cytori | 2015 annual report

TO MY FELLOW SHAREHOLDERS:

Marc Hedrick, MD
President and Chief Executive Officer

On behalf of our organization, I wish to thank you for another year of support for Cytori and its mission. This past year was a time of rebuilding; in fact, perhaps the only consistent attribute about the company over the past two years is the promise of our technology – almost everything else has been deliberately transformed to best deliver results to stakeholders. We've built a team with an intense focus on execution and as a result of focus and hard work, we are on schedule to have our lead indication in scleroderma ready for evaluation and potential approval by the U.S. Food and Drug Administration in 2018. Furthermore, our pipeline of clinical indications continues to expand as we favor niche, unmet indications that can be brought to market swiftly and with relatively low execution risk.

To best execute, we have set a corporate priority on meeting or exceeding our operational and financial goals. We are intent on managing down our cash needs, debt and other liabilities while simultaneously keeping a keen eye on operational execution. In 2015, our total annual revenue came within our forecasted range for the year and our cash burn was below forecast. Our osteoarthritis trial enrolled ahead of schedule and our scleroderma trial is enrolling on schedule.

As a result of these changes, from my vantage point, I see growing interest in Cytori from physicians, patients and potential partners. A top corporate priority remains identifying additional like-minded partners willing to invest along with us to bring our unique technology platform to a growing number of compelling indications. Our ultimate corporate goal, however, remains the same: to enhance lives through novel cell therapies.

Sincerely,

Marc H. Hedrick, MD
President and Chief Executive Officer

March 15, 2016

Cautionary Statement Regarding Forward-Looking Statements

This Shareholder Update includes forward-looking statements that involve known and unknown risks and uncertainties. All statements, other than historical facts are forward looking statements. Such statements, including our FDA scleroderma approval timeline and third party interest in our products and technology, are subject to risks and uncertainties that could cause our actual results and financial position to differ materially. Some of these risks include the level of future interest in our products clinical, pre-clinical and regulatory uncertainties, such as those associated with the ACT-OA Trial, STAR, SCLERADEC-I and SCLERADEC-II clinical trials, including risks in the collection and results of clinical data, final clinical outcomes, dependence on third party performance, performance and acceptance of our products in the marketplace, unexpected costs and expenses, our reliance on key personnel, the right of the Federal Government to cut or terminate further support of the thermal burn injury program, and other risks and uncertainties described under the "Risk Factors" in Cytori's Securities and Exchange Commission Filings, included in our annual and quarterly reports.

There may be events in the future that we are unable to predict, or over which we have no control, and our business, financial condition, results of operations and prospects may change in the future. We assume no responsibility to update or revise any forward-looking statements to reflect events, trends or circumstances after the date they are made unless we have an obligation under U.S. Federal securities laws to do so.

cytori

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

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

For the transition period from to

Commission file number 001-34375

CYTORI THERAPEUTICS, INC.

(Exact name of Registrant as Specified in Its Charter)

DELAWARE	**33-0827593**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
3020 CALLAN ROAD, SAN DIEGO, CALIFORNIA	**92121**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(858) 458-0900**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.001	NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

Preferred Stock Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 ☒ No ☐

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one).

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was $83,722,318 based on the closing sales price of the registrant's common stock on June 30, 2015 as reported on the Nasdaq Global Market, of $0.56 per share.

As of January 31, 2016, there were 195,186,460 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

PART I

Item 1. Business

References to "Cytori," "we," "us" and "our" refer to Cytori Therapeutics, Inc. and its consolidated subsidiaries. References to "Notes" refer to the Notes to Consolidated Financial Statements included herein (refer to Item 8).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain statements that may be deemed "forward-looking statements" within the meaning of U.S. securities laws. All statements, other than statements of historical fact, that address activities, events or developments that we intend, expect, project, believe or anticipate and similar expressions or future conditional verbs such as will, should, would, could or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate.

These statements include, without limitation, statements about our anticipated expenditures, including those related to clinical research studies and general and administrative expenses; the potential size of the market for our products, future development and/or expansion of our products and therapies in our markets, our ability to generate product revenues or effectively manage our gross profit margins; our ability to obtain regulatory clearance; expectations as to our future performance; the "Liquidity and Capital Resources" section of this report, including our potential need for additional financing and the availability thereof; and the potential enhancement of our cash position through development, marketing, and licensing arrangements. Our actual results will likely differ, perhaps materially, from those anticipated in these forward-looking statements as a result of various factors, including: our need and ability to raise additional cash, our joint ventures, risks associated with laws or regulatory requirements applicable to us, market conditions, product performance, potential litigation, and competition within the regenerative medicine field, to name a few. The forward-looking statements included in this report are subject to a number of additional material risks and uncertainties, including but not limited to the risks described under the "Risk Factors" in Item 1A of Part I above, which we encourage you to read carefully.

We encourage you to read the risks described under "Risk Factors" carefully. We caution you not to place undue reliance on the forward-looking statements contained in this report. These statements, like all statements in this report, speak only as of the date of this report (unless an earlier date is indicated) and we undertake no obligation to update or revise the statements except as required by law. Such forward-looking statements are not guarantees of future performance and actual results will likely differ, perhaps materially, from those suggested by such forward-looking statements.

This Annual report on Form 10-K refers to trademarks such as Cytori Cell Therapy, Celution, Celase, Intravase, Puregraft and StemSource. Solely for convenience, our trademarks and tradenames referred to in this Form 10-K may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and tradenames.

General

We develop cellular therapeutics uniquely formulated and optimized for specific diseases and medical conditions and related products. Our lead therapeutics are currently targeted for impaired hand function in scleroderma, osteoarthritis of the knee, stress urinary incontinence, and deep thermal burns including those complicated by radiation exposure.

Our cellular therapeutics are collectively known by the trademarked name, Cytori Cell Therapy™, and consist of a mixed population of specialized cells including stem cells that are involved in response to injury, repair and healing. These cells are extracted from an adult patient's own adipose (fat) tissue using our fully automated Celution® System device, proprietary enzymes, and sterile consumable sets at the place where the patient is receiving their care or potentially at an off-site processing center. Cytori Cell Therapy can either be administered to the patient the same day or cryopreserved for future use. An independent published study has reported that our proprietary technology process resulted in higher nucleated cell viability, less residual enzyme activity, less processing time, and improved economics in terms of cell progenitor output compared to the three other semi-automated and automated processes that were reviewed.

Lead Program & Development Pipeline

Our primary near-term goal is for Cytori Cell Therapy to be the first cell therapy to market for the treatment of impaired hand function in scleroderma, through Cytori-sponsored clinical development efforts. The STAR trial is a 48-week, randomized, double blind, placebo-controlled phase III pivotal clinical trial of 80 patients in the U.S. The trial evaluates the safety and efficacy of a single administration of Cytori Cell Therapy (ECCS-50) in scleroderma patients affecting the hands and fingers. The first sites for the scleroderma study were initiated in July 2015. Approximately 25% of patients were enrolled in the STAR trial by the end of January 2016.

With respect to the remainder of our clinical pipeline, we received Investigational Device Exemption (IDE) approval from the U.S. Food and Drug Administration (FDA) in late 2014 for our phase II ACT-OA osteoarthritis study and in early 2015 we initiated this study, and enrollment was completed in June 2015. In addition, in July 2015, a Company-supported male stress urinary incontinence (SUI) trial in Japan for male prostatectomy patients (after prostate surgery) received approval to being enrolled from the Japanese Ministry of Health, Labor and Welfare. The goal of this investigator-initiated trial is to gain regulatory approval in Japan of our Cytori Cell Therapy for this indication. In addition, we are developing a treatment for thermal burns combined with radiation injury under a contract from the Biomedical Advanced Research Development Authority (BARDA), a division of the U.S. Department of Health and Human Services. We are also exploring other development opportunities in a variety of other conditions.

In addition to our targeted therapeutic development, we have continued to commercialize the Celution® System under select medical device approvals, clearances and registrations to research and commercial customers in Europe, Japan, and other regions. Many of these customers are research customers evaluating new therapeutic applications of Cytori Cell Therapy. The sale of systems, consumables and ancillary products contributes a margin that partially offsets our operating expenses and will continue to play a role in fostering familiarity within the medical community with our technology. These sales have also facilitated the discovery of new applications for Cytori Cell Therapy by customers conducting investigator-initiated and funded research.

Lead Indication: Scleroderma

Scleroderma is a rare and chronic autoimmune disorder associated with fibrosis of the skin, destructive changes in blood vessels and multiple organ systems as the result of a generalized overproduction of collagen. Scleroderma affects approximately 50,000 patients in the U.S. (women are affected four times more frequently than men) and is typically detected between the ages of 30 and 50. More than 90 percent of scleroderma patients have hand involvement that is typically progressive and can result in chronic pain, blood flow changes and severe dysfunction. The limited available treatments for scleroderma may provide some benefit but do little to modify disease progression or substantially improve symptoms. Treatment options are directed at protecting the hands from injury and detrimental environmental conditions as well as the use of vasodilators. When the disease is advanced, immunosuppressive and other medications may be used but are often accompanied by significant side effects.

In January 2015, the FDA granted unrestricted IDE approval for a pivotal clinical trial, named the “STAR” trial, to evaluate Cytori Cell Therapy as a potential treatment for impaired hand function in scleroderma. The STAR trial is a 48-week, randomized, double blind, placebo-controlled pivotal clinical trial of 80 patients in the U.S. The trial evaluates the safety and efficacy of a single administration of Cytori Cell Therapy (ECCS-50) in scleroderma patients affecting the hands and fingers. The STAR trial plans to use the Cochin Hand Function Scale (CHFS), a validated measure of hand function, as the primary endpoint measured at six months after a single administration of ECCS-50 or placebo. Patients in the placebo group will be eligible for crossover to the active arm of the trial after all patients have completed 48 weeks of follow up. In February 2015, the FDA approved our request to increase the number of investigational sites from 12 to up to 20. The increased number of sites is anticipated to broaden the geographic coverage of the trial and facilitate trial enrollment. The enrollment of this trial began in August 2015 and we recently reported that we enrolled 20 patients and expect to complete enrollment of this trial in mid-2016.

The STAR trial is predicated on a completed investigator-initiated pilot phase I/II trial performed in France termed SCLERADEC I. The SCLERADEC I trial received partial support from Cytori. The results were published in the Annals of the Rheumatic Diseases in May 2014 and demonstrate approximately a 50 percent improvement at six months across four important and validated endpoints used to assess the clinical status in patients with scleroderma with impaired hand function. Patients perceived their health status to be improved as shown by a 45.2% and 42.4% decrease of the Scleroderma Health Assessment Questionnaire (SHAQ) at month 2 (p=0•001) and at month 6 (p=0•001), respectively. A 47% and 56% decrease

of the CHFS at month 2 and month 6 in comparison to baseline was observed (p<0•001 for both). Grip strength increased at month 6 with a mean improvement of +4.8–6.4 kg for the dominant hand (p=0.033) and +4.0–3.5 kg for the non-dominant hand (p=0.002). Similarly, an increase in pinch strength at month 6 was noted with a mean improvement of +1.0–1.1 kg for the dominant hand (p=0.009) and +0.8–1.2 kg for the non-dominant hand (p=0.050). Among subjects having at least one digital ulcer (DU) at inclusion, total number of DU decreased, from 15 DUs at baseline, 10 at month 2 and 7 at month 6. The average reduction of the Raynaud's Condition Score from baseline was 53.7% at month 2 (p<0.001) and 67.5% at month 6 (p<0.001). Hand pain showed a significant decrease of 63.6% at month 2 (p=0.001) and 70% at month 6 (p<0.001). One year results were recently published in the journal Rheumatology. Relative to baseline, the CHFS and the SHAQ improved by 51.3% and 46.8% respectively (p<0.001 for both). The Raynaud's score improved by 63.2% from baseline (p<0.001). Other findings include a 30.5% improvement in grip strength (p=0.002) and a 34.5% improvement in hand pain (p=0.052). In February 2016, two-year follow up data in the SCLERADEC I trial was presented at the Systemic Sclerosis World Congress, which demonstrated sustained improvement in the following four key endpoints: Cochin Hand Function Score (CHFS), Scleroderma Health Assessment Questionnaire, Raynaud's Condition Score (which assesses severity of Raynaud's Phenomenon), and hand pain, as assessed by a standard visual analogue scale. The major findings at 24 months following single administration of Cytori Cell Therapy™ (ECCS-50) were as follows:

- Hand dysfunction assessed by the CHFS, showed a 62% reduction in hand dysfunction at two years (p<0.001).
- Raynaud's Condition Score decreased by an average of 89% over baseline at two years (p<0.001).
- Hand pain, as measured by a 100 mm Visual Analogue Scale, and the Scleroderma Health Assessment Questionnaire (SHAQ) score at two years both showed improvement of 50% over baseline (p=0.01 and p<0.001 respectively).
- Improvement of 20% in grip strength and 330% in pinch strength at two years (p=0.05 and p=0.004 respectively)
- Continued reduction in the number of ulcers from 15 at baseline to 9 at one year and 6 at two years.

In 2014, Drs. Guy Magalon and Brigitte Granel, under the sponsorship of the Assistance Publique des Hôpita ux de Marseille, submitted a study for review for a follow-up phase III randomized, double-blind, placebo controlled trial in France using our Celution Cell Therapy, to be supported by Cytori, called SCLERADEC II. Patients will be followed for 6 months post-procedure. The trial was approved by the French government in April 2015. Enrollment of this trial commenced in October 2015.

In January 2015, we entered into an agreement with Idis Managed Access, part of Clinigen Group plc ("Idis"), to establish a managed access program, or MAP, in select countries across EMEA for patients with impaired hand function due to scleroderma. We established this MAP, also known as a "compassionate use," early access" or "named patient" program, to make our ECCS-50 therapy available to patients in advance of obtaining regulatory clearance. We believe this MAP program is justified and needed based on a number of apparent circumstances, including scleroderma's status as a rare disease, the favorable risk-benefit profile reported by the 12-patient, open-label SCLERADEC I clinical study results, our two hand scleroderma phase III trials currently enrolling, and clear unmet scleroderma patient needs. We hope to offer our ECCS-50 therapy to patients who are unable to participate in our scleroderma clinical trials, generally due to a lack of geographic proximity to a site. Beyond the benefit of helping patients in need of new therapies for scleroderma, the MAP will increase awareness of and facilitate a positive experience with Cytori Cell Therapy among healthcare providers in advance of commercialization, and will also allow for tracking and collection of key program data and documentation which will provide valuable insight regarding the demand for and use of Cytori Cell Therapy.

In April 2015, the European Commission, acting on the positive recommendation from the European Medicines Agency Committee for Orphan Medicinal Products, issued orphan drug designation to autologous adipose derived stromal vascular cells (ECCS-50) processed with the Celution System for systemic sclerosis. This designation marks the first autologous adipose derived cell therapy to be designated orphan drug status in Europe for scleroderma.

Osteoarthritis

Osteoarthritis is a disease of the entire joint involving the cartilage, joint lining, ligaments, and underlying bone. The breakdown of tissue leads to pain, joint stiffness and reduced function. It is the most common form of arthritis and affects an estimated 13.9% of US adults over the age of 25, and 33.6% of adults over the age of 65. Current treatments include physical therapy, non-steroidal anti-inflammatory medications, viscosupplement injections, and total knee replacement. A substantial medical need exists as present medications have limited efficacy and joint replacement is a relatively definitive treatment for those with the most advanced disease.

In the later part of 2014, we received approval by the FDA to begin an exploratory U.S. IDE pilot (phase IIa/b) trial of Cytori Cell Therapy in patients with osteoarthritis of the knee. The trial, called ACT-OA, is a 94 patient, randomized, double-blind, placebo control study involving two dose escalations of Cytori Cell Therapy, a low dose and a high dose, and will be conducted over 48 weeks. The randomization is 1:1:1 between the control, low and high dose groups. Enrollment on this trial began in February 2015 and was completed in June 2015. The goal of this proof-of-concept trial is to help determine: (1) safety and feasibility of the ECCO-50 therapeutic for osteoarthritis, (2) provide dosing guidance and (3) explore key trial endpoints useful for a phase III trial.

A pre-specified partial unblinding and top-line analysis of 24 week data was recently completed. The objective of the analysis was to provide early data to facilitate key regulatory and business development discussions and provide better understanding of the therapeutic mechanism of action that may impact other clinical programs. The interim top-line data shows the following:

- The randomization is relatively balanced among the three treatment groups; low dose, high dose, and placebo.
- Intra-articular application of a single dose of ECCO-50 appears to be safe and feasible in an outpatient day-surgery setting. No complications occurred related to the fat harvest, cell processing or cell delivery.
- A significant placebo response was observed, similar to that demonstrated in other OA trials.
- The pre-specified primary endpoint, pain on walking at 12 weeks, as measured by a single question from the Knee Injury and Osteoarthritis Outcome Score (KOOS) did not obtain statistical significance.
- Key secondary endpoints include the total and sub-scores of the KOOS, patient self-assessments (knee pain, knee stability, osteoarthritis activity and osteoarthritis damage), use of as-needed pain medication, pain while walking 50 feet and health status as measured by the SF-36. Consistent trends were observed suggesting improvement in the cell treated group relative to the placebo group at the 12 and 24 week time periods for patient reported outcomes; however, in general, between-group differences were small.
- Both high dose and low dose of ECCO-50 performed similarly.

In the 3rd quarter of 2016, following full unblinding of the 48 week data, the Company will be able to fully evaluate the data including 48 week follow up, patient subset analyses, and the effect on knee cartilage as measured by magnetic resonance imaging results changes between baseline and 48 weeks.

Stress Urinary Incontinence

Another therapeutic target under evaluation by Cytori in combination with the University of Nagoya and the Japanese Ministry of Health Labour and Welfare is stress urinary incontinence in men following surgical removal of the prostate gland, which is based on positive data reported in a peer reviewed journal resulting from the use of adipose-derived regenerative cells processed by our Celution System. The ADRESU trial is a 45 patient, open-label, multi-center, and single arm trial that has recently been approved by Japan's Ministry of Health, Labour and Welfare (MHLW) and is being led by both Momokazu Gotoh, MD, Ph.D., Professor and Chairman of the Department of Urology and Tokunori Yamamoto, MD, Ph.D., Associate Professor Department of Urology at Nagoya University Graduate School of Medicine. The goal of this investigator-initiated trial will be to apply for product approval for Cytori Cell Therapy technology for this indication. This clinical trial is primarily sponsored and funded by the Japanese Government. Enrollment of this trial began in September 2015.

Cutaneous and Soft Tissue Thermal and Radiation Injuries

Cytori Cell Therapy is also being developed for the treatment of thermal burns combined with radiation injury. In the third quarter of 2012, we were awarded a contract to develop a new countermeasure for thermal burns valued at up to $106 million with the U.S. Department of Health and Human Service's Biomedical Advanced Research and Development Authority (BARDA). The initial base period included $4.7 million over two years and covered preclinical research and continued development of Cytori's Celution® System to improve cell processing.

In 2014, an In-Process Review Meeting was held at which Cytori confirmed completion of the objectives of the initial phase of the contract. In August, 2014, BARDA exercised contract option 1 in the amount of approximately $12 million. In December this was supplemented with an additional $2 million. This funded continuation of research, regulatory, clinical, and other activities required for submission of an Investigational Device Exemption (IDE) request to the FDA for a pilot clinical trial using Cytori Cell Therapy (DCCT-10) for the treatment of thermal burns. Upon receipt of IDE approval to

execute this pilot clinical trial, we anticipate that BARDA will provide funding to cover costs associated with execution of the clinical trial and related activities, currently estimated at approximately $8.3 million.

Our contract with BARDA contains two additional options to fund a pivotal clinical trial and additional preclinical work in thermal burn complicated by radiation exposure. These options are valued at up to $45 million and $23 million respectively.

The total award under the BARDA contract is intended to support all clinical, preclinical, regulatory, and technology development activities needed to complete the FDA approval process for use in thermal burn injury under a device-based PMA regulatory pathway and to provide robust preclinical data in burn complicated by radiation exposure.

Other Clinical Indications

Heart failure due to ischemic heart disease does not represent a clinical target at this time and the Company intends to minimize expenses related to its initiatives in this area. The ATHENA and ATHENA II trials, which sought to evaluate the safety and feasibility of Cytori Cell Therapy in patients with heart failure due to ischemic heart disease, were truncated and we intend to use the data from these trial programs for regulatory support for our other indications and also for publication in peer reviewed forums.

Regulatory Developments

China Regulatory Clearance

In April 2015, one of our exclusive licensees, Lorem Vascular Pty. Ltd, was granted regulatory clearance for the Cytori Celution® System by the State Food and Drug Administration of the People's Republic of China (CFDA). This regulatory clearance officially makes our Celution System available in the largest healthcare market in the world and triggered a 2015 product purchase order for the Company from Lorem Vascular which was partially fulfilled in 2015.

EU Orphan Designation

In April 2015, the European Commission, acting on the positive recommendation from the European Medicines Agency Committee for Orphan Medicinal Products, granted an orphan drug designation to Assistance Publique Hopitaux du Marseille (France), the sponsor institution for the SCLERADEC I and trials using Cytori Cell Therapy, for autologous adipose derived regenerative cells for the treatment of systemic sclerosis.

In December 2015, Cytori submitted an expanded application for orphan medicinal product (OMP) designation for autologous adipose tissue-derived regenerative cells for the treatment of systemic scleroderma. We believe that we will be granted orphan designation in the first half of 2016, whereupon we will promptly approach appropriate representatives of the European Medicines Agency, or EMA, to seek protocol assistance with respect to our ECCS-50 development program in Europe for scleroderma. This protocol assistance will better inform us as to the EMA's view of our position statements regarding our ECCS-50 therapy and facilitate our efforts to obtain full marketing authorization for our ECCS-50 therapy under the EMA's centralized procedure.

Sales & Marketing

Cytori Cell Therapy™

A majority of Cytori's product revenue in 2015 was derived from sales of our devices and consumables in Japan. New cell therapy regulations in Japan have reduced regulatory uncertainties and provided greater clarity for the Company moving forward. Besides revenue, these sales provide strategic value for us through the investigator relationships that are built, clinical data that is compiled and the global visibility generated. In Europe, Celution® System has CE mark approval for select indications. Our European customers include hospitals and clinics as well as researchers performing investigator-initiated and funded studies. One of these customers, Odense University Hospital in Denmark, published results from an open-label, single-arm erectile dysfunction study in February 2016. In April 2015, one of our exclusive licensees, Lorem Vascular Pty. Ltd, was granted regulatory clearance for the Cytori Celution® System by the State Food and Drug Administration of the People's Republic of China (CFDA). This regulatory clearance officially makes our Celution System available in the largest healthcare market in the world and triggered a 2015 product purchase order for the Company from Lorem Vascular. In July 2015, another of our exclusive licensees, Bimini Technologies, received U.S. Food and Drug Administration conditional Investigational Device Exemption approval to conduct a clinical trial, STYLE, studying the safety

and feasibility of its technology for the treatment of female and early male pattern baldness (androgenic alopecia). The STYLE Phase II clinical study is approved to enroll up to 70 patients at up to 8 centers within the United States. Patients have been enrolled and treated at 2 sites as of January 2016.

Cytori Cell and Tissue Banking

We currently market Cytori Cell and Tissue Banking to hospitals, clinics, tissue banks, and stem cell banking companies worldwide through a combination of distributors and direct sales. The solution encompasses three configurations that are available on a regionally specific basis: cell banking, cell and adipose tissue banking, or adipose tissue banking alone. We remain responsible for manufacturing and sourcing all necessary equipment, including but not limited to cryopreservation chambers, cooling and thawing devices, cell banking protocols and the proprietary software and database application.

Refer to Note 2 of the Notes to Consolidated Financial Statements for a discussion of geographical concentration of sales.

Customers and Partners

In Japan, Europe, Middle East, Asia-Pacific, and Latin America we offer Cytori Cell Therapy and Cytori Cell and Tissue Banking through direct sales reps, distributors, and partners, to hospitals, clinics, and researchers, including for purposes of performing investigator-initiated and funded studies.

Pursuant to our Sale and Exclusive License/Supply Agreement ("Bimini Agreement") with Bimini Technologies LLC ("Bimini"), we granted Bimini a global exclusive license to our devices and consumable products for hair applications. Bimini's focus is on the aesthetics cash-pay market. Through Kerastem, its wholly owned subsidiary, Bimini is conducting an FDA-approved phase II clinical trial in the United States for Kerastem's solution for female and male pattern baldness, and in parallel is engaged in market development activities in Europe and Japan. The Kerastem Hair Therapy is CE mark approved for patients with alopecia (hair loss) outside the United States. Under the Bimini Agreement, Bimini is required, among other things, to pay an eight percent (8%) royalty on its net sales of our products for contemplated hair applications.

Pursuant to our Amended and Restated License/Supply Agreement with Lorem Vascular (the "Lorem Agreement") we granted Lorem Vascular an exclusive license in all fields of use (excluding hair applications subject to Bimini's license) to our products for sale into China, Hong Kong, Malaysia, Singapore and Australia. Under the Lorem Agreement, Lorem Vascular committed to pay up to $500 million in license fees in the form of revenue milestones. In addition, Lorem Vascular is required to pay us 30% of their gross profits in China, Hong Kong and Malaysia for the term of the Lorem Agreement. Lorem Vascular has certain minimum product purchase obligations, including purchase obligations triggered by achievement of regulatory clearance for our products in China, which regulatory clearance was achieved in April 2015. Lorem Vascular has partially satisfied these related product purchase obligations, and as a result, we are currently in discussions with Lorem Vascular regarding restructuring of its obligations and our rights under the agreement. We cannot guarantee that our restructuring discussions with Lorem will be successful. Should we be unable to conclude these negotiations to our satisfaction, a dispute may ensue. See, also, our discussions of the regulatory landscape in China for our products as well as discussions regarding our relationship with Lorem Vascular in the "Risk Factors" section and in the "Competition" and "Governmental Regulation" sections of this "Business" section below.

Manufacturing and Raw Materials

Our products are currently manufactured at the Company's headquarters in San Diego, CA and in Wales, United Kingdom. Our manufacturing capabilities are expected to enable us to meet anticipated demand in 2016. We are, and the manufacturer of any future therapeutic products would be, subject to periodic inspection by regulatory authorities and distribution partners. The manufacturer of devices and products for human use is subject to regulation and inspection from time to time by the FDA for compliance with the FDA's Quality System Regulation, or QSR, requirements, as well as equivalent requirements and inspections by state and non-U.S. regulatory authorities, such as our Notified Body in Europe.

Most of the raw materials required to manufacture the Celution® System family of products are commonly available from multiple sources, and we have identified and executed supply agreements with our preferred vendors. Some specialty components are custom made for us, and we are dependent on the ability of these suppliers to deliver functioning parts or materials in a timely manner to meet the ongoing demand for our products. In particular, our Celase and Intravase reagents, which are used to digest patients' autologous adipose (fat) tissue, are manufactured exclusively by Roche Diagnostics

Corporation, or Roche. We do not have a second qualified supplier to manufacture these reagents. Though we have significant inventory related to these reagents on hand which we believe are sufficient to satisfy anticipated internal and customer demand for a period of approximately 19 months, if our agreement with Roche were to terminate or if Roche were otherwise unable to manufacture sufficient volumes of the reagents to meet our customer demand, our business could be materially and adversely affected. The initial term of our agreement with Roche will expire December 31, 2020 and will continue thereafter for additional five-year renewal period.

There can be no assurance that we will be able to obtain adequate quantities of the necessary raw materials supplies within a reasonable time or at commercially reasonable prices. Interruptions in supplies due to price, timing, or availability or other issues with our suppliers could have a negative impact on our ability to manufacture products.

Competition

The field of regenerative medicine is expanding rapidly, in large part through the development of cell-based therapies and/or devices designed to isolate cells from human tissues. As the field grows, we face, and will continue to face, increased competition from pharmaceutical, biopharmaceutical, medical device and biotechnology companies, as well as academic and research institutions and governmental agencies in the United States and abroad. Most regenerative medicine efforts involve sourcing adult stem and regenerative cells from tissues such as bone marrow, placental tissue, umbilical cord and peripheral blood, and skeletal muscle. However, a growing number of companies are using adipose tissue as a cell source. We exclusively use adipose tissue as a source of adult stem and regenerative cells.

With the growing number of companies working in the cell therapy field, we are forced to compete across several areas, including equity and capital, clinical trial sites, enrollment of patients in clinical trials, corporate partnerships, skilled and experienced personnel and commercial market share. Some of our competitors and potential competitors have substantially greater financial, technological, research and development, marketing, and personnel resources than we do. We cannot with any accuracy forecast when or if these companies are likely to bring cell therapies to market for indications such as scleroderma, osteoarthritis, and thermal burns which we are also pursuing.

Companies researching and developing cell-based therapies for our lead indications include, but are not limited to, Anterogen, Arteriocyte Medical Systems, Celgene Cellular Therapeutics, Cellular Biomedicine Group, Osiris Therapeutics, Regeneus Ltd, Stempeutics, TiGenix NV, Vericel Corporation., Cyfuse Biomedical and Medicon. These companies are in various stages of clinical development for their respective cell therapies. In addition, we are aware of several surgeons who are performing autologous fat transfers using manual methods, some of whom enrich the fat with autologous adipose-derived cells. In 2014, the FDA released several guidances which are anticipated to limit the availability of non-FDA approved cell therapies including those derived from adipose tissue. FDA has issued specific guidance on the use of cells from adipose tissue. Specifically, FDA has indicated that the process of separating the stromal vascular fraction from adipose tissue is considered a regulated process and such cells are considered drugs that would need FDA oversight prior to use on humans. It is these same stromal vascular cells that are produced by the Celution device. Since Cytori has previously initiated a regulatory pathway with FDA that is consistent with this new public announcement (PMA pathway for Celution System), the regulatory impact to Cytori is minimal and confirmatory in nature. However, the regulatory impact for Cytori competitors is unknown as the full impact of these new FDA guidelines are not known. In Europe, we anticipate that our Cytori Cell Therapy will be regulated as an advanced-therapy medicinal product, or ATMP, which is essentially a drug classification. As our combination of Celution system platform and Cytori Cell Therapy output (autologous, same surgical procedure) is novel, we intend to work with the European Medicines Agency and its appropriate subcommittees to discuss our product offering and confirm our regulatory approval pathway. Competitors with product offerings more clearly categorizable as drugs in the EU may face fewer regulatory hurdles and/or have quicker pathways to regulatory approval. In Japan, Cytori Cell Therapy is approved as a Class I medical device which means it can be sold and used in Japan but without any specific claims or receive reimbursement. Facilities who use our products must 1) certify their facility and 2) receive approval for the protocols through the process outlined in the November 2014 Regenerative Medicine Law. Product approval for Cytori Cell Therapy for specific indications (including reimbursement) are outlined in the Japan Pharmaceutical and Medical Device Act, or PMD Act, which has provisions for Drugs, Devices and Regenerative Medicine Products. Cytori Cell Therapy can be approved as either a Device or Regenerative Medicine Product. The organization is in the process of determining the optimal pathway(s).

In China, our Celution device and our proprietary enzymes (Celase and Intravase) have Class 1 clearances, which means they can be sold into China for research purposes without any specific claims or receive reimbursement. However, cell therapies in China are subject to significant regulation, and we are currently dependent on the efforts of Lorem Vascular to navigate the regulatory landscape to successfully commercialize our technology in China. Competitors with product

offerings that are further advanced in the regulatory process or that face fewer regulatory restrictions in China may have quicker pathways to commercial access and success.

We expect to compete based on, among other things, the clinical safety, clinical efficacy, regulatory approvals, and cost effectiveness of our solutions. We also believe the newly announced FDA policies on the isolation and selection of stromal vascular fraction cells from adipose cells are favorable for Cytori Celution System given the fact that Cytori had previously initiated a regulatory pathway that is consistent with these new FDA announcements.

Research and Development

Research and development expenses were $19,000,000, $15,105,000 and $17,065,000 for the years ended December 31, 2015, 2014 and 2013, respectively. These expenses have supported the basic research, product development and clinical activities necessary to bring our products to market.

Our research and development efforts in 2015 focused predominantly on the following areas:

- Supported enrollment in the ACT-OA (osteoarthritis) and STAR (scleroderma) trials;
- Supported ongoing preclinical and other research activities towards BARDA contract milestones;
- Continued patient follow-up and data analysis from the Athena trials and European ADVANCE trial;
- Prepared and submitted multiple regulatory filings in the United States, Europe, Japan, and other regions related to various cell and tissue processing systems under development;
- Developed new configurations and expanded functionality of our Celution® platform to address the current Japan approval as a medical device (Japan Class I) and other markets;
- Conducted adipose derived regenerative cells (ADRC) viability and transport studies in support of clinical trial requirements;
- Conducted, presented, and published research efforts related to ADRC characterization and potency to further establish scientific leadership in the field; and
- Continued to optimize and develop the Celution® System family of products and next-generation devices, single-use consumables and related instrumentation.

Intellectual Property

Our success depends in large part on our ability to protect our proprietary technology, including the Celutionfi System product platform, and to operate without infringing on the proprietary rights of third parties. We rely on a combination of patent, trade secret, copyright and trademark laws, as well as confidentiality agreements, licensing agreements and other agreements, to establish and protect our proprietary rights. Our success also depends, in part, on our ability to avoid infringing patents issued to others. If we were judicially determined to be infringing on any third party patent, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities.

To protect our proprietary medical technologies, including the Celutionfi System platform and other scientific discoveries, Cytori has over 80 issued patents worldwide. We have 24 issued U.S. patents and 58 issued international patents. Of the 24 issued U.S. patents, 2 were issued in 2015. Of the 58 issued international patents, 4 were issued in 2015. In addition, we have over 45 patent applications pending worldwide related to our technology. We are seeking additional patents on methods and systems for processing adipose-derived stem and regenerative cells, on the use of adipose-derived stem and regenerative cells for a variety of therapeutic indications, including their mechanisms of actions, on compositions of matter that include adipose-derived stem and regenerative cells, and on other scientific discoveries. We are also the exclusive, worldwide licensee of the Regents of the University of California's rights to a portfolio related to isolated adipose derived stem cells, which includes one US patent and twelve foreign patents. We are seeking additional patents on methods and systems for processing adipose-derived stem and regenerative cells, on the use of adipose-derived stem and regenerative cells for a variety of therapeutic indications, including their mechanisms of action, on compositions of matter that include adipose-derived stem and regenerative cells, and on other scientific discoveries. We are also the exclusive, worldwide licensee of the

Regents of the University of California's rights to a portfolio related to isolated adipose derived stem cells, which includes one US patent and twelve foreign patents.

We cannot assure that any of our pending patent applications will be issued, that we will develop additional proprietary products that are patentable, that any patents issued to us will provide us with competitive advantages or will not be challenged by any third parties or that the patents of others will not prevent the commercialization of products incorporating our technology. Furthermore, we cannot assure that others will not independently develop similar products, duplicate any of our products or design around our patents. U.S. patent applications are not immediately made public, so we might be surprised by the grant to someone else of a patent on a technology we are actively using.

There is a risk that any patent applications that we file and any patents that we hold or later obtain could be challenged by third parties and declared invalid or infringing of third party claims. For many of our pending applications, patent interference proceedings may be instituted with the U.S. Patent and Trademark Office (USPTO) when more than one person files a patent application covering the same technology, or if someone wishes to challenge the validity of an issued patent. At the completion of the interference proceeding, the USPTO will determine which competing applicant is entitled to the patent, or whether an issued patent is valid. Patent interference proceedings are complex, highly contested legal proceedings, and the USPTO's decision is subject to appeal. This means that if an interference proceeding arises with respect to any of our patent applications, we may experience significant expenses and delay in obtaining a patent, and if the outcome of the proceeding is unfavorable to us, the patent could be issued to a competitor rather than to us. Third parties can file post-grant proceedings in the USPTO, seeking to have issued patent invalidated, within nine months of issuance. This means that patents undergoing post-grant proceedings may be lost, or some or all claims may require amendment or cancellation, if the outcome of the proceedings is unfavorable to us. Post-grant proceedings are complex and could result in a reduction or loss of patent rights. The institution of post-grant proceedings against our patents could also result in significant expenses.

Patent law outside the United States is uncertain and in many countries is currently undergoing review and revisions. The laws of some countries may not protect our proprietary rights to the same extent as the laws of the United States. Third parties may attempt to oppose the issuance of patents to us in foreign countries by initiating opposition proceedings. Opposition proceedings against any of our patent filings in a foreign country could have an adverse effect on our corresponding patents that are issued or pending in the U.S. It may be necessary or useful for us to participate in proceedings to determine the validity of our patents or our competitors' patents that have been issued in countries other than the United States. This could result in substantial costs, divert our efforts and attention from other aspects of our business, and could have a material adverse effect on our results of operations and financial condition. We currently have pending patent applications or issued patents in Europe, Brazil, Mexico, India, Russia, Australia, Japan, Canada, China, Korea, and Singapore, among others.

In addition to patent protection, we rely on unpatented trade secrets and proprietary technological expertise. We cannot assure you that others will not independently develop or otherwise acquire substantially equivalent techniques, somehow gain access to our trade secrets and proprietary technological expertise or disclose such trade secrets, or that we can ultimately protect our rights to such unpatented trade secrets and proprietary technological expertise. We rely, in part, on confidentiality agreements with our marketing partners, employees, advisors, vendors and consultants to protect our trade secrets and proprietary technological expertise. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach or that our unpatented trade secrets and proprietary technological expertise will not otherwise become known or be independently discovered by competitors.

