
THE WALL STREET TRANSCRIPT

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TWST: Let's begin with a brief historical sketch of the company and a picture of the things you're doing at the present time.

Dr. Smith: NeoStem is a publicly traded company on the American Stock Exchange. Over the last two or three years, we've been able to expand our technology of collecting, processing, and storing adult stem cells for future use. We are also expanding into other domains on the therapy side. One of the questions people always ask is if they have their stem cells collected, how can they be used? We have licensed a few different technologies to help move the field of stem cell based therapies forward. Our plan is to expand into China, which we feel will allow us to move the therapy's research and development activities more quickly in order to enhance our intellectual property portfolio.

TWST: Could you very briefly explain stem cell technology and then talk about the new technologies that you mentioned?

Dr. Smith: For the last 30 years or so, people have used stem cell

based therapy for cancer in the form of a bone marrow transplant. If after chemotherapy a persons immune system did not recover from suppression and they needed a transplant they would have to find a donor with stem cells that could be given to them, so they could repopulate their immune system. The problem is it's hard to find a match. Even if you can find a match, you need to be on anti-rejection drugs and face the potential of graft-versus-host disease in the future. Our technology allows you to have your own stem cells collected when you're young and healthy so that if you need them in the future, they are available. They are cryopreserved so the process of ageing of the stem cell stops. As they are your own cells, your body recognizes them as "self" And you do not have the problem of rejection or graft-versus-host disease. What is exciting about stem cells is the potential too use them in other diseases While, it can be part of standard care today for some blood cancers, multiple myeloma, and some anemias, now they're looking at using stem cells for regenerative therapies, damaged heart muscle from cardiac disease(), multiple sclerosis, lupus, and other autoimmune disorders, burns, non-healing ulcers, fractures, and cartilage growth. There are over 2,300 clinical trials that are funding the research to use stem cell based therapy for the treatment of these diseases. So it's an exciting time in medicine. A lot of the analysts think there will be a few million procedures a year over the next 10 years using stem cell based therapy to treat diseases.

TWST: How do autologous adult stem cells, which you're talking about, match up with embryonic cells in terms of effectiveness?

Dr. Smith: They are very different. The reason why people look at embryonic stem cells is because they are very early in development so they can become anything, all different types of cells. These cells can

become cells of the nervous system, they can mature to be cells of organs such as islet cells of the pancreas for diabetes, skin or muscle. The issues are the following. How do you get them to begin one cell type and not develop other cell types in the wrong place and they are cells with different DNA so as they mature you still have the issues of HLA histocompatibility- (rejection). So while I think embryonic stem cell research is important the technology still needs advancement. This can be seen by the fact that there are no current FDA approved therapies that are embryonic based. to help .

What's unique about autologous adult stem cells is that they are yours and you have dormant cells in your body that have the same morphological characteristics of embryonic stem cells. They are called VSELs, very small embryonic-like stem cells that are in the adult that have the same properties as embryonic stem cells. Since they are from your own body, you don't have to worry that they came from a different DNA sequence and that you could end up having rejections in the future. Part of what our company is doing is trying to move the VSEL technology forward so that we can figure out more quickly ways to isolate the VSELs, expand them, and use them for therapies in the future.

TWST: How the cells are extracted?

Dr. Smith: Our process is very safe, it's non-invasive, and it's done in a medical setting in an office where it is very similar to giving platelets, but just takes a bit longer. It's about a three-and-a-half hour procedure. Instead of a big needle going into the hip and into the bone marrow which can be painful , our procedure is through the apheresis which is safe, painless and non invasive.

TWST: How expensive is the procedure at this point?

Dr. Smith: It depends. We have financing through CareCredit where people can pay as little as \$200 a month. If someone wants to pay for it all at once, it's \$7,500 for the extraction and then there is \$750 annual storage fee and the cost of Neupogen. What's unique and I think important to recognize is that we don't require stem cell expansion . We take enough cells from the individual to have enough cells for multiple treatments in the future. They are stored in multiple vials that you can defrost to use but there is still more for the future.

TWST: Are there other companies doing something similar?

Dr. Smith: There are companies looking for different ways to extract stem cells. There are companies that take them from fats after liposuction, there are individuals extracting stem cells from teeth and from menses or blood. In these cases, the quantity of cells are low and stem cells expansion may be needed. There aren't enough stem cells for a significant therapy without manipulate or expansion of the cell. FDA approval would be needed for the expansion technology as you are altering cells. With our technology, the body makes enough cells that they can be used tomorrow. It is similar to cells used for bone marrow transplantation.

