8	—
Operating Lease Obligations	2,714.0	897.7	1,379.1	437.2	—
	$ 6,753.2	$ 1,510.7	$ 2,180.7	$ 2,760.1	$ 301.7

Under an agreement with an external clinical research organization (“CRO”), we will incur expenses relating to our AMR-001 Phase 2 clinical trial for the treatment of AMI. The timing and amount of these disbursements are based on the achievement of certain milestones, patient enrollment, services rendered or as expenses are incurred by the CRO and therefore, we cannot reasonably estimate the timing of these payments.

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes in our critical accounting policies and estimates during the nine months ended September 30, 2013, compared to those reported in our 2012 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

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. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. 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 that 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 September 30, 2013, 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 the Company's disclosure controls and procedures were 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 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.

(b) Changes in Internal Control over Financial Reporting

There have been 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 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, as described below.

Transition to new stock plan financial reporting system: Effective July 1, 2013, the Company migrated to a new stock plan financial reporting system for the Company's equity-based compensation expense. This initiative broadened our existing equity-based compensation reporting capabilities, and further integrated our equity-based award administration procedures.

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, 2012.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. See the risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 under the caption "Item 1 A - Risk Factors."

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

As previously disclosed, and as follows:

The Company has agreed to issue equity to certain consultants for services. Effective August 1, 2013 pursuant a six month agreement for consulting services in investor communications and other specified matters, the Company agreed to issue to a consultant 18,000 shares of the Company's restricted common stock, vesting as to one third on each of the effective date, the last day of the third month of the effective date and the last day of the term. Effective September 1, 2013, pursuant to a four month agreement for consulting services in investor relations and other specified matters, the Company agreed to issue to consultant 20,000 shares of the Company's restricted common stock, vesting as to 5,000 shares at the end of each month throughout the term of the agreement. Also effective September 1, 2013, pursuant to a four month extension for consulting services in strategic planning and tactical application of those services and other specified matters, the Company agreed to issue to a consultant 16,000 shares of restricted common stock vesting as to 50% on the effective date and 50% at the end of the term. Also effective September 1, 2013 pursuant to a six month extension for consulting services in investor relations and other specified matters, the Company agreed to issue to consultant 36,000 shares of the Company's restricted common stock, vesting ratably throughout the term of the agreement on a monthly basis. Effective September 17, 2013, pursuant to a one year extension for consulting services assisting the Company with regard to funding from federal and state agencies,and other specified matters, the Company agreed to issue to a consultant 9,000 shares of the Company's restricted common stock, vesting as to 3,000 shares upon execution, 3,000 shares on October 31, 2013 and 3,000 shares on December 31, 2013. Effective October 17, 2013, pursuant to a two year amendment to a consulting agreement for advisory services in connection with Amorcyte’s Phase 2 Clinical Trial for AMR-001, the Company agreed to issue a four year warrant (the “Warrant”) to purchase up to 20,000 shares of restricted Common Stock (the "Warrant Shares") at $7.05 per share (the closing price of the Common Stock on October 17, 2013, the Commencement Date), to vest over the term of the agreement as to 2,500 Warrant Shares on October 17, 2013 and each third monthly anniversary of the Commencement Date through and including July 17, 2015. Effective November 1, 2013, pursuant to a five month agreement for consulting services in financial and investor relations and other specified matters, the Company agreed to issue to consultant 20,000 shares of the Company's restricted common stock, vesting ratably throughout the term of the agreement on a monthly basis.

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(a)(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 and/or pursuant to Regulation D or Regulation S, each promulgated under the Securities Act and may not be resold in the United States or to U.S. persons unless registered under the Securities Act or pursuant to an exemption from registration under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFTEY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

The exhibits to this Form 10-Q are listed in the Exhibit Index included elsewhere herein.

NEOSTEM, INC.
FORM 10Q

Exhibit Index

3.1	Amended and Restated Certificate of Incorporation of NeoStem, Inc., filed with the Secretary of State of the State of Delaware on October 3, 2013 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 3, 2013).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
10.1	Letter Agreement, dated July 12, 2013, between NeoStem, Inc. and Catherine M. Vaczy, Esq. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated July 12, 2013).
10.2	Employment Agreement, dated as of July 15, 2013, by and between NeoStem, Inc. and Stephen W. Potter (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated July 15, 2013).
10.3	Employment Agreement, dated as of July 23, 2013 and effective August 5, 2013, by and between NeoStem, Inc., and Douglas W. Losordo, M.D. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated August 5, 2013).
10.4	Amendment dated July 31, 2013 and effective August 5, 2013, by and among Andrew L. Pecora, M.D., FACP, NeoStem, Inc., Progenitor Cell Therapy, LLC and Amorcyte, LLC (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated August 5, 2013).
10.5	Employment Agreement, dated as of August 16, 2013 and effective August 19, 2013, by and between NeoStem, Inc. and Robert Dickey IV (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K dated August 19, 2013).
10.6	Amendment dated August 14, 2013 and effective August 19, 2013, by and between NeoStem, Inc. and Larry A. May (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K dated August 19, 2013).
101.INS	XBRL Instance Document***
101.SCH	XBRL Taxonomy Extension Schema***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase***
101.DEF	XBRL Taxonomy Extension Definition Linkbase***
101.LAB	XBRL Taxonomy Extension Label Linkbase***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase***

* Filed herewith.

** Furnished herewith.

*** Users of this interactive data file are advised pursuant to Rule 406T of Regulations S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of New York, State of New York, on November 7, 2013.

NEOSTEM, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robin L. Smith, M.D. Robin L. Smith, M.D.	Director, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	November 7, 2013
/s/ Robert Dickey IV Robert Dickey IV	Chief Financial Officer (Principal Financial Officer)	November 7, 2013
/s/ Joseph Talamo Joseph Talamo	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	November 7, 2013

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 7, 2013

/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, Robert Dickey IV, 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 7, 2013

/s/ Robert Dickey IV
Name: Robert Dickey IV
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 quarter ended September 30, 2013 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, to my knowledge that:

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

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

Dated: November 7, 2013

/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 quarter ended September 30, 2013 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Dickey IV, 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, to my knowledge that:

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

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

Dated: November 7, 2013

/s/ Robert Dickey IV
Robert Dickey IV
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.