Government Regulation

As medical devices that yield cells with therapeutic potential, our products must receive regulatory clearances or approvals from the European Union, the FDA and, from other applicable governments prior to their sale.

Our current and future Celution® Systems are , or will be, subject to stringent government regulation in the United States by the FDA under the Federal Food, Drug and Cosmetic Act. The FDA regulates the design/development process, clinical testing, manufacture, safety, labeling, sale, distribution, and promotion of medical devices and drugs. Included among these regulations are pre-market clearance and pre-market approval requirements, design control requirements, and the Quality System Regulations/Good Manufacturing Practices. Other statutory and regulatory requirements govern, among other things, registration and inspection, medical device listing, prohibitions against misbranding and adulteration, labeling and post-market reporting.

The Celution® System family of products must also comply with the government regulations of each individual country in which the products are to be distributed and sold. These regulations vary in complexity and can be as stringent, and on occasion even more stringent, than FDA regulations in the United States. International government regulations vary from country to country and region to region. For example, regulations in some parts of the world only require product registration while other regions/countries require a complex product approval process. Due to the fact that there are new and emerging cell therapy and cell banking regulations that have recently been drafted and/or implemented in various countries around the world, the application and subsequent implementation of these new and emerging regulations have little to no precedence. Therefore, the level of complexity and stringency is not always precisely understood today for each country, creating greater uncertainty for the international regulatory process. Furthermore, government regulations can change with little to no notice and may result in up-regulation of our product(s), thereby, creating a greater regulatory burden for our cell processing and cell banking technology products.

Worldwide, the regulatory process can be lengthy, expensive, and uncertain with no guarantee of approval. Before any new medical device may be introduced to the U.S. market, the manufacturer generally must obtain FDA clearance or approval through either the 510(k) pre-market notification process or the lengthier pre-market approval application (PMA) process, which requires clinical trials to generate clinical data supportive of safety and efficacy. Approval of a PMA could take four or more years from the time the process is initiated due to the requirement for clinical trials. Our core Celution® System processing device products under development are generally subject to the lengthier PMA process for many specific applications. Failure to comply with applicable requirements can result in application integrity proceedings, fines, recalls or seizures of products, injunctions, civil penalties, total or partial suspensions of production, withdrawals of existing product approvals or clearances, refusals to approve or clear new applications or notifications, and criminal prosecution.

Specifically, regulation of the Celution® System in Europe and the U.S. for use in various diseases such as scleroderma require that we conduct clinical trials to collect safety and efficacy data to support marketing approvals. Our collaborators in France have completed a pilot study in Europe for hand manifestations in scleroderma. We completed a pilot study for chronic myocardial ischemia in Europe and based on the data are seeking a limited approval in Europe. In the U.S., we are currently conduction an 80 patient study STAR for hand manifestations in scleroderma under the device regulations via the PMA pathway.

Regulations in Asia Pacific are currently evolving for cell therapy products. For example, Japan has recently enacted a regenerative medicine law in November of 2014 following sweeping changes in the medical device regulations in 2014. In China, the regulatory landscape for cell therapies such as ours is subject to increasing regulation, and success in this market will depend heavily on a firm understanding of applicable regulations and a commitment to pursuing appropriate regulatory approvals, including any required approvals from the National Health and Family Planning Commission of the People's Republic of China, or NHFPC, and other governmental entities. To the extent that Lorem Vascular is unable or unwilling to pursue and obtain necessary regulatory approvals, existing regulations in Chain regarding cell therapies may serve to hamper commercialization efforts for our technology. In part because of perceived challenges in addressing the Chinese market, we have engaged in discussions with Lorem Vascular Pty, Ltd., or Lorem Vascular, our exclusive licensee in China, regarding restructuring of our agreement. No assurance can be given that our discussions with Lorem Vascular will be successful or that Lorem Vascular will be able to successfully execute its current business strategy in China. These regulatory uncertainties further complicate the regulatory process in Asia Pacific and may lengthen approval timelines and / or market entrance / penetration.

Summary of Celution® System Family Regulatory Status

Region	Clinical Applications	Regulatory Status
Japan	Cell Banking	Approved
	Celutionfi Centrifuge, Celbrush	Class I Notification
China	Celution 800/IV, Celase, Intravase	Class I Notification
Europe	Celution® 800: Cell Processing for re-implantation or re-infusion into same patient (General Processing)	CE Mark
	Celution® 800: Breast reconstruction and other cosmetic procedures	CE Mark
	Celution® 800: Crohn's fistula	CE Mark
	Intravase® for use with Celution® 800	CE Mark

	Cell Concentration	CE Mark

U.S.	Osteoarthritis	ACT-OA IDE trial completed in June 2015
U.S.	Scleroderma	STAR (full IDE approval granted in January 2015) - enrolling
U.S.	Refractory Heart Failure	ATHENA and ATHENA II IDE trial enrolled
Australia	Celution 800 Cell Processing for re-implantation or re-infusion into same patient (general/plastic reconstruction)	ARTG Certificate
Croatia	Celution 800 Cell Processing for re-implantation or re-infusion into same patient (general/plastic reconstruction)	Approval Certificated from the Croatia Agency for Medicinal Products and Medical Devices
New Zealand	Celution 800	WAND Registered
Russia	Celution 800 Cell Processing for re-implantation or re-infusion into same patient (general/plastic reconstruction)	Roszdravnadzor Certificate (Federal Service for Control of Healthcare and Social Development)
Serbia	Celution 800 Cell Processing for re-implantation or re-infusion into same patient (general/plastic reconstruction)	ALIMS (Medicines and Medical Devices Agency of Serbia)
Singapore	Celution 800 Cell Processing for re-implantation or re-infusion into same patient (general/plastic reconstruction)	HSA approved, SMDR Registered

Medical devices are also subject to post-market reporting requirements for deaths or serious injuries when the device may have caused or contributed to the death or serious injury, and for certain device malfunctions that would be likely to cause or contribute to a death or serious injury if the malfunction were to recur. If safety or effectiveness problems occur after the product reaches the market, the FDA may take steps to prevent or limit further marketing of the product. Additionally, the FDA actively enforces regulations prohibiting marketing and promotion of devices for indications or uses that have not been cleared or approved by the FDA. In addition, modifications or enhancements of products that could affect the safety or effectiveness or effect a major change in the intended use of a device that was either cleared through the 510(k) process or approved through the PMA process may require further FDA review through new 510(k) or PMA submissions.

We must comply with extensive regulations from foreign jurisdictions regarding safety, manufacturing processes and quality. These regulations, including the requirements for marketing and authorization may differ from the FDA regulatory scheme in the United States.

Employees

As of December 31, 2015, we had 80 full-time employees. These employees are comprised of 9 employees in manufacturing, 39 employees in research and development, 6 employees in sales and marketing and 26 employees in management, finance and administration. From time to time, we also employ independent contractors to support our operations. Our employees are not represented by any collective bargaining agreements and we have never experienced an organized work stoppage.

Corporate Information and Web Site Access to SEC Filings

We were initially formed as a California general partnership in July 1996, and incorporated in the State of Delaware in May 1997. We were formerly known as MacroPore Biosurgery, Inc., and before that as MacroPore, Inc. Our corporate offices are located at 3020 Callan Road, San Diego, CA 92121. Our telephone number is (858) 458-0900. We maintain an Internet website at www.cytori.com. Through this site, we make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission (SEC). In addition, we publish on our website all reports filed under Section 16(a) of the Securities Exchange Act by our directors, officers and 10% stockholders. These materials are accessible via the Investor Relations—Reports and Filings section of our website within the "SEC Filings" link. Some of the information is stored directly on our website, while other information can be accessed by selecting the provided link to the section on the SEC website, which contains filings for our company and its insiders.

The public can also obtain any documents that we file with the SEC at http://www.sec.gov. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580,

Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

In analyzing our company, you should consider carefully the following risk factors together with all of the other information included in this Annual Report on Form 10-K, including our audited Consolidated Financial Statements and the related notes and "Management's Discussion and Analysis of Financial Conditions and Results of Operations". If any of the risks described below occur, our business, operating results, and financial condition could be adversely affected and the value of our common stock could decline.

Risks Related to Our Business

* We will need to raise more cash in the future

We have almost always had negative cash flows from operations. Our business will continue to result in a substantial requirement for research and development expenses for several years, during which we may not be able to bring in sufficient cash and/or revenues to offset these expenses. We have had, and we will continue to have, an ongoing need to raise additional cash from outside sources to continue funding our operations to profitability. We do not currently believe that our cash balance and the revenues from our operations will be sufficient to fund the development and marketing efforts required to reach profitability without raising additional capital from accessible sources of financing in the very near future.

To date, these operating losses have been funded primarily from outside sources of invested capital and gross profits. We have had, and we will likely continue to have, an ongoing need to raise additional cash from outside sources to fund our future operations. However, our ability to raise capital on terms attractive to us was adversely affected once FDA put a hold on our Athena trials in mid-2014, which had an adverse impact to stock price performance and our corresponding ability to restructure our debt. More recently, a continued downward trend in our stock price resulting from general economic and industry conditions as well as the market's unfavorable view of our recent equity financings (which financings were priced at a discount to market and included 100% warrant coverage) and our Nasdaq listing deficiency, have made it more difficult to procure additional capital on terms reasonably acceptable to us. If we are unsuccessful in our efforts to raise outside capital in the near term, we will be required to significantly reduce our research, development, and administrative operations, including reduction of our employee base, in order to offset the lack of available funding. We expect to continue to utilize our cash and cash equivalents to fund operations at least through September of 2016, subject to minimum cash and cash liquidity requirements contained in that certain Loan and Security Agreement, dated May 29, 2015, with Oxford Finance, LLC ("Oxford"), as further described below (the "Loan and Security Agreement"), which requires that we maintain at least $5 million of cash on hand to avoid an event of default under the Loan and Security Agreement.

We have been placing, and will continue to place, significant effort into raising additional capital that will provide adequate capital resources to allow us to continue to fund our future operations. Based on our cash and cash equivalents on hand of approximately $14 million at December 31, 2015, and our minimum liquidity requirements under the Loan and Security Agreement with Oxford that requires us to make interest payments of $136,000 per month (but which will require principal and interest payments commencing January 2017) and our obligation to maintain at least $5 million of cash on hand, we estimate that we must raise additional capital and/or obtain a waiver or restructure the Loan and Security Agreement on or before July, 2016 to avoid an event of default under it. If we are unable to avoid an event of default under the Loan and Security Agreement , Oxford would have the right to cause the outstanding loan amount of approximately $17.7 million to become immediately due and payable. Our financing plans include pursuing additional cash through use of our at-the-market offering program ("ATM"), strategic corporate partnerships, licensing and sales of equity. While we have an established history of raising capital through these platforms, and we are currently involved in negotiations with multiple parties, there is no guarantee that adequate funds will be available when needed from additional debt or equity financing, development and commercialization partnerships or from other sources, or on terms acceptable to us. There is also no guarantee that that we will be able to service our existing debt to Oxford. If our efforts to obtain sufficient additional funds are not successful, in addition to the lender's ability to cause the loan amount to be immediately due and payable, we would at a minimum be required to delay, scale back, or eliminate some or all of our research or product development, manufacturing operations, administrative operations, including our employee base, and clinical or regulatory activities, which could negatively affect our ability to achieve certain corporate goals. In addition, the indebtedness under our Loan and Security Agreement with Oxford is secured by a security interest in substantially all of our existing and after-acquired assets, excluding our intellectual property assets which are subject to a negative pledge, and therefore, if we are unable to repay such

indebtedness, the lender could foreclose on these assets, which would, at a minimum, have a severe material adverse effect on our ability to operate our business.

In addition to the funding sources previously mentioned, we continue to seek additional capital through product revenues, strategic transactions, IP licensing, and State and Federal development programs, including additional funding opportunities though our current BARDA contract.

*Our level of indebtedness, and covenant restrictions under such indebtedness, could adversely affect our operations and liquidity

Under our Loan and Security Agreement with Oxford, as collateral agent and lender, Oxford agreed to make a term loan to us in an aggregate principal amount of $17,700,000 (the "Term Loan"), subject to the terms and conditions set forth in the Loan and Security Agreement (the "Loan Facility"). In connection with securing the Loan Facility, we prepaid all outstanding amounts under our Loan and Security Agreement, dated June 28, 2013, with Oxford and Silicon Valley Bank.

The Term Loan accrues interest at a floating rate equal to the three-month LIBOR rate (with a floor of 1.00%) plus 7.95% per annum. In February 2016, Oxford acknowledged that we had received positive data on our ACT-OA clinical trial, which acknowledgement automatically deferred commencement of the Amortization Commencement Date under the Loan and Security Agreement from June 1, 2016 to January 1, 2017, thus extending our interest-only payment period for six months. The Company is required to make payments of principal and accrued interest in equal monthly installments sufficient to amortize the Term Loan through June 1, 2019, the maturity date. All unpaid principal and accrued and unpaid interest with respect to the Term Loan is due and payable in full on June 1, 2019.

As security for its obligations under the Loan and Security Agreement, the Company granted a security interest in substantially all of its existing and after-acquired assets, subject to certain exceptions set forth in the Loan and Security Agreement and excluding its intellectual property assets, which are subject to a negative pledge by the Company.

Our indebtedness to Oxford could adversely affect our operations and liquidity, by, among other things:

- causing us to use a larger portion of our cash flow to fund interest and principal payments, reducing the availability of cash to fund working capital and capital expenditures and other business activities;
- making it more difficult for us to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions; and
- limiting our ability to borrow additional monies in the future to fund working capital, capital expenditures and other general corporate purposes.

The Loan Agreement requires us to maintain at least three months of cash on hand and includes certain reporting and other covenants, that, among other things, restrict our ability to: (i) dispose of assets, (ii) change the business we conduct, (iii) make acquisitions, (iv) engage in mergers or consolidations, (v) incur additional indebtedness, (vi) create liens on assets, (vii) maintain any collateral account, (viii) pay dividends, (ix) make investments, loans or advances, (x) engage in certain transactions with affiliates, and (xi) prepay certain other indebtedness or amend other financing arrangements. If we fail to comply with any of these covenants or restrictions, such failure may result in an event of default, which if not cured or waived, could result in the lender accelerating the maturity of our indebtedness. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and such acceleration would adversely affect our business and financial condition.

In addition, the indebtedness under our Loan and Security Agreement is secured by a security interest in substantially all of our existing and after-acquired assets, excluding our intellectual property assets (which is subject to a negative pledge), and therefore, if we are unable to repay such indebtedness, the Lender could foreclose on these assets, which would, at a minimum, have a severe material effect on our ability to operate our business. Further, if we fail to receive positive data on our ACT-OA clinical trial, as determined by Oxford, or close a licensing, partnership or similar transaction on terms acceptable to Oxford by May 31, 2016, we will be required to commence making principal payments in July 2016, which payments will materially decrease cash available for operations and make us more reliant on obtaining outside sources of additional capital.

*We could be delisted from NASDAQ, which could seriously harm the liquidity of our stock and our ability to raise capital

On June 4, 2015, we received a letter from the Listing Qualifications Staff of The NASDAQ Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of the our common stock for the previous 30 consecutive trading days, we no longer met the requirement to maintain a minimum bid price of $1 per share, as set forth in Nasdaq Listing Rule 5450(a)(1). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were provided a period of 180 calendar days, or until December 1, 2015, in which to regain compliance. We were unable to regain compliance with the minimum bid price requirement within this 180-day period, and on December 3, 2015, we received a Staff Determination Letter notifying us that our stock would be delisted from the Nasdaq Stock Market unless we appealed the determination to the Nasdaq Hearing Panel, or we were eligible to transfer from the Nasdaq Global Market, or NGM, to the Nasdaq Capital Market, or NCM. Though we were eligible to transfer to the NCM, we elected to appeal the delisting determination to the Nasdaq Hearing Panel, which election stayed the Nasdaq Staff's determination pending the Hearing Panel's decision on our appeal. The hearing was held on January 21, 2016, and on January 27, 2016, the Nasdaq Hearing Panel issued its determination letter which it granted us an additional 180-day period (expiring May 31, 2016) to come into compliance with its minimum bid price requirement, and which required that:

- By mid-March, 2016, we shall have filed our definite proxy for a stockholders meeting which includes a request to approve a reverse stock split to bring our stock priced above $1;

- On or before May 10, 2016, we shall have held a stockholders meeting at which the stockholders approve a reverse stock sufficient to demonstrate compliance with Nasdaq's minimum $1 bid price requirement;

- On or before May 31, 2016, we shall have demonstrated a closing bid price of $1 or more for a minimum of ten consecutive trading days.

The Company transferred the listing of its common stock from The NASDAQ Global Market tier to The NASDAQ Capital Market tier on February 1, 2016 and on February 10, 2016, the Listing Qualification Staff sent a letter to the Company approving and confirming the Company's move from the NGM tier to the NGM tier. In the event we do not cure our listing deficiency by May 31, 2016, Nasdaq will provide us notice that our common stock will be subject to delisting.

There can be no assurance that we will be able to regain compliance with the minimum bid price requirement or maintain compliance with the other listing requirements, or that we will be eligible for listing on the NGM, NCM or any comparable trading market. To regain compliance with Nasdaq's minimum bid requirement, we have committed to consummate a reverse stock split at our annual stockholder meeting (unless our stock price organically rises above $1 and cures our bid price deficiency), which split would likely be unfavorably received by the market and could further depress the market for our shares. There is no guarantee that a reverse stock split, if consummated, would cure, in the short-term or long-term, our Nasdaq listing deficiencies. If we cease to be eligible to trade on either the NGM or NCM:

- we would be forced to seek to be traded on a less recognized or accepted exchange or market such as the OTC Bulletin Board or the "pink sheets;"

- the trading price of our common stock would be adversely affected, including an increased spread between the "bid" and "asked" prices quoted by market makers;

- the liquidity and marketability of shares of our common stock would be adversely affected, thereby reducing the ability of holders of our common stock to purchase or sell our shares as quickly and as inexpensively as they have done historically (if our stock is traded as a "penny stock," transactions in our stock would be more difficult and cumbersome);

- our ability to access capital on terms favorable to us (or at all) would be adversely affected, as companies trading on the OCT Bulletin Board or "pink sheets" are viewed as less attractive investments with materially higher associated risks, such that existing or prospective institutional investors may be less interested in, or prohibited from, investing in our common stock (which may also cause the market price of our common stock to decline).

Continued turmoil in the economy could harm our business

Negative trends in the general economy, including trends resulting from an actual or perceived recession, tightening credit markets, increased cost of commodities, including oil, actual or threatened military action by the United States and threats of terrorist attacks in the United States and abroad, could cause a reduction of investment in and available funding for companies in certain industries, including ours and our customers. Our ability to raise capital has been, and may in the future, be adversely affected by downturns in current credit conditions, financial markets and the global economy.

We have never been profitable on an operational basis and expect significant operating losses for at least the next one to two years

We have incurred net operating losses each year since we started business. As our focus on Cytori Cell Therapy, the Celution ® System platform and development of therapeutic applications for Cytori Cell Therapy has increased, losses have resulted primarily from expenses associated with research and development activities and general and administrative expenses. While we have implemented and continue implement cost reduction measures where possible, we nonetheless expect to continue operating in a loss position on a consolidated basis and expect that recurring operating expenses will be at high levels for at least the next one to two years, in order to perform clinical trials, additional pre-clinical research, product development, and marketing. As a result of our historic losses, we have been, and are likely to continue to be, reliant on raising outside capital to fund our operations.

Our business strategy is high-risk

We are focusing our resources and efforts primarily on development of the Celution ® System family of products and the therapeutic applications of its cellular output, which requires extensive cash needs for research, development, and commercialization activities. This is a high-risk strategy because there is no assurance that our future products will ever become commercially viable (commercial risk), that we will prevent other companies from depriving us of market share and profit margins by selling products based on our inventions and developments (legal risk), that we will successfully manage a company in a new area of business (regenerative medicine) and on a different scale than we have operated in the past (operational risk), that we will be able to achieve the desired therapeutic results using stem and regenerative cells (scientific risk), or that our cash resources will be adequate to develop our products until we become profitable, if ever (financial risk). We are using our cash in one of the riskiest industries in the economy (strategic risk). This may make our stock an unsuitable investment for many investors.

The development and manufacture of current and future generation Celution® System devices is important to us

We must continue to develop and manufacture both the current and future generation Celution® System devices. If we are not successful in further development of the current and future generation Celution® System devices, we may not be able to compete successfully in the marketplace (technology risk), and if we experience disruptions and/or delays in our production of these devices as required by the marketplace, our operations and commercialization efforts (clinical, regulatory and/or commercial sales) would be harmed (manufacturing risk).

Although we have significant experience in manufacturing the current Celution ® System platform and its consumables at a commercial level, there can be no guarantee that we will be able to successfully develop and manufacture future generation Celution ® Systems in a manner that is cost-effective or commercially viable, or that development and manufacturing capabilities might not take much longer than currently anticipated to be ready for the market.

Although we have been manufacturing the Celution ® 800 System and the StemSource ® 900-based Cell Bank since 2008, we cannot assure that we will be able to manufacture sufficient numbers of such products to meet future demand, or that we will be able to overcome unforeseen manufacturing difficulties for this sophisticated equipment.

Our operating results and stock price can be volatile

Our prospects must be evaluated in light of the risks and difficulties frequently encountered by emerging companies and particularly by such companies in rapidly evolving and technologically advanced biotech and medical device fields. From time to time, we have tried to update our investors' expectations as to our operating results by periodically announcing financial guidance. However, we have in the past been forced to revise or withdraw such guidance due to lack of visibility and predictability of product demand. Our stock price has a history of significant volatility, which may harm our ability to raise additional capital and may cause an investment in our company to be unsuitable for some investors.

We may not be able to correctly estimate or control our future operating expenses, which could lead to cash shortfalls

Our budgeted expense levels are based in part on our expectations concerning future revenues from sales as well our assessment of the future investments needed to expand our commercial organization and support research and development activities. We may be unable to reduce our expenditures in a timely manner to compensate for any unexpected events or a shortfall in revenue. Accordingly, a shortfall in demand for our products or other unexpected events could have an immediate and material impact on our business and financial condition.

We are vulnerable to competition and technological change, and also to physicians' inertia

We compete with many domestic and foreign companies in developing our technology and products, including biotechnology, medical device, and pharmaceutical companies. Many current and potential competitors have substantially greater financial, technological, research and development, marketing, and personnel resources. There is no assurance that our competitors will not succeed in developing alternative products that are more effective, easier to use, or more economical than those which we have developed or are in the process of developing, or that would render our products obsolete and non-competitive. In general, we may not be able to prevent others from developing and marketing competitive products similar to ours or which perform similar functions.

Competitors may have greater experience in developing therapies or devices, conducting clinical trials, obtaining regulatory clearances or approvals, manufacturing and commercialization. It is possible that competitors may obtain patent protection, approval, or clearance from the FDA or achieve commercialization earlier than we can, any of which could have a substantial negative effect on our business.

We compete against cell-based therapies derived from alternate sources, such as bone marrow, umbilical cord blood and potentially embryos. Doctors historically are slow to adopt new technologies like ours, regardless of the perceived merits, when older technologies continue to be supported by established providers. Overcoming such inertia often requires very significant marketing expenditures or definitive product performance and/or pricing superiority.

We expect physicians' inertia and skepticism to also be a significant barrier as we attempt to gain market penetration with our future products. We believe we will continue to need to finance lengthy time-consuming clinical studies to provide evidence of the medical benefit of our products and resulting therapies in order to overcome this inertia and skepticism particularly in reconstructive surgery, cell preservation, osteoarthritis, scleroderma, cardiovascular indications and others.

*Many potential applications of our technology are pre-commercialization, which subjects us to development and marketing risks

We are in a relatively early stage of the path to commercialization with many of our products. We believe that our long-term viability and growth will depend in large part on our ability to develop commercial quality cell processing devices and useful procedure-specific consumables, and to establish the safety and efficacy of our therapies through clinical trials and studies. With our Cytori Cell Therapy, we are pursuing new approaches for therapies for osteoarthritis, scleroderma, burns, soft tissue defects, reconstructive surgery, preservation of stem and regenerative cells for potential future use, and other conditions. There is no assurance that our development programs will be successfully completed or that required regulatory clearances or approvals will be obtained on a timely basis, if at all.

There is no proven path for commercializing Cytori Cell Therapy in a way to earn a durable profit commensurate with the medical benefit. Although we began to commercialize our reconstructive surgery products in Europe and certain Asian markets, and our cell banking products in Japan, Europe, and certain Asian markets in 2008, additional market opportunities for many of our products and/or services may not materialize for a number of years.

Successful development and market acceptance of our products is subject to developmental risks, including failure of inventive imagination, ineffectiveness, lack of safety, unreliability, failure to receive necessary regulatory clearances or approvals, high commercial cost, preclusion or obsolescence resulting from third parties' proprietary rights or superior or equivalent products, competition from copycat products, and general economic conditions affecting purchasing patterns. There is no assurance that we or our partners will successfully develop and commercialize Cytori Cell Therapy, or that our competitors will not develop competing technologies that are less expensive or superior. Failure to successfully develop and market Cytori Cell Therapy would have a substantial negative effect on our results of operations and financial condition.

If any party to a key collaboration partnership fails to perform material obligations under our agreements, or any other collaboration agreement, or if such agreements are terminated for any reason, our business could significantly suffer

We have entered into collaboration agreements under which we may receive future payments in the form of milestone payments, maintenance fees and royalties. We are dependent on our collaborators to commercialize Cytori Cell Therapy in certain countries in order for us to realize any financial benefits from these collaborations. Our collaborators may not devote the attention and resources to such efforts to be successful. In addition, in the event that a party fails to perform under a key collaboration agreement, or if a key collaboration agreement is terminated, the reduction in anticipated revenues could delay or suspend our commercialization efforts in certain countries. Specifically, the termination of a key collaboration agreement by one of our collaborators could materially impact our ability to enter into additional collaboration agreements with new collaborators on favorable terms.

*If we or our distributors or collaborators fail to comply with regulatory requirements applicable to the development, manufacturing, and marketing of our products, regulatory agencies may take action against us or them, which could significantly harm our business

Our products and product candidates, along with the clinical development process, the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for these products, are subject to continual requirements and review by the FDA, state and foreign regulatory bodies. Regulatory authorities subject a marketed product, its manufacturer and the manufacturing facilities to continual review and periodic inspections. We, our distributors and collaborators and our and their respective contractors, suppliers and vendors, will be subject to ongoing regulatory requirements, including complying with regulations and laws regarding advertising, promotion and sales of products, required submissions of safety and other post-market information and reports, registration requirements, Clinical Good Manufacturing Practices (cGMP) regulations (including requirements relating to quality control and quality assurance, as well as the corresponding maintenance of records and documentation), and the requirements regarding the distribution of samples to physicians and recordkeeping requirements. Regulatory agencies may change existing requirements or adopt new requirements or policies. We, our distributors and collaborators and our and their respective contractors, suppliers and vendors, may be slow to adapt or may not be able to adapt to these changes or new requirements.

Failure to comply with regulatory requirements may result in any of the following:

- restrictions on our products or manufacturing processes;
- warning letters;
- withdrawal of the products from the market;
- voluntary or mandatory recall;
- fines;
- suspension or withdrawal of regulatory approvals;
- suspension or termination of any of our ongoing clinical trials;
- refusal to permit the import or export of our products;
- refusal to approve pending applications or supplements to approved applications that we submit;
- product seizure;
- injunctions; or
- imposition of civil or criminal penalties.

*We must rely on the performance of Lorem Vascular for the commercialization of our products in China, Hong Kong, Singapore, Malaysia and Australia

Lorem Vascular is the exclusive licensee for our products in China, Hong Kong, Singapore, Malaysia and Australia, and while we will are supportive of their efforts, they are responsible for obtaining regulatory approvals, market development and sales in these countries. Lorem Vascular is also a relatively new company and as such will be required to develop the expertise, personnel and relationships in each of these countries required to successfully market and sell our products. We cannot guarantee that Lorem Vascular will make the investments required to be successful in these countries. We cannot guarantee that the necessary regulatory approvals can be obtained, and we cannot guarantee that our products will be successful in these markets even if advantageous market regulatory approvals are obtained. In the absence of obtaining regulatory approvals required by applicable Chinese governmental entities such as the National Health and Family Planning Commission of the People's Republic of China, Lorem Vascular may be unable to fully penetrate the Chinese market, and may be materially limited in its ability to sell our products. We believe that Lorem Vascular will be required to better understand the regulatory landscape in China and the conditions under which our technology may be successfully sold. However, no assurance can be given that Lorem Vascular will be able to successfully navigate any challenges presented by these regulations, or implement or successfully achieve a reasonable near or long-term regulatory or commercial strategy for China. Any such challenges could adversely affect Lorem Vascular's ability to penetrate the market, grow sales, and satisfy its product purchase minimums under our agreement with them.

Further, we are in discussions with Lorem Vascular to appropriately restructure our agreement with them. If we are unable to agree with Lorem Vascular on revised terms to our agreement, our relationship with them could suffer. A dispute may arise between us and Lorem Vascular that could lead to diversion of management time and attention and cause us to realize little if any sales or royalty revenues from sales activities in the territories under our exclusive license with Lorem Vascular . Even if we successfully restructure our agreement with Lorem Vascular, there can be no assurance that Lorem Vascular will be able to successfully grow its Celution business in China. Further, to the extent Lorem fails to comply with any regulations applicable to its marketing and commercialization of our products, we cannot assure you that regulators might not try to hold us responsible for such activities if they believe we somehow facilitated or were otherwise responsible for Lorem's actions.

If we are unable to successfully partner with other companies to commercialize our therapeutic offerings, our business could materially suffer

We intend to enter into strategic partnerships/collaborations to commercialize our indications, as we do not have the financial, human or other resources necessary to introduce and sell our therapeutic offerings in all of the geographies that we are targeting. We expect that our partners would provide regulatory and reimbursement/pricing expertise, sales and marketing resources, and other expertise and resources vital to the success of our product offerings in their territories. We further expect that these partnerships would include upfront cash payments to us in return for the rights to sell our products in specified territories, as well as downstream revenues in the form of milestone payment and royalties. If we are unable to identify suitable partners for our indications, including our lead ECCS-50 hand scleroderma indication, or if we are required to enter into agreements with such partners on unfavorable terms, our business and prospects could materially suffer. We are currently prioritizing our efforts to find a strategic partner for our hand scleroderma therapy (ECCS-50) in the EU. The EU regulatory environment is complicated, and our technology approach is novel. We cannot guarantee that the European Medicines Agencies and national competent authorities in the EU will grant regulatory approval for ECCS-50 on acceptable terms, if at all, nor can we guarantee that reimbursement agencies and other third party payers in the EU will grant us favorable reimbursement for our ECCS-50 product offering. These commercialization risks could affect prospective partners' or collaborators' willingness to enter into partnering arrangements on terms acceptable to us. See risk factors below for further discussion regarding regulatory and market risks associated with our products.

To the extent any of our customers fail to use our products in compliance with applicable regulations, regulators could try to hold us responsible if they believe we facilitated or were otherwise somehow responsible for our customer's non-compliance

We sell our products in many markets. Many of these markets have different, and in some cases less burdensome, regulatory schemes applicable to our products. To the extent any of our customers, whether inside or outside the U.S., use or further market our products for unapproved uses in their home market or in other markets or in a way that does not otherwise comply with applicable laws, there is a risk that regulators could try to hold us responsible for any such non-compliance. For example, we sell products to customers outside the U.S. To the extent any of our customers use or further market our products in their home market in a way that does not comply with applicable local regulations, regulators could try to hold us responsible if they believe we facilitated or were otherwise responsible for the customers actions. While we take measures in an effort to protect us against these types of risks, we cannot ensure you that such measures would prevent us from becoming subject to any such claims.

Market acceptance of new technology such as ours can be difficult to obtain

New and emerging cell therapy and cell banking technologies, such as those provided by the Cytori Cell Therapy family of products, may have difficulty or encounter significant delays in obtaining market acceptance in some or all countries around the world due to the novelty of our cell therapy and cell banking technologies. Therefore, the market adoption of our Cytori Cell Therapy and cell banking technologies may be slow and lengthy with no assurances that significant market adoption will be successful. The lack of market adoption or reduced or minimal market adoption of our cell therapy and cell banking technologies may have a significant impact on our ability to successfully sell our product(s) into a country or region.

Future clinical trial results may differ significantly from our expectations

While we have proceeded incrementally with our previous clinical trials in an effort to gauge the risks of proceeding with larger and more expensive trials, such as in previous cardiac trials in Europe, and our ATHENA I and ATHENA II

feasibility trial in heart failure due to ischemic heart disease, we cannot guarantee that we will not experience negative results in larger and much more expensive clinical trials than we have conducted to date. Poor results, unanticipated events or other complications in our clinical trials could result in substantial delays in commercialization, substantial negative effects on the perception of our products, and substantial additional costs. These risks are increased by our reliance on third parties in the performance of many of the clinical trial functions, including the clinical investigators, hospitals, CROs, and other third party service providers.

Our product candidates may not receive regulatory approvals or their development may be delayed for a variety of reasons, including unsuccessful clinical trials, regulatory requirements or safety concerns

Clinical testing of our products is a long, expensive and uncertain process, and the failure or delay of a clinical trial can occur at any stage. Even if initial results of preclinical and nonclinical studies or clinical trial results are promising, we may obtain different results in subsequent trials or studies that fail to show the desired levels of safety and efficacy, or we may not obtain applicable regulatory approval for a variety of other reasons. Clinical trials for any of our products could be unsuccessful, which would delay or prohibit regulatory approval and commercialization of the product. In the United States and other jurisdictions, regulatory approval can be delayed, limited or not granted for many reasons, including, among others:

- clinical results may not meet prescribed endpoints for the studies or otherwise provide sufficient data to support the efficacy of our products;
- clinical and nonclinical test results may reveal side effects, adverse events or unexpected safety issues associated with the use of our products;
- regulatory review may not find a product safe or effective enough to merit either continued testing or final approval;
- regulatory review may not find that the data from preclinical testing and clinical trials justifies approval;
- regulatory authorities may require that we change our studies or conduct additional studies which may significantly delay or make continued pursuit of approval commercially unattractive;
- a regulatory agency may reject our trial data or disagree with our interpretations of either clinical trial data or applicable regulations;
- the cost of clinical trials required for product approval may be greater than what we originally anticipate, and we may decide to not pursue regulatory approval for such a product;
- a regulatory agency may identify problems or other deficiencies in our existing manufacturing processes or facilities, or the existing processes or facilities of our collaborators, our contract manufacturers or our raw material suppliers;
- a regulatory agency may change its formal or informal approval requirements and policies, act contrary to previous guidance, adopt new regulations or raise new issues or concerns late in the approval process;
- a product candidate may be approved only for indications that are narrow or under conditions that place the product at a competitive disadvantage, which may limit the sales and marketing activities for such products or otherwise adversely impact the commercial potential of a product; or
- a regulatory agency may ask the company to put a clinical study on hold pending additional safety data; there is no guarantee that the company will be able to satisfy the regulator agencies requests in a timely manner, which can lead to significant uncertainty in the completion of a clinical study.

If a product is not approved in a timely fashion on commercially viable terms, or if development of any product is terminated due to difficulties or delays encountered in the regulatory approval process, it could have a material adverse impact on our business, and we will become more dependent on the development of other proprietary products and/or our ability to successfully acquire other products and technologies. There can be no assurances that any product will receive regulatory approval in a timely manner, or at all.

Certain products will be marketed, and perhaps manufactured, in foreign countries. The process of obtaining regulatory approvals in foreign countries is subject to delay and failure for the reasons set forth above, as well as for reasons that vary from jurisdiction to jurisdiction. The approval process varies among countries and jurisdictions and can involve additional testing. The time required to obtain approval may differ from that required to obtain FDA approval. Foreign regulatory agencies may not provide approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by the FDA.

We may not be able to protect our proprietary rights

Our success depends in part on whether we can maintain our existing patents, obtain additional patents, maintain trade secret protection, and operate without infringing on the proprietary rights of third parties.

There can be no assurance that any of our pending patent applications will be approved or that we will develop additional proprietary products that are patentable. There is also no assurance that any patents issued to us will not become the subject of a re-examination, will provide us with competitive advantages, will not be challenged by any third parties, or that the patents of others will not prevent the commercialization of products incorporating our technology. Furthermore, there can be no guarantee that others will not independently develop similar products, duplicate any of our products, or design around our patents.

Our commercial success will also depend, in part, on our ability to avoid infringing on patents issued by others. If we were judicially determined to be infringing on any third-party patent, we could be required to pay damages, alter our products or processes, obtain licenses, or cease certain activities. If we are required in the future to obtain any licenses from third parties for some of our products, there can be no guarantee that we would be able to do so on commercially favorable terms, if at all. U.S. patent applications are not immediately made public, so we might be surprised by the grant to someone else of a patent on a technology we are actively using.