TWST: What are the most important things that have been happening recently? What's your agenda for the next couple of years?

Dr. Smith: We're very excited about the therapies, as I said. Many people have arthritis of the knee, they have burns or wounds, non healing wounds from diabetes and they're looking for a solution. We are excited about the potential uses of stem cells for therapies and the technologies we have licensed. We've just licensed Dr. Falanga's wound technology where he mixes autologous bone marrow derived adult stem cells

with fibrin to heal chronic wounds (diabetic wounds or burns) We also feel that there are military applications For this technology and have been awarded federal funding from the Department of Defence to look at our technology as it relates to wounds. Will be working with Dr. Falanga on this project as well, so we are very excited about that. We also are working with Dr. Giampapa on skin rejuvenation and we think that's a tremendous area for growth, using using bone marrow derived hematopoietic stem cells and fat for facelifts and for skin rejuvenation and regeneration, which we think is very promising. The FDA has required Botox to include warning labels informing users that Botox can actually migrate and cause difficulties following breathing. So people are going to start looking for alternatives to look young, to have their skin look 10 years or 15 years younger without having to use Botox. We think there is incredible promise in using stem cells for cosmetics as well, so we are excited about working with Dr. Giampapa to build up some of his technologies. We will be looking to other areas, orthopedics and VSEL technology, which is a very small embryonic-like stem cell. So you'll be seeing a lot more of this from us in the future.

TWST: What are your prospects in China?

Dr. Smith: We are very excited about China. In November, we announced an acquisition which will allow us to expand our stem cell business and offer traditional therapy. We are going to be purchasing controlling ownership (51%) of a pharmaceutical company, which we are very excited about, and we are expanding a new generative medicine through collaboration of our stem cells business into China as well. So we think it's just a tremendous opportunity to move our developmental and research activities forward for VSELS and other regenerative therapies, and collaborate with hospitals, PRC physicians and officials. This is

going to be a tremendous opportunity on both the revenue front and development of our intellectual property.

TWST: Are you looking at other countries besides China?

Dr. Smith: We have received many inquiries and while we evaluate other areas of expansion and definitely think we will continue to expand we are very focused on our current plan of expansion into asia. We've been a company that has been able to deliver on our expansion plans, so we're going to focus on China first and then expand from there.

TWST: There are a lot of moral objections to the use of embryonic stem cells. Is anyone complaining about using autologous adult stem cells?

Dr. Smith: What's interesting is there was a quote from the Pope that he endorsed adult stem cells. So the answer is it's not controversial; you are not taking a life to save a life, you are not cloning. So our technology which is based on adult stem cells is being embraced by different religions, different governments, and people who have sensitivities towards embryonic.

TWST: What about challenges? Is there anything to worry about such as problems or difficulties?

Dr. Smith: No. You never want to grow too quickly, and there are always challenges in that regard, but I think it's all about focus and good people and adequate financing. The key with stem cells is it really is an exciting area and there are so many opportunities, so we need to stay focused. We have a good team which we will continue to expand as our needs change, and we are very excited about the growth. We think you'll be seeing a lot of us.

TWST: Does all this mean that there are strong possibilities of

joint ventures, alliances, partnerships, M&A activity, etc.?

Dr. Smith: Absolutely. We're always looking for new technologies. I really do believe that there will be consolidation in the stem cell industry. Like other industries, it will be about using the best of the technologies that are out there, working together, and having efficiencies and economies of scale. If we can work together globally we should advance healing and make money for our shareholders.

TWST: Without making a prediction, what do you hope the company would look like in about three years?

Dr. Smith: We will be a global company that's very focused on enabling people to have their stem cells used as a bio-insurance for their future and be available for different therapies. We did a capital raise not too long ago. It was above market and clearly those investors felt that we were undervalued and they were willing to put in \$11 million above the market price. I think that if we do this right our shareholder base will continue to grow and we should be able to help advance stem cell therapies and be a part of the regenerative medicine revolution.

TWST: For the benefit of the potential shareholder, what might be some year-by-year milestones to look for?

Dr. Smith: I think revenue is always a great milestone to look at. With the acquisition and some of our expansion, I think you will see real shift in Neostem revenues. I think our intellectual property is another key area with the licensing of our technology, and the potential it may give us to be a leader in therapeutic areas.