Litigation, which would result in substantial costs to us and diversion of effort on our part, may be necessary to enforce or confirm the ownership of any patents issued or licensed to us, or to determine the scope and validity of third-party proprietary rights. If our competitors claim technology also claimed by us and prepare and file patent applications in the United States, we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office or a foreign patent office to determine priority of invention, which could result in substantial costs to and diversion of effort, even if the eventual outcome is favorable to us. Any such litigation or interference proceeding, regardless of outcome, could be expensive and time-consuming.

Successful challenges to our patents through oppositions, reexamination proceedings or interference proceedings could result in a loss of patent rights in the relevant jurisdiction. If we are unsuccessful in actions we bring against the patents of other parties and it is determined that we infringe the patents of third-parties, we may be subject to litigation, or otherwise prevented from commercializing potential products in the relevant jurisdiction, or may be required to obtain licenses to those patents or develop or obtain alternative technologies, any of which could harm our business. Furthermore, if such challenges to our patent rights are not resolved in our favor, we could be delayed or prevented from entering into new collaborations or from commercializing certain products, which could adversely affect our business and results of operations.

On September 16, 2011, President Obama signed into law major patent law reform known as the Leahy-Smith America Invents Act (AIA). Among other things the AIA implements a first inventor to file standard for patent approval, changes the legal standards for patentability under section 102 of the statute, and creates a post grant review system. As a result of the added uncertainty of interpretation of the AIA and the uncertainty of patent law in general, we cannot predict with certainty how much protection, if any, will be given to our patents if we attempt to enforce them and they are challenged in court. Changes to the patent law under the AIA also may provoke third parties to assert claims against us or result in our intellectual property being narrowed in scope or declared to be invalid or unenforceable.

Competitors or third parties may infringe on or upon our patents. We may be required to file patent infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or that the third party's technology does not in fact infringe upon our patents. An adverse determination of any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our related pending patent applications at risk of not issuing. Litigation may fail and, even if successful, may result in substantial costs and be a distraction to our management. We may not be able to prevent misappropriation of our proprietary rights, particularly in countries outside the U.S. where patent rights may be more difficult to enforce. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential or sensitive information could be compromised by disclosure in the event of litigation. In addition, during the course of litigation there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

In addition to patents, which alone may not be able to protect the fundamentals of our business, we also rely on unpatented trade secrets and proprietary technological expertise. Some of our intended future cell-related therapeutic products may fit into this category. We rely, in part, on confidentiality agreements with our partners, employees, advisors, vendors, and consultants to protect our trade secrets and proprietary technological expertise. There can be no guarantee that these agreements will not be breached, or that we will have adequate remedies for any breach, or that our unpatented trade secrets and proprietary technological expertise will not otherwise become known or be independently discovered by competitors.

Failure to obtain or maintain patent protection, or protect trade secrets, for any reason (or third-party claims against our patents, trade secrets, or proprietary rights, or our involvement in disputes over our patents, trade secrets, or

proprietary rights, including involvement in litigation), could have a substantial negative effect on our results of operations and financial condition.

We may not be able to protect our intellectual property in countries outside the United States

Intellectual property law outside the United States is uncertain and in many countries is currently undergoing review and revisions. The laws of some countries do not protect our patent and other intellectual property rights to the same extent as United States laws. This is particularly relevant to us as most of our current commercial product sales and clinical trials are outside of the United States. Third parties may attempt to oppose the issuance of patents to us in foreign countries by initiating opposition proceedings. Opposition proceedings against any of our patent filings in a foreign country could have an adverse effect on our corresponding patents that are issued or pending in the United States. It may be necessary or useful for us to participate in proceedings to determine the validity of our patents or our competitors' patents that have been issued in countries other than the U.S. This could result in substantial costs, divert our efforts and attention from other aspects of our business, and could have a material adverse effect on our results of operations and financial condition. We currently have pending patent applications in Europe, Australia, Japan, Canada, China, Korea, and Brazil, among other countries.

We and our medical devices are subject to FDA regulation

As medical devices, the Celution ® System family of products, and components of the Stemsource® cell banks, must receive regulatory clearances or approvals from the FDA and, in many instances, from non-U.S. and state governments prior to their sale. The Celution ® System family of products is subject to stringent government regulation in the United States by the FDA under the Federal Food, Drug and Cosmetic Act. The FDA regulates the design/development process, clinical testing, manufacture, safety, labeling, sale, distribution, and promotion of medical devices and drugs. Included among these regulations are pre-market clearance and pre-market approval requirements, design control requirements, and the Quality System Regulations/Good Manufacturing Practices. Other statutory and regulatory requirements govern, among other things, establishment registration and inspection, medical device listing, prohibitions against misbranding and adulteration, labeling and post-market reporting.

The regulatory process can be lengthy, expensive, and uncertain. Before any new medical device may be introduced to the U.S. market, the manufacturer generally must obtain FDA clearance or approval through either the 510(k) pre-market notification process or the lengthier pre-market approval application, or PMA, process. It generally takes from three to 12 months from submission to obtain 510(k) pre-market clearance, although it may take longer. Approval of a PMA could take four or more years from the time the process is initiated. The 510(k) and PMA processes can be expensive, uncertain, and lengthy, and there is no guarantee of ultimate clearance or approval. Our Celution ® products under development today and in the foreseeable future will be subject to the lengthier PMA process. Securing FDA clearances and approvals may require the submission of extensive clinical data and supporting information to the FDA, and there can be no guarantee of ultimate clearance or approval. Failure to comply with applicable requirements can result in application integrity proceedings, fines, recalls or seizures of products, injunctions, civil penalties, total or partial suspensions of production, withdrawals of existing product approvals or clearances, refusals to approve or clear new applications or notifications, and criminal prosecution.

Medical devices are also subject to post-market reporting requirements for deaths or serious injuries when the device may have caused or contributed to the death or serious injury, and for certain device malfunctions that would be likely to cause or contribute to a death or serious injury if the malfunction were to recur. If safety or effectiveness problems occur after the product reaches the market, the FDA may take steps to prevent or limit further marketing of the product. Additionally, the FDA actively enforces regulations prohibiting marketing and promotion of devices for indications or uses that have not been cleared or approved by the FDA. While we believe that our current activities are in compliance with FDA regulations relating to marketing and promotion, if regulators were to determine that our commercialization efforts, or those of our distributors, collaborators or customers, involve improper marketing and promotion of our products in violation of FDA regulations, our business could be substantially negatively affected.

There can be no guarantee that we will be able to obtain the necessary 510(k) clearances or PMA approvals to market and manufacture our other products in the United States for their intended use on a timely basis, if at all. Delays in receipt of or failure to receive such clearances or approvals, the loss of previously received clearances or approvals, or failure to comply with existing or future regulatory requirements could have a substantial negative effect on our results of operations and financial condition.

To sell in international markets, we will be subject to regulation in foreign countries

In cooperation with our distribution and collaborative partners, we intend to market our current and future products both domestically and in many foreign markets. A number of risks are inherent in international transactions. In order for us to market our products in Europe, Canada, Japan and certain other non-U.S. jurisdictions, we need to obtain and maintain required regulatory approvals or clearances and must comply with extensive regulations regarding safety, manufacturing processes and quality. These regulations, including the requirements for approvals or clearances to market, may differ from the FDA regulatory scheme. International sales also may be limited or disrupted by political instability, price controls, trade restrictions and changes in tariffs. Additionally, fluctuations in currency exchange rates may adversely affect demand for our products by increasing the price of our products in the currency of the countries in which the products are sold.

There can be no assurance that we will obtain regulatory approvals or clearances in all of the countries where we intend to market our products, or that we will not incur significant costs in obtaining or maintaining foreign regulatory approvals or clearances, or that we will be able to successfully commercialize current or future products in various foreign markets. Delays in receipt of approvals or clearances to market our products in foreign countries, failure to receive such approvals or clearances or the future loss of previously received approvals or clearances could have a substantial negative effect on our results of operations and financial condition.

Changing, new and/or emerging government regulations may adversely affect us

Government regulations can change without notice. Given the fact that Cytori operates in various international markets, our access to such markets could change with little to no warning due to a change in government regulations that suddenly up-regulate our product(s) and create greater regulatory burden for our cell therapy and cell banking technology products.

Due to the fact that there are new and emerging cell therapy and cell banking regulations that have recently been drafted and/or implemented in various countries around the world, the application and subsequent implementation of these new and emerging regulations have little to no precedence. Therefore, the level of complexity and stringency is not known and may vary from country to country, creating greater uncertainty for the international regulatory process.

Anticipated or unanticipated changes in the way or manner in which the FDA or other regulators regulate products or classes/groups of products can delay, further burden, or alleviate regulatory pathways that were once available to other products. There are no guarantees that such changes in FDA's or other regulators' approach to the regulatory process will not deleteriously affect some or all of our products or product applications.

We may have difficulty obtaining health insurance reimbursement for our products

New and emerging cell therapy and cell banking technologies, such as those provided by the Cytori Cell Therapy family of products, may have difficulty or encounter significant delays in obtaining health care reimbursement in some or all countries around the world due to the novelty of our cell therapy and cell banking technology and subsequent lack of existing reimbursement schemes/pathways. Therefore, the creation of new reimbursement pathways may be complex and lengthy with no assurances that such reimbursements will be successful. The lack of health insurance reimbursement or reduced or minimal reimbursement pricing may have a significant impact on our ability to successfully sell our cell therapy and cell banking technology product(s) into a county or region, which would negatively impact our operating results.

Our concentration of sales in Japan may have negative effects on our business in the event of any crisis in that region

We have operations in a number of regions around the world, including the United States, Japan, and Europe. Our global operations may be subject to risks that may limit our ability to operate our business. We sell our products globally, which exposes us to a number of risks that can arise from international trade transactions, local business practices and cultural considerations, including:

- political unrest, terrorism and economic or financial instability;
- unexpected changes and uncertainty in regulatory requirements;
- nationalization programs that may be implemented by foreign governments;
- import-export regulations;
- difficulties in enforcing agreements and collecting receivables;
- difficulties in ensuring compliance with the laws and regulations of multiple jurisdictions;
- changes in labor practices, including wage inflation, labor unrest and unionization policies;

- longer payment cycles by international customers;
- currency exchange fluctuations;
- disruptions of service from utilities or telecommunications providers, including electricity shortages;
- difficulties in staffing foreign branches and subsidiaries and in managing an expatriate workforce, and differing employment practices and labor issues; and
- potentially adverse tax consequences.

We also face risks associated with currency exchange and convertibility, inflation and repatriation of earnings as a result of our foreign operations. We are also vulnerable to appreciation or depreciation of foreign currencies against the U.S. dollar. Although we have significant operations in Asia, a substantial portion of transactions are denominated in U.S. dollars. As appreciation against the U.S. dollar increases, it will result in an increase in the cost of our business expenses abroad. Conversely, downward fluctuations in the value of foreign currencies relative to the U.S. dollar may make our products less price competitive than local solutions. From time to time, we may engage in currency hedging activities, but such activities may not be able to limit the risks of currency fluctuations.

*Our revenue, results of operations, and cash flows may suffer upon the loss of a significant customer or a significant reduction in the amount of product ordered by any such customer

Our largest customer accounted for 23% of our revenue during the year ended December 31, 2015. Loss of this significant customer or a significant reduction in the amount of product ordered by this customer could adversely affect our revenue, results of operations, and cash flows.

We must maintain quality assurance certification and manufacturing approvals

The manufacture of our products is, and the manufacture of any future cell-related therapeutic products would be, subject to periodic inspection by regulatory authorities and distribution partners. The manufacture of devices and products for human use is subject to regulation and inspection from time to time by the FDA for compliance with the FDA's Quality System Regulation, or QSR, requirements, as well as equivalent requirements and inspections by state and non-U.S. regulatory authorities. There can be no guarantee that the FDA or other authorities will not, during the course of an inspection of existing or new facilities, identify what they consider to be deficiencies in our compliance with QSRs or other requirements and request, or seek remedial action.

Failure to comply with such regulations or a potential delay in attaining compliance may adversely affect our manufacturing activities and could result in, among other things, injunctions, civil penalties, FDA refusal to grant pre-market approvals or clearances of future or pending product submissions, fines, recalls or seizures of products, total or partial suspensions of production, and criminal prosecution. There can be no assurance after such occurrences that we will be able to obtain additional necessary regulatory approvals or clearances on a timely basis, if at all. Delays in receipt of or failure to receive such approvals or clearances, or the loss of previously received approvals or clearances could have a substantial negative effect on our results of operations and financial condition.

The termination or suspension of the BARDA contract could delay and/or adversely affect our business and our ability to further develop our Celution® System

We were awarded the contract with BARDA in September 2012 with the aim to develop a new countermeasure for a combined injury involving thermal burn and radiation exposure which would be useful following a mass-casualty event. The cost-plus-fixed-fee contract was valued at up to $106 million, with a guaranteed base period of approximately $4.7 million which included preclinical research and the acceleration of our ongoing development of the Celution® cell processing System (the Celution® System).

On August 13, 2014, we and BARDA amended the contract exercising Option 1 to perform research, regulatory, clinical and other tasks required for initiation of a pilot clinical trial of the Celution System in thermal burn injury, amended the Statement of Work and reorganized the contract options. The total cost plus fixed fee for the performance of Option 1 was up to approximately $12.1 million. In December 2014, we executed an amendment to the August 2014 contract option to fund continued investigation and development of Cytori Cell Therapy for use in thermal burn injuries , which increased the option extension to $14.1 million. The revised Option 2 consists of execution of the pilot clinical study, regulatory, and other tasks for a cost plus fixed fee of up to $8.3 million. The revised Option 3 consists of clinical, regulatory, and other tasks for completion of a pivotal clinical trial leading to FDA approval for use of the Celution System in thermal burn injury, for a cost plus fixed fee of up to $45.5 million. The revised Option 4 consists of R&D, clinical, regulatory and other tasks required to

develop and obtain FDA clearance for other characteristics suitable for use in thermal burn injury following a mass casualty event, for a cost plus fixed fee of up to $23.4 million.

BARDA may suspend or terminate this contract should we fail to achieve key objectives or milestones, or fail to comply with the operating procedures and processes approved by BARDA and its audit agency, the Defense Contract Audit Agency. There can be no assurance that we will be able to comply with BARDA's operating procedures and processes, achieve the necessary clinical milestones, or whether we will be able to successfully develop our Celution® System under the contract. If the BARDA contract were terminated or suspended, our business could be adversely affected.

The BARDA contract has certain contracting requirements that allow the U.S. Government to unilaterally control its contracts. If the U.S. Government suspends, cancels, or otherwise terminates our contract with them, we could experience significant revenue shortfalls, and our financial condition and business may be adversely affected

Contracts with U.S. Government agencies typically contain termination provisions unfavorable to the other party, and are subject to audit and modification by the U.S. Government at its sole discretion, which will subject us to additional risks. These risks include the ability of the U.S. Government to unilaterally:

- audit or object to our contract-related costs and fees, and require us to reimburse all such costs and fees;
- suspend or prevent us for a set period of time from receiving new contracts or extending our existing contracts based on violations or suspected violations of laws or regulations;
- cancel, terminate or suspend our contracts based on violations or suspected violations of laws or regulations;
- terminate our contracts if in the Government's best interest, including if funds become unavailable to the applicable governmental agency;
- reduce the scope and value of our contracts; and
- change certain terms and conditions in our contracts.

BARDA is able to terminate its contracts with us, either for its best interests or if we default by failing to perform in accordance with or to achieve the milestones set forth in the contract schedules and terms. Termination-for-convenience provisions generally enable us to recover only our costs incurred or committed and settlement expenses on the work completed prior to termination. Changes to, or an unexpected termination of this contract could result in significant revenue shortfalls. If revenue shortfalls occur and are not offset by corresponding reductions in expenses, our business could be adversely affected. We cannot anticipate if, when or to what extent BARDA might revise, alter or terminate its contract with us in the future.

Under our contract with BARDA, our operations, and those of our contractors, are subject to audit by the U.S. Government, a negative outcome to which could adversely affect our financial conditions and business operations

U.S. Government agencies, such as the Department of Health and Human Services, or DHHS, and the Defense Contract Audit Agency, or the DCAA, routinely audit and investigate government contractors and recipients of federal grants. These agencies evaluate a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards.

The DHHS and the DCAA also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a contract will not be reimbursed, while such costs already reimbursed must generally be repaid. If an audit identifies improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including, but not limited to:

- termination of contracts;
- forfeiture of profits;
- suspension of payments;
- fines; and
- suspension or prohibition from conducting business with the U.S. Government.

Material weakness in our internal control over financial reporting have occurred in the past and could occur in the future

We identified a material weakness in our internal control over financial reporting for the year ended December 31, 2013, which may have adversely affected investor confidence in us and, as a result, the value of our common stock. While no such material weakness was identified for the years ended December 31, 2014 or December 31, 2015, we cannot assure you that additional material weaknesses will not be identified in the future.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal control over financial reporting.

If we are unable to effectively remediate any material weaknesses in a timely manner, or if we identify one or more additional material weaknesses in the future, investors could lose confidence in the accuracy and completeness of our financial reports, which could have a material adverse effect on the price of our common stock.

We depend on a few key officers

Our performance is substantially dependent on the performance of our executive officers and other key scientific and sales staff, including Marc H. Hedrick, MD, our President and Chief Executive Officer. We rely upon them for strategic business decisions and guidance. We believe that our future success in developing marketable products and achieving a competitive position will depend in large part upon whether we can attract and retain additional qualified management and scientific personnel. Competition for such personnel is intense, and there can be no assurance that we will be able to continue to attract and retain such personnel. The loss of the services of one or more of our executive officers or key scientific staff, or the inability to attract and retain additional personnel and develop expertise as needed could have a substantial negative effect on our results of operations and financial condition.

We may not have enough product liability insurance

The testing, manufacturing, marketing, and sale of our regenerative cell products involve an inherent risk that product liability claims will be asserted against us, our distribution partners, or licensees. There can be no guarantee that our clinical trial and commercial product liability insurance is adequate or will continue to be available in sufficient amounts or at an acceptable cost, if at all. A product liability claim, product recall, or other claim, as well as any claims for uninsured liabilities or in excess of insured liabilities, could have a substantial negative effect on our results of operations and financial condition. Also, well-publicized claims could cause our stock to fall sharply, even before the merits of the claims are decided by a court.

Risks Related to Ownership of our Common Stock

*The market price of our common stock may be volatile and fluctuate significantly, which could result in substantial losses for stockholders and subject us to litigation

The market price of our common stock may be subject to significant fluctuations. Among the factors that may cause the market price of our common stock to fluctuate are the risks described in this “Risk Factors” section and other factors, including:

- fluctuations in our operating results or the operating results of our competitors;
- changes in estimates of our financial results or recommendations by securities analysts;
- variance in our financial performance from the expectations of securities analysts;
- changes in the estimates of the future size and growth rate of our markets;
- changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results;
- conditions and trends in the markets we serve;
- changes in general economic, industry and market conditions;
- success of competitive products and services;
- changes in market valuations or earnings of our competitors;
- announcements of significant new products, contracts, acquisitions or strategic alliances by us or our competitors;

- the outcome of clinical trials involving the use of our products, including our sponsored trials;
- our continuing ability to list our securities on an established market or exchange;
- the timing and outcome of regulatory reviews and approvals of our products;
- the commencement or outcome of litigation involving our company, our general industry or both;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- actual or expected sales of our common stock by the holders of our common stock; and
- the trading volume of our common stock.

In addition, the stock market in general, the NASDAQ markets and the market for cell therapy development companies in particular may experience a loss of investor confidence. A loss of investor confidence may result in extreme price and volume fluctuations in our common stock that are unrelated or disproportionate to the operating performance of our business, our financial condition or results of operations. These broad market and industry factors may materially harm the market price of our common stock and expose us to securities class-action litigation. Class-action litigation, even if unsuccessful, could be costly to defend and divert management's attention and resources, which could further materially harm our financial condition and results of operations.

*Future sales of our common stock may depress our share price

As of December 31, 2015, we had 195,058,395 shares of our common stock outstanding. Sales of a number of shares of common stock in the public market, or the expectation of such sales, could cause the market price of our common stock to decline. We may also sell additional common stock or securities convertible into or exercisable or exchangeable for common stock in subsequent public or private offerings or other transactions, which may adversely affect the market price of our common stock.

We have granted demand registration rights for the resale of certain shares of our common stock to each of Astellas Pharma Inc. and Green Hospital Supply, Inc. pursuant to common stock purchase agreements previously entered into with each of these stockholders. An aggregate of 4,428,571 shares of our common stock are subject to these demand registration rights. If we receive a written request from any of these stockholders to file a registration statement under the Securities Act covering its shares of unregistered common stock, we are required to use reasonable efforts to prepare and file with the SEC within 30 business days of such request a registration statement covering the resale of the shares for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act.

Our charter documents contain anti-takeover provisions

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could discourage, delay or prevent a merger, acquisition or other change of control that stockholders may consider favorable. These provisions could also prevent or frustrate attempts by our stockholders to replace or remove members of our Board of Directors. Stockholders who wish to participate in these transactions may not have the opportunity to do so. These provisions:

- authorize our Board of Directors to issue without stockholder approval up to 5,000,000 shares of preferred stock, the rights of which will be determined at the discretion of the Board of Directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and cannot be taken by written consent;
- establish advance notice requirements for stockholder nominations to our Board of Directors or for stockholder proposals that can be acted on at stockholder meetings; and
- limit who may call stockholder meetings.

We are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of the voting rights on our common stock, from merging or combining with us for a prescribed period of time.

We pay no dividends in connection with our common stock

We have never paid cash dividends in the past, and currently do not intend to pay any cash dividends in connection with our common stock in the foreseeable future. Furthermore, our Loan Agreement with the Lender currently prohibits our issuance of cash dividends. This could make an investment in our company inappropriate for some investors, and may serve to narrow our potential sources of additional capital.

If securities and/or industry analysts fail to continue publishing research about our business, if they change their recommendations adversely or if our results of operations do not meet their expectations, our stock price and trading volume could decline

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. In addition, it is likely that in some future period our operating results will be below the expectations of securities analysts or investors. If one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our stock price could decline.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We lease 77,585 square feet at 3020 and 3030 Callan Road, San Diego, California that we use for our corporate headquarters and manufacturing facilities. The related lease agreement, as amended, provides for a monthly rent that commenced at a rate of $1.80 per square foot, with annual increase of $0.05 per square foot. The lease term is 88 months, commencing on July 1, 2010 and expiring on October 31, 2017.

Additionally, we entered into several lease agreements for international office locations. For these properties, we pay an aggregate of approximately $28,000 in rent per month. The lease for property in Japan will expire on May, 2017, and the lease for the property in UK will expire on June, 2019.

Item 3. Legal Proceedings

From time to time, we have been involved in routine litigation incidental to the conduct of our business. As of December 31, 2015, we were not a party to any material legal proceeding.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Prices

From August 2000 (our initial public offering in Germany) through September 2007 our common stock was quoted on the Frankfurt Stock Exchange under the symbol "XMPA" (formerly XMP). In September 2007 our stock closed trading on the Frankfurt Stock Exchange. Effective December 19, 2005, our common stock began trading on the NASDAQ Capital Market under the symbol "CYTX," and then transferred to the NASDAQ Global Market effective February 14, 2006 and on February 1, 2016, we transferred back into the NASDAQ Capital Market. The following tables show the high and low sales prices for our common stock and warrants for the periods indicated, as reported by the NASDAQ Stock Market. These prices do not include retail markups, markdowns or commissions.

Common Stock

	High	Low
2014		
Quarter ended March 31, 2014	$ 3.47	$ 2.44
Quarter ended June 30, 2014	$ 2.88	$ 2.14
Quarter ended September 30, 2014	$ 2.52	$ 0.66
Quarter ended December 31, 2014	$ 0.70	$ 0.36
2015		
Quarter ended March 31, 2015	$ 1.37	$ 0.44
Quarter ended June 30, 2015	$ 1.35	$ 0.56
Quarter ended September 30, 2015	$ 0.55	$ 0.30
Quarter ended December 31, 2015	$ 0.42	$ 0.19

All of our outstanding shares have been deposited with the Depository Trust & Clearing Corporation (DTCC) since December 9, 2005.

As of January 31, 2016, we had approximately 21 record holders of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of individual stockholders represented by these record holders.

Dividends

We have never declared or paid any dividends on our common stock and do not anticipate paying any in the foreseeable future. Furthermore, our loan agreement with the Lender currently prohibits our issuance of cash dividends on common stock.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders (1).....	221,800	$	5.68	—
Equity compensation plans not approved by security holders (2).....	6,023,846	$	3.84	—
Equity compensation plans not approved by security holders (3).....	2,816,500	$	0.46	5,576,623
Equity compensation plans not approved by security holders (4).....	1,000,000	$	—	1,000,000
Total	10,062,146	$	2.84	6,576,623

(1) The 1997 Stock Option and Stock Purchase Plan expired in October 2007.

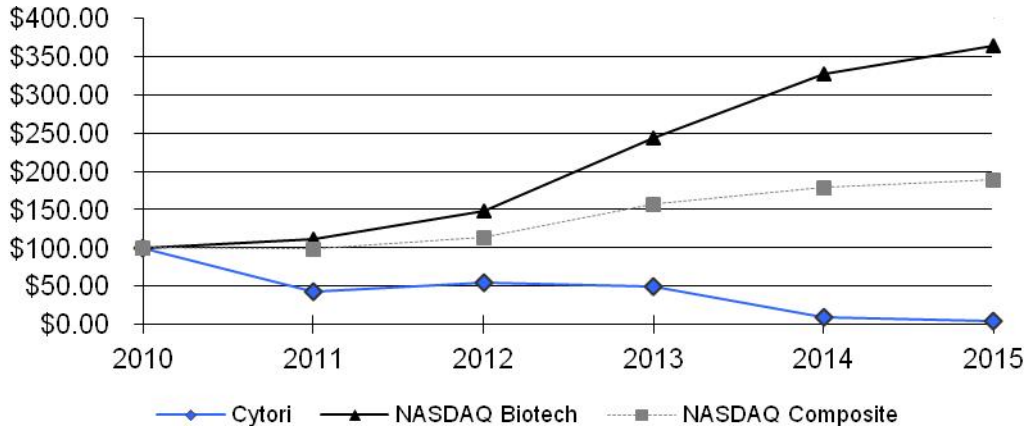
(2) The 2004 Stock Option and Stock Purchase Plan expired in August 2014.

(3) See Notes to the Consolidated Financial Statements included elsewhere herein for a description of our 2014 Equity Incentive Plan.

(4) See Notes to the Consolidated Financial Statements included elsewhere herein for a description of our 2015 New Employee Incentive Plan.

Comparative Stock Performance Graph

The following graph shows how an initial investment of $100 in our common stock would have compared to an equal investment in the NASDAQ Composite Index and the NASDAQ Biotechnology Index during the period from December 31, 2010 through December 31, 2015. The performance shown is not necessarily indicative of future price performance.



Item 6. Selected Financial Data

The selected data presented below under the captions “Statements of Operations Data,” “Statements of Cash Flows Data” and “Balance Sheet Data” for, and as of the end of, each of the years in the five-year period ended December 31, 2015, are derived from, and should be read in conjunction with, our audited consolidated financial statements. The consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders’ equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2015, which have been audited by KPMG LLP, an independent registered public accounting firm, and their report thereon, are included elsewhere in this annual report. The consolidated balance sheets as of December 31, 2013, 2012 and 2011, and the related consolidated statements of operations and comprehensive loss, stockholders’ equity, and cash flows for the years ended December 31, 2012 and 2011, which were also audited by KPMG LLP, are included with our annual reports previously filed.

The information contained in this table should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes thereto included elsewhere in this report (in thousands except share and per share data):

	For the year ended December 31				
	2015	2014	2013	2012	2011
Statements of Operations Data:					
Product revenues:					
Sales to related party	$ —	$ —	$ 1,845	$ —	$ —
Sales to third parties	4,838	4,953	5,277	8,709	7,983
	4,838	4,953	7,122	8,709	7,983
Cost of product revenues	3,186	2,940	3,421	4,000	3,837
Gross profit	1,652	2,013	3,701	4,709	4,146
Development revenues:					
Development, related party	—	—	638	2,882	1,992
Development	—	—	1,179	2,529	—
Government contracts and other	6,821	2,645	3,257	381	21
	6,821	2,645	5,074	5,792	2,013
Operating expenses:					
Research and development	19,000	15,105	17,065	13,628	10,904
Sales and marketing	2,662	6,406	9,026	9,488	13,560
General and administrative	9,765	15,953	16,031	15,672	14,727
Change in fair value of warrants	(7,668)	(369)	(418)	(209)	(4,360)
Change in fair value of option liabilities	—	—	(2,250)	340	740
Total operating expenses	23,759	37,095	39,454	38,919	35,571
Total operating loss	(15,286)	(32,437)	(30,679)	(28,418)	(29,412)
Other income (expense):					
Gain (loss) on asset disposal	3	42	(257)	—	—
Loss on debt extinguishment	(260)	—	(708)	—	—
Interest income	9	6	4	4	9
Interest expense	(3,379)	(4,371)	(3,396)	(3,386)	(2,784)
Other income (expense), net	169	(608)	(438)	(314)	(55)
Gain on Puregraft divestiture	—	—	4,453	—	—
Gain on previously held equity interest in JV	—	—	4,892	—	—
Equity loss in investments	—	—	(48)	(165)	(209)
Net loss	$ (18,744)	$ (37,368)	$ (26,177)	$ (32,279)	$ (32,451)
Beneficial conversion feature for convertible preferred stock	(661)	(1,169)	—	—	—
Net loss allocable to common stockholders	$ (19,405)	$ (38,537)	$ (26,177)	$ (32,279)	$ (32,451)
Basic and diluted net loss per share allocable to common stockholders	$ (0.14)	$ (0.48)	$ (0.39)	$ (0.55)	$ (0.61)
Basic and diluted weighted average shares used in calculating net loss per share allocable to common stockholders	140,797,316	80,830,698	67,781,364	58,679,687	53,504,030
Statements of Cash Flows Data:					
Net cash used in operating activities	$ (20,468)	$ (30,330)	$ (34,563)	$ (32,193)	$ (35,323)
Net cash provided by(used in) investing activities	(613)	(1,343)	3,686	(1,204)	(560)
Net cash provided by financing activities	20,797	30,874	20,772	22,192	20,137
Effect of exchange rate changes on cash and cash equivalents	—	(85)	(106)	—	—
Net decrease in cash	(284)	(884)	(10,211)	(11,205)	(15,746)
Cash and cash equivalents at beginning of year	14,622	15,506	25,717	36,922	52,668
Cash and cash equivalents at end of year	$ 14,338	$ 14,622	$ 15,506	$ 25,717	$ 36,922
Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 14,338	$ 14,622	$ 15,506	$ 25,717	$ 36,922
Working capital	12,806	5,769	9,671	16,366	35,516

Total assets	37,698	38,719	42,060	43,250	51,534
Deferred revenues, related party	—	—	—	638	3,520
Deferred revenues	105	112	212	2,635	5,244
Warrant liabilities, long-term	—	9,793	—	—	627
Option liabilities	—	—	—	2,250	1,910
Long-term deferred rent	269	558	710	756	504
Long-term obligations, less current portion	16,681	18,041	23,100	12,903	21,962
Total stockholders' equity (deficit)	$ 12,206	$ (5,702)	$ 3,132	$ 6,455	$ 9,946

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a biotechnology company dedicated to the development of novel treatments and devices for a range of disorders using cells as a key part of the therapy. We are presently focused on developing our primary product, Cytori Cell Therapy, for patients with scleroderma hand dysfunction, orthopedic disorders, urinary incontinence and thermal burns including those complicated by radiation. We are actively investigating broadening the use of our technology platform into other areas as well, through internal research and that of our partners.

Cytori Cell Therapy consists of a heterogeneous population of specialized cells including stem cells that are involved in response to injury, repair and healing. These cells are extracted from an adult patient's own adipose (fat) tissue using our fully automated, enzymatic, sterile Celution® System devices and consumable sets at the place where the patient is receiving their care (i.e. there is no off-site processing or manufacturing). Cytori Cell Therapy can either be administered to the patient the same day or banked for future use. An independent published study has demonstrated that Cytori's proprietary process results in higher nucleated cell viability, less residual enzyme activity, less processing time, and improved economics in terms of cell progenitor output compared to the three other semi-automated and automated processes assessed.

In addition to our targeted therapeutic development, we have continued to upgrade and sell our Celution® System under select medical device clearances to commercial customers, as well as research customers developing new therapeutic applications for Cytori Cell Therapy, in Europe, Japan, and other regions. The sales enhance the body of clinical feasibility data using our technology that could lead to new indications and intellectual property, contribute to near term marginal profit that partially offset our operating expenses and provide the basis for further partnerships and commercial experience that should facilitate future product revenue growth.

Development Pipeline

The primary therapeutic areas currently in the development pipeline are scleroderma, orthopedics, urinary incontinence, and the treatment of thermal burns.

In January 2015, the FDA granted unrestricted IDE approval for a pivotal clinical trial, named the "STAR" trial, to evaluate Cytori Cell Therapy as a potential treatment for impaired hand function in scleroderma, a rare autoimmune disease affecting approximately 50,000 patients in the United States. The STAR trial is a 48 week, randomized, double blind, placebo-controlled pivotal clinical trial of 80 patients in the United States. The trial evaluates the safety and efficacy of a single administration of Cytori Cell Therapy in scleroderma patients affecting the hands and fingers. Based on our internal analysis of the clinical and commercial chances of success, we have decided that scleroderma is our most advanced clinical indication as it is a phase III pivotal study.

In the later part of 2014, we received approval by the FDA to begin a U.S. IDE pilot (phase IIa/b) trial of Cytori Cell Therapy in patients with osteoarthritis of the knee. The trial, called ACT-OA, is a 94 patient, randomized, double-blind, placebo control study involving two dose escalations of Cytori Cell Therapy, a low dose and a high dose conducted over 48 weeks. The randomization is 1:1:1 between the control, low dose and high dose groups. The first patient was enrolled in February 2015, and enrollment was completed in June 2015. A pre-specified partial unblinding and top-line analysis of 24 week data was completed in Q1 of 2016. The objective of the analysis was to determine whether early high level data could be useful in planning the anticipated phase III program or support ongoing R&D activities that could accelerate the overall clinical development of the technology. In the 3rd quarter of 2016, following full un-blinding of the data, the Company will be able to more fully evaluate the data including 48 week follow up, patient subset analyses, and the effect on knee cartilage as measured by magnetic resonance imaging results changes between baseline and 48 weeks.

Another therapeutic target under evaluation is stress urinary incontinence in men following radical prostatectomy, which is based on positive data reported in a peer reviewed journal. In July 2015, a Company-supported male stress urinary incontinence (SUI) trial in Japan for male prostatectomy patients (after prostate surgery) received approval to being enrolled from the Japanese Ministry of Health, Labor and Welfare. The goal of this investigator-initiated trial is to gain regulatory approval in Japan of our Cytori Cell Therapy for this indication.

Cytori Cell Therapy is also being developed for the treatment of thermal burns combined with radiation injury. In the third quarter of 2012, we were awarded a contract to develop a new countermeasure for thermal burns valued at up to $106 million with the U.S. Department of Health and Human Service's Biomedical Advanced Research and Development Authority (BARDA). The initial base period included $4.7 million over two years and covered preclinical research and continued development of Cytori's Celution® System to improve cell processing. The additional contract options, if fully executed, could cover our clinical development through FDA approval under a device-based PMA regulatory pathway.

The cost-plus-fixed-fee contract is valued at up to $106 million, with a guaranteed two-year base period of approximately $4.7 million. We submitted reports to BARDA in late 2013 detailing the completion of the objectives in the initial contract. An In-Process Review Meeting in the first half of 2014 confirmed completion of the proof of concept phase.

In August and December 2014, BARDA awarded to us contract options of $14 million. The options allowed for continuation of research, regulatory, clinical, and other activities required for approval and completion of a pilot clinical trial using Cytori Cell Therapy (DCCT-10) for the treatment of thermal burns combined with radiation injury.

In August 2014, we announced the execution of a contract option with BARDA to fund the continued investigation and development of Cytori Cell Therapy for use in thermal burn injuries. The extension was valued at approximately $12.1 million. Upon investigational device exemption (IDE) approval by the FDA, we anticipate that BARDA would provide funding to cover costs associated with execution of the clinical trial, currently estimated at approximately $8.3 million, bringing the combined value to up to $20.4 million.

The execution of this option served to fund the remaining research and development activities required to enable a pilot clinical trial of Cytori Cell Therapy in thermal burn. It also served to fund approximately two years of preclinical studies in other burn-related areas that could lead to broadening of the utility of Cytori technology to burn centers and in wound healing more generally. Our contract with BARDA contains two additional options to fund a pivotal clinical trial and additional work in thermal burn complicated by radiation exposure valued at up to $45 million and $23 million, respectively.

The total award under the BARDA contract is intended to support all clinical, preclinical, regulatory, and technology development activities needed to complete the FDA approval process for use in thermal burn injury under a device-based PMA regulatory pathway.

Results of Operations

Product revenues

Product revenues consisted of revenues primarily from our Celution® System devices, consumables and StemSource® Cell Banks.