TWST: Can you tell us a little bit about your own background and expertise and the same for one or two members of your team?

Dr. Smith: We have a great team that continues to grow and build, especially with our expansion. I'm a physician by training. I have surgical training and an MBA from Wharton School of Business. I have built companies, sold them, and helped other's grow. I'm very excited about the opportunities to help people as well as bring shareholder value. So it's a way of using both the business and the patient care experiences that I have. We have a fantastic advisory board of leaders in the field. Dr. Losordo in cardiology is one of the leaders in using stem cell based therapies for heart disease. Dr. Marasco is the Chairman of our Scientific Advisory Board and one of the company founders. He is a physician at Dana Farber (Harvard) and was just on the cover of Nature Magazine for some of his antibody work. Dr. Centeno, whose orthopedic technology we just licensed, and Dr Giampapa have agreed to join the advisory board as well.

TWST: As CEO, what occupies your own attention most day-by-day right now?

Dr. Smith: It's growing and expansion. There are so many opportunities out there, so it's just trying to move the team forward, keep everyone on track on what is our priority and just keeping the business moving forward. So it is really a 24/7 effort and just a very exciting time right now.

TWST: How much attention are you giving to investor relations right now?

Dr. Smith: We spent a lot of time talking to the Wall Street and investors to get people excited about the changing company, and it's really part of our daily practice, so a lot of what we do on the PR side obviously affects investor relations as well. We always make it part of

our process to focus on the investor community.

TWST: Are you taking any further steps to improve your capital structure?

Dr. Smith: We just closed on \$11 million of financing. As we grow or there is some M&A activity or other types of activities that would need financing, we certainly would consider additional financing.

TWST: To sum up what you've been saying, what would be the two or three best reasons for the long-term investor to look closely at NeoStem?

Dr. Smith: I think it's our growth and our ability, through acquisition and our core business, to generate revenue and profit for our shareholders. Stem cell based therapy will be a part of this, which is clearly a growing need. Pharmaceutical companies need a pipeline and if stem cell based therapy will likely be a part of therapy in the future, We believe here will be a lot of opportunity in in-licensing and joint venturing with different pharmaceutical companies. The data is finally here to support this. It's been a very short return. You don't go through the FDA approval process and maybe in nine years or 10 years, you have a therapy. I think the data is out there and stem cell based therapy is clearly going to be a part of how we treat disease in the near-term future.

TWST: Is there anything that you'd like to add or re-emphasize, especially regarding strategies, long-term objectives, and reasons for the investor to look at the company?

Dr. Smith: It's important to remember that right now our core business is not reimbursed by insurance companies. It's important to make this available to people around the world. We have a Stem for Life Foundation that we created that will help support research and pay for

our services to help underwrite the services so people can afford it and for first responders who are on the front line to protect us. We're very focused on first responders and others who are at high risk for fire and burns and other accidents. Clearly having their stem cells banked before they're put at risk would be a benefit. Neostem is really about promoting stem cell health and therapy and through a collaboration with Ceres Living, Inc we are collaborating to help people understand how with nutritional supplements like Ceres Livings dietary supplement called AIO Premium Cellular Health one can optimize and promote their stem cell health. We're really looking to be more comprehensive and to improve regenerative medicine and health for people throughout the world.

TWST: Earlier in the conversation you mentioned taking stem cells from people who are young and healthy. How young would that be?

Dr. Smith: We have collected stem cells from 70 years old individuals. Young is relative. but the younger you that the better off you will be as our stem cells lessen in quantity and quality as we age There are environmental exposures that effect our DNA. For example, every time you go from New York to Chicago it's equivalent to one chest x-ray. So clearly it's better to do it as early as possible, but it's not prohibited if you're 60, 70, But it's better to do it before you get sick and before they are needed. It's all about your health more than it is of your age.

TWST: You've painted a very interesting picture of the things that could be taking place in the future. What might be the very long-range picture for human health in general and human longevity if we were to look well down the road?

Dr. Smith: Wouldn't it be great if like Prometheus we could repair

our damaged organs? As humans have evolved the ability to regenerate tissue was lost. Unlike a starfish, you cant cut off a hand and it grows itself. Hopefully as medical technology continues to advance we can repair the damaged tissue. To be able to repair the heart muscle damaged from a heart attach. That's the key - to live longer and actually be functional and be able to really live, not just be alive

TWST: Thank you. (MC)