The following table summarizes the components for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	**2014**	**2013**
Related party	$ —	$ —	$ 1,845,000
Third party	4,838,000	4,953,000	5,277,000
Total product revenues	$ 4,838,000	$ 4,953,000	$ 7,122,000

A majority of our product revenue in 2015 was derived from Japan. With two new regenerative medicine laws in Japan going into effect in November 2014 that removed regulatory uncertainties and provided a clear path for us to offer

Cytori Cell Therapy in Japan, we expect continued demand from researchers at academic hospitals seeking to perform investigator-initiated and funded studies.

We experienced a decrease in product revenue during the year ended December 31, 2015 as compared to the same period in 2014, primarily due to decreased revenue in Americas of $0.2 million and decreased revenue in Japan of $0.7 million, offset by increased revenues in Asia Pacific of approximately $0.8 million. Revenue deferred in the years ended December 31, 2015, 2014, and 2013 was $0.1million, $1.4 million, and $3.6 million, respectively.

The future: We expect to continue to generate a majority of product revenues from the sale of Celution® System devices and consumables to researchers, clinicians, and distributors in EMEA, Japan, Asia Pacific, and Americas. In Japan and EMEA, researchers will use the Celution® System to cons truct ongoing and new investigator-initiated and funded studies focused on, but not limited to, hand scleroderma, Crohn' disease, peripheral artery disease, erectile dysfunction, and diabetic foot ulcer. ECCS-50 therapy for hand scleroderma prepared with the Celution® System will be accessible to patients and physi cians through a Managed Access Program that launched in EMEA in early 2016. In the America's, Cytori's partner, Kerastem,
will utilize the Celution® System as part of their FDA -approved STYLE trial. Overall, we expect 2016 product revenues to grow modestly as compared to 2015.

Cost of product revenues

Cost of product revenues relate primarily to Celution® System products and StemSource® Cell Banks and include material, manufacturing labor, and overhead costs. The following table summarizes the components of our cost of revenues for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Cost of product revenues	$ 3,107,000	$ 2,856,000	$ 3,338,000
Share-based compensation	79,000	84,000	83,000
Total cost of product revenues	$ 3,186,000	$ 2,940,000	$ 3,421,000
Total cost of product revenues as % of product revenues	66%	59%	48%

Cost of product revenues as a percentage of product revenues was 66%, 59% and 48% for the years ended December 31, 2015, 2014 and 2013, respectively. Fluctuation in this percentage is to be expected due to the product mix, distributor and direct sales mix, geographic mix and allocation of overhead. In 2015 and 2014, we also experienced the impact of the weakness of the Japanese Yen, which resulted in a decrease to our gross profit margin.

The future: We expect to continue to see variation in our gross profit margin as the product mix, distributor and direct sales mix and geographic mix comprising revenues fluctuate. In addition, in 2016, we anticipate the ability to command a premium price for ECCS-50 for the treatment of the rare disease, hand impairment due to scleroderma, as part of the EMEA Managed Access Program which may increase our gross profit margin.

Development revenues

The following table summarizes the components of our development revenues for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Government contract (BARDA) and other	$ 6,821,000	$ 2,645,000	$ 3,257,000
Development (Olympus)	—	—	638,000
Development (Senko)	—	—	1,179,000
Total development revenues	$ 6,821,000	$ 2,645,000	$ 5,074,000

During the year ended December 31, 2015, we incurred $6.3 million in BARDA qualified expenditures, and recognized a total of $6.8 million in BARDA revenues, which included allowable fees as well as cost reimbursements. During the year ended December 31, 2014, we incurred $2.5 million in BARDA qualified expenditures, and recognized a total of $2.6 million in BARDA revenues, which included allowable fees as well as cost reimbursements. During the year ended December 31, 2013, we incurred $3.0 million in BARDA qualified expenditures, and recognized a total of $3.3 million in BARDA revenues, which included allowable fees as well as cost reimbursements. The increase in revenues for the year ended December 31, 2015 as compared to the same period in 2014 is primarily due to increased research and development activities aligned with the commencement of the new contract option awarded to us in late 2014. The decrease in revenues for the year ended December 31, 2014 as compared to the same period in 2013 is primarily due to the closing of the initial base period and timing of execution of the first contract option in August of 2014, as well as our outsourced animal studies which were largely completed in the second half of 2013 and the first half of 2014.

We recognize deferred revenues, related party, related to our relationships with Olympus and Senko, as development revenue when certain performance obligations are met (i.e., using a proportional performance approach). No development revenues related to our relationships with Olympus and Senko were recognized for the years ended December 31, 2015 and 2014. During the year ended December 31, 2013, we recognized $0.6 million of revenue associated with our arrangements with Olympus as a result of the United States Court of Appeals upholding the FDA's previous determination that our cell processing devices were not substantially equivalent to the cited predicate devices. The recognition of revenue associated with this event reflects the completion of our efforts expended to use commercially reasonable efforts to obtain device regulatory approvals in the United States as it pertains to the 510(k) pathway.

In February 2013, we entered into a mutual termination and release agreement with Senko, whereby the Distribution Agreement and all Senko rights, licenses and privileges granted under the Distribution Agreement terminated and reverted to the Company. As a result of this Termination Agreement, we were obligated to pay Senko $1.2 million in six quarterly installment payments of $0.2 million each through May 2014. At the time of the Termination Agreement, we had a balance of $2.4 million in deferred revenues on our balance sheet relating to the payments received from Senko in the past pursuant to the Distribution Agreement. At the time of the Termination Agreement, we accrued $1.2 million of the termination fee, and recognized the remaining $1.2 million in development revenues which reflects the Company's efforts towards commercialization under the agreement.

The future: In August 2014, BARDA exercised Option 1 of the contract, as amended in December 2014, for us to perform research, regulatory, clinical and other tasks required for initiation of a pilot clinical trial of the Cytori Cell Therapy (DCCT-10) in thermal burn injury, amendments to the Statement of Work, and reorganization of the contract options for a total fixed fee of up to $14 million. We expect the work associated with Option 1, as amended, to be completed by the end of 2016 and overall contract revenues to remain materially consistent with 2015.

Research and development expenses

Research and development expenses relate to the development of a technology platform that involves using adipose tissue as a source of autologous regenerative cells for therapeutic applications as well as the continued development efforts related to our Celution® System.

Research and development expenses include costs associated with the design, development, testing and enhancement of our products, regulatory fees, laboratory supplies, pre-clinical and clinical studies. The following table summarizes the components of our research and development expenses for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Research and development	$ 18,442,000	$ 14,527,000	$ 16,444,000
Development milestone (Joint Venture)	—	—	16,000
Stock-based compensation	558,000	578,000	605,000
Total research and development expenses	$ 19,000,000	$ 15,105,000	$ 17,065,000

Research and development expenses for the year ended December 31, 2015 as compared to the same period in 2014 increased primarily due to the increase in our clinical expenses of $3.5 million related to the ACT-OA and STAR clinical

trials, increase in BARDA related expenses of $2.6 million, offset by a decrease in product development expenses of $1.5 million, decrease of $0.4 million in scientific affairs and decrease of $0.4 million in quality assurance.

Research and development expenses for the year ended December 31, 2014 as compared to the same period in 2013 decreased due to a decrease of $0.6 million of supplies and preclinical activity expenses related to the completion of the base period of the BARDA contract, $0.5 million in product samples due to decreased enrollment in the ATHENA trials, and $0.9 million in depreciation costs related to accelerated depreciation of equipment in 2013 due to the termination of our Joint Venture with Olympus.

The future: We expect research and development expenditures to slightly decrease as we completed enrollment of the U.S. ACT-OA clinical trial in 2015, but continue to sponsor the U.S. STAR clinical trial, a trial for treatment of impaired hand function in scleroderma, and support two physician initiated non-U.S. trials, ADRESU, a Japanese trial for treatment of men with urinary incontinence and SCLERADEC II, a European trial for the treatment of impaired hand function in scleroderma.

Sales and marketing expenses

Sales and marketing expenses include costs of sales and marketing personnel, events and tradeshows, customer and sales representative education and training, primary and secondary market research, and product and service promotion. The following table summarizes the components of our sales and marketing expenses for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Sales and marketing	$ 2,552,000	$ 5,946,000	$ 8,329,000
Stock-based compensation	110,000	460,000	697,000
Total sales and marketing	$ 2,662,000	$ 6,406,000	$ 9,026,000

The decrease in sales and marketing expense during the year ended December 31, 2015 as compared to the same period in 2014 was mainly attributed to the decrease in salary and related benefits expense (excluding share-based compensation) of $1.9 million due to a decrease in headcount, $0.5 million in travel expenses, $0.3 million in professional services expenses, $0.3 million in rent and utilities and $0.2 million in promotion and other expenses. These decreases are mostly attributable to the expense reduction initiative implemented throughout 2014 and 2015 in our Sales and Marketing organization.

The decrease in sales and marketing expense during the year ended December 31, 2014 as compared to the same period in 2013 was mainly attributed to the decrease in salary and related benefits expense (excluding share-based compensation) of $1.1 million related to a decrease in headcount of 10 full-time equivalent employees, $0.6 million of professional services expenses, $0.3 million in travel, and $0.2 million in advertising and promotion.

The future: We expect sales and marketing expenditures to stabilize or slightly increase during 2016, associated with investments toward the EMEA Managed Access Program and commercial planning activities for hand scleroderma, knee osteoarthritis and stress urinary incontinence.

General and administrative expenses

General and administrative expenses include costs for administrative personnel, legal and other professional expenses, and general corporate expenses. The following table summarizes the general and administrative expenses for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
General and administrative	$ 8,471,000	$ 13,974,000	$ 13,808,000
Stock-based compensation	1,294,000	1,979,000	2,223,000
Total general and administrative expenses	$ 9,765,000	$ 15,953,000	$ 16,031,000

For the year ended December 31, 2015 as compared to the same period in 2014, the general and administrative expenses (excluding share-based compensation) decreased primarily due to a decrease in salary and related benefits expense (excluding share-based compensation) of $1.6 million related to a decrease in headcount, $2.1 million decrease in professional services expenses, $0.4 million decrease in rent and utilities, $1.3 million decrease in bad debt expense and $0.1 million decrease in travel expenses. These decreases are mostly attributable to the expense reduction initiative implemented throughout 2014 and 2015 throughout the organization.

For the year ended December 31, 2014 as compared to the same period in 2013, the general and administrative expenses (excluding share-based compensation) remained relatively consistent. However, within general and administrative expenses we had a decrease in salary and related benefits expense (excluding share-based compensation) of $0.7 million related to a decrease of headcount of 13 full-time equivalent employees, partially offset by an increase in professional services (which includes legal and consulting services) of $0.7 million.

The future: We expect general and administrative expenditures to remain consistent at current levels or slightly increase throughout 2016.

Stock-based compensation expenses

Stock-based compensation expenses include charges related to options and restricted stock awards issued to employees, directors and non-employees along with charges related to the employee stock purchases under the Employee Stock Purchase Plan (ESPP). We measure stock-based compensation expense based on the grant-date fair value of any awards granted to our employees. Such expense is recognized over the requisite service period.

The following table summarizes the components of our stock-based compensation for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Cost of product revenues	$ 79,000	$ 84,000	$ 83,000
Research and development related	558,000	578,000	605,000
Sales and marketing related	110,000	460,000	697,000
General and administrative related	1,294,000	1,979,000	2,223,000
Total stock-based compensation	$ 2,041,000	$ 3,101,000	$ 3,608,000

Most of the share-based compensation expenses for the years ended December 31, 2015, 2014 and 2013 related to the vesting of stock option and restricted stock awards to employees. See Note 15 to the Consolidated Financial Statements included elsewhere herein for disclosure and discussion of share-based compensation.

The decrease in share-based compensation for the year ended December 31, 2015 as compared to the same period in 2014 is primarily related to a lower annual grant and due to the decline in the stock price during 2015 as compared to the same period in 2014, and its corresponding impact into the share-based compensation.

The decrease in share-based compensation for the year ended December 31, 2014 as compared to the same period in 2013 is primarily due to the decrease in headcount of 37 full-time equivalent employees, the stock price decrease experienced in 2014 and share-based compensation expense reversals due to option cancellations.

The future: We expect to continue to grant options and stock awards to our employees, directors, and, as appropriate, to non-employee service providers. In addition, previously-granted options will continue to vest in accordance with their original terms. As of December 31, 2015, the total compensation cost related to non-vested stock options and stock awards not yet recognized for all our plans is approximately $2.4 million, which is expected to be recognized as a result of vesting under service conditions over a weighted average period of 1.61 years.

Change in fair value of warrant liability

The following is a table summarizing the change in fair value of warrant liability for the years ended December 31, 2015, 2014 and 2013:

	Years ended December 31,		
	2015	2014	2013
Change in fair value of warrant liability	$ (7,668,000)	$ (369,000)	$ (418,000)

The change in fair value of our warrant liability for the years ended December 31, 2015 and 2014 is primarily related to changes in stock price and the issuance of warrants with exercise price reset features during the October 2014, May 2015 and August 2015 equity financings. For the year ended December 31, 2013, the balance relates to warrants issued in 2008 in connection with a private placement that expired in August 2013.

The future: We do not expect any further changes in fair value of warrant liability, as all of our outstanding warrants with exercise price reset features were settled during December 2015.

Change in fair value of option liability

The following is a table summarizing the change in fair value of option liability for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Change in fair value of option liability ..	$ —	$ —	$ (2,250,000)

Changes in fair value of our put option liability are due to changes in assumptions used in estimating the value of the Put, such as bankruptcy threshold for Cytori, fair value of the Olympus Joint Venture, volatility and others.

The Put was cancelled as a result of the Joint Venture termination agreement executed in 2013.

Financing items

The following table summarizes interest income, interest expense, and other income and expenses for the years ended December 31, 2015, 2014 and 2013:

	Years ended		
	2015	2014	2013
Gain (loss) on asset disposal	$ 3,000	$ 42,000	$ (257,000)
Loss on debt extinguishment	(260,000)	—	(708,000)
Interest income	9,000	6,000	4,000
Interest expense	(3,379,000)	(4,371,000)	(3,396,000)
Other income (expense), net	169,000	(608,000)	(438,000)
Gain on Puregraft divestiture	—	—	4,453,000
Gain on previously held equity interest in joint venture	—	—	4,892,000
Equity loss from investment in joint venture.....	—	—	(48,000)
Beneficial conversion feature for convertible preferred stock	(661,000)	(1,169,000)	—
Total.....	$ (4,119,000)	$ (6,100,000)	$ 4,502,000

- In connection with the May 2015 and June 2013 Loan Agreements, losses on debt extinguishment were recorded that relate to the payoff of the prior loan obligations. See Note 11 to the Consolidated Financial Statements for further information.

- Interest expense decreased for the year ended December 31, 2015 as compared to 2014, due to pay down and refinance of principal loan balance.

- Interest expense increased for the year ended December 31, 2014 as compared to 2013, due to cash interest and non-cash amortization of debt and warrant costs related to our $27.0 million Term Loan executed in June 2013, and increased accretion expense related to our Joint Venture liability.

- The changes in other income (expense) in 2015, 2014 and 2013 resulted primarily from changes in exchange rates related to transactions in foreign currency.

- Refer to Note 5 of the Notes to Consolidated Financial Statements for discussion of gain on Puregraft divestiture.

- Refer to Note 4 of the Notes to Consolidated Financial Statements for discussion of gain on previously held equity interest in joint venture.

- We recorded a beneficial conversion feature of $661,000 and $1,169,000 in December of 2015 and 2014, respectively, related to the issuance of our Series A 3.6% Convertible Preferred Stock. The fair value of the common stock into which the Series A 3.6% Preferred Stock was convertible on the respective dates of issuance of the preferred stock exceeded the proceeds allocated to the Series A 3.6% Convertible Preferred Stock, resulting in a beneficial conversion feature.

The future: We expect interest expense in 2016 to decrease as we refinanced and decreased the principal of our outstanding Term Loan.

Liquidity and Capital Resources

Short-term and long-term liquidity

The following is a summary of our key liquidity measures at December 31, 2015 and 2014:

	As of December 31,	
	2015	2014
Cash and cash equivalents	$ 14,338,000	$ 14,622,000
Current assets	$ 21,243,000	$ 21,686,000
Current liabilities	8,437,000	15,917,000
Working capital	$ 12,806,000	$ 5,769,000

We incurred net losses of $18,744,000, $37,368,000 and $26,177,000 for the years ended December 31, 2015, 2014 and 2013, respectively. We have an accumulated deficit of $357,017,000 as of December 31, 2015. Additionally, we have used net cash of $20,468,000, $30,330,000 and $34,563,000 to fund our operating activities for years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015, we had $14.3 million of cash and had a Joint Venture purchase obligation of $1.8 million and our Loan and Security Agreement contains cash liquidity requirements to maintain at least $5 million of cash on hand to avoid an event of default. The combination of these facts and the balance of cash and cash equivalents at December 31, 2015 raises substantial doubt as to the Company's ability to continue as a going concern.

To date, these operating losses have been funded primarily from outside sources of invested capital and gross profits. We have had, and we will likely continue to have, an ongoing need to raise additional cash from outside sources to fund our future operations. However, our ability to raise capital was adversely affected once FDA put a hold on our Athena trials in mid-2014, which had an adverse impact to stock price performance and our corresponding ability to restructure our debt. More recently, a continued downward trend in our stock price resulting from general economic and industry conditions as well as the market's unfavorable view of our recent equity financings (which financings were priced at a discount to market and included 100% warrant coverage) and our Nasdaq listing deficiency, have made it more difficult to procure additional capital on terms reasonably acceptable to us. If we are unsuccessful in our efforts to raise outside capital in the near term, we will be required to significantly reduce our research, development, and administrative operations, including reduction of our employee base, in order to offset the lack of available funding.

We are pursuing financing opportunities in both the private and public debt and equity markets as well as through strategic corporate partnerships. We have an established history of raising capital through these platforms, and we are currently involved in negotiations with multiple parties. Our efforts in 2015 to raise capital took longer than we initially anticipated. We expect to continue to utilize our cash and cash equivalents to fund operations at least through September of 2016, subject to minimum cash and cash liquidity requirements of the Loan and Security Agreement with the Lender, which requires that we maintain at least $5 million of cash on hand to avoid an event of default under the Loan and Security Agreement. We continue to seek additional cash through product revenues, strategic collaborations, and future sales of equity or debt securities. Although there can be no assurance given, we hope to successfully complete one or more additional financing transactions and corporate partnerships in the near-term. Without this additional capital, current working capital and cash generated from sales and containment of operating costs will not provide adequate funding for research, sales and marketing efforts, clinical and preclinical trials, and product development activities at their current levels. If sufficient capital is not raised, we will at a minimum need to significantly reduce or curtail our research and development and other operations, and this could negatively affect our ability to achieve corporate growth goals.

Specifically, we have prepared an operating plan that calls for us to reduce operations to focus almost entirely on one US clinical program and the supply of current products to existing or new distribution channels. In addition, as part of this plan, there would be minimal expenditures for ongoing scientific research, product development or clinical research. This impacts research and development headcount, external subcontractor expenditures, capital outlay and general and administrative expenditures related to the supervision of such activities. In parallel, we would significantly reduce administrative staff and salaries consistent with the overall reduction in scope of operations. In aggregate, such reductions could result in eliminations of roles for the majority of the Company's current staff and the deferral or elimination of all ongoing development projects until such time that cash resources were available from operations or outside sources to re-establish development and growth plans. Management is currently reviewing contractual obligations related to the pre-clinical and clinical commitments along with minimum purchase requirements to include deferral of such commitments as part of this plan. While management is actively pursuing it's near term financial and strategic alternatives it is also, in parallel, continuing to evaluate the timing of implementation of the alternative operating plan and the initiation of the identified reductions.

From January 1, 2013 to December 31, 2015, we have financed our operations primarily by:

- In January 2013, Lazard Capital Markets, LLC (underwriter) exercised its overallotment option and as a result we sold an additional 1,053,000 shares raising approximately $3.0 million in gross proceeds before deducting underwriting discounts and commissions and other offering expenses payable by us.

- On June 28, 2013 we entered into the Loan Agreement with Oxford Finance LLC and Silicon Valley Bank (together, the "Lenders"), pursuant to which the Lenders funded an aggregate principal amount of $27.0 million (the "Term Loan"), subject to the terms and conditions set forth in the loan agreement. The Term Loan accrues interest at a fixed rate of 9.75% per annum. In connection with the Term Loan, on June 28, 2013, we issued to the Lenders warrants to purchase up to an aggregate of 596,553 shares of our common stock at an exercise price of $2.26 per share. These warrants are immediately exercisable and will expire on June 28, 2020. In connection with the Loan Agreement, we prepaid all outstanding amounts under the prior loan agreement, at which time our obligations under the prior loan agreement immediately terminated. The net proceeds of the Term Loans, after payment of lender fees and expenses and prepaying all the outstanding amounts relating to the prior loan agreement, were approximately $7.8 million.

- On July 30, 2013, we entered into a Sale and Exclusive License/Supply Agreement with Bimini Technologies LLC ("Bimini"), pursuant to which we sold to Bimini substantially all of the assets (other than certain retained rights and licenses) of our Puregraft® product line, a series of standalone fat transplantation products that were developed to improve the predictability of outcomes for autologous fat grafting and aesthetic body contouring. The aggregate value of the consideration paid by Bimini at the execution of the agreement was $5.0 million.

- On October 29, 2013, we entered into a partnership with Lorem Vascular, to commercialize Cytori Cell Therapy (OICH-D3) for the cardiovascular, renal and diabetes markets, in China, Hong Kong, Malaysia, Singapore and Australia (the "License/Supply Agreement"), and a Common Stock Purchase Agreement. On January 30, 2014 we entered into the Amended and Restated License/Supply Agreement with Lorem Vascular (the "Restated Agreement") expanding the licensed field to all uses excepting alopecia (hair loss). Under the Restated Agreement, Lorem Vascular committed to pay up to $500 million in license fees in the

form of revenue milestones. In addition, Lorem is required to pay us 30% of their gross profits in China, Hong Kong and Malaysia for the term of the Restated Agreement. Cytori Cell Therapy is derived from our Celution® System, which enables access to a patient's own adipose-derived regenerative cells (ADRCs) at the point-of-care. In addition, Lorem Vascular agreed to purchase our Celution® System and consumables under the Restated Agreement. Pursuant to the related Common Stock Purchase Agreement, we received $24.0 million in exchange for 8.0 million shares of our common stock issued to Lorem Vascular at $3.00 per share. The equity purchased was closed in two equal installments, in November 2013 and January 2014.

- In May 2014, we and 47 holders of warrants to purchase a total of 3,156,238 shares of our common stock issued in a private offering in May 2009, agreed to extend the expiration date of the warrants from May 14, 2014 to May 14, 2015 and increase the exercise price of the warrants from $2.62 per share to $3.50 per share pursuant to an Amendment to Warrant to Purchase Common Stock. One holder of warrants did not agree to the Amendment, and their warrants, covering 38,500 shares of Common Stock, expired unexercised on May 14, 2014 in accordance with the original terms.

- In May 2014, we entered into subscription agreements with certain institutional investors pursuant to which we sold a total of 4,048,584 units, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock at a purchase price of $2.47 per unit, in a registered direct offering. Each warrant had an exercise price of $3.00 per share, was exercisable immediately after issuance and expires five years from the date of issuance. The transaction was completed on June 4, 2014 raising approximately $10.0 million in gross proceeds before deducting any offering expenses or fees payable by us. Under the terms of our Placement Agent Agreement, we granted WBB Securities, LLC warrants to purchase 202,429 shares of common stock. The placement agent warrants have the same terms as the warrants issued to the purchasers in the offering, except that such warrants have an exercise price of $3.09.

- In September 2014, we and 13 holders of warrants dated June 4, 2014 to purchase a total of 4,032,389 shares of our common stock agreed to amend the warrants in order to reduce the exercise price from $3.00 per share to $1.00 per share and change the expiration date from June 4, 2019 to September 10, 2014. We received proceeds of approximately $4.1 million from the exercise of the warrants. In addition, pursuant to the terms of the amendment, upon each holder's exercise of all warrants for cash prior to the amended expiration date, we issued additional warrants for the same number of common shares to the holders. The additional warrants have an exercise price of $2.00 per share, and are exercisable on the date that is six months and one day from the date of issuance and expire five years from the date of issuance. For those investors participating in the October 2014 issuance of Series A 3.6% Convertible Preferred Stock, we agreed to reduce the exercise price of 3,384,601 warrants from $2.00 per share to $0.5771 per share, conditioned upon shareholder approval which was obtained in January 2015.

- In September 2014, we entered into a 2nd Amendment to the Loan Agreement with the Lenders pursuant to the amended Loan Agreement, under which we were provided a conditional waiver of principal payments subject to meeting certain capital raise requirements, which we achieved in October. The waiver of principal payments continues from November 1, 2014 through April 1, 2015 and thereafter we are required to make payments of principal and accrued interest in equal monthly installments of $1.0 million, sufficient to amortize the Term Loans through the maturity date.

- In October, 2014, we entered into a Securities Purchase Agreement with certain institutional investors pursuant to which we sold a total of 13,500 units for a purchase price of $1,000 per unit, with each unit consisting of one share of our Series A 3.6% Convertible Preferred Stock, which was convertible into shares of our common stock with a conversion price of $0.52, and warrants to purchase up to a number of shares of common stock equal to 100% of the conversion shares under the shares of preferred stock, in a registered direct offering. Each warrant had an exercise price of $0.5771 per share, was exercisable six months after the date of issuance and expires five years from the date on which it is initially exercisable. The preferred stock and the warrants were immediately separable and were issued separately. As of December 31, 2015, all units had been converted into shares of common stock.

- On May 5, 2015, we entered into a Securities Purchase Agreement with certain institutional investors pursuant to which the Company agreed to sell up to $25 million of units, with each unit consisting of its

common stock and one warrant to purchase one share of its common stock, in a registered direct offering. The purchase and sale of the units is took place in two separate closings. At the initial closing, which took place on May 8, 2015, the Company received approximately $17.7 million in net proceeds from the sale of units. The purchase price for each unit sold at the initial closing was $0.77. Each warrant issued as part of the units at the initial closing had an initial exercise price of $1.02 per share, and was exercisable during the period commencing six months and one day after the date of issuance and expiring five years from the date on which it was initially exercisable. The second closing of the purchase and sale of the units occurred on August 27, 2015 upon satisfaction of certain conditions, including, without limitation, stockholder vote, and the Company received approximately $2.2 million in net proceeds from the sale of 7,499,993 units of the 14,999,993 units available for sale at the second closing. The purchase price for each unit sold at the second closing was $0.3263 and each warrant issued had an initial exercise price of $0.401 and expire five years from the date of issuance. As of December 31, 2015, all units had been converted into shares of common stock.

The following summarizes our contractual obligations and other commitments at December 31, 2015, and the effect such obligations could have on our liquidity and cash flow in future periods:

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Long-term obligations	$ 18,789,000	$ —	$ 14,160,000	$ 4,629,000	$ —
Interest commitment on long-term obligations	3,684,000	1,611,000	1,980,000	93,000	—
Operating lease obligations	4,109,000	2,240,000	1,842,000	27,000	—
Minimum purchase obligation	6,163,000	1,069,000	2,147,000	2,947,000	—
Joint Venture purchase obligation*	1,750,000	1,750,000	—	—	—
Clinical research study obligations	6,739,000	6,243,000	496,000	—	—
Total	$ 41,234,000	$ 12,913,000	$ 20,625,000	$ 7,696,000	$ —

** We have various payment options which could result in the acceleration or deferral of the Joint Venture purchase obligation. See Note 4 to the Consolidated Condensed Financial Statements for discussion of our acquisition of Olympus' interest in the Joint Venture.*

Net cash used in or provided by operating, investing and financing activities for the years ended December 31, 2015, 2014 and 2013 is summarized as follows:

	Years Ended		
	2015	**2014**	**2013**
Net cash used in operating activities	$ (20,468,000)	$ (30,330,000)	$ (34,563,000)
Net cash (used in) provided by investing activities	(613,000)	(1,343,000)	3,686,000
Net cash provided by financing activities	20,797,000	30,874,000	20,772,000

Operating activities

Operating activities, inclusive of research and development, sales and marketing, and general and administrative efforts, offset in part by product sales, and generated $18,744,000 net loss for the year ended December 31, 2015. The operating cash impact of this loss was $20,468,000, after adjusting for non-cash share-based compensation, other adjustments for material non-cash activities, such as depreciation, amortization, change in fair value of warrants, and changes in working capital due to the timing of product shipments (accounts receivable) and payment of liabilities. Overall, our operational cash use decreased as compared to the same period in 2014, due primarily to a decrease in losses from operations (when adjusted for non-cash items) of $9 million and an improvement in overall working capital management of $0.8 million.

Operating activities, inclusive of research and development, sales and marketing, and general and administrative efforts, offset in part by product sales, generated a $37,368,000 net loss for the year ended December 31, 2014. The operating cash impact of this loss was $30,330,000, after adjusting for non-cash share-based compensation, other adjustments for material non-cash activities, such as depreciation, amortization, change in fair value of warrants, and changes in working capital due to the timing of product shipments (accounts receivable) and payment of liabilities. Overall, our operational cash use

decreased as compared to the same period in 2013, due primarily to an increase in cash collections from accounts receivable, offset by an increase in payments of accounts payable and accrued liabilities.

Operating activities, inclusive of research and development, sales and marketing, and general and administrative efforts, offset in part by product sales, generated a $26,177,000 net loss for the year ended December 31, 2013. The operating cash impact of this loss was $34,563,000, after adjusting for non-cash share-based compensation, other adjustments for material non-cash activities, such as depreciation, amortization, change in fair value of option liabilities and warrants, gain on sale of assets and acquisition of Joint Venture, and changes in working capital due to the timing of product shipments (accounts receivable) and payment of liabilities.

Investing activities

Net cash used in investing activities for the year ended December 31, 2015 resulted in cash outflows for payment of expenditures for intellectual property of $13,000 and for purchases of property and equipment of $611,000.

Net cash used in investing activities for the year ended December 31, 2014 resulted in cash outflows for payment of a license termination fee of $400,000, expenditures for intellectual property of $255,000 and for purchases of property and equipment of $764,000 offset by proceeds from the sale of assets of $76,000.

Net cash provided by investing activities for the year ended December 31, 2013 resulted from cash outflows for payment of a license termination fee of $800,000 and for purchases of property and equipment and cash inflows of $5,000,000 from the sale of the Puregraft product line.

Financing Activities

The net cash provided by financing activities for the year ended December 31, 2015 related primarily to a sale of common stock. In May 2015, the Company entered into a Securities Purchase Agreement with certain institutional investors pursuant to which the Company agreed to sell up to $25 million of units, with each unit consisting of one share of its common stock and one warrant to purchase one share of its common stock, in a registered direct offering. The purchase and sale of the units is took place in two separate closings. At the initial closing, which took place on May 8, 2015, the Company received approximately $17.4 million in net proceeds from the sale of units. The purchase price for each unit sold at the initial closing was $0.77. Each warrant issued as part of the units at the initial closing has an initial exercise price of $1.02 per share, and is exercisable during the period commencing six months and one day after the date of issuance and expiring five years from the date on which it is initially exercisable. The second closing of the purchase and sale of the units occurred on August 27, 2015 upon satisfaction of certain conditions, including, without limitation, stockholder vote, and the Company received approximately $2.1 million in net proceeds from the sale of 7,499,993 units of the 14,999,993 units available for sale at the second closing. The purchase price for each unit sold at the second closing was $0.3263 and each warrant issued has an initial exercise price of $0.401 and expire five years from the date of issuance. We also received net proceeds of $7.2 million for the sale of 5.3 million shares through an “at the market offering” and proceeds of $5.0 million through warrant exercises. These proceeds were offset by cash outflows for the debt refinance and its related final payment fees, issuance costs and other loan fees as well as payments towards our Joint Venture purchase obligation.

The net cash provided by financing activities for the year ended December 31, 2014 related primarily to a sale of common stock, preferred stock, and exercise of warrants. In October 2014, we sold a total of 13,500 units for a purchase price of $1,000 per unit, with each unit consisting of one share of our Series A 3.6% Convertible Preferred Stock, which is convertible into shares of our common stock, for approximately $12,370,000, net of issuance costs. In September 2014, 4,032,389 warrants were exercised and we received proceeds of approximately $4,066,000. In May 2014, we sold 4,048,584 units, consisting of one share of common stock and one warrant to purchase one share of common stock, for approximately $10,000,000 in gross proceeds in connection with a registered direct offering to certain institutional investors. We received $9,000,000 in January 2014 pursuant to our Common Stock Purchase Agreement with Lorem Vascular that was executed in October of 2013, partially offset by principal payments of $1,962,000 primarily relating to our $27.0 million loan and $2,262,000 payment towards our Joint Venture purchase obligation.

The net cash provided by financing activities for the year ended December 31, 2013 related primarily to a sale to Lorem Vascular of 4,000,000 shares for $12,000,000 in gross proceeds, as well as an additional $3,000,000 in gross proceeds (received in 2013) which related to the second closing of an additional 4,000,000 shares in January 2014. The balance of $9,000,000 in gross proceeds for the second closing was received in 2014. In addition, there was a sale of 1,053,000 shares

for approximately $3,000,000 in gross proceeds in connection with the underwriter exercising the option to purchase additional shares relating to our December 2012 public offering offset by principal payments of $22,304,000 primarily relating to our $25.0 million loan. Additionally, in June 2013, we entered into a Loan Agreement with the Lenders pursuant to which the Lenders funded an aggregate principal amount of $27,000,000 offset by $1,744,000 debt issuance costs and loan fees. Net cash provided by this transaction was approximately $7.8 million after repayment of the prior outstanding loan balance, debt issuance costs and loan fees. Also, during the year ended December 31, 2013, we paid $221,000 payment towards our Joint Venture purchase obligation.

Critical Accounting Policies and Significant Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of our assets, liabilities, revenues and expenses, and that affect our recognition and disclosure of contingent assets and liabilities.

While our estimates are based on assumptions we consider reasonable at the time they were made, our actual results may differ from our estimates, perhaps significantly. If results differ materially from our estimates, we will make adjustments to our financial statements prospectively as we become aware of the necessity for an adjustment.

We believe it is important for you to understand our most critical accounting policies. These are our policies that require us to make our most significant judgments and, as a result, could have the greatest impact on our future financial results.

Revenue Recognition

In accordance with the Securities and Exchange Commission's guidance, we recognize revenue from product sales when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. For customers that have not developed a sufficient payment history with us or for whom a letter of credit is not in place at the time of the transaction, we defer revenues until collectability is reasonably assured.

For all sales, we use a binding purchase order or a signed agreement as evidence of an arrangement. If the other revenue recognition criteria are met, revenue for these product sales is recognized upon delivery to the customer, as all risks and rewards of ownership have been substantively transferred to the customer at that point. For sales to customers who arrange for and manage the shipping process, we recognize revenue upon shipment from our facilities. Shipping and handling costs that are billed to our customers are classified as revenue. The customer's obligation to pay and the payment terms are set at the time of delivery and are not dependent on the subsequent use or resale of our products. For sales where all revenue recognition criteria are not met, revenue is deferred and related inventory remains on our books.

For sales that include multiple deliverables, such as sales of our StemSource® Cell Bank (cell ba nk), we account for products or services (deliverables) separately rather than as a combined unit. Stem cell banks typically consist of a complex array of equipment, proprietary knowledge, license rights, and services, including one or more StemSource® de vices, a cryogenic freezer, measuring and monitoring equipment, and a database patient tracking system. In addition, we typically provide consulting, installation, and training services. Web hosting, technical support and maintenance services are generally provided for a period of up to one year subsequent to the date of sale. FASB authoritative guidance requires an evaluation of these deliverables to determine the appropriate "units of accounting" for purposes of revenue recognition. Each cell bank is customized to provide the best solution for the customer. Depending on customers' needs, all or combination of the following units of accounting will apply to cell bank transactions:

- initial consulting services;
- license rights and standard operating procedures;
- equipment and supplies;
- installation services;
- training services;
- database hosting services;
- technical support services; and
- maintenance services.

FASB authoritative guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence ("VSOE"); (b) third-party evidence ("TPE"); or (c) management estimates. This guidance requires arrangement consideration to be allocated at the inception of the arrangement to all deliverables using the relative selling price method. For our cell bank sales, we establish relative selling prices for all deliverables based on vendor-specific quotes for comparable services when available. In the absence of VSOE, we use competitors' products or services considered largely interchangeable with our own or management's best estimate. Revenue allocated to each unit of accounting is calculated and recognized based on the relative selling price of each deliverable. Future services such as web hosting and ongoing maintenance are deferred and recognized into income as the services are provided, generally over one year following the installation of the equipment.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and our customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories include the cost of material, labor, and overhead, and are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or market. We periodically evaluate our on-hand stock and make appropriate provisions for any stock deemed excess or obsolete. Manufacturing costs resulting from lower than "normal" production levels are expensed as incurred.

Impairment

We assess certain of our long-lived assets, such as property and equipment and intangible assets other than goodwill, for potential impairment when there is a change in circumstances that indicates carrying values of assets may not be recoverable. Such long-lived assets are deemed to be impaired when the undiscounted cash flows expected to be generated by the asset (or asset group) are less than the asset's carrying amount. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and a charge to operating expense. We recognized no impairment losses during any of the periods presented in these financial statements.

Goodwill and Intangibles

Goodwill is reviewed for impairment annually or more frequently when events or changes in circumstances indicate that fair value of the reporting unit has been reduced to less than its carrying value. We perform our impairment test annually on November 30th. In September 2011, the FASB issued revised guidance to simplify how entities test goodwill for impairment. Under the revised guidance, entities have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Accounting Standards Codification Topic 350 *Intangibles – Goodwill and Other*. If, after assessing qualitative factors, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If deemed necessary, a two-step test is used to identify the potential impairment and to measure the amount of goodwill impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is considered not impaired; otherwise, there is an indication that goodwill may be impaired and the amount of the loss, if any, is measured by performing step two. Under step two, the impairment loss, if any, is measured by comparing the implied fair value of the reporting unit goodwill with the carrying amount of goodwill.

Stock-based compensation

The estimated fair value of stock-based awards exchanged for employee and non-employee director services are expensed over the requisite service period and over the period during which the employee and non-employee director is

required to provide service in exchange for the award. For purposes of calculating stock-based compensation, we estimate the fair value of stock options and shares issued under the Employee Stock Purchase Plan using a Black-Scholes option-pricing model. The determination of the fair value of stock-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The expected volatility is based on the historical volatility of our common stock over the most recent period commensurate with the estimated expected term of the stock options. The expected life of the stock options is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of our stock options. The dividend yield assumption is based on our history and expectation of no dividend payouts. The fair value of restricted stock agreements granted is based on the market price of our common stock on the day of the grant.

Warrant Liability

Warrants issued in connection with our preferred stock offering and the May 2015 offering as well as our Letter Agreement with the Lenders do not trade in an active securities market, and as such, we estimate the fair value of these warrants using Black Scholes or Monte Carlo option pricing models. Following the authoritative accounting guidance, warrants with variable exercise price reset features are accounted for as liabilities, with changes in the fair value included in operating expenses. If there is a modification to the warrants, the Company estimates the fair value of the warrants immediately before and after the modification using an option pricing model, with changes in the fair value included in operating expenses.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements included elsewhere herein for disclosure and discussion of new accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk related to fluctuations in interest rates and in foreign currency exchange rates.

Interest Rate Exposure

We are not subject to market risk due to fluctuations in interest rates on our long-term obligations as they bear a fixed rate of interest. Our exposure relates primarily to short-term investments, including funds classified as cash equivalents.

Foreign Currency Exchange Rate Exposure

Our exposure to market risk due to fluctuations in foreign currency exchange rates relates primarily to our activities in Europe and Japan. Transaction gains or losses resulting from cash balances and revenues have not been significant in the past and we are not currently engaged in any hedging activity in the Euro, the Yen or other currencies. Based on our cash balances and revenues derived from markets other than the United States for the year ended December 31, 2015, a hypothetical 10% adverse change in the Euro or Yen against the U.S. dollar would not result in a material foreign currency exchange loss. Consequently, we do not expect that reductions in the value of such sales denominated in foreign currencies resulting from even a sudden or significant fluctuation in foreign exchange rates would have a direct material impact on our financial position, results of operations or cash flows.

Notwithstanding the foregoing, the indirect effect of fluctuations in interest rates and foreign currency exchange rates could have a material adverse effect on our business, financial condition and results of operations. For example, foreign currency exchange rate fluctuations may affect international demand for our products. In addition, interest rate fluctuations may affect our customers' buying patterns. Furthermore, interest rate and currency exchange rate fluctuations may broadly influence the United States and foreign economies resulting in a material adverse effect on our business, financial condition and results of operations.

Item 8. Financial Statements and Supplementary Data **Page**

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Cytori Therapeutics, Inc.:

We have audited the accompanying consolidated balance sheets of Cytori Therapeutics, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we have also audited the accompanying schedule of valuation and qualifying accounts. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cytori Therapeutics, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements and financial statement schedule have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company's recurring losses from operations and liquidity position raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The consolidated financial statements and financial statement schedule do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cytori Therapeutics, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 11, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Diego, California
March 11, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Cytori Therapeutics, Inc:

We have audited Cytori Therapeutics, Inc.'s (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Cytori Therapeutics, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A(b). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cytori Therapeutics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO .

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cytori Therapeutics, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated March 11, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

San Diego, California
March 11, 2016

CYTORI THERAPEUTICS, INC.
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2015	As of December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 14,338,000	$ 14,622,000
Accounts receivable, net of reserves of $797,000 and of $1,523,000 in 2015 and 2014, respectively	1,052,000	1,243,000
Inventories, net	4,298,000	4,829,000
Other current assets	1,555,000	992,000
Total current assets	21,243,000	21,686,000
Property and equipment, net	1,631,000	1,583,000
Restricted cash and cash equivalents	350,000	350,000
Other assets	1,521,000	1,763,000
Intangibles, net	9,031,000	9,415,000
Goodwill	3,922,000	3,922,000
Total assets	$ 37,698,000	$ 38,719,000
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,687,000	$ 5,546,000
Current portion of long-term obligations, net of discount	—	7,363,000
Joint Venture purchase obligation	1,750,000	3,008,000
Total current liabilities	8,437,000	15,917,000
Warrant liability	—	9,793,000
Deferred revenues	105,000	112,000
Long-term deferred rent	269,000	558,000
Long-term obligations, net of discount, less current portion	16,681,000	18,041,000
Total liabilities	25,492,000	44,421,000
Commitments and contingencies		
Stockholders' equity:		
Series A 3.6% convertible preferred stock, $0.001 par value; 5,000,000 shares authorized; 13,500 shares issued and no shares outstanding in 2015; 13,500 shares issued and 5,311 outstanding in 2014	—	—
Common stock, $0.001 par value; 290,000,000 shares authorized; 195,058,395 and 99,348,377 shares issued and outstanding in 2015 and 2014, respectively	195,000	99,000
Additional paid-in capital	368,032,000	331,772,000
Accumulated other comprehensive income	996,000	700,000
Accumulated deficit	(357,017,000)	(338,273,000)
Total stockholders' equity (deficit)	12,206,000	(5,702,000)
Total liabilities and stockholders' equity (deficit)	$ 37,698,000	$ 38,719,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended December 31,		
	2015	**2014**	**2013**
Product revenues:			
Related party	$ —	$ —	$ 1,845,000
Third party	4,838,000	4,953,000	5,277,000
	4,838,000	4,953,000	7,122,000
Cost of product revenues	3,186,000	2,940,000	3,421,000
Gross profit	1,652,000	2,013,000	3,701,000
Development revenues:			
Development, related party	—	—	638,000
Development	—	—	1,179,000
Government contracts and other	6,821,000	2,645,000	3,257,000
	6,821,000	2,645,000	5,074,000
Operating expenses:			
Research and development	19,000,000	15,105,000	17,065,000
Sales and marketing	2,662,000	6,406,000	9,026,000
General and administrative	9,765,000	15,953,000	16,031,000
Change in fair value of warrants	(7,668,000)	(369,000)	(418,000)
Change in fair value of option liability	—	—	(2,250,000)
Total operating expenses	23,759,000	37,095,000	39,454,000
Operating loss	(15,286,000)	(32,437,000)	(30,679,000)
Other income (expense):			
Gain (loss) on asset disposal	3,000	42,000	(257,000)
Loss on debt extinguishment	(260,000)	—	(708,000)
Interest income	9,000	6,000	4,000
Interest expense	(3,379,000)	(4,371,000)	(3,396,000)
Other income (expense), net	169,000	(608,000)	(438,000)
Gain on Puregraft divestiture	—	—	4,453,000
Gain on previously held equity interest in joint venture	—	—	4,892,000
Equity loss from investment in joint venture	—	—	(48,000)
Total other income (expense)	(3,458,000)	(4,931,000)	4,502,000
Net loss	(18,744,000)	(37,368,000)	(26,177,000)
Beneficial conversion feature for convertible preferred stock	(661,000)	(1,169,000)	—
Net loss allocable to common stockholders	(19,405,000)	(38,537,000)	(26,177,000)
Basic and diluted net loss per share allocable to common stockholders	$ (0.14)	$ (0.48)	$ (0.39)
Basic and diluted weighted average shares used in calculating net loss per share allocable to common stockholders	140,797,316	80,830,698	67,781,364
Comprehensive loss:			
Net loss	$ (18,744,000)	$ (37,368,000)	$ (26,177,000)
Other comprehensive income – foreign currency translation adjustments	296,000	444,000	256,000
Comprehensive loss	$ (18,448,000)	$ (36,924,000)	$ (25,921,000)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Other Comprehensive Income (Loss)	Total
Balance at December 31, 2012	—	—	65,914,050	$ 66,000	$ 281,117,000	$ (274,728,000)	—	$ 6,455,000
Stock-based compensation expense	—	—	—	—	$ 3,608,000	—	—	$ 3,608,000
Issuance of common stock under stock option plan and employee stock purchase plan	—	—	338,325	—	$ 225,000	—	—	$ 225,000
Sale of common stock, net	—	—	5,053,000	$ 5,000	$ 17,811,000	—	—	$ 17,816,000
Allocation of fair value for debt-related warrants	—	—	—	—	$ 949,000	—	—	$ 949,000
Accumulated other comprehensive income (loss)	—	—	—	—	—	—	$ 256,000	$ 256,000
Net loss for the year ended December 31, 2013	—	—	—	—	—	$ (26,177,000)	—	$ (26,177,000)
Balance at December 31, 2013	—	—	71,305,375	$ 71,000	$ 303,710,000	$ (300,905,000)	$ 256,000	$ 3,132,000
Stock-based compensation expense	—	—	—	—	$ 3,101,000	—	—	$ 3,101,000

Issuance of common stock under stock option plan and employee stock purchase plan	—		—	204,288		—		$	92,000		—		—		$	92,000
Sale of common stock, net	—		—	8,048,584		$	8,000	$	18,582,000		—		—		$	18,590,000
Issuance of Series A 3.6% Convertible Preferred Stock, net	13,500		—	—		—		$	2,235,000		—		—		$	2,235,000
Conversion of Series A 3.6% Convertible Preferred Stock into common stock	(8,189)		—	15,747,397		$	16,000		—		—		—		$	16,000
Issuance of common stock under stock warrant agreement	—		—	4,042,733		$	4,000	$	4,052,000		—		—		$	4,056,000
Accumulated other comprehensive income (loss)	—		—	—		—		—			—		$	444,000	$	444,000
Net loss for the year ended December 31, 2014	—		—	—		—		—		$	(37,368,000)		—		$	(37,368,000)
Balance at December 31, 2014	5,311		—	99,348,377		$	99,000	$	331,772,000	$	(338,273,000)		$	700,000	$	(5,702,000)
Stock-based compensation expense	—		—	—		—		$	2,041,000		—		—		$	2,041,000
Issuance of common stock under stock option plan and employee stock purchase plan				231,558		—			27,000						$	27,000
Conversion of Series A 3.6% Convertible Preferred Stock into common stock	(5,311)		—	10,214,143		$	10,000	$	(12,000)		—		—		$	(2,000)
Issuance of common stock under stock warrant agreement, net	—		—	46,853,649		$	47,000	$	22,766,000		—		—		$	22,813,000
Sale of common stock, net	—		—	38,410,668		$	39,000	$	10,662,000		—		—		$	10,701,000
Allocation of fair value for debt-related warrants	—		—	—		—		$	776,000		—		—		$	776,000
Accumulated other comprehensive income (loss)	—		—	—		—		—			—		$	296,000	$	296,000
Net loss for the year ended December 31, 2015	—		—	—		—		—		$	(18,744,000)		—		$	(18,744,000)

Balance at December 31, 2015	—		—	195,058,395		$ 195,000		$ 368,032,000		$ (357,017,000)		$ 996,000		$ 12,206,000

ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net loss	$ (18,744,000)	$ (37,368,000)	$ (26,177,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,093,000	779,000	1,630,000
Amortization of deferred financing costs and debt discount	979,000	1,220,000	893,000
Joint venture acquisition obligation accretion	365,000	579,000	204,000
Provision for doubtful accounts	(105,000)	1,084,000	1,141,000
Provision for expired enzymes	—	313,000	—
Change in fair value of warrants	(7,668,000)	(369,000)	(418,000)
Change in fair value of option liability	—	—	(2,250,000)
Stock-based compensation	2,041,000	3,101,000	3,608,000
Equity loss from investment in joint venture	—	—	48,000
Gain (loss) on asset disposal	8,000	(33,000)	257,000
Gain on previously held equity interest in Joint Venture	—	—	(4,892,000)
Gain on sale of assets	—	—	(4,453,000)
Loss on debt extinguishment	260,000	—	708,000
Increases (decreases) in cash caused by changes in operating assets and liabilities:			
Accounts receivable	328,000	2,057,000	(1,209,000)
Inventories	490,000	(815,000)	(459,000)
Other current assets	(637,000)	510,000	(24,000)
Other assets	363,000	11,000	(854,000)
Accounts payable and accrued expenses	1,045,000	(1,147,000)	(409,000)
Deferred revenues, related party	—	—	(638,000)
Deferred revenues	3,000	(100,000)	(1,223,000)
Long-term deferred rent	(289,000)	(152,000)	(46,000)
Net cash used in operating activities	(20,468,000)	(30,330,000)	(34,563,000)
Cash flows from investing activities:			
Purchases of property and equipment	(611,000)	(764,000)	(519,000)
Expenditures for intellectual property	(13,000)	(255,000)	—
Proceeds from sale of assets	11,000	76,000	5,000,000
License agreement termination fee	—	(400,000)	(800,000)
Cash acquired in purchase of joint venture	—	—	5,000
Net cash (used in) provided by investing activities	(613,000)	(1,343,000)	3,686,000
Cash flows from financing activities:			
Principal payments on long-term debt obligations	(25,032,000)	(1,962,000)	(22,304,000)
Proceeds from long-term obligations	17,700,000	—	27,000,000
Debt issuance costs and loan fees	(1,854,000)	—	(1,744,000)
Joint venture purchase payments	(1,623,000)	(2,262,000)	(221,000)
Proceeds from exercise of employee stock options and warrants and stock purchase plan	4,997,000	4,151,000	225,000
Proceeds from issuance of common stock	29,054,000	19,001,000	18,000,000
Proceeds from issuance of preferred stock	—	13,500,000	—
Costs from sale of common stock	(2,370,000)	(425,000)	(184,000)
Costs from sale of preferred stock	—	(1,129,000)	—
Dividends paid on preferred stock	(75,000)	—	—
Net cash provided by financing activities	20,797,000	30,874,000	20,772,000
Effect of exchange rate changes on cash and cash equivalents	—	(85,000)	(106,000)
Net decrease in cash and cash equivalents	(284,000)	(884,000)	(10,211,000)
Cash and cash equivalents at beginning of year	14,622,000	15,506,000	25,717,000
Cash and cash equivalents at end of year	$ 14,338,000	$ 14,622,000	$ 15,506,000

	For the Years Ended December 31,		
	2015	2014	2013
Supplemental disclosure of cash flows information:			
Cash paid during period for:			
Interest	$1,994,000	$2,588,000	$ 2,252,000
Final payment fee on long-term debt	1,839,000	—	1,078,000
Supplemental schedule of non-cash investing and financing activities:			
Conversion of preferred stock into common stock	10,000	$ 16,000	$ —
Declared dividend related to preferred stock	3,000	72,000	—
Fair value of warrants allocated to additional paid-in capital	776,000	—	949,000
Fair value of intangible assets acquired	—	—	9,394,000
Fair value of tangible assets acquired	—	—	260,000
Joint venture purchase obligation	—	—	4,709,000
Fair value of previously held equity interest at acquisition date	—	—	4,928,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Organization and Operations

The Company

Cytori Therapeutics (NASDAQ: CYTX) develops cell therapies uniquely formulated and optimized for specific diseases and medical conditions with a primary focus on impaired hand function in scleroderma, in addition to our other pipeline areas, such as osteoarthritis of the knee, stress urinary incontinence, and full thickness thermal burns including those complicated by radiation exposure, and chronic heart failure.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and those of our subsidiaries. All significant intercompany transactions and balances have been eliminated.

We have five subsidiaries located in Japan, United Kingdom, Switzerland, India and Spain that have been established primarily to support our sales and marketing activities in these regions.

Certain Risks and Uncertainties

Our prospects are subject to the risks and uncertainties frequently encountered by companies in the early stages of development and commercialization, especially those companies in rapidly evolving and technologically advanced industries such as the biotech/medical device field. Our future viability largely depends on our ability to complete development of new products and receive regulatory approvals for those products. No assurance can be given that our new products will be successfully developed, regulatory approvals will be granted, or acceptance of these products will be achieved. The development of medical devices for specific therapeutic applications is subject to a number of risks, including research, regulatory and marketing risks. There can be no assurance that our development stage products will overcome these hurdles and become commercially viable and/or gain commercial acceptance.

Capital Availability

We incurred net losses of $18.7 million, $37.4 million and $26.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. We have an accumulated deficit of $357.0 million as of December 31, 2015. Additionally, we have used net cash of $20.5 million, $30.3 million and $34.6 million to fund our operating activities for years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015, we had $14.3 million of cash and had a Joint Venture purchase obligation of $1.8 million and our Loan and Security Agreement contains cash liquidity requirements to maintain at least $5 million of cash on hand to avoid an event of default. The combination of these facts and the balance of cash and cash equivalents at December 31, 2015 raises substantial doubt as to the Company's ability to continue as a going concern.

To date, these operating losses have been funded primarily from outside sources of invested capital and gross profits. We have had, and we will likely continue to have, an ongoing need to raise additional cash from outside sources to fund our future operations. However, our ability to raise capital was adversely affected once FDA put a hold on our Athena trials in mid-2014, which had an adverse impact to stock price performance and our corresponding ability to restructure our debt. More recently, a continued downward trend in our stock price resulting from general economic and industry conditions as well as the market's unfavorable view of our recent equity financings (which financings were priced at a discount to market and included 100% warrant coverage) and our Nasdaq listing deficiency, have made it more difficult to procure additional capital on terms reasonably acceptable to us. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. If we are unsuccessful in our efforts to raise outside capital in the near term, we will be required to significantly reduce our research, development, and administrative operations, including reduction of our employee base, in order to offset the lack of available funding.

We are pursuing financing opportunities in both the private and public debt and equity markets as well as through strategic corporate partnerships. We have an established history of raising capital through these platforms, and we are currently involved in negotiations with multiple parties. Our efforts in 2014 to raise capital took longer than we initially anticipated. We expect to continue to utilize our cash and cash equivalents to fund operations at least through September of 2015, subject to minimum cash and cash liquidity requirements of the Loan and Security Agreement with the Lender, which requires that we maintain at least $5 million of cash on hand to avoid an event of default under the Loan and Security Agreement. We continue to seek additional cash through product revenues, strategic collaborations, and future sales of equity or debt securities. Although there can be no assurance given, we hope to successfully complete one or more additional financing transactions and corporate partnerships in the near-term. Without this additional capital, current working capital and cash generated from sales and containment of operating costs will not provide adequate funding for research, sales and marketing efforts, clinical and preclinical trials, and product development activities at their current levels. If sufficient capital is not raised, we will at a minimum need to significantly reduce or curtail our research and development and other operations, and this could negatively affect our ability to achieve corporate growth goals.

Specifically, we have prepared an operating plan that calls for us to reduce operations to focus almost entirely on one US clinical program and the supply of current products to existing or new distribution channels. In addition, as part of this plan, there would be minimal expenditures for ongoing scientific research, product development or clinical research. This impacts research and development headcount, external subcontractor expenditures, capital outlay and general and administrative expenditures related to the supervision of such activities. In parallel, we would significantly reduce administrative staff and salaries consistent with the overall reduction in scope of operations. In aggregate, such reductions could result in eliminations of roles for the majority of the Company's current staff and the deferral or elimination of all ongoing development projects until such time that cash resources were available from operations or outside sources to re-establish development and growth plans. Management is currently reviewing contractual obligations related to the pre-clinical and clinical commitments along with minimum purchase requirements to include deferral of such commitments as part of this plan. While management is actively pursuing it's near term financial and strategic alternatives it is also, in parallel, continuing to evaluate the timing of implementation of the alternative operating plan and the initiation of the identified reductions.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Our most significant estimates and critical accounting policies involve recognizing revenue, estimating useful lives of long-lived assets, valuing warrants, determining the assumptions used in measuring share-based compensation expense and valuing allowances for doubtful accounts, and inventories.

Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. There is no investment recorded as of December 31, 2015. Investments with original maturities of three months or less that were included with and classified as cash and cash equivalents totaled $14,338,000 and $8,144,000 as of December 31, 2015 and 2014, respectively. We maintain our cash at insured financial institutions.

Restricted Cash and Cash Equivalents

Restricted cash consists of cash and cash equivalents held in a letter of credit account pursuant to a lease agreement entered into on April 2, 2010 (amended November 4, 2011) for leasing of property at 3020 and 3030 Callan Road, San Diego, California. The lease agreement required us to execute a letter of credit for $350,000 naming the landlord as a beneficiary. It is required by the landlord that we maintain $350,000 as restricted cash for the duration of the lease, which expires October 31, 2017.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company periodically assesses the collectability of accounts receivable considering factors such as specific evaluation of collectability, historical collection experience, the age of accounts receivable and other currently available evidence of the collectability, and records an allowance for doubtful accounts for the estimated uncollectible amount. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories include the cost of material, labor, and overhead, and are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or market. We periodically evaluate our on-hand stock and make appropriate provisions for any stock deemed excess or obsolete. Manufacturing costs resulting from lower than "normal" production levels are expensed as incurred.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation expense, which includes the amortization of capitalized leasehold improvements, is provided for on a straight-line basis over the estimated useful lives of the assets, or the life of the lease, whichever is shorter, and range from three to five years. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is included in operations. Maintenance and repairs are charged to operations as incurred.

Impairment

We assess certain of our long-lived assets, such as property and equipment and intangible assets other than goodwill, for potential impairment when there is a change in circumstances that indicates carrying values of assets may not be recoverable. Such long-lived assets are deemed to be impaired when the undiscounted cash flows expected to be generated by the asset (or asset group) are less than the asset's carrying amount. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, and would be recorded as a reduction in the carrying value of the related asset and a charge to operating expense. We recognized no impairment losses during any of the periods presented in these financial statements.

Goodwill and Intangibles

Goodwill is reviewed for impairment annually or more frequently when events or changes in circumstances indicate that fair value of the reporting unit has been reduced to less than its carrying value. We perform our impairment test annually during the fourth quarter. First the Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If, after assessing qualitative factors, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If deemed necessary, a two-step test is used to identify the potential impairment and to measure the amount of goodwill impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is considered not impaired; otherwise, there is an indication that goodwill may be impaired and the amount of the loss, if any, is measured by performing step two. Under step two, the impairment loss, if any, is measured by comparing the implied fair value of the reporting unit goodwill with the carrying amount of goodwill. We completed this assessment as of November 30, 2015, and concluded that no impairment existed.

Separable intangible assets that have finite useful lives continue to be amortized over their respective useful lives.

As part of the May 2013 acquisition of the Joint Venture (see Note 4), we acquired intangible assets which consisted primarily of contractual license rights that had previously enabled the Joint Venture to conduct development and manufacturing activities pertaining to certain aspects of Cytori's Celution ® technology. The useful life of the identifiable intangible assets was estimated based on the assumed future economic benefit expected to be received from the assets. The technology was valued at $9,394,000 and is being amortized over a useful life of seven years, commensurate with the expected cash flows. We have amortized $397,000 and $166,000 as of December 31, 2015 and

2014, respectively. The estimated aggregate amortization expense will be $782,000 for 2016, $1,539,000 for 2017, $2,415,000 for 2018 and $3,864,000 thereafter.

The changes in the carrying amounts of other indefinite and finite-life intangible assets and goodwill for the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015
Other intangibles, net:	
Beginning balance	$ 9,415,000
Increase……..	13,000
Amortization	(397,000)
Ending balance	9,031,000
Goodwill, net:	
Beginning balance	3,922,000
Increase (decrease)	—
Ending balance	3,922,000
Total goodwill and other intangibles, net	$ 12,953,000

	December 31, 2014
Other intangibles, net:	
Beginning balance	$ 9,345,000
Acquisition of JV Intangible	255,000
Amortization	(185,000)
Ending balance	9,415,000
Goodwill, net:	
Beginning balance	3,922,000
Increase (decrease)	—
Ending balance	3,922,000
Total goodwill and other intangibles, net	$ 13,337,000

Warrant Liability

In connection with the October 2014 Securities Purchase Agreement, the Company issued common stock purchase warrants (the "October Warrants") to certain institutional investors with certain exercise price reset features. Each warrant has an initial exercise price of $0.5771 per share, is exercisable six months and one day after the date of issuance and expires five years from the date on which it is initially exercisable. Pursuant to the second closing of the May 2015 Securities Purchase Agreement, the exercise price of these warrants was reset to $0.3263. The initial fair value of the liability associated with these warrants was $10.0 million and it decreased to $9.8 million as of December 31, 2014. The fair value of the October Warrants was $3.3 million as of December 17, 2015 on or before December 31, 2015 when these warrants were cashless exercised by all holders.

In May 2015, the Company entered into a Securities Purchase Agreement with certain institutional investors pursuant to which the Company agreed to sell up to $25 million of units, with each unit consisting of one share of its common stock and one warrant to purchase one share of its common stock, in a registered direct offering. The May 2015 Securities Purchase Agreement contemplated two closings, the first of which occurred on May 8, 2015, the second of which occurred upon satisfaction of certain conditions precedent, including, but not limited to, receipt of required stockholder approval, on August 27, 2015. Each warrant issued at the initial closing (the "May 2015 Warrants") has an initial exercise price of $1.02 per share, is exercisable six months and one day after the date of issuance and expires five years from the date on which it is initially exercisable. Each warrant issued at the second closing (the "August 2015 Warrants") has an initial exercise price of $0.401 per share, and expires five years from the date of issuance. The initial fair value of the liability associated with the May 2015 Warrants was $14.3 million and it decreased to $5.0 million as of December 17, 2015, on or before such time these warrants were cashless exercised by all holders. The initial fair value of the liability associated with the August 2015 Warrants was $1.6 million, and it decreased to $1.5 million as of December 17, 2015, on or before such time these warrants were cashless exercised by all holders.

On December 17, 2015, the "Company" and the holders of October 2014 warrants agreed to amend the October 2014 Warrants pursuant to an Amendment to Common Stock Purchase Warrant (the "2014 Amendment"). Also on December 17, 2015, the Company and the holders of the May 2015 Warrants and the August 2015 Warrants (collectively the "2015 Warrants") agreed to amend the 2015 Warrants pursuant to an Amendment to Series A-1 Warrant to Purchase Common Stock and Amendment to Series A-2 Warrant to Purchase Common Stock, respectively (the "2015 Amendment" and, together with the 2014 Amendment, the "Warrant Amendments"). The Warrant Amendments provide that the holders may exercise their warrants on a "cashless exercise" basis in whole on or prior to December 31, 2015, whereby each exercising holder of the amended 2015 Warrants would receive 0.75 shares for each warrants share exercised and each exercising holder of the amended 2014 Warrants would 0.69 shares for each warrant share exercised. In addition, the Warrant Amendments removed certain provisions which provided that the exercise price of the Warrants would be reset in the event of certain equity issuances by the Company for a price below the exercise price of the Warrants as of the time of such issuance. All 2014 Warrants and all 2015 Warrants were cashless exercised on or before December 31, 2015.

The warrants were not traded in an active securities market and, as such, the estimated the fair value as of December 31, 2015 and December 31, 2014 was determined by using an option pricing model (Monte Carlo) with the following assumptions:

	As of December 31, 2014	
October 2014 Warrants		
Expected term		5.3 years
Common stock market price	$	0.49
Risk-free interest rate		1.65%
Expected volatility		90.00%
Resulting fair value (per warrant)	$	0.38

Expected volatility was determined based on both historical and implied volatility. Historical volatility was computed using daily pricing observations for recent periods that correspond to the expected term of the warrants while implied volatility was computed using publicly traded options of Cytori as well as Cytori's peer companies. The expected life was based on the remaining contractual term of the warrants. The risk-free interest rate is the U.S. Treasury bond rate as of the valuation date. The fair value of these warrants also incorporated our assumptions about future equity issuances and their impact to the down-round protection feature.

Fluctuations in the fair value of the warrants were impacted by unobservable inputs, most significantly the assumption with regards to future equity issuances and its impact to the down-round protection feature. Significant increases (decreases) in this input in isolation would result in a significantly higher (lower) fair value measurement. The main drivers for the change in the fair value of warrants throughout 2015 were the issuance of new warrants, exercise of issued warrants and changes in our stock price.

Refer to Note 6 of the Notes to Consolidated Financial Statements for a discussion of the change in our Level 3 warrant liability value.

Revenue Recognition

Product Sales

We recognize revenue from product sales when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. For customers that have not developed a sufficient payment history with us or for whom a letter of credit is not in place at the time of the transaction, we defer revenues until collectability is reasonably assured.

For all sales, we use a binding purchase order or a signed agreement as evidence of an arrangement. If the other revenue recognition criteria are met, revenue for these product sales is recognized upon delivery to the customer as all risks and rewards of ownership have been substantively transferred to the customer at that point. For sales to customers who arrange for and manage the shipping process, we recognize revenue upon shipment from our facilities. Shipping and

handling costs that are billed to our customers are classified as revenue. The customer's obligation to pay and the payment terms are set at the time of delivery and are not dependent on the subsequent use or resale of our products. For sales where all revenue recognition criteria are not met, revenue is deferred and related inventory remains on our books.

For sales that include multiple deliverables, such as sales of our StemSource® Cell Bank (cell bank), we account for products or services (deliverables) separately rather than as a combined unit. Stem cell banks typically consist of a complex array of equipment, proprietary knowledge, license rights, and services, including one or more StemSource® devices, a cryogenic freezer, measuring and monitoring equipment, and a database patient tracking system. In addition, we typically provide consulting, installation, and training services. Web hosting, technical support and maintenance services are generally provided for a period of up to one year subsequent to the date of sale. FASB authoritative guidance requires an evaluation of these deliverables to determine the appropriate "units of accounting" for purposes of revenue recognition. Each cell bank is customized to provide the best solution for the customer. Depending on customers' needs, all or combination of the following units of accounting will apply to cell bank transactions:

- initial consulting services;
- license rights and standard operating procedures;
- equipment and supplies;
- installation services;
- training services;
- database hosting services;
- technical support services; and
- maintenance services.

FASB authoritative guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence ("VSOE"); (b) third-party evidence ("TPE"); or (c) management estimates. This guidance requires arrangement consideration to be allocated at the inception of the arrangement to all deliverables using the relative selling price method. For our cell bank sales, we establish relative selling prices for all deliverables based on vendor-specific quotes for comparable services when available. In the absence of VSOE, we use competitors' products or services considered largely interchangeable with our own or management's best estimate. Revenue allocated to each unit of accounting is calculated and recognized based on the relative selling price of each deliverable. Future services such as web hosting and ongoing maintenance are deferred and recognized into income as the services are provided, generally over one year following the installation of the equipment.

Concentration of Significant Customers & Geographical Sales

For the year ended December 31, 2015, our sales were concentrated with respect to one distributor and four direct customers, which comprised 63% of our product revenue recognized. Two direct customers accounted for 73% of total outstanding accounts receivable (excluding receivables from Biomedical Advanced Research and Development Authority (BARDA)) as of December 31, 2015.

For the year ended December 31, 2014, our sales were concentrated with respect to three distributors and one direct customer, which comprised 52% of our product revenue recognized. Three distributors accounted for 92% of total outstanding accounts receivable (excluding receivables from BARDA) as of December 31, 2014.

For the year ended December 31, 2013, our sales were concentrated with respect to one distributor, which comprised 26% of our product revenue recognized. Two distributors and one direct customer accounted for 55% of total outstanding accounts receivable as of December 31, 2013.

Product revenues, classified by geographic location, are as follows:

	Years ended					
	2015		2014		2013	
	Product Revenues	% of Total	Product Revenues	% of Total	Product Revenues	% of Total
Americas	$ 982,000	20%	$ 1,224,000	25%	$ 1,152,000	16%
Japan	2,394,000	50%	3,068,000	62%	1,450,000	21%
Europe	675,000	14%	649,000	13%	1,948,000	27%

Asia Pacific	787,000	16%	12,000	0%	2,572,000	36%
Total product revenues	$ 4,838,000	100%	$ 4,953,000	100%	$ 7,122,000	100%

Research and Development

We earn revenue for performing tasks under research and development agreements with both commercial enterprises, such as Olympus and Senko, and governmental agencies like the U.S. Department of Health and Human Service's BARDA. Revenue earned under development agreements with commercial enterprises is classified as development revenues. Revenues derived from reimbursement of direct out-of-pocket expenses for research costs associated with government contracts are recorded as government contract and other within development revenues. Government contract revenue is recorded at the gross amount of the reimbursement. The costs associated with these reimbursements are reflected as a component of research and development expense in our consolidated statements of operations.

In the third quarter of 2012, we were awarded a contract to develop a new countermeasure for thermal burns valued at up to $106 million with BARDA. The initial base period included $4.7 million tranche over two years and covered preclinical research and continued development of Cytori's Celution® system to improve cell processing. The additional contract options, if fully executed, cover clinical development through FDA approval under a device-based PMA regulatory pathway. In August 2014, BARDA exercised Option 1 of the contract for Cytori to perform research, regulatory, clinical and other tasks required for initiation of a pilot clinical trial of the Celution System in thermal burn injury for a total cost-plus fixed fee of up to $12.1 million. In December 2014, we executed an amendment to the August 2014 contract option to fund continued investigation and development of Cytori Cell Therapy (DCCT-10) for use in thermal burn injuries, which increased the option extension to $14.1 million. Upon IDE approval by the FDA, we anticipate BARDA will increase funding to cover costs associated with execution of the clinical trial, currently estimated at approximately $8.3 million, and bringing the combined value of the first option to up to $22.4 million. This is a cost reimbursement contract, and related government contract revenue was recorded at the gross amount of reimbursement starting in the fourth quarter of 2012.

Refer to Note 8 for discussion about our arrangement with Senko.

Research and Development

Research and development expenditures, which are charged to operations in the period incurred, include costs associated with the design, development, testing and enhancement of our products, regulatory fees, the purchase of laboratory supplies, and pre-clinical and clinical studies as well as salaries and benefits for our research and development employees.

Also included in research and development expenditures are costs incurred to support the government reimbursement contract.

$6,345,000, $2,461,000, and $3,053,000 qualified expenses were incurred for the years ended December 31, 2015, 2014 and 2013, related to our government contract with BARDA.

Deferred Financing Costs and Other Debt-Related Costs

Deferred financing costs are capitalized and amortized to interest expense over the term of the associated debt instrument using the effective interest method. If the maturity of the debt is accelerated because of default or early debt repayment, then the amortization would be accelerated.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income (loss) in the years in which those temporary differences are expected to be recovered or settled. Due to our history of losses, a full valuation allowance has been recognized against our deferred tax assets.

Stock Based Compensation

We recognize the fair value of all share-based payment awards in our statements of operations over the requisite vesting period of each award and over the period during which the employee and non-employee director is required to provide service in exchange for the award. We estimate the fair value of these options using the Black-Scholes option pricing model using assumptions for expected volatility, expected term, and risk-free interest rate. Expected volatility is based primarily on historical volatility and is computed using daily pricing observations for recent periods that correspond to the expected term of the options. The expected life is based on the expected term of the options. The risk-free interest rate is the interest rate for treasury instruments with maturities that approximate the expected term.

Segment Information

For the years ended December 31, 2015, 2014 and 2013, all of our financial results relate to cell therapy, therefore we report our results as a single segment.

Loss Per Share

Basic per share data is computed by dividing net income or loss allocable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted per share data is computed by dividing net income or loss allocable to common stockholders by the weighted average number of common shares outstanding during the period increased to include, if dilutive, the number of additional common shares that would have been outstanding as calculated using the treasury stock method. Potential common shares were related entirely to outstanding but unexercised options, warrants, employee stock purchase plans, and restricted stock awards for all periods presented.

We have excluded all potentially dilutive securities, including unvested performance-based restricted stock and warrants, from the calculation of diluted loss per share allocable to common stockholders for the years ended December 31, 2015, 2014 and 2013, as their inclusion would be antidilutive. Potentially dilutive common shares excluded from the calculations of diluted loss per share were 12.3 million, 43.7 million and 17.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or the FASB, or other standard setting bodies that the Company adopts as of the specified effective date. The Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial condition or results of operations upon adoption.

In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) jointly issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The effective date of ASU 2014-09 is for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of adopting ASU 2014-09 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest* (Subtopic 835-30). The standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability. The effective date of ASU 2015-03 is for reporting periods beginning after December 15, 2015. The Company is currently evaluating the impact of ASU 2015-03 on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory – Simplifying the Measurement of Inventory* (Topic 330). The standard requires companies to measure inventory (excluding inventory measured using LIFO and retail inventory methods) at the lower of cost or net realizable value. The effective date of ASU 2015-11 is for reporting periods beginning after December 15, 2016. There is not expected to be a material impact of ASU 2015-11 on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes* (Topic 740): *Balance Sheet Classification of Deferred Taxes*, to simplify the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. The effective date of ASU 2015-17 is for reporting periods beginning after December 15, 2016. The ASU 2015-17 has been early adopted on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new topic supersedes Topic 840, *Leases*, and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosures of key information about leasing arrangements. The effective date of ASU 2016-02 is for reporting periods beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method. The Company is currently evaluating the impact of ASU 2016-02 on its consolidated financial statements.

3. Agreement with Lorem Vascular

On October 29, 2013, we entered into an agreement with Lorem Vascular to commercialize Cytori Cell Therapy (OICH-D3) for the cardiovascular, renal and diabetes markets, in China, Hong Kong, Malaysia, Singapore and Australia (License/Supply Agreement), and a Common Stock Purchase Agreement. On January 30, 2014 we entered into the Amended and Restated License/Supply Agreement with Lorem Vascular (the "Restated Agreement") which restated the License/Supply Agreement in its entirety and expanded the licensed field to all uses excepting alopecia (hair loss). Under the Restated Agreement, Lorem Vascular committed to pay up to $500 million in license fees in the form of revenue milestones. In addition, Lorem Vascular is required to pay us 30% of their gross profits in China, Hong Kong and Malaysia for the term of the agreement. In addition, Lorem Vascular has agreed to purchase the Cytori Celution® System and consumables under the Restated Agreement. Pursuant to the related Common Stock Purchase Agreement, Cytori sold Lorem Vascular 8.0 million shares of Cytori common stock at $3.00 per share for a total of $24.0 million. The equity purchased was closed in two equal installments, in November 2013 and January 2014.

Lorem Vascular initially purchased approximately $1.8 million in Celution® devices and consumables in December 2013. In addition to this purchase, upon achieving regulatory clearance from the Chinese Food and Drug Administration ("CFDA"), Cytori's license agreement with Lorem Vascular obligates Lorem Vascular to purchase an opening order of 23 Celution Systems and 1,100 Celution Consumable Sets. Class I regulatory clearance was granted in April 2015. As of December 31, 2015, Lorem Vascular has partially satisfied this purchase order.

4. Transactions with Olympus Corporation

Acquisition of Olympus' Interest in the Joint Venture

On May 8, 2013, Cytori and Olympus agreed to terminate a Joint Venture pursuant to a Termination Agreement, and Cytori acquired the remaining 50% equity interest in the Joint Venture from Olympus. For valuation purposes, Cytori determined the acquisition date (the date on which Cytori effectively gained full control of the equity interest previously held by Olympus) to be May 27, 2013. The remeasurement of the previously held equity interest at the acquisition date resulted in a net gain of $4,892,000 that was recorded in the accompanying Consolidated Statements of Operations.

The fair value of the Joint Venture, including the identified intangible assets acquired, consideration transferred, and Cytori's previously held equity interest, was estimated from a market participant perspective, using valuation techniques based on the income approach for measuring fair value. Specifically, an excess earnings methodology was employed using primarily Level 3 fair value inputs. The intangible assets acquired consisted primarily of contractual license rights that had previously enabled the Joint Venture to conduct development and manufacturing activities pertaining to certain aspects of Cytori's Celution ® technology. The useful life of the identifiable intangible assets was estimated based on the assumed future economic benefit expected to be received from the assets. Inputs used in the valuation included various market participant assumptions in order to project potential future cash flows, discounted at a rate commensurate with the risk involved.

	Useful Life (in years)	Estimated Fair Value
Intangible assets:		
Developed technology	7	$ 9,394,000

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

	Estimated Fair Value
Current assets	$ 236
Property and equipment	260
Intangible assets	9,394
Total assets acquired	9,890
Accrued and other current liabilities	(33)
Total fair value of the Joint Venture	$ 9,857

Acquisition-related transaction costs are not included as components of consideration transferred but have been accounted for as expenses in the period in which the costs are incurred.

The Company calculated the fair value of the purchase consideration on the acquisition date to be $4,928,000. This was determined using a weighted probability assessment of the payment options available to Cytori. Present value risk-adjusted discount rates applied to the purchase consideration ranged from 9.75% to 12.75%. The fair value calculation of the purchase consideration resulted in a discount of $1,072,000, which was being amortized to interest expense over a weighted average expected term of 1.8 years. On a quarterly basis, the Company reassesses the probabilities of the various payment options and expected term. Changes in the expected term and the remaining discount amount as a result of the reassessment will be recognized prospectively as an adjustment to interest expense. Upon final settlement of the purchase obligation, any difference between the amount paid and the carrying amount of the purchase obligation will be recorded as a gain or loss on extinguishment of the liability.

On April 30, 2015, the Company entered into Amendment One to the Joint Venture Termination Agreement (the "Amendment") with Olympus Corporation ("Olympus") to that certain Joint Venture Termination Agreement, dated May 8, 2013, by and between the Company and Olympus (the "Agreement") in order to extend our payment obligations under the Agreement.

Under the original Agreement, we were required to pay Olympus a total purchase price of $6 million within two years of the date of the Agreement. The Amendment amends the payment terms of the Agreement to extend the period for payment of the remaining balance of the $6 million, or $3.2 million, with the balance of the purchase price bearing an interest rate of 6% per annum. Pursuant to the Amendment, we paid $1 million on May 8, 2015 and $0.5 million on September 30, 2015 and paid $0.5 million in early January 2016, and expect to pay $0.5 million of principal on or prior to March 31, 2016, and the remaining $0.7 million of principal and accrued interest on or prior to May 8, 2016. We may prepay the remaining principal and accrued interest at any time without penalty.

In accordance with the terms of the Agreement, if we fail to pay the full balance of any installment payment, we will be required to pay Olympus the extended purchase price of a total of $16 million on or prior to March 1, 2020, with any principal payments previously paid applied towards the extended purchase price.

5. Sale and Exclusive License/Supply Agreement with Bimini Technologies

On July 30, 2013, we entered into a Sale and Exclusive License/Supply Agreement with Bimini Technologies LLC ("Bimini"), pursuant to which we sold to Bimini substantially all of the assets (other than certain retained rights and licenses) of our Puregraft® product line, a series of standalone fat trans plantation products that were developed to improve the predictability of outcomes for autologous fat grafting and aesthetic body contouring. The aggregate value of the consideration paid by Bimini at the execution of the agreement was $5.0 million.

The Company recorded a gain on the Puregraft divestiture of $4.5 million in the accompanying Consolidated Statements of Operations in 2013. Bimini is obligated to make certain additional milestone payments to the Company (in an aggregate amount of up to $10.0 million), contingent upon the achievement of certain milestones relating to Bimini's gross profits from sales of the Puregraft products.

6. Fair Value Measurements

Fair value measurements are market-based measurements, not entity-specific measurements. Therefore, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. We follow a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable in active markets.

As of December 31, 2015, the Company did not have any assets or liabilities measured at fair value. The following table provides a summary of the recognized assets and liabilities that we measure at fair value on a recurring basis as of December 31, 2014:

	Balance as of December 31, 2014	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 8,144,000	$ 8,144,000	$ —	$ —
Liabilities:				
Warrant liability	$ 9,793,000	$ —	$ —	$ 9,793,000

We use quoted market prices to determine the fair value of our cash equivalents, which consist of money market funds and therefore these are classified in Level 1 of the fair value hierarchy.

Warrants with exercise price reset features (down-round protection) are accounted for as liabilities, with changes in the fair value included in net loss for the respective periods. Because some of the inputs to our valuation model are either not observable or are not derived principally from or corroborated by observable market data by correlation or other means, the warrant liability is classified as Level 3 in the fair value hierarchy.

The following table summarizes the change in our Level 3 warrant liability value:

Warrant liability	December 31, 2015	December 31, 2014
Beginning balance	$ 9,793,000	$ —
Additions to warrant liability	15,979,000	10,162,000
Exercised warrants	(18,104,000)	—
Change in fair value	(7,668,000)	(369,000)
Ending balance	$ —	$ 9,793,000

7. Fair Value

Financial Instruments

We disclose fair value information about all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. The disclosures of estimated fair value of financial instruments at December 31, 2015 and 2014 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

The carrying amounts for cash and cash equivalents, accounts receivable, inventories, other current assets, accounts payable, accrued expenses and other liabilities approximate fair value due to the short-term nature of these instruments.

We utilize quoted market prices to estimate the fair value of our fixed rate debt, when available. If quoted market prices are not available, we calculate the fair value of our fixed rate debt based on a currently available market rate assuming the loans are outstanding through maturity and considering the collateral. In determining the current market rate for fixed rate debt, a market spread is added to the quoted yields on federal government treasury securities with similar terms to the debt.

At December 31, 2015 and 2014, the aggregate fair value and the carrying value of the Company's fixed rate long-term debt were as follows:

	December 31, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Fixed rate long-term debt	$ 16,844,000	$ 16,681,000	$ 25,206,000	$ 25,373,000

The fair value of debt is classified as Level 3 in the fair value hierarchy as some of the inputs, primarily the effective interest rate, to our valuation model are either not observable quoted prices or are not derived principally from or corroborated by observable market data by correlation or other means.

Carrying value is net of debt discount of $2,108,000 and $1,459,000 as of December 31, 2015 and 2014, respectively. The amortization of deferred financing cost and debt discount totaled $979,000, $1,220,000 and $893,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

Nonfinancial Assets and Liabilities

We apply fair value techniques on a non-recurring basis associated with: (1) valuing potential impairment losses related to goodwill which are accounted for pursuant to the authoritative guidance for intangibles—goodwill and other; and (2) valuing potential impairment losses related to long-lived assets which are accounted for pursuant to the authoritative guidance for property, plant and equipment.

8. Thin Film Japan Distribution Agreement

In 2004, the Company entered into a Distribution Agreement with Senko. Under this agreement, we granted to Senko an exclusive license to sell and distribute certain Thin Film products in Japan and are responsible for the completion of the initial regulatory application to the Ministry of Health, Labor and Welfare (MHLW) and commercialization of the Thin Film product line in Japan.

In February 2013, we entered into a mutual termination and release agreement with Senko, whereby the Distribution Agreement and all Senko rights, licenses and privileges granted under the Distribution Agreement terminated and reverted to the Company. As a result of this Termination Agreement, we were obligated to pay Senko $1,200,000 in six quarterly installment payments of $200,000 each through May 2014. At the time of the Termination Agreement, we had a balance of $2,379,000 in deferred revenues on our balance sheet relating to the payments received from Senko in the past pursuant to the Distribution Agreement. At the time of the Termination Agreement we accrued $1,200,000 of the termination fee, and recognized the remaining $1,179,000 in development revenues which reflects the Company's efforts towards commercialization under the agreement. As of December 31, 2014, we have no remaining termination fee obligation.

9. Composition of Certain Financial Statement Captions

Inventories, net

As of December 31, 2015 and 2014, inventories, net, were comprised of the following:

	December 31,	
	2015	2014
Raw materials	$ 1,009,000	$ 1,715,000
Work in process	816,000	1,301,000
Finished goods	2,473,000	1,813,000

$ 4,298,000	$ 4,829,000

Other Current Assets

As of December 31, 2015 and 2014, other current assets were comprised of the following:

	December 31,	
	2015	2014
Prepaid insurance	$ 300,000	$ 200,000
Prepaid supplies and other, current	995,000	675,000
Other receivables	260,000	117,000
	$ 1,555,000	$ 992,000

Property and Equipment, net

As of December 31, 2015 and 2014, property and equipment, net, were comprised of the following:

	December 31,	
	2015	2014
Manufacturing and development equipment	$ 5,464,000	$ 5,674,000
Office and computer equipment	1,939,000	2,006,000
Leasehold improvements	3,391,000	3,271,000
	10,794,000	10,951,000
Less accumulated depreciation and amortization	(9,163,000)	(9,368,000)
	$ 1,631,000	$ 1,583,000

Depreciation and amortization expenses totaled $696,000, $594,000 and $1,581,000 for the years ended December 31, 2015, 2014, and 2013, respectively.

Other Assets

As of December 31, 2015 and 2014, other assets were comprised of the following:

	December 31,	
	2015	2014
Deposits ……..	$ 525,000	$ 540,000
Prepaid supplies, long-term	996,000	1,223,000
	$ 1,521,000	$ 1,763,000

Accounts Payable and Accrued Expenses

As of December 31, 2015 and 2014, accounts payable and accrued expenses were comprised of the following:

	December 31,	
	2015	2014
Accrued legal fees	$ 372,000	$ 544,000
Accrued R&D studies	1,117,000	273,000
Accounts payable	1,009,000	949,000
Accrued vacation	573,000	577,000
Accrued payroll and bonus	1,058,000	876,000
Accrued expenses	2,022,000	2,006,000
Deferred rent	221,000	191,000
Accrued accounting fees	315,000	130,000
	$ 6,687,000	$ 5,546,000

10. Commitments and Contingencies

We have contractual obligations to make payments on leases of office and manufacturing space as follows:

Years Ending December 31,	Operating Leases
2016	$ 2,240,000
2017	1,789,000
2018	53,000
2019	27,000
Total	$ 4,109,000

Rent expense, which includes common area maintenance, for the years ended December 31, 2015, 2014 and 2013 was $2,455,000, $3,332,000 and $3,458,000, respectively.

We have entered into minimum purchase agreement with Roche Diagnostics Corporation, and the obligations to make payments on products as follows:

Years Ending December 31,	Minimum Purchase Obligation
2016	$ 1,069,000
2017	1,074,000
2018	1,074,000
2019	1,473,000
2020	1,473,000
Total	$ 6,163,000

We have entered into agreements with various research organizations for clinical development studies, which have provisions for cancellation. Under the terms of these agreements, the vendors provide a variety of services including conducting research, enrolling patients, recruiting patients, monitoring studies and data analysis. Payments under these agreements typically include fees for services and reimbursement of expenses. The timing of payments due under these agreements was estimated based on current schedules of clinical studies in progress. As of December 31, 2015, we have clinical research study obligations of $6,739,000, $6,243,000 of which are expected to be complete within a year. Should the timing of the clinical trials change, the timing of the payment of these obligations would also change.

We are subject to various claims and contingencies related to legal proceedings. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Management believes that any liability to us that may arise as a result of currently pending legal proceedings will not have a material adverse effect on our financial condition, liquidity, or results of operations as a whole.

Refer to Note 11 for a discussion of our commitments and contingencies related to our long-term obligations.

11. Long-term Obligations

On June 28, 2013 we entered into a Loan and Security Agreement (the “2013 Loan Agreement”) with Oxford Finance LLC and Silicon Valley Bank (together, the Lenders), pursuant to which the Lenders funded an aggregate principal amount of $27.0 million (Term Loan), subject to the terms and conditions set forth in the 2013 Loan Agreement. The Term Loan accrues interest at a fixed rate of 9.75% per annum. Pursuant to the 2013 Loan Agreement, we are required to make interest only payments through July 1, 2014 and thereafter we are required to make payments of principal and accrued interest in equal monthly installments sufficient to amortize the Term Loan through July 1, 2017, the maturity date. At maturity of the Term Loan, or the earlier repayment in full following a voluntary prepayment or upon acceleration, the Company is required to make a final payment fee in an aggregate amount equal to $1,795,000. In connection with the Term Loan, on June 28, 2013, we issued to the Lenders warrants to purchase up to an aggregate of

596,553 shares of our common stock at an exercise price of $2.26 per share. These warrants are immediately exercisable and will expire on June 28, 2020.

In connection with the funding of the 2013 Loan Agreement, we prepaid all outstanding amounts under the prior loan agreement, at which time the Company's obligations under the prior loan agreement immediately terminated. The Company paid to the prior agent and the prior lenders approximately $18,866,000, consisting of the then outstanding principal balance due of approximately $17,325,000, accrued but unpaid interest of approximately $119,000, a final payment fee (net of fees waived or refunded by the Lenders under the new loan agreement) of approximately $1,078,000, a prepayment fee (net of fees waived or refunded by the Lenders under the new loan agreement) of approximately $312,000 and other customary lender fees and expenses.

The net proceeds of the Term Loan, after payment of lender fees and expenses and prepaying all the outstanding amounts relating to the prior loan agreement, were approximately $7.8 million.

For the continuing Lenders, we accounted for this amendment as a debt modification. Accordingly, related fees of $1,942,000 were recorded as debt discount from the prior loan, and along with the unamortized debt discount will be amortized as an adjustment of interest expense using the effective interest method. For one existing lender that did not participate in the Term Loan, the payoff of their loan was accounted for as debt extinguishment. Accordingly, a loss on debt extinguishment of $708,000 was recorded, which includes that lender's portion of unamortized fees and discounts along with prepayment and final payment fees.

We allocated the aggregate proceeds of the Term Loan between the warrants and the debt obligations based on their relative fair values. The fair value of the warrants issued to the Lenders was calculated utilizing the Black-Scholes option pricing model. We are amortizing the resulting additional discount of $949,000 to interest expense over the term of the loan using the effective interest method. The overall effective interest rate for the Term Loan is 13.86%. The Term Loan is collateralized by the tangible assets of the company, including a security interest in substantially all of its existing and after-acquired assets.

On September 19, 2014, we entered into a Letter Agreement with the Lenders pursuant to which the Lenders waived financial covenant compliance pursuant to the 2013 Loan Agreement through October 31, 2014. The 2013 Loan Agreement requires the Company to maintain certain minimum cash balances at all times during the term of the 2013 Loan Agreement. In exchange for the above waiver, the Company agreed to re-price all 596,553 outstanding warrants issued by the Company to Oxford Finance LLC and Silicon Valley Bank pursuant to the 2013 Loan Agreement, with an exercise price per share equal to the lower of (i) the closing price per share of the Company's common stock on September 30, 2014, or (ii) the average closing price per share of the Company's common stock for October 1, 2 and 3, 2014.

On September 29, 2014 we entered into a 2nd Amendment to the 2013 Loan Agreement with the Lenders Pursuant to the amended 2013 Loan Agreement, and we were provided a conditional waiver of principal payments subject to meeting certain capital raise requirements, which we achieved in October. The waiver of principal payments continued through April 1, 2015 and we were then required to make payments of principal and accrued interest in equal monthly installments sufficient to amortize the Term Loan through the maturity date.

On May 29, 2015, we entered into the Loan and Security Agreement ("Loan Agreement") with Oxford Finance LLC ("Oxford" or "Lender"), pursuant to which the Lender funded an aggregate principal amount of $17.7 million ("Term Loan"), subject to the terms and conditions set forth in the loan agreement. The Term Loan accrues interest at a floating rate of 8.95% per annum, comprised of three-month LIBOR rate with a floor of 1.00% plus 7.95%. Pursuant to the Loan Agreement, we are required to make interest only payments through June 1, 2016 and thereafter we are required to make payments of principal and accrued interest in equal monthly installments sufficient to amortize the Term loan through June 1, 2019, the maturity date. On February 23, 2016, Cytori received an acknowledgement and agreement from Oxford related to the positive data on Cytori US ACT-OA clinical trial. As a result, pursuant to the Loan Agreement, the period for which the Company is required to make interest-only payment was extended from July 1, 2016 to January 1, 2017. All unpaid principal and interest with respect to the Term Loan is due and payable in full on June 1, 2019. At maturity of the Term Loan, or earlier repayment in full following voluntary prepayment or upon acceleration, the Company is required to make a final payment fee in an aggregate amount equal to approximately $1.1 million. In connection with the Term Loan, on May 29, 2015, we issued to the Lender warrants to purchase an aggregate of 1,416,618 shares of our

common stock at an exercise price of $0.69 per share. These warrants are exercisable on or after November 30, 2015 and will expire on May 29, 2025 and, following the authoritative accounting guidance, are equity classified.

In connection with the Loan Agreement, we prepaid all outstanding amounts under our prior loan agreement with Oxford and Silicon Valley Bank, at which time the Company's obligations under the prior loan agreement immediately terminated. The Company paid to the prior agent and the prior lenders (Oxford and Silicon Valley Bank) approximately $25.4 million, consisting of the then outstanding principal balance due of approximately $23.4 million, accrued but unpaid interest of approximately $0.2 million, final payment and other agency fees of approximately $1.8 million and other customary lender fees and expenses.

For Oxford, we accounted for this Term Loan as a debt modification. The Company retired $3.1 million of the principal of the previous loan and the corresponding unamortized fees were expensed. The remaining fees of $0.8 million were recorded as debt discount, and along with the new loan fees, will be amortized as an adjustment of interest expense using the effective interest method. For Silicon Valley Bank, which did not participate in the Term Loan, the payoff of the loan was accounted for as debt extinguishment. Accordingly, a total loss on debt extinguishment of $0.3 million was recorded, which includes the unamortized fees and discounts along with final payment fees.

We allocated the aggregate proceeds of the Term Loan between the warrants and the debt obligations based on their relative fair values. The fair value of the warrants issued to the Lender was calculated utilizing the Black-Scholes option pricing model. The Black-Scholes option-pricing model incorporates various and highly sensitive assumptions including expected volatility, expected term and risk-free interest rates. The expected volatility is based on the historical volatility of the Company's common stock over the most recent period. The risk-free interest rate for period within the contractual life of the warrant is based on the U.S. Treasury yield in effect at the time of grant. We will amortize the relative fair value of the warrants as a discount of $0.8 million over the term of the loan using the effective interest method, with an effective interest rate of 14.95%. The Term Loan is collateralized by a security interest in substantially all of the Company's existing and after-acquired assets, subject to certain exceptions set forth in the Loan Agreement and excluding its intellectual property assets, which are subject to a negative pledge.

Additional details relating to the outstanding Term Loan as of December 31, 2015 and 2014 are presented in the following table:

Year ended December 31, 2015

Origination Date	Original Loan Amount	Interest Rate**	Current Monthly Payment*	Original Term	Remaining Principal (Face Value)
May 2015	$ 17,700,000	8.95%	$ 136,413	48 Months	$ 17,700,000

Year ended December 31, 2014

Origination Date	Original Loan Amount	Interest Rate	Current Monthly Payment*	Original Term	Remaining Principal (Face Value)
June 2013	$ 27,000,000	9.75%	$ 203,434	48 Months	$ 25,038,125

* *Current monthly payment is inclusive of interest only*

** *3 month LIBOR rate with a floor of 1% plus 7.95%*

As of December 31, 2015, the future contractual principal and final fee payments on all of our debt and capital lease obligations are as follows:

Years Ending December 31,	
2016	$ —
2017	7,080,000
2018	7,080,000
2019	4,629,000
Total	$ 18,789,000

Reconciliation of Face Value to Book Value as of December 31, 2015

Total debt and lease obligations, including final payment fee (Face Value)	$ 18,789,000

Less: Debt discount	(2,108,000)
Long-term obligation	$ 16,681,000

Our interest expense for the years ended December 31, 2015, 2014 and 2013 was $3,379,000, $4,371,000 and $3,396,000, respectively. Interest expense is calculated using the effective interest method, therefore it is inclusive of non-cash amortization in the amount of $979,000, $1,220,000 and $893,000, respectively, related to the amortization of the debt discount and capitalized loan fees.

12. Income Taxes

Due to our net losses for the years ended December 31, 2015, 2014 and 2013, and since we have recorded a full valuation allowance against deferred tax assets, there was no provision or benefit for income taxes recorded. There were no components of current or deferred federal or state income tax provisions for the years ended December 31, 2015, 2014 and 2013.

A reconciliation of the total income tax provision tax rate to the statutory federal income tax rate of 34% for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Income tax expense (benefit) at federal statutory rate	(34.00)%	(34.00)%	(34.00)%
Income tax expense (benefit) at state statutory rate	(4.40)%	(3.52)%	(3.54)%
Gain on previously held equity interest in joint venture	0.00%	0.00%	(7.02)%
Mark to market permanent adjustment	(13.91)%	(0.37)%	(2.15)%
Change in valuation allowance..... ……..	(7.45)%	27.12%	80.13%
Change in state rate.....	(0.09)%	0.02%	(1.01)%
Permanent interest adjustments.....	6.25%	4.17%	0.00%
Stock compensation.....	20.43%	0.00%	0.00%
Transfer pricing.....	18.49%	0.00%	0.00%
Debt refinance permanent adjustment.....	0.00%	3.92%	0.00%
Acquired NOL's/Intangibles from joint venture ...	0.00%	0.00%	(33.40)%
Research credit.....	(2.37)%	(0.74)%	(3.75)%
Foreign rate differential.....	0.69%	0.00%	2.48%
NOLs expiring and adjustments to NOL……	13.92%	0.00%	0.00%
Other, net.....	2.44%	3.40%	2.26%
	0.00%	0.00%	0.00%

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and deferred tax liabilities as of December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets:		
Allowances and reserves.....	$ 673,000	$ 825,000
Accrued expenses.....	951,000	502,000
Deferred revenue and gain-on-sale.....	39,000	32,000
Stock based compensation.....	4,547,000	7,786,000
Net operating loss carryforwards.....	119,000,000	117,258,000
Income tax credit carryforwards.....	7,437,000	6,993,000
Property and equipment, principally due to differences in depreciation.....	683,000	926,000
Other,net.....	16,000	77,000
	133,346,000	134,399,000
Valuation allowance.....	(131,187,000)	(132,583,000)
Total deferred tax assets, net of allowance.....	2,159,000	1,816,000
Deferred tax liabilities:		
Intangibles.....	(2,159,000)	(1,816,000)
Total deferred tax liability.....	(2,159,000)	(1,816,000)

Net deferred tax assets (liability).....	$ —	$ —

We have established a valuation allowance against our net deferred tax assets due to the uncertainty surrounding the realization of such assets. We periodically evaluate the recoverability of the deferred tax assets. At such time as it is determined that it is more likely than not that deferred assets are realizable, the valuation allowance will be reduced. We have recorded a full valuation allowance of $131,187,000 as of December 31, 2015 as we do not believe it is more likely than not our net deferred tax assets will be realized. We decreased our valuation allowance by approximately $1,396,000 during the year ended December 31, 2015.

At December 31, 2015, we had federal, and California tax loss carry forwards of approximately $323,938,000, and $166,612,000, respectively, prior to reduction for windfall tax benefits. The federal and state net operating loss carry forwards begin to expire in 2019 and 2016 respectively, if unused. At December 31, 2015, we had federal and state tax credit carry forwards of approximately $4,618,000 and $4,271,000, respectively, after reduction for uncertain tax positions. The Company has not performed a formal research and development credit study with respect to these credits. The federal credits will begin to expire in 2018, if unused, and the state credits carry forward indefinitely.

Pursuant to the Internal Revenue Code ("IRC") of 1986, as amended, specifically IRC §382 and IRC §383, our ability to use net operating loss and R&D tax credit carry forwards ("tax attribute carry forwards") to offset future taxable income is limited if we experience a cumulative change in ownership of more than 50% within a three-year testing period. We have not completed an ownership change analysis pursuant to IRC Section 382 for taxable years ended after December 31, 2007. If ownership changes within the meaning of IRC Section 382 are identified as having occurred subsequent to 2007, the amount of remaining tax attribute carry forwards available to offset future taxable income and income tax expense in future years may be significantly restricted or eliminated. Further, our deferred tax assets associated with such tax attributes could be significantly reduced upon realization of an ownership change within the meaning of IRC §382.

We recognize tax benefits associated with the exercise of stock options directly to stockholders' equity only when realized. Accordingly, deferred tax assets are not recognized for net operating loss carry forwards resulting from windfall tax benefits. At December 31, 2015, deferred tax assets do not include $1,265,000 of excess tax benefits from stock-based compensation.

We changed our accounting method of accounting for uncertain tax positions on January 1, 2007. We had no unrecognized tax benefits as of the date of adoption.

Following is a tabular reconciliation of the unrecognized tax benefits activity during the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Unrecognized Tax Benefits – Beginning	$ 1,852,000	$ 1,723,000	$ 1,394,000
Gross increases – tax positions in prior period	—	—	69,000
Gross decreases – tax positions in prior period	—	—	—
Gross increase – current-period tax positions	135,000	129,000	260,000
Settlements	—	—	—
Lapse of statute of limitations	—	—	—
Unrecognized Tax Benefits – Ending	$ 1,987,000	$ 1,852,000	$ 1,723,000

The unrecognized tax benefit amounts are reflected in the determination of the Company's deferred tax assets. If recognized, none of these amounts would affect the Company's effective tax rate, since it would be offset by an equal reduction in the deferred tax asset valuation allowance. The Company does not foresee material changes to its liability for uncertain tax benefits within the next twelve months.

The Company did not recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses as of December 31, 2015.

The Company's material tax jurisdictions are United States and California. To our knowledge, the Company is currently not under examination by the Internal Revenue Service or any other taxing authority.

The Company's tax years for 1998 (federal) and 1997 (CA) and forward can be subject to examination by the United States and California tax authorities due to the carry forward of net operating losses and research development credits.

13. Employee Benefit Plan

We implemented a 401(k) retirement savings and profit sharing plan (the "Plan") effective January 1, 1999. We may make discretionary annual contributions to the Plan, which is allocated to the profit sharing accounts based on the number of years of employee service and compensation. At the sole discretion of the Board of Directors, we may also match the participants' contributions to the Plan. We made no discretionary or matching contributions to the Plan in 2015, 2014 and 2013.

14. Stockholders' Equity

Preferred Stock

We have authorized 5 million shares of $0.001 par value preferred stock. Our Board of Directors is authorized to designate the terms and conditions of any preferred stock we issue without further action by the common stockholders. There were 13,500 shares of Series A 3.6% Convertible Preferred Stock issued at December 31, 2015 and December 31, 2014 and 0 and 5,311 shares outstanding as of December 31, 2015 and December 31, 2014, respectively.

In October 2014, we entered into a Securities Purchase Agreement with certain institutional investors pursuant to which the Company sold a total of 13,500 units for a purchase price of $1,000 per unit, with each unit consisting of one share of the Company's Series A 3.6% Convertible Preferred Stock, which are convertible into shares of the Company's common stock with a conversion price of $0.52, and warrants to purchase up to a number of shares of common stock equal to 100% of the conversion shares under the shares of preferred stock, in a registered direct offering. The preferred stock and the warrants were immediately separable and were issued separately. As of December 31, 2015, all outstanding Series A 3.6% Convertible Preferred Stock had been converted into shares of common stock.

We recorded a dividend of $1.2 million for the year ended December 31, 2014, related to a beneficial conversion feature included in the issuance of our Series A 3.6% Convertible Preferred Stock. The fair value of the common stock into which the Series A 3.6% Convertible Preferred Stock was convertible on the date of issuance exceeded the proceeds allocated to the preferred stock, resulting in the beneficial conversion feature that we recognized as a dividend to the preferred shareholders and, accordingly, an adjustment to net loss to arrive at net loss allocable to common shareholders. Certain shares of Series A 3.6% Convertible Preferred Stock were not convertible until shareholder approval, which occurred in January 2015. As a result, additional dividends for the beneficial conversion feature of $0.7 million were recorded during the quarter ended March 31, 2015.

In connection with the 3.6% Convertible Preferred Stock outstanding at December 31, 2014, we declared a cash dividend of $0.07 million. The cash dividend was paid in January 2015.

Common Stock

In January 2013, the underwriter exercised this option and as a result we sold an additional 1,053,000 shares raising approximately $3,000,000 in gross proceeds before deducting underwriting discounts and commissions and other offering expenses payable by us.

In October 2013, we entered into a Common Stock Purchase Agreement with Lorem Vascular for the purchase of 8,000,000 shares at $3.00 per share. The transaction occurred in two separate closings of 4,000,000 shares each. The first closing occurred in November 2013, and the second closing occurred in January 2014. As of December 31, 2013, we received $15,000,000 of the gross proceeds, $12,000,000 for the first closing and $3,000,000 towards the second closing. The balance of $9,000,000 in gross proceeds required to complete the second closing was received in January 2014. In connection with the Common Stock Purchase Agreement, the right to a one time appointment of one member of our Board of Directors was granted to Mr. K.T. Lim, Chairman of Lorem Vascular. Mr. Lim exercised his right to appoint a member to serve on our Board of Directors in June 2014, and Mr. Lim's appointee, Mr. Ruud Jona, subsequently resigned his appointment to the Board of Directors in July 2014.

In May 2014, we and 47 holders of warrants to purchase a total of 3,156,238 shares of the Company's common stock, issued in a private offering in May 2009, agreed to extend the expiration date of the warrants from May 14, 2014 to May

14, 2015 and increase the exercise price of the warrants from $2.62 per share to $3.50 per share pursuant to an Amendment to Warrant to Purchase Common Stock. One holder of warrants did not agree to the Amendment, and their warrants, covering 38,500 shares of Common Stock, expired unexercised on May 14, 2014 in accordance with the original terms.

In May 2014, we entered into subscription agreements with certain institutional investors pursuant to which we sold a total of 4,048,584 units, with each unit consisting of one share of common stock and one warrant to purchase one share of common stock at a purchase price of $2.47 per unit, in a registered direct offering. Each warrant had an exercise price of $3.00 per share, was exercisable immediately after issuance and expires five years from the date of issuance. The transaction was completed on June 4, 2014 raising approximately $10,000,000 in gross proceeds before deducting any offering expenses or fees payable by us. Under the terms of our Placement Agent Agreement, we granted WBB Securities, LLC warrants to purchase 202,429 shares of common stock. The placement agent warrants have the same terms as the warrants issued to the purchasers in the offering, except that such warrants have an exercise price of $3.09.

In September 2014, the Company and 13 holders of warrants dated June 4, 2014 to purchase a total of 4 million shares of the Company's common stock agreed to amend the warrants in order to reduce the exercise price from $3.00 per share to $1.00 per share and change the expiration date from June 4, 2019 to September 10, 2014. The Company received proceeds of approximately $4 million from the exercise of the warrants. In addition, pursuant to the terms of the amendment, upon each holder's exercise of all shares for cash prior to the amended expiration date, the Company issued additional warrants for the same number of common shares to the holders. The additional warrants have an exercise price of $2.00 per share, and are exercisable during the period commencing on the date that is six months and one day from the date of issuance and expiring five years from the date of issuance. For those investors participating in the October 2014 issuance of Series A 3.6% Convertible Preferred Stock, we agreed to reduce the exercise price of 3.4 million warrants held by such investors from $2.00 per share to $0.5771 per share, conditioned upon stockholder approval which was obtained in January 2015. As of December 31, 2015, all 3.4 million warrants had been exercised, some via cash and others on a cashless basis resulting in the issuance of an aggregate of 1.8 million shares of Common Stock, and receipt by the Company of $0.1 million in net proceeds.

In October 2014, the Company entered into a Securities Purchase Agreement with certain institutional investors pursuant to which it issued common stock purchase warrants to the institutional investors with certain exercise price reset features. Each warrant had an initial exercise price of $0.5771 per share, and is exercisable during the period commencing six months and one day after the date of issuance and expiring five years from the date on which it is initially exercisable. Pursuant to the second closing of the May 2015 Securities Purchase Agreement, the exercise price of these warrants was reset to $0.3263. During the second quarter of 2015, approximately 8.5 million of the October 2014 warrants were exercised for cash at $0.5771 per share for net proceeds of $4.9 million. In December 2015, all the remaining outstanding October Warrants were cashless exercised.

In May 2015, the Company entered into a Securities Purchase Agreement with certain institutional investors pursuant to which the Company agreed to sell up to $25 million of units, with each unit consisting of one share of its common stock and one warrant to purchase one share of its common stock, in a registered direct offering. The purchase and sale of the units is took place in two separate closings. At the initial closing, which took place on May 8, 2015, the Company received approximately $17.4 million in net proceeds from the sale of units. The purchase price for each unit sold at the initial closing was $0.77. Each warrant issued as part of the units at the initial closing has an initial exercise price of $1.02 per share, and is exercisable during the period commencing six months and one day after the date of issuance and expiring five years from the date on which it is initially exercisable. The second closing of the purchase and sale of the units occurred on August 27, 2015 upon satisfaction of certain conditions, including, without limitation, stockholder vote, and the Company received approximately $2.1 million in net proceeds from the sale of 7,499,993 units of the 14,999,993 units available for sale at the second closing. The purchase price for each unit sold at the second closing was $0.3263 and each warrant issued has an initial exercise price of $0.401 and expire five years from the date of issuance.

On December 17, 2015, the Company and the holders of October 2014 warrants agreed to amend the October 2014 Warrants pursuant to an Amendment to Common Stock Purchase Warrant (the "2014 Amendment"). Also on December 17, 2015, the Company and the holders of the May 2015 Warrants and the August 2015 Warrants (collectively the "2015 Warrants") agreed to amend the 2015 Warrants pursuant to an Amendment to Series A-1 Warrant to Purchase Common Stock and Amendment to Series A-2 Warrant to Purchase Common Stock, respectively (the "2015 Amendment" and, together with the 2014 Amendment, the "Warrant Amendments"). The Warrant Amendments provide that the holders may exercise their warrants on a "cashless exercise" basis in whole on or prior to December 31, 2015, whereby each exercising holder of the amended 2015 Warrants would receive 0.75 shares for each warrants share

exercised and each exercising holder of the amended 2014 Warrants would 0.69 shares for each warrant share exercised. In addition, the Warrant Amendments removed certain provisions which provided that the exercise price of the Warrants would be reset in the event of certain equity issuances by the Company for a price below the exercise price of the Warrants as of the time of such issuance. All 2014 Warrants and all 2015 Warrants were cashless exercised on or before December 31, 2015.

Also on December 17, 2015, the Company entered into Amendment One to the Securities Purchase Agreement between the Company and certain institutional investors dated May 5, 2015 (the "SPA Amendment"). The SPA Amendment provides that, among other things, the Company will not to conduct any offering of its equity securities, including through its "at-the-market offering" program, until February 5, 2016, subject to certain limited exceptions.

15. Stock-based Compensation

During 1997, we adopted the 1997 Stock Option and Stock Purchase Plan (the "1997 Plan"), which provides for the direct award or sale of shares and for the grant of incentive stock options ("ISOs") and non-statutory options to employees, directors or consultants. The 1997 Plan, as amended, provides for the issuance of up to 7,000,000 shares of our common stock. The exercise price of ISOs cannot be less than the fair market value of the underlying shares on the date of grant. ISOs can be granted only to employees. The 1997 Plan expired in October 2007.

During 2004, we adopted the 2004 Equity Incentive Plan (the "2004 Plan"), which provides our employees, directors and consultants the opportunity to purchase our common stock through non-qualified stock options, stock appreciation rights, restricted stock units, or restricted stock and cash awards. The 2004 Plan initially provides for issuance of 3,000,000 shares of our common stock, which number may be cumulatively increased (subject to Board discretion) on an annual basis beginning January 1, 2005, which annual increase shall not exceed 2% of our then outstanding stock. The 2004 Plan expired in August 2014.

In August 2014, we adopted the 2014 Equity Incentive Plan (the "2014 Plan"), which provides our employees, directors and consultants the opportunity to purchase our common stock in the form of options (incentive or non-qualified), stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, cash-based awards other stock-based awards, and deferred compensation awards. The 2014 Plan initially provides for issuance of 3,975,000 shares of our common stock. On August 13, 2015 the Company amended the 2014 Plan to add 4,527,000 shares to its share pool. In addition, the amendment increased the number of "incentive stock options" which may be issued under the 2014 Plan by an identical amount.

On December 29, 2015, we adopted the 2015 New Employee Incentive Plan (the "2015 Plan"). Awards under the 2015 Plan may only be made to an employee who has not previously been an employee or member of the Board or any parent or subsidiary, or following a bona fide period of non-employment by the Company or a parent or subsidiary, if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary. The 2015 Plan provides for issuance of 1,000,000 shares, no issuance took place in 2015.

As of December 31, 2015, there are 5,576,623 shares of common stock remaining and available for future issuances under the 2014 Plan, which is exclusive of securities to be issued upon an exercise of outstanding options, warrants, and rights.

Stock Options

Generally, options issued under the 2014 Plan, 2004 Plan or the 1997 Plan are subject to four-year vesting, and have a contractual term of 10 years. Most options contain one of the following two vesting provisions:

- 12/48 of a granted award will vest after one year of service, while an additional 1/48 of the award will vest at the end of each month thereafter for 36 months, or
- 1/48 of the award will vest at the end of each month over a four-year period.

A summary of activity for the year ended December 31, 2015 is as follows:

	Options	Weighted Average Exercise Price
Balance as of January 1, 2015	9,115,348	$ 3.93
Granted	2,168,000	$ 0.46
Exercised	—	$ —
Expired	(445,151)	$ 3.85
Cancelled/forfeited	(2,232,292)	$ 4.23
Balance as of December 31, 2015	8,605,905	$ 2.99

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance as of December 31, 2015	8,605,905	$ 2.99	6.69	$ —
Vested and expected to vest at December 31, 2015	8,470,861	$ 3.02	6.65	$ —
Exercisable at December 31, 2015	5,368,247	$ 4.04	5.39	$ —

There were no stock options exercised in 2015. The total intrinsic value of stock options exercised was $200 and $3,500 for the years ended December 31, 2014 and 2013, respectively.

The fair value of each option awarded during the year ended December 31, 2015, 2014 and 2013 was estimated on the date of grant using the Black-Scholes-Merton option valuation model based on the following weighted-average assumptions:

	Years ended December 31,		
	2015	2014	2013
Expected term	6.0 years	6.0 years	6.0 years
Risk-free interest rate	1.58%	1.86%	1.12%
Volatility	75.07%	77.52%	75.27%
Dividends	—	—	—
Resulting weighted average grant date fair value	$ 0.30	$ 1.35	$ 1.72

We calculated the expected term of our stock options based on our historical data. The expected term is calculated for and applied to all employee awards as a single group as we do not expect (nor does historical data suggest) substantially different exercise or post-vesting termination behavior amongst our employee population.

We estimate volatility based on the historical volatility of our daily stock price over the period preceding grant date commensurate with the expected term of the option.

The weighted average risk-free interest rate represents the interest rate for treasury constant maturity instruments published by the Federal Reserve Board. If the term of available treasury constant maturity instruments is not equal to the expected term of an employee option, we use the weighted average of the two Federal Reserve securities closest to the expected term of the employee option.

The dividend yield has been assumed to be zero as we (a) have never declared or paid any dividends and (b) do not currently anticipate paying any cash dividends on our outstanding shares of common stock in the foreseeable future.

Restricted Stock Awards

Generally, restricted stock awards issued under the 2014 Plan and 2004 Plan are subject to a vesting period that coincides with the fulfillment of service requirements for each award and have a contractual term of 10 years. These awards are amortized to compensation expense over the estimated vesting period based upon the fair value of our common stock on the award date.

A summary of activity for the year ended December 31, 2015 is as follows:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Balance as of January 1, 2015	199,223	$ 3.09
Granted	541,377	$ 0.68
Exercised/Released	(152,682)	$ 3.13
Expired	(108,877)	$ 0.73
Cancelled/forfeited	(11,100)	$ 1.84
Balance as of December 31, 2015	467,941	$ 0.81

	Restricted Stock Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)
Balance as of December 31, 2015	467,941	$ 0.81	0.94
Vested and expected to vest at December 31, 2015	279,897	$ 0.90	1.21
Outstanding at December 31, 2015	18,241	$ 3.21	6.82

The following summarizes the total compensation cost recognized for the stock options and restricted stock awards in the accompanying financial statements:

	Years ended December 31,		
	2015	2014	2013
Total compensation cost for share-based payment arrangements recognized in the statement of operations (net of tax of $0)	$ 2,041,000	$ 3,101,000	$ 3,608,000

As of December 31, 2015, the total compensation cost related to non-vested stock options and stock awards not yet recognized for all our plans is approximately $2,358,000, which is expected to be recognized as a result of vesting under service conditions over a weighted average period of 1.61 years.

Cash received from stock option and warrant exercises and employee stock purchase for the years ended December 31, 2015, 2014 and 2013 was approximately $4,997,000, $4,151,000 and $225,000, respectively. No income tax benefits have been recorded related to the stock option exercises as the benefits have not been realized in our income tax returns.

To settle stock options and restricted stock awards, we will issue new shares of our common stock. At December 31, 2015, we have an aggregate of 94,237,220 shares authorized and available to satisfy option exercises under our plans.

16. Related Party Transactions

As of December 31, 2014 and 2013, Lorem Vascular was a beneficial owner of more than five percent of our outstanding shares of common stock. During the year ended December 31, 2013, Lorem Vascular purchased Celution® Systems and consumable sets from us for a total of $1,845,000 pursuant to the License/Supply Agreement.

In April 2015, Lorem Vascular sold a portion of our shares of common stock and is no longer a beneficial owner of more than five percent of our outstanding shares of common stock, pursuant to which it became an unrelated party.

17. Quarterly Information (unaudited)

The following unaudited quarterly financial information includes, in management's opinion, all the normal and recurring adjustments necessary to fairly state the results of operations and related information for the periods presented:

	For the three months ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Product revenues	$ 902,000	$ 1,614,000	$ 766,000	$ 1,556,000
Gross profit	305,000	318,000	264,000	765,000
Development revenues	1,444,000	1,847,000	1,710,000	1,820,000
Operating expenses	(22,745,000)	3,626,000	16,000	(4,656,000)
Other income (expense)	(961,000)	(1,342,000)	(470,000)	(685,000)
Net income (loss)	$ (21,957,000)	$ 4,449,000	$ 1,520,000	$ (2,756,000)
Beneficial conversion feature for convertible preferred stock	(661,000)	—	—	—
Net income (loss) allocable to common stock holders	(22,618,000)	4,449,000	1,520,000	(2,756,000)
Basic and diluted net loss per share	$ (0.21)	$ 0.03	$ 0.01	$ (0.02)

	For the three months ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Product revenues	$ 1,031,000	$ 935,000	$ 518,000	$ 2,469,000
Gross profit	610,000	169,000	181,000	1,053,000
Development revenues	403,000	356,000	585,000	1,301,000
Operating expenses	(10,560,000)	(11,210,000)	(8,656,000)	(6,669,000)
Other income (expense)	(853,000)	(1,143,000)	(1,495,000)	(1,440,000)
Net loss	$ (10,400,000)	$ (11,828,000)	$ (9,385,000)	$ (5,755,000)
Beneficial conversion feature for convertible preferred stock	—	—	—	(1,169,000)
Net loss allocable to common stock holders	(10,400,000)	(11,828,000)	(9,385,000)	(6,924,000)
Basic and diluted net loss per share	$ (0.14)	$ (0.15)	$ (0.12)	$ (0.08)

18. Subsequent Events

On February 23, 2016, Cytori received an acknowledgement and agreement from Oxford related to the positive data on Cytori US ACT-OA clinical trial. As a result, pursuant to the Loan Agreement, the period for which the Company is required to make interest-only payment was extended from July 1, 2016 to January 1, 2017. The current portion of the long-term obligation was reclassified to noncurrent liability as of December 31, 2015.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or furnished pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for 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, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 10-K. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Annual Report were effective as of the end of the period covered by this Annual Report.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015 based on the COSO criteria. Our independent registered public accounting firm, KPMG LLP, has issued an attestation report on our internal control over financial reporting which is included herein.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference to the information set forth in the Proxy Statement to be filed in connection with our 2016 Annual Meeting of Stockholders, or the Proxy Statement.

Item 11. Executive Compensation

Incorporated herein by reference to the information set forth in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated herein by reference to the information set forth in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference to the information set forth in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

Incorporated herein by reference to the information set forth in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements **Page**

(a) (2) Financial Statement Schedules

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2015, 2014 and 2013
(in thousands of dollars)

	Balance at beginning of year	Additions (A)	Deductions (B)	Other (C)	Balance at end of year
Allowance for doubtful accounts					
Year ended December 31, 2015	$ 1,523	$ —	$ (709)	$ (17)	$ 797
Year ended December 31, 2014	$ 1,445	$ 1,084	$ (995)	$ (11)	$ 1,523
Year ended December 31, 2013	$ 278	$ 1,141	$ (16)	$ 42	$ 1,445

(A) Includes charges to costs and expenses.
(B) Deductions for uncollectible accounts receivable includes payments collected and devices recovered from customers.
(C) Miscellaneous activity.

(a)(3) Exhibits

List of Exhibits required by Item 601 of Regulation S-K. See Item 15(b) below.

(b) Exhibits

The exhibits listed in the accompanying "Exhibit Index" are filed, furnished or incorporated by reference as part of this Annual Report, as indicated.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

CYTORI THERAPEUTICS, INC.

By: /s/ Marc H. Hedrick, MD
Marc. H. Hedrick, MD
President & Chief Executive Officer
March 11, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual 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/ David M. Rickey David M. Rickey	*Chairman of the Board of Directors*	March 11, 2016
/s/ Marc H. Hedrick, MD Marc H. Hedrick, MD	*President & Chief Executive Officer (Principal Executive Officer)*	March 11, 2016
/s/ Tiago M. Girao Tiago M. Girao	*VP of Finance and Chief Financial Officer (Principal Financial Officer)*	March 11, 2016
/s/ Paul W. Hawran Paul W. Hawran	*Director*	March 11, 2016
/s/ Gail K. Naughton, PhD Gail K. Naughton, PhD	*Director*	March 11, 2016
/s/ Richard J. Hawkins Richard J. Hawkins	*Director*	March 11, 2016
/s/ Tommy G. Thompson Tommy G. Thompson	*Director*	March 11, 2016
/s/ Gary A. Lyons Gary A. Lyons	*Director*	March 11, 2016

EXHIBIT INDEX

CYTORI THERAPEUTICS, INC.

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
3.1	Composite Certificate of Incorporation.	X			
3.2	Amended and Restated Bylaws of Cytori Therapeutics, Inc.		10-Q	000-32501 Exhibit 3.2	08/14/2003
3.3	Amendment to Amended and Restated Bylaws of Cytori Therapeutics, Inc.		8-K	001-34375	05/06/2014
3.4	Certificate of Designation of Preferences, Rights and Limitations of Series A 3.6% Convertible Preferred Stock		8-K	001-034375	10/08/2014
4.1	Warrant to Purchase Common Stock issued by the Company on October 14, 2008 in favor of Silicon Valley Bank, pursuant to the Loan and Security Agreement dated October 14, 2008.		10-K	000-32501 Exhibit 10.62	03/06/2009
4.2	Warrant to Purchase Common Stock issued by the Company on June 11, 2010 in favor of GE Capital Equity Investments, Inc., pursuant to the Amended and Restated Loan and Security Agreement dated June 11, 2010.		8-K	001-34375 Exhibit 10.73	06/17/2010
4.3	Warrant to Purchase Common Stock issued by the Company on June 11, 2010 in favor of Silicon Valley Bank, pursuant to the Amended and Restated Loan and Security Agreement dated June 11, 2010.		8-K	001-34375 Exhibit 10.74	06/17/2010
4.4	Warrant to Purchase Common Stock issued by the Company on June 11, 2010 in favor of Oxford Financial Corporation, pursuant to the Amended and Restated Loan and Security Agreement dated June 11, 2010.		8-K	001-34375 Exhibit 10.75	06/17/2010
4.5	Warrant to Purchase Common Stock issued by the Company on September 9, 2011 in favor of GE Capital Equity Investments, Inc., pursuant to the Amended and Restated Loan and Security Agreement dated September 9, 2011.		8-K	001-34375 Exhibit 10.84	09/15/2011
4.6	Warrant to Purchase Common Stock issued by the Company on September 9, 2011 in favor of Silicon Valley Bank, pursuant to the Amended and Restated Loan and Security Agreement dated September 9, 2011.		8-K	001-34375 Exhibit 10.85	09/15/2011
4.7	Warrant to Purchase Common Stock issued by the Company on September 9, 2011 in favor of Oxford Financial Corporation, pursuant to the Amended and Restated Loan and Security Agreement dated September 9, 2011.		8-K	001-34375 Exhibit 10.86	09/15/2011
4.8	Warrant to Purchase Common Stock issued by the Company on September 9, 2011 in favor of Oxford Financial Corporation, pursuant to the Amended and Restated Loan and Security Agreement dated September 9, 2011.		8-K	001-34375 Exhibit 10.87	09/15/2011
4.9	Warrant to Purchase Common Stock issued by the Company on June 28, 2013 in favor of Oxford Finance LLC pursuant to the Loan and Security Agreement dated June 28, 2013.		10-Q	001-34375 Exhibit 4.17	08/09/2013
4.10	Warrant to Purchase Common Stock issued by the Company on June 28, 2013 in favor of Oxford Finance LLC pursuant to the Loan and Security Agreement dated June 28, 2013.		10-Q	001-34375 Exhibit 4.18	08/09/2013
4.12	Warrant to Purchase Common Stock issued by the Company on June 28, 2013 in favor of Oxford Finance LLC pursuant to the Loan and Security Agreement dated June 28, 2013.		10-Q	001-34375 Exhibit 4.19	08/09/2013
4.13	Warrant to Purchase Common Stock issued by the Company on June 28, 2013 in favor of Oxford Finance LLC pursuant to the Loan and Security Agreement dated June 28, 2013.		10-Q	001-34375 Exhibit 4.20	08/09/2013
4.14	Warrant to Purchase Common Stock issued by the Company on June 28, 2013 in favor of Silicon Valley Bank pursuant to the Loan and Security Agreement dated June 28, 2013.		10-Q	001-34375 Exhibit 4.21	08/09/2013
4.15	Form of Warrant to Purchase Common Stock for Investors in the Units		8-K	001-34375	05/30/2014

4.16	Form of Warrant to Purchase Common Stock for Placement Agent of the Units		8-K	001-34375	05/30/2014
4.17	Form of Amendment to Warrant to Purchase Common Stock.		8-K	001-34375	09/08/2014
4.18	Form of Warrant to Purchase Common Stock.		8-K	001-34375	09/08/2014
4.19	Form of Warrant for Purchasers in the Units		8-K	001-034375	10/08/2014
4.20	Form of Initial Warrant to Purchase Common Stock		8-K	001-034375	05/05/2015
4.21	Form of Additional Warrant to Purchase Common Stock		8-K	001-034375	05/05/2015
4.22	Form of Pre-Funded Warrant to Purchase Common Stock		8-K	001-034375	05/05/2015
4.23	Amendment to Common Stock Purchase Warrant	X			
4.24	Amendment to Series A-1 Warrant to Purchase Common Stock	X			
4.25	Amendment to Series A-2 Warrant to Purchase Common Stock	X			
10.1#	Amended and Restated 1997 Stock Option and Stock Purchase Plan.		10	000-32501 Exhibit 10.1	03/30/2001
10.1.1#	Board of Directors resolution adopted November 9, 2006 regarding determination of fair market value for stock option grant purposes (incorporated by reference to Exhibit 10.10.1 filed as Exhibit 10.10.1 to our Form 10-K Annual Report, as filed on March 30, 2007 and incorporated by reference herein)		10-K	000-32501 Exhibit 10.10.1	03/30/2007
10.2	2004 Equity Incentive Plan of Cytori Therapeutics, Inc		8-K	000-32501 Exhibit 10.1	08/27/2004
10.3#	Board of Directors resolution adopted November 9, 2006 regarding determination of fair market value for stock option grant purposes.		10-K	000-32501 Exhibit 10.10.1	03/30/2007
10. 4#	Notice and Agreement for Stock Options Grant Pursuant to Cytori Therapeutics, Inc. 1997 Stock Option and Stock Purchase Plan; (Nonstatutory).		10-Q	000-32501 Exhibit 10.19	11/15/2004
10.5#	Notice and Agreement for Stock Options Grant Pursuant to Cytori Therapeutics, Inc. 1997 Stock Option and Stock Purchase Plan; (Nonstatutory) with Cliff.		10-Q	000-32501 Exhibit 10.20	11/15/2004
10.6#	Notice and Agreement for Stock Options Grant Pursuant to Cytori Therapeutics, Inc. 1997 Stock Option and Stock Purchase Plan; (Incentive).		10-Q	000-32501 Exhibit 10.21	11/15/2004
10.7#	Notice and Agreement for Stock Options Grant Pursuant to Cytori Therapeutics, Inc. 1997 Stock Option and Stock Purchase Plan; (Incentive) with Cliff.		10-Q	000-32501 Exhibit 10.22	11/15/2004
10.8#	Form of Options Exercise and Stock Purchase Agreement Relating to the 2004 Equity Incentive Plan.		10-Q	000-32501 Exhibit 10.23	11/15/2004
10.9#	Form of Notice of Stock Options Grant Relating to the 2004 Equity Incentive Plan.		10-Q	000-32501 Exhibit 10.24	11/15/2004
10.10	Sublease Agreement dated May 24, 2005, between Biogen Idec, Inc. and the Company.		10-Q	000-32501 Exhibit 10.21	08/15/2005
10.11+	License & Royalty Agreement, effective August 23, 2007, by and between Olympus-Cytori, Inc. and Cytori Therapeutics, Inc.		10-Q	000-32501 Exhibit 10.49	11/13/2007
10.69	Lease Agreement entered into on April 2, 2010, between HCP Callan Rd, LLC. and Cytori Therapeutics, Inc.		10-Q	001-34375 Exhibit 10.69	05/06/2010
10.76	Common Stock Purchase Agreement, dated December 6, 2010, by and among Cytori Therapeutics, Inc. and Astellas Pharma Inc.		8-K	001-34375 Exhibit 10.76	12/09/2010
10.77	Form of Notice and Restricted Stock Award Agreement for grants of performance-based restricted stock awards under the 2004 Equity Incentive		8-K	001-34375 Exhibit 10.1	03/04/2011

	Plan.				
10.88	First Amendment to Lease Agreement entered into on November 4, 2011, between HCP Callan Rd, LLC. and the Company.		10-Q	001-34375 Exhibit 10.88	11/08/2011
10.89#	2011 Employee Stock Purchase Plan		DEF 14A	001-34375 Appendix A	05/02/2011
10.90+	Contract HHSO100201200008C dated September 27, 2012, by and between the Company and the U.S. Department of Health and Human Services Biomedical Advanced Research and Development Authority (portions of the exhibit have been omitted pursuant to a request for confidential treatment).		8-K	001-34375 Exhibit 10.90	10/03/2012
10.91	Joint Venture Termination Agreement dated May 8, 2013 by and between the Company and Olympus Corporation.		10-Q	001-34375 Exhibit 10.91	05/10/2013
10.93+	Puregraft Sale-License-Supply Agreement, dated July 30, 2013, by and among the Company and Bimini Technologies LLC.		10-Q/A	001-34375 Exhibit 10.93	11/12/2013
10.94+	Amended and Restated License and Supply Agreement dated January 30, 2014, by and between the Company and Lorem Vascular Pty. Ltd.		8-K	001-34375	02/04/2014
10.95	Sales Agreement, dated May 12, 2014, by and between Cytori Therapeutics, Inc. and Cowen and Company, LLC.		8-K	001-34375	05/12/2014
10.98	Cytori Therapeutics, Inc. 2014 Equity Incentive Plan.		DEF 14A	001-34375	06/12/2014
10.99	Contract HHSO100201200008C Amendment No. 1 dated August 13, 2014, by and between the Company and the U.S. Department of Health and Human Services Biomedical Advanced Research and Development Authority.		8-K	001-34375	08/19/2014
10.103	Confidential Separation Agreement and General Release of all claims dated October 2, 2014, by and among the Company, and Clyde Shores.		10-Q	001-34375	11/06/2014
10.104	Form of Securities Purchase Agreement by and between Cytori Therapeutics, Inc. and the Purchasers (as defined therein), dated as of October 8, 2014.		8-K	001-034375	10/08/2014
10.105	Placement Agency Agreement, dated October 8, 2014, between Cytori Therapeutics, Inc. and Roth Capital Partners, LLC.		8-K	001-034375	10/08/2014
10.106	Amendment One to the Securities Purchase Agreement, dated March 16, 2015, between the Company and certain institutional investors		10-Q	001-034375	05/11/2015
10.107	Form of Securities Purchase Agreement, dated May 5, 2015, by and among Cytori Therapeutics, Inc. and the investors named therein		8-K	001-034375	05/05/2015
10.108	Placement Agency Agreement, dated May 5, 2015, by and between Cytori Therapeutics, Inc. and Mizuho Securities USA Inc.		8-K	001-034375	05/05/2015
10.109	Amendment One to Joint Venture Termination Agreement, dated April 30, 2015, by and between Cytori Therapeutics, Inc. and Olympus Corporation		8-K	001-034375	05/05/2015
10.110	Loan and Security Agreement, dated May 29, 2015, by and between Cytori Therapeutics, Inc. and Oxford Finance, LLC		10-Q	001-034375	08/10/2015
10.111	Amendment One to the Securities Purchase Agreement between the Company and certain institutional investors dated May 5, 2015	X			
10.112#	2015 New Employee Incentive Plan		8-K	001-034375	01/0 5/ 2016
10.113#	Form of Agreement for Acceleration and/or Severance	X			
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm	X			
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			

31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certifications Pursuant to 18 U.S.C. Section 1350/ Securities Exchange Act Rule 13a-14(b), as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Schema Document	X			
101.CAL	XBRL Calculation Linkbase Document	X			
101.DEF	XBRL Definition Linkbase Document	X			
101.LAB	XBRL Label Linkbase Document	X			
*	XBRL Presentation Linkbase Document	X			

_____

\+ *Confidential treatment has been granted with respect to certain portions of this exhibit.*

\# *Indicates management contract or compensatory plan or arrangement.*

EXHIBIT 3.1

COMPOSITE CERTIFICATE OF INCORPORATION OF CYTORI THERAPEUTICS, INC.

ARTICLE I

The name of the corporation is Cytori Therapeutics, Inc. (the "Corporation").

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is:

CorpAmerica, Inc.
2711 Centerville Road, Suite 400
Wilmington, DE 19808
County of New Castle

The name of the Corporation's registered agent at said address is CorpAmerica, Inc.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law").

ARTICLE IV

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, 'Common Stock' and 'Preferred Stock.' The total number of shares which the Corporation is authorized to issue is Two Hundred Ninety-Five Million (295,000,000) shares, Two Hundred Ninety Million (290,000,000) shares of which shall be Common Stock (the 'Common Stock') and Five Million (5,000,000) shares of which shall be Preferred Stock ('Preferred Stock'). The Common Stock and Preferred Stock shall each have a par value of $0.001 per share.

B. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation.

C. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, within the limitations and restrictions stated in this Amended and Restated Certificate of Incorporation, to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

The Board of Directors may from time to time make, amend, supplement or repeal the Bylaws; provided, however, that the stockholders may change or repeal any Bylaw adopted by the Board of Directors by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation; and, provided further, that no amendment or supplement to the Bylaws adopted by the Board of Directors shall vary or conflict with any amendment or supplement thus adopted by the stockholders.

ARTICLE VI

The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

ARTICLE VII

To the fullest extent permitted by the Delaware General Corporation Law, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director.

The Corporation shall indemnify to the fullest extent permitted by law, any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director, officer or employee at the request of the Corporation or any predecessor to the Corporation.

Neither any amendment or repeal of this Article VII, nor the adoption of any provision of this Corporation's Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding arising, or that, but for this Article VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII

The Corporation is to have perpetual existence.

ARTICLE IX

The number of directors which shall constitute the whole Board of Directors shall be fixed by the Board of Directors in the manner provided in the Bylaws.

ARTICLE X

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any statutory provisions) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors in the Bylaws of the Corporation.

EXHIBIT 4.23

CYTORI THERAPEUTICS, INC.

AMENDMENT TO

COMMON STOCK PURCHASE WARRANT

This Amendment (the "**Amendment**") to Common Stock Purchase Warrant issued October 13, 2014 (the "**Warrant**"), is made and entered into effective as of December 17, 2015 (the "**Effective Date**"), by and among Cytori Therapeutics, Inc., a Delaware corporation (the "**Company**"), and the undersigned holder (the "**Holder**").

Section 1. Definitions. All capitalized terms used in this Amendment without definition are defined as set forth in the Warrant.

Section 2. Representations and Warranties of Holder. The Holder represents and warrants that it is the registered and beneficial owner of the Warrant, free and clear of all liens, charges and encumbrances, and that it has the corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder.

Section 3. Representations and Warranties of Company. The Company represents and warrants that it has the corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder. The Warrant and the Warrant Shares have been registered under the 1933 Act and, upon exercise of the Warrant pursuant to the terms of the Warrant and this Amendment, the Warrant Shares will be freely tradable by the Holder without restriction, whether by way of registration or some exemption therefrom.

Section 4. Amendment of Warrant. Section 2(c) is hereby amended and restated as follows:

"c) (i) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for the issuance of the Warrant Shares to the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

(ii) Alternate Cashless Exercise. In addition to the rights set forth in Section 2(c)(i) above, the Holder may, in its sole discretion, exercise this Warrant, provided that such Warrant is exercised in whole on or prior to December 31, 2015, and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment thereof and in lieu of making a cashless exercise pursuant to Section 2(c)(i), elect instead to receive upon such exercise a number of Warrant Shares equal to the product obtained by multiplying A x B, where:

(A) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise;

(B) = 0.69."

Section 5. Section 3(b) of the Warrant is hereby amended and restated in its entirety to read as follows:

"b) Reserved."

Section 6. Amendment Applicable to Subsequent Holders. The amendment of the Warrant pursuant to this Amendment shall apply to the Holder and to any and all subsequent holders of the Warrant.

Section 7. Ratification of Warrant. The Company and the Holder hereby ratify the terms of the Warrant as amended and restated as set forth above. For the avoidance of doubt, the Company and the Holder acknowledge that the amendment of Section 2(c) of the Warrant set forth in Section 4 of this Amendment shall have effect only during the period of time set forth therein and that after the expiration of such period of time, such amendment shall be inapplicable to exercises of the Warrant.

Section 8. Public Announcement. On or before 9:30 a.m., New York City time, on December 18, 2015, the Company shall (A) issue a press release (the "Press Release Issuance") reasonably acceptable to the Holder disclosing all material terms of the transactions contemplated hereby and (B) file a Current Report on Form 8-K describing the terms of the transactions contemplated by this Amendment in the form required by the Exchange Act and attaching the form of this Amendment as exhibits to such filing (including all attachments), the "8-K Filing"). From and after the earlier of the Press Release Issuance or the 8-K Filing with the Commission, the Holder shall not be in possession of any material, nonpublic information received from the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents, that is not disclosed in the Press Release Issuance or 8-K Filing, as applicable. In addition, effective upon the earlier of the Press Release Issuance or the 8-K Filing, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, affiliates, employees or agents, on the one hand, and the Holder or any of their affiliates, on the other hand, shall terminate. The Company shall not, and shall cause each of its Subsidiaries and its and each of their respective officers, directors, employees, affiliates and agents, not to, provide the Holder with any material, nonpublic information regarding the Company or any of its Subsidiaries from and after the date hereof without the express prior written consent of the Holder. To the extent that the Company, any of its Subsidiaries or any of their respective officers, directors, affiliates, employees or agents delivers any material, non-public information to the Holder without the Holder's consent, the Company hereby covenants and agrees that the Holder shall not have any duty of confidentiality to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents with respect to, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents not to trade on the basis of, such material, non-public information.

Section 9. Governing Law. This Amendment shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Amendment shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

Section 10. Counterparts; Electronic Delivery. This Amendment may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument, and such counterparts may be delivered electronically.

Company:	**Holder:**
Cytori Therapeutics Inc.	[Name of Holder]
By: _____ Name: Title:	By: _____ Name: Title:

Required Information

Warrant Number:

EXHIBIT 4.24

CYTORI THERAPEUTICS, INC.

AMENDMENT TO

SERIES A-1 WARRANT TO PURCHASE COMMON STOCK

This Amendment (the "**Amendment**") to Series A-1 Warrant to Purchase Common Stock issued May 8, 2015 (the "**Warrant**"), is made and entered into effective as of December 17, 2015 (the "**Effective Date**"), by and among Cytori Therapeutics, Inc., a Delaware corporation (the "**Company**"), and the undersigned holder (the "**Holder**").

Section 1. Definitions. All capitalized terms used in this Amendment without definition are defined as set forth in the Warrant.

Section 2. Representations and Warranties of Holder. The Holder represents and warrants that it is the registered and beneficial owner of the Warrant, free and clear of all liens, charges and encumbrances, and that it has the corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder.

Section 3. Representations and Warranties of Company. The Company represents and warrants that it has the corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder. The Warrant and the Warrant Shares have been registered under the 1933 Act and, upon exercise of the Warrant pursuant to the terms of the Warrant and this Amendment, the Warrant Shares will be freely tradable by the Holder without restriction, whether by way of registration or some exemption therefrom.

Section 4. Amendment of Warrant. Section 1(d) is hereby amended and restated as follows:

"(d) (i) Cashless Exercise. Notwithstanding anything contained herein to the contrary (other than Section 1(f) below), if at the time of exercise hereof the Registration Statement is not effective (or the prospectus contained therein is not available for use) for the issuance of all of the Warrant Shares, then the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of Warrant Shares determined according to the following formula (a "Cashless Exercise"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{D}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B = the quotient of (x) the sum of the VWAP of the Common Stock of each of the ten (10) Trading Days ending at the close of business on the Principal Market immediately prior to the time of exercise as set forth in the applicable Exercise Notice, divided by (y) ten (10).

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

D = the Closing Sale Price on the applicable Exercise Date.

For purposes of Rule 144(d) promulgated under the 1933 Act, as in effect on the Subscription Date, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Securities Purchase Agreement.

(ii) Alternate Cashless Exercise. In addition to the rights set forth in Section 1(d)(i) above, the Holder may, in its sole discretion, exercise this Warrant, provided that such warrant is exercised in whole on or prior to December 31, 2015, and in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price and in lieu of making a Cashless Exercise pursuant to Section 2(d)(i), elect instead to receive upon such exercise the "Net Number" of Warrant Shares equal to the product obtained by multiplying A x B, where:

(A) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise;

(B) = 0.75."

Section 5. Section 2(b) of the Warrant is hereby amended and restated in its entirety to read as follows:

"(b) Reserved."

Section 6. Amendment Applicable to Subsequent Holders. The amendment of the Warrant pursuant to this Amendment shall apply to the Holder and to any and all subsequent holders of the Warrant.

Section 7. Ratification of Warrant. The Company and the Holder hereby ratify the terms of the Warrant as amended and restated as set forth above. For the avoidance of doubt, the Company and the Holder acknowledge that the amendment of Section 1(d) of the Warrant set forth in Section 4 of this Amendment shall have effect only during the period of time set forth therein and that after the expiration of such period of time, such amendment shall be inapplicable to exercises of the Warrant.

Section 8. Public Announcement. On or before 9:30 a.m., New York City time, on December 18, 2015, the Company shall (A) issue a press release (the "**Press Release Issuance**") reasonably acceptable to the Holder disclosing all material terms of the transactions contemplated hereby and (B) file a Current Report on Form 8-K describing the terms of the transactions contemplated by this Amendment in the form required by the Exchange Act and attaching the form of this Amendment as exhibits to such filing (including all attachments), the "**8-K Filing**"). From and after the earlier of the Press Release Issuance or the 8-K Filing with the Commission, the Holder shall not be in possession of any material, nonpublic information received from the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents, that is not disclosed in the Press Release Issuance or 8-K Filing, as applicable. In addition, effective upon the earlier of the Press Release Issuance or the 8-K Filing, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, affiliates, employees or agents, on the one hand, and the Holder or any of their affiliates, on the other hand, shall terminate. The Company shall not, and shall cause each of its Subsidiaries and its and each of their respective officers, directors, employees, affiliates and agents, not to, provide the Holder with any material, nonpublic information regarding the Company or any of its Subsidiaries from and after the date hereof without the express prior written consent of the Holder. To the extent that the Company, any of its Subsidiaries or any of their respective officers, directors, affiliates, employees or agents delivers any material, non-public information to the Holder without the Holder's consent, the Company hereby covenants and agrees that the Holder shall not have any duty of confidentiality to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents with respect to, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents not to trade on the basis of, such material, non-public information.

Section 9. Governing Law. This Amendment shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Amendment shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

Section 10. Counterparts; Electronic Delivery. This Amendment may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument, and such counterparts may be delivered electronically.

Company:	**Holder:**
Cytori Therapeutics Inc.	[Name of Holder]
By: _____ Name: Title:	By: _____ Name: Title:

Required Information

Warrant Number:

EXHIBIT 4.25

CYTORI THERAPEUTICS, INC.

AMENDMENT TO

SERIES A-2 WARRANT TO PURCHASE COMMON STOCK

This Amendment (the "**Amendment**") to Series A-2 Warrant to Purchase Common Stock issued August 27, 2015 (the "**Warrant**"), is made and entered into effective as of December 17, 2015 (the "**Effective Date**"), by and among Cytori Therapeutics, Inc., a Delaware corporation (the "**Company**"), and the undersigned holder (the "**Holder**").

Section 1. Definitions. All capitalized terms used in this Amendment without definition are defined as set forth in the Warrant.

Section 2. Representations and Warranties of Holder. The Holder represents and warrants that it is the registered and beneficial owner of the Warrant, free and clear of all liens, charges and encumbrances, and that it has the corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder.

Section 3. Representations and Warranties of Company. The Company represents and warrants that it has the corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder. The Warrant and the Warrant Shares have been registered under the 1933 Act and, upon exercise of the Warrant pursuant to the terms of the Warrant and this Amendment, the Warrant Shares will be freely tradable by the Holder without restriction, whether by way of registration or some exemption therefrom.

Section 4. Amendment of Warrant. Section 1(d) is hereby amended and restated as follows:

"(d) (i) Cashless Exercise. Notwithstanding anything contained herein to the contrary (other than Section 1(f) below), if at the time of exercise hereof the Registration Statement is not effective (or the prospectus contained therein is not available for use) for the issuance of all of the Warrant Shares, then the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of Warrant Shares determined according to the following formula (a "Cashless Exercise"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{D}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B = the quotient of (x) the sum of the VWAP of the Common Stock of each of the ten (10) Trading Days ending at the close of business on the Principal Market immediately prior to the time of exercise as set forth in the applicable Exercise Notice, divided by (y) ten (10).

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

D = the Closing Sale Price on the applicable Exercise Date.

For purposes of Rule 144(d) promulgated under the 1933 Act, as in effect on the Subscription Date, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Securities Purchase Agreement.

(ii) Alternate Cashless Exercise. In addition to the rights set forth in Section 1(d)(i) above, the Holder may, in its sole discretion, exercise this Warrant, provided that such warrant is exercised in whole on or prior to December 31, 2015, and in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price and in lieu of making a Cashless Exercise pursuant to Section 2(d)(i), elect instead to receive upon such exercise the "Net Number" of Warrant Shares equal to the product obtained by multiplying A x B, where:

(A) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise;

(B) = 0.75."

Section 5. Section 2(b) of the Warrant is hereby amended and restated in its entirety to read as follows:

"(b) Reserved."

Section 6. Amendment Applicable to Subsequent Holders. The amendment of the Warrant pursuant to this Amendment shall apply to the Holder and to any and all subsequent holders of the Warrant.

Section 7. Ratification of Warrant. The Company and the Holder hereby ratify the terms of the Warrant as amended and restated as set forth above. For the avoidance of doubt, the Company and the Holder acknowledge that the amendment of Section 1(d) of the Warrant set forth in Section 4 of this Amendment shall have effect only during the period of time set forth therein and that after the expiration of such period of time, such amendment shall be inapplicable to exercises of the Warrant.

Section 8. Public Announcement. On or before 9:30 a.m., New York City time, on December 18, 2015, the Company shall (A) issue a press release (the "**Press Release Issuance**") reasonably acceptable to the Holder disclosing all material terms of the transactions contemplated hereby and (B) file a Current Report on Form 8-K describing the terms of the transactions contemplated by this Amendment in the form required by the Exchange Act and attaching the form of this Amendment as exhibits to such filing (including all attachments), the "**8-K Filing**"). From and after the earlier of the Press Release Issuance or the 8-K Filing with the Commission, the Holder shall not be in possession of any material, nonpublic information received from the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents, that is not disclosed in the Press Release Issuance or 8-K Filing, as applicable. In addition, effective upon the earlier of the Press Release Issuance or the 8-K Filing, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, affiliates, employees or agents, on the one hand, and the Holder or any of their affiliates, on the other hand, shall terminate. The Company shall not, and shall cause each of its Subsidiaries and its and each of their respective officers, directors, employees, affiliates and agents, not to, provide the Holder with any material, nonpublic information regarding the Company or any of its Subsidiaries from and after the date hereof without the express prior written consent of the Holder. To the extent that the Company, any of its Subsidiaries or any of their respective officers, directors, affiliates, employees or agents delivers any material, non-public information to the Holder without the Holder's consent, the Company hereby covenants and agrees that the Holder shall not have any duty of confidentiality to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents with respect to, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents not to trade on the basis of, such material, non-public information.

Section 9. Governing Law. This Amendment shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Amendment shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

Section 10. Counterparts; Electronic Delivery. This Amendment may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument, and such counterparts may be delivered electronically.

Company:	**Holder:**
Cytori Therapeutics Inc.	[Name of Holder]
By: _____ Name: Title:	By: _____ Name: Title:

Required Information

Warrant Number:

EXHIBIT 10.111

AMENDMENT ONE TO SECURITIES PURCHASE AGREEMENT

This Amendment One to Securities Purchase Agreement (this "Amendment") is made as of December 17, 2015 (the "Effective Date"), by and between Cytori Therapeutics, Inc., a Delaware corporation (the "Company"), and the undersigned investors (the "Investors").

WHEREAS, the Company previous entered into that certain Securities Purchase Agreement (the "Agreement"), dated May 5, 2015, by and between the Company and the each purchaser identified on the signature pages thereto (the "Purchasers").

WHEREAS, Section 9(e) of the Agreement provides that no provision of the Agreement may be amended other than by an instrument in writing signed by the Company and the holders of, in the aggregate, at least 67% of the Underlying Securities (as defined in the Agreement) as of such time (excluding any Underlying Securities held by the Company or any of its Subsidiaries as of such time) issued or issuable hereunder or pursuant to the Warrants, and any amendment to any provision of this Agreement made in conformity with the provisions of this Section 9(e) shall be binding on all Buyers and holders of Securities, as applicable, provided that no such amendment shall be effective to the extent that it (A) applies to less than all of the holders of the Securities then outstanding or (B) imposes any obligation or liability on any Buyer without such Buyer's prior written consent (which may be granted or withheld in such Buyer's sole discretion).

WHEREAS, the Investors represent at least 67% in interest of the Underlying Securities as of the date hereof.

WHEREAS, the Company and the Investors desire to amend the Agreement pursuant to the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Investors agree as follows:

AMENDMENTS:

A. Section 4(p) of the Agreement is hereby amended and restated in its entirety to read as follows:

> **"**(p) Variable Securities. So long as any Warrants remain outstanding, the Company and each Subsidiary shall be prohibited from effecting or entering into an agreement to effect any Subsequent Placement involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company or any Subsidiary (i) issues or sells any Convertible Securities either (A) at a conversion, exercise or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such Convertible Securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such Convertible Securities or upon the occurrence of specified or contingent events directly or

indirectly related to the business of the Company or the market for the Common Stock (it being understood that anti-dilution adjustments do not make a security subject to this definition) or (ii) enters into any agreement (including, without limitation, an equity line of credit) whereby the Company or any Subsidiary may sell securities at a future determined price (other than with respect to any "at-the-market" offering ("ATM Offering") which shall not be subject to this definition). Notwithstanding the foregoing, the Company will not conduct any ATM Offering from the date of this Agreement through February 5, 2016; provided that the restriction above may be waived by Buyers holding 50% of the Underlying Securities as of such time issued or issuable hereunder or pursuant to the Warrants. Each Buyer shall be entitled to obtain injunctive relief against the Company and its Subsidiaries to preclude any such issuance, which remedy shall be in addition to any right to collect damages."

GENERAL TERMS:

1 This Amendment shall enter into force as of the Effective Date.

2 All capitalized terms used but not defined herein shall have the meaning set forth in the Agreement.

3 In consideration of the foregoing amendment, the Company agrees that for the period commencing on the date hereof and ending on February 5, 2016, the Company shall not directly or indirectly issue, offer, sell, grant any option or right to purchase, or otherwise dispose of (or announce any issuance, offer, sale, grant of any option or right to purchase or other disposition of) any equity security or any equity-linked or related security (including, without limitation, any "equity security" (as that term is defined under Rule 405 promulgated under the 1933 Act), *provided, however*, that the foregoing shall not apply to any issuances of any Excluded Securities (as defined in the Agreement).

4 Except as otherwise expressly provided herein, the Agreement shall otherwise remain in full force and effect.

5 This Amendment, together with the Agreement (to the extent not amended hereby) and all exhibits thereto and references therein, constitute the entire agreement among the parties and shall supersede any and all previous contracts, arrangements or understandings between the parties with respect to the subject matter herein.

6 Each party to this Amendment hereby agrees to perform any further acts and to execute and deliver any further documents that may be necessary or required to carry out the intent and provisions of this Amendment and the transactions contemplated hereby.

7 This Amendment may not be altered, amended or modified in any way unless done so in accordance with Section 9(e) of the Agreement.

8 This Amendment may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument, and such counterparts may be delivered electronically by the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

CYTORI THERAPEUTICS, INC.

By /s/ Tiago Girao
Name: Tiago Girao
Title: CFO

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGES TO AMENDMENT ONE TO SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

Name of Purchaser: CVI Investments, Inc.

Signature of Authorized Signatory of Purchaser: /s/ Martin Kobinger

Name of Authorized Signatory: Martin Kobinger

Title of Authorized Signatory: Investment Manager

Email Address of Authorized Signatory: kabinger@sig.com and winer@sig.com

Facsimile Number of Authorized Signatory: (415) 403-6525

Number of Underlying Securities as of the Effective Date: 12,570,005

[PURCHASER SIGNATURE PAGES TO AMENDMENT ONE TO SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

Name of Purchaser: Sabby Volutility Warrant Master Fund, Ltd

Signature of Authorized Signatory of Purchaser: /s/ Robert Grundstein

Name of Authorized Signatory: Robert Grundstein

Title of Authorized Signatory: COO of Investment Manager

Email Address of Authorized Signatory: rgrundstein@sabbycapital.com

Facsimile Number of Authorized Signatory: _____

Number of Underlying Securities as of the Effective Date: _____

[PURCHASER SIGNATURE PAGES TO AMENDMENT ONE TO SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

Name of Purchaser: ProMed Partners, LP

Signature of Authorized Signatory of Purchaser: /s/ David B. Musket

Name of Authorized Signatory: David B. Musket

Title of Authorized Signatory: Managing Member

Email Address of Authorized Signatory: dmasket@promedmgmt.com

Facsimile Number of Authorized Signatory: 8572638359

Number of Underlying Securities as of the Effective Date: _____

[PURCHASER SIGNATURE PAGES TO AMENDMENT ONE TO SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

Name of Purchaser: David B. Musket

Signature of Authorized Signatory of Purchaser: /s/ David B. Musket

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: dmasket@promedmgmt.com

Facsimile Number of Authorized Signatory: 8572638359

Number of Underlying Securities as of the Effective Date: _____

IN WITNESS WHEREOF, the undersigned have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

Name of Purchaser: Alpha Capital Austalt

Signature of Authorized Signatory of Purchaser: /s/ Konrad Ackermann

Name of Authorized Signatory: Konrad Ackermann

Title of Authorized Signatory: Director

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

Number of Underlying Securities as of the Effective Date: _____

IN WITNESS WHEREOF, the undersigned have caused this Amendment One to Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the Amendment Effective Date.

Name of Purchaser: Intracoastal Capital, LLC

Signature of Authorized Signatory of Purchaser: /s/ Keith A. Goodman

Name of Authorized Signatory: Konrad Ackermann

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: kgoodman@cranshirecapital.com

Facsimile Number of Authorized Signatory: 847-562-9031

Number of Underlying Securities as of the Effective Date: 2,969,850

EXHIBIT 10.113

AGREEMENT FOR ACCELERATION AND/OR SEVERANCE

This agreement (this "Agreement") is entered into and is effective as of _____, between CYTORI THERAPEUTICS, INC., a Delaware corporation (the "Company") and _____ ("Executive"), setting forth the following terms and conditions.

1. Stock Option Acceleration.

Notwithstanding anything to the contrary in any stock option agreement, all then-unvested Company stock options held by Executive shall immediately and fully vest if (a) an Early Separation Trigger occurs (provided, that Executive may not exercise any such erstwhile-unvested options until the Acquisition is consummated and thereby proves that the separation really was an Early Separation Trigger), or (b) an Acquisition of the Company occurs and Executive is at that time still in the service of the Company.

2. Severance Contingency; Definitions.

In the event of a Double Trigger, Executive (provided he timely executes and delivers a counterpart of an Agreement and General Release as set forth in Section 4 below) shall be entitled to the following severance, and no more: a lump sum equal to (a) twelve (12) times his monthly base salary as of the Acquisition Agreement Date, plus (b) twelve (12) times the indicated monthly COBRA premiums for medical and dental benefits for Executive and his eligible dependents (together the "Severance Payment"). It is understood that the Severance Payment shall be subject to tax withholding as required by law.

An "Acquisition" shall include any merger, stock sale, or asset sale by which the Company (or all or substantially all of the Company's assets or stock) is acquired, or any other transaction by which any person acquires beneficial ownership of more than fifty percent (50%) in interest of the Company's voting securities, but in no event shall an issuance of securities by the Company for financing purposes be deemed an Acquisition by the issuee for purposes of this Agreement. If Executive's employment is continued by a successor or affiliate company after an Acquisition, Executive's employment shall not be considered to have been terminated solely because Executive's employer is no longer the Company; and where the context so suggests, the defined term "the Company" shall be deemed to include such successor or affiliate company.

The "Acquisition Agreement Date" means the first day on which the Company and the acquirer formally or informally agree on the terms of the acquisition. Informal agreement need not be legally binding, and can be evidenced by such things as a letter of intent (even if legally non-binding) or taking steps, in reliance on the existence of an informal agreement, in contemplation of the consummation of the acquisition.

"Late Separation Trigger" means that a Forced Separation occurs during the first twelve (12) months after an Acquisition of the Company. "Early Separation Trigger" means that a Forced Separation occurs during the period between the Acquisition Agreement Date and the date of such Acquisition. "Forced Separation" means the Company's termination of Executive's employment other than for Cause (as defined below) or Executive's resignation due to (i.e., within twenty (20) days after) Good Reason (as defined below). "Acquisition Trigger" means that an Acquisition of the Company has been consummated. "Double Trigger" means that both (a) a "Separation Trigger" (i.e., either an Early Separation Trigger or a Late Separation Trigger), and (b) the Acquisition Trigger, have occurred.

"Cause" shall be defined to mean:

(a) Extended disability (defined as the inability to perform, with or without reasonable accommodation, the essential functions of Executive's position for any one hundred twenty (120) days within any continuous period of one hundred fifty (150) days by reason of physical or mental illness or incapacity);

(b) Executive's repudiation of his employment or of this Agreement;

(c) Executive's conviction of (or plea of no contest with respect to) a felony, or of a misdemeanor involving moral turpitude, fraud, misappropriation or embezzlement;

(d) Executive's demonstrable and documented fraud, misappropriation or embezzlement against the

Company;

(e) Use of alcohol, drugs or any illegal substance in such a manner as to materially interfere with the performance of employment duties;

(f) Intentional, reckless or grossly negligent action which causes material harm to the Company, including any misappropriation or unauthorized use of the Company's property or improper use or disclosure of confidential information (but excluding any good faith exercise of business judgment);

(g) Intentional failure to substantially perform material employment duties or directives (other than following resignation for Good Reason as defined below) if such failure has continued for fifteen (15) days after Executive has been notified in writing by the Company of the nature of the failure to perform (it being understood that the performance of material duties or directives is satisfied if Executive has reasonable attendance and makes good faith business efforts to perform his duties on behalf of the Company. The Company may not terminate Executive for Cause based solely upon the operating performance of the Company); or

(h) Chronic absence from work for reasons other than illness, permitted vacation or resignation for Good Reason as defined below.

"Good Reason" shall be defined to mean:

(a) The Company's material breach of its obligation to pay Executive the compensation earned for any past service (at the rate which had been stated to be in effect for such period of service); or

(b) (A) a change in Executive's position with the Company (or successor, affiliate, parent or subsidiary of the Company employing him) which materially reduces Executive's duties and responsibilities as to the business conducted by the Company as of the Acquisition Agreement Date, (B) a reduction in Executive's level of compensation (including base salary, fringe benefits (except as such reduction applies to all employees generally) and target bonus, but excluding stock-based compensation) by more than fifteen percent (15%) or (C) a relocation of Executive's place of employment by more than thirty (30) miles, provided and only if such change, reduction or relocation is effected by the Company without his consent.

(c) Executive's right to terminate employment for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason herein; provided, that the twenty (20) day requirement imposed in the definition of "Forced Separation" shall apply notwithstanding this sentence.

3. **Other Termination.**

For the avoidance of doubt, in the event Executive's employment is terminated for Cause or due to his death or disability or he resigns without Good Reason, or in the event that in any period other than the twelve (12) months following an Acquisition of the Company (or between the Acquisition Agreement Date and the date of such Acquisition), Executive's employment terminates for any reason, Executive shall not be entitled to receive the Severance Payment.

4. **General Release.**

Executive's entitlement to the Severance Payment is further expressly conditioned upon his execution and delivery to the Company, within thirty (30) days after the occurrence of the second to occur of the Acquisition Trigger and the Separation Trigger, of a counterpart of an Agreement and General Release in the form of the Attachment hereto. The Company shall be required to pay the Severance Payment within ten (10) business days after such execution and delivery.

5. **At-Will Employment.**

Executive expressly acknowledges that nothing in this Agreement gives Executive any right to continue his employment with the Company for any period of time, nor does this Agreement interfere in any way with his right or the Company's right to terminate that employment at any time, for any reason, with or without cause.

6. **Dispute Resolution.**

Any and all controversies between the parties regarding the interpretation or application of this Agreement, together with the Attachment hereto, shall be, upon the written request of either party, served on the other, be submitted to final and binding arbitration pursuant to the non-union employment arbitration rules of the American Arbitration Association (AAA) then in effect. Any such arbitration shall be conducted before a single neutral arbitrator selected either by agreement of the parties or through selection from a panel appointed by AAA. Neither side shall withhold their agreement to participate in said arbitration and to the extent either side is required to file a petition to compel, the prevailing party should be awarded their attorneys fees. The arbitration shall be held in San Diego County, unless otherwise mutually agreed by the parties. The arbitrator shall issue an award in writing and state the essential findings and conclusions on which the award is based. The Company shall bear the costs with respect to the payment of any filing fees or arbitration costs.

7. **Miscellaneous.**

This Agreement, together with the Attachment hereto, shall be governed by and construed under the laws of the State of California (as it applies to agreements between California residents, entered into and to be performed entirely within California), and constitutes the entire agreement of the parties with respect to the subject matter hereof, superseding all prior or contemporaneous written or oral agreements with respect to such subject matter, and no amendment or addition hereto shall be deemed effective unless agreed to in writing by the parties hereto. The parties acknowledge that each of them retains the right to terminate their employment relationship, at any time and for any or no reason, without liability except as provided by law and except as expressly provided herein.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates set forth below.

Executive:

_____ Dated: _____

Company

CYTORI THERAPEUTICS, INC., a Delaware corporation

By:_____ Dated:_____
Name: Marc H. Hedrick
Title: President/Chief Executive Officer

ATTACHMENT I

Agreement and General Release

For good and valuable consideration, rendered to resolve and settle finally, fully, and completely all matters that now or may exist between them, the parties below enter this Agreement and General Release ("Agreement").

1. Parties. The parties to this Agreement are _____, for himself/herself and his/her heirs, legatees, executors, representatives, administrators, spouse, family and assigns (hereinafter referred to collectively as "Executive") and CYTORI THERAPEUTICS, INC., for itself and its successors and assigns and its and their subsidiaries, affiliates, parents, and related companies (hereinafter referred to collectively as the "Company").

2. Separation from Employment. Executive acknowledges and agrees that his employment with the Company has ended and that a Double Trigger has occurred pursuant to the Agreement for Acceleration and/or Severance dated _____, 20__ (the "Severance Agreement").

3. Severance Payment. As consideration for the promises and covenants of Executive set forth in this Agreement, the Company agrees to provide Executive with the Severance Payment in the gross amount required by the Severance Agreement, less applicable withholding taxes, in a lump sum. This Severance Payment shall be delivered to Executive within ten (10) business days following the Company's receipt of a counterpart of this original Agreement signed and dated by Executive.

4. No Other Payments Due. Executive acknowledges and agrees that he has received all amounts due to him, and that the only further payment to which he will be entitled from the Company, assuming he signs this Agreement, will be (a) the Severance Payment to be provided under Paragraph 3 above, (b) any expense reimbursements for pre-Separation-Trigger for which he has previously submitted requests in accordance with the Company's written policies and which are validly reimbursable under the Company's written policies, and (c) base salary and vacation pay accrued before the Separation Trigger as reflected on the Company's books in accordance with the Company's written policies.

5. Release of Claims By Executive. As consideration for the promises and covenants of the Company set forth in this Agreement, Executive hereby fully and forever releases and discharges the Company and its future current and former owners, shareholders, agents, employee benefit plans, representatives, employees, attorneys, officers, directors, business partners, successors, predecessors, related companies, and assigns (hereinafter collectively called the "Released Parties"), from all claims and causes of action, whether known or unknown, including but not limited to those arising out of or relating in any way to Executive's employment with the Company, including the termination of his employment, based on any acts or events occurring up until the date of Executive's signature below. Executive understands and agrees that this Release is a full and complete waiver of all claims, including, but not limited to, any claims with respect to Executive's entitlement to any wages, bonuses, or other forms of compensation; any claims of wrongful discharge, breach of contract, breach of the covenant of good faith and fair dealing, violation of public policy, defamation, personal injury, emotional distress; any claims under Title VII of the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, the Age Discrimination in Employment Act of 1967, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as related to severance benefits, the California Fair Employment and Housing Act, California Government Code § 12900 et seq., the California Labor Code, the California Business & Professions Code, the Equal Pay Act of 1963, the Americans With Disabilities Act, the Civil Rights Act of 1991; and any claims under any other federal, state, and local laws and regulations. This Agreement does not release claims that cannot be released as a matter of law, including, but not limited to, claims under Division 3, Article 2 of the California Labor Code (which includes indemnification rights); any claims expressly preserved under Paragraph 3 above; and any claims pursuant to any agreements expressly preserved under Paragraph 8 below.

6. **Outstanding Claims**. As further consideration and inducement for this Agreement, Executive represents that he has not filed or otherwise pursued any charges, complaints or claims of any nature which are in any way pending against the Company or any of the Released Parties with any court or arbitration forum with respect to any matter covered by this Agreement and that, to the extent permitted by law, he agrees he will not do so in the future. Executive further represents that, with respect to any charge, complaint or claim he has filed or otherwise pursued or will file or otherwise pursue in the future with any state or federal agency against the Company or any of the Released Parties, he will forgo any monetary damages, including but not limited to compensatory damages, punitive damages, and attorneys' fees, to which he may otherwise be entitled in connection with said charge, complaint or claim. Nothing in this Agreement shall limit Executive's right to file a charge, complaint or claim with any state or federal agency or to participate or cooperate in such matters.

7. **Civil Code 1542 Waiver.** As a further consideration and inducement for this Agreement, Executive hereby waives any and all rights under Section 1542 of the California Civil Code or any other similar state, local, or federal law, statute, rule, order or regulation or common-law principle he may have with respect to the Company and any of the Released Parties.

Section 1542 provides:

> **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR**.

Executive expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages as well as those that are now disclosed.

8. **Survival**. Any written stock option agreement, indemnification agreement and any confidential information/proprietary information/and-or invention assignment agreement between the Company and Executive shall survive this Agreement in accordance with their express written terms. Any such stock option agreement shall be applied in accordance with its express written terms as to the effects of the fact that Executive's service has ceased.

9. **Company Property.** To the extent he has not already done so, Executive agrees to forthwith return to the Company all of his keys and security cards to Company premises, and his Company credit card, and all other property in his possession which belongs to the Company. Executive specifically promises and agrees that he shall not retain copies of any Company (or Company customer or patient) documents or files (either paper or electronic).

10. **No Rush Toward Agreement; Revocation Period**. Executive understands that he has the right to consult with an attorney before signing this Agreement. Executive also understands that he is allowed twenty one (21) calendar days after receipt of this Agreement within which to review and consider it and decide to execute or not execute it. Executive also understands that for a period of seven (7) calendar days after signing this Agreement, he may revoke this Agreement by delivering to the Company, within said seven (7) calendar days, a letter stating that he is revoking it.

11. **No Admission of Liability.** By entering into this Agreement, the Company and all Released Parties do not admit any liability whatsoever to Executive or to any other person arising out of claims heretofore or hereafter asserted by him, and the Company, for itself and all Released Parties, expressly denies any and all such liability.

12. **Joint Participation In Preparation Of Agreement**. The parties hereto participated jointly in the negotiation and preparation of this Agreement, and each party has had the opportunity to obtain the advice of legal counsel and to review, comment upon, and redraft this Agreement. Accordingly, it is agreed that no rule of construction shall apply against any party or in favor of any party. This Agreement shall be construed as if the parties jointly prepared this Agreement, and any uncertainty or ambiguity shall not be interpreted against any one party and in favor of the other.

13. Choice of Law. The parties agree that California law shall govern the validity, effect, and interpretation of this Agreement.

14. Entire Agreement. This Agreement constitutes the complete understanding between Executive and the Company and supersedes any and all prior agreements, promises, representations, or inducements, no matter its or their form, concerning its subject matter, but with the exception of any agreements expressly preserved under Paragraph 8 above, which remain in full force and effect to the extent not inconsistent with this Agreement. No promises or agreements made after the execution of this Agreement by these parties shall be binding unless reduced to writing and signed by authorized representatives of these parties. Should any of the provisions of this Agreement be found unenforceable or invalid by a court or government agency of competent jurisdiction, the remainder of this Agreement shall, to the fullest extent permitted by applicable law, remain in full force and effect.

15. Nondisparagement. The parties agree that each will use its reasonable best efforts to not make any voluntary statements, written or verbal, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the reputation, business practices or conduct of Executive (in the case of the Company) or the Company or any of the other Released Parties (in the case of Executive).

16. Voluntary Decision. Executive hereby acknowledges that he has read and understands the foregoing Agreement and that he signs it voluntarily and without coercion.

Executive:

Dated: _____ _____

Company:

CYTORI THERAPEUTICS, INC., a Delaware corporation

Dated: _____ By: _____
Name: _____
Title: _____

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Cytori Therapeutics, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-181764, 333-82074, 333-122691 and 333-202858) on Form S-8, and (Nos. 333-153233, 333-159912, 333-192409, 333-200090, and 333-195846) on Form S-3 of Cytori Therapeutics, Inc. of our reports dated March 11, 2016, with respect to the consolidated balance sheets of Cytori Therapeutics, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the three year period ended December 31, 2015, the accompanying schedule of valuation and qualifying accounts, and the effectiveness of internal control over financial reporting of Cytori Therapeutics, Inc. and subsidiaries as of December 31, 2015, and to the reference to our firm in Item 6, Selected Financial Data, which reports and reference to our firm appears in the December 31, 2015, annual report on Form 10-K of Cytori Therapeutics, Inc.

Our report dated March 11, 2016 contains an explanatory paragraph that states that the Company's recurring losses from operations and liquidity position raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements and financial statement schedule do not include any adjustments that might result from the outcome of that uncertainty.

/s/ KPMG LLP

San Diego, California
March 11, 2016

EXHIBIT 31.1

Certification of Principal Executive Officer Pursuant to
Securities Exchange Act Rule 13a-14(a)
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Marc H. Hedrick, certify that:

1. I have reviewed this annual report on Form 10-K of Cytori Therapeutics, 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(s) 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(s) 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: March 11, 2016
/s/ Marc H. Hedrick, MD
Marc. H. Hedrick,
President & Chief Executive Officer

EXHIBIT 31.2

Certification of Principal Financial Officer Pursuant to
Securities Exchange Act Rule 13a-14(a)
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Tiago M. Girao, certify that:

1. I have reviewed this annual report on Form 10-K of Cytori Therapeutics, 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(s) 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(s) 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: March 11, 2016
/s/ Tiago M. Girao
Tiago M. Girao,
VP of Finance and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350/ SECURITIES EXCHANGE ACT RULE 13a-14(b), AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES – OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Cytori Therapeutics, Inc. for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof Marc H. Hedrick, as President & Chief Executive Officer of Cytori Therapeutics, Inc., and Tiago Girao, as VP of Finance and Chief Financial Officer of Cytori Therapeutics, Inc., each hereby certifies, respectively, that:

1. The Form 10-K report of Cytori Therapeutics, Inc. that this certification accompanies fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934.

2. The information contained in the Form 10-K report of Cytori Therapeutics, Inc. that this certification accompanies fairly presents, in all material respects, the financial condition and results of operations of Cytori Therapeutics, Inc.

By: /s/ Marc H. Hedrick, MD
Marc H. Hedrick, MD
President & Chief Executive Officer

Dated: March 11, 2016

By: /s/ Tiago M. Girao
Tiago M. Girao
VP of Finance and Chief Financial Officer

Dated: March 11, 2016

Proxy Statement

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

CYTORI THERAPEUTICS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 10, 2016

CYTORI THERAPEUTICS, INC.
Headquarters
3020 CALLAN RD
SAN DIEGO, CALIFORNIA 92121

Meeting Location:

CYTORI THERAPEUTICS, INC
3020 CALLAN RD
SAN DIEGO, CALIFORNIA 92121

Dear Cytori Therapeutics, Inc. Stockholder:

You are cordially invited to attend the 2016 Annual Meeting of the stockholders of Cytori Therapeutics, Inc. (the "Annual Meeting"). The Annual Meeting will be held on May 10, 2016, commencing at 9:00 a.m., San Diego local time, at the Cytori Therapeutics, Inc. corporate offices, located at 3020 Callan Rd., San Diego, California 92121.

The meeting will be webcast live for those who are unable to attend in person. To access the webcast of the meeting, please visit the Investor Relations section of our corporate website at ir.cytori.com. To vote online, please see the instructions on the accompanying proxy card.

The items of business for the meeting are:

(i) Election of members of our Board of Directors for a one-year term;

(ii) Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year;

(iii) Approval of an amendment to the Cytori Therapeutics, Inc. 2014 Equity Incentive Plan, to increase the number of shares of common stock reserved for issuance under the Plan by 5,000,000 shares to up to a maximum of 13,502,000 shares (on a pre-split basis);

(iv) Approval of an amendment to our amended and restated certificate of incorporation, as amended, to effect, at the discretion of our Board of Directors (with the effectiveness or abandonment of such amendment to be determined by the Board of Directors as permitted under Section 242(c) of the Delaware General Corporation Law):

a. a reverse stock split of our shares of common stock issued and outstanding or reserved for issuance, at an exchange ratio of not less than 1-for-5 and not greater than 1-for-25, such exchange ratio to be determined by our Board of Directors at its sole discretion; and

b. if the reverse split is approved by the stockholders, in conjunction with the reverse split a decrease in the total number of authorized shares of common stock under our certificate of incorporation from 290,000,000 shares (which amount is not otherwise affected by the reverse split) to between 25,000,000 and 100,000,000 shares, as determined by our Board of Directors at its sole discretion; and

(v) To transact such other business that is properly presented at the annual meeting and any adjournments or postponements thereof.

The Board of Directors recommends the approval of each of these proposals.

We have attached a Proxy Statement that contains more information about these items and the Annual Meeting. Only stockholders that own stock at the close of business on March 11, 2016, the record date, can vote at the Annual Meeting. A list of our stockholders entitled to vote will be available for inspection by any stockholder at our offices in San Diego, during normal business hours for ten business days prior to the Annual Meeting. This list will also be available during the Annual Meeting.

As permitted by rules adopted by the U.S. Securities and Exchange Commission, we are using the Internet as our primary means of furnishing proxy materials to our stockholders. We will send our stockholders a notice with instructions for accessing the proxy materials and voting electronically over the Internet or by telephone. The notice also provides information on how stockholders may request paper copies of our proxy materials. For those stockholders who elect to receive their proxy materials in the mail, please review the Proxy Statement and Annual Report and vote using the enclosed proxy card.

We hope that you will find it convenient to attend the Annual Meeting in person. Whether or not you expect to attend, please vote electronically over the Internet or by telephone, or if you receive a proxy card in the mail, by mailing the completed proxy card to us to ensure your representation at the Annual Meeting and the presence of a quorum. If you decide to attend the meeting and wish to change your proxy vote, you may do so by voting in person at the Annual Meeting. If your shares are held in the name of a bank or broker, however, you must obtain a legal proxy from the bank or broker to attend the Annual Meeting and vote in person.

By Order of the Board of Directors,

MARC H. HEDRICK
President &Chief Executive Officer

San Diego, California, USA
March 15, 2016

YOUR VOTE IS IMPORTANT!

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ENCOURAGE YOU TO READ THIS PROXY STATEMENT AND SUBMIT YOUR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE. THIS WILL ENSURE THE PRESENCE OF A QUORUM AT THE MEETING. FOR SPECIFIC INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, PLEASE REFER TO THE INSTRUCTIONS ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS (THE "NOTICE") YOU RECEIVED IN THE MAIL, THE QUESTION "WHAT DIFFERENT METHODS CAN I USE TO VOTE?" IN THIS PROXY STATEMENT, OR, IF YOU REQUESTED PRINTED PROXY MATERIALS, YOUR ENCLOSED PROXY CARD. IF YOU ATTEND THE MEETING, YOU MAY VOTE IN PERSON IF YOU WISH TO DO SO EVEN IF YOU HAVE PREVIOUSLY SUBMITTED YOUR PROXY OR VOTING INSTRUCTIONS.

Cytori Therapeutics, Inc.
3020 Callan Road
San Diego, CA 92121
(858) 458-0900

PROXY STATEMENT

****

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 10, 2016

This Proxy Statement and the Company's 2015 Annual Report are both available at www.proxyvote.com.

Cytori Therapeutics, Inc.
3020 Callan Road
San Diego, CA 92121
(858) 458-0900

PROXY STATEMENT

2016 ANNUAL MEETING OF STOCKHOLDERS

The 2015 Annual Report to Stockholders, including financial statements, is being made available to stockholders together with these proxy materials on or about March 15, 2016.

This Proxy Statement is being furnished in connection with the solicitation of proxies by and on behalf of our Board of Directors to be used at our Annual Meeting of Stockholders to be held on May 10, 2016 at 9:00 a.m., San Diego local time ("Annual Meeting"), and at any postponement of the Annual Meeting, for the purposes set forth in the accompanying notice of Annual Meeting.

We have fixed the close of business on March 11, 2016 as the record date for the determination of the stockholders entitled to notice of and to vote at the Annual Meeting. Only holders of record of shares of our common stock on that date are entitled to notice of and to vote at the Annual Meeting.

Questions and Answers about the Meeting and Voting

Q: What is a Proxy Statement and why has this Proxy Statement been provided to me?

A: A Proxy Statement is a document that the U.S. Securities and Exchange Commission ("SEC") regulations require us to give you when we ask you to sign a proxy card with regard to voting on proposals at the Annual Meeting. Among other things, a Proxy Statement describes those proposals and provides information about us. Our Board of Directors is soliciting your proxy to vote at the Annual Meeting and at any postponement of the Annual Meeting. The Annual Meeting will be held at the Cytori Therapeutics, Inc. corporate offices, located at 3020 Callan Road, San Diego, California 92121. We will use the proxies received in connection with proposals to:

- Elect members of our Board of Directors for a one-year term;
- Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year;
- Approve an amendment to the Cytori Therapeutics, Inc. 2014 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance under the Plan by 5,000,000 shares to up to a maximum of 13,502,000 shares (on a pre-split basis);
- Approve an amendment to our amended and restated certificate of incorporation, as amended, to effect, at the discretion of our Board of Directors (with the effectiveness or abandonment of such amendment to be determined by the Board of Directors as permitted under Section 242(c) of the Delaware General Corporation Law):
    - a reverse stock split of our shares of common stock issued and outstanding or reserved for issuance, at an exchange ratio of not less than 1-for-5 and not greater than 1-for-25, such exchange ratio to be determined by our Board of Directors at its sole discretion; and
    - if the reverse split is approved by the stockholders, in conjunction with the reverse split a decrease in the total number of authorized shares of common stock of the Corporation

under our certificate of incorporation from 290,000,000 shares (which amount is not otherwise affected by the reverse split) to between 25,000,000 and 100,000,000 shares, as determined by our Board of Directors at its sole discretion; and

- Transact any other business that is proposed in accordance with our bylaws before the Annual Meeting is finally adjourned.

Q: Why did I receive a notice in the mail regarding Internet availability of proxy materials this year instead of a full set of proxy materials?

A: We are now providing access to our proxy materials on the Internet. Some stockholders (those who hold in "street name") will not receive printed copies of the proxy materials unless requested. Instead, these stockholders will receive a Notice of Internet Availability of Proxy Materials (the "Notice") that will instruct you as to how you may access and review the proxy materials on the Internet. The Notice explains how you may vote your proxy. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting printed materials included in the Notice.

Q: What is a proxy?

A: A proxy is your legal designation of another person to vote the stock you own. That designee is referred to as a proxy holder. Designation of a particular proxy holder can be effected by completion of a written proxy card, or by voting via the Internet or by telephone. Our President, Chief Executive Officer and Director, Marc H. Hedrick, M.D., our Chief Financial Officer, Tiago Girao, and our General Counsel, Jeremy Hayden, have each been designated as the proxy holders for the Annual Meeting.

Q: What is the difference between a stockholder of record and a beneficial owner who holds stock in street name?

A: You are a stockholder of record, or a "registered holder", if your shares are registered in your own name through our transfer agent. You are a beneficial owner of our stock in street name if you hold your shares through a broker, bank or other third party institution (in this situation, the banks, brokers, etc. are the stockholders of record).The vast majority of our stockholders are represented on our share register in the name of a bank, broker or other third party institution and not in their own name. If you have elected to hold your shares in certificate form, your name will appear directly on our register as a stockholder of record.

Q: What different methods can I use to vote?

A: If you are a registered holder and you are viewing this proxy over the Internet, you may vote electronically over the Internet. For those stockholders who receive a paper proxy in the mail, you may also vote electronically over the Internet or by telephone or by completing and mailing the proxy card provided. The website identified in our Notice provides specific instructions on how to vote electronically over the Internet. Those stockholders who receive a paper proxy by mail, and who elect to vote by mail, should complete and return the mailed proxy card in the prepaid and addressed envelope that was enclosed with the proxy materials.

If you are the beneficial owner of stock in street name, that is, your shares are held in the name of a brokerage firm, bank or other nominee, you will receive instructions from your broker, bank or other nominee that must be followed in order for you to vote your shares. Your broker will be sending you a Notice which contains instructions on how to access the website and to vote your shares. If, however, you have elected to receive paper copies of our proxy materials from your brokerage firm, bank or other nominee, you will receive a voting instruction form. Please complete and return the enclosed voting instruction form in the addressed, postage paid envelope provided.

Stockholders who have previously elected to access our proxy materials and annual report electronically over the Internet will continue to receive an email, referred to in this Proxy Statement as an email notice, with information on how to access the proxy information and voting instructions.

Only proxy cards and voting instruction forms that have been signed, dated and timely returned and only proxies that have been timely voted electronically or by telephone will be counted in the quorum and voted. *The Internet and telephone voting facilities will close at 11:59 p.m. Eastern Time, May 9, 2016.*

Stockholders who vote over the Internet or by telephone need not return a proxy card or voting instruction form by mail, but may incur costs, such as usage charges, from telephone companies or Internet service providers.

You may also vote your shares in person at the Annual Meeting. If you are a registered holder, you may request a ballot at the Annual Meeting. If your shares are held in street name and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from your broker, bank or other nominee and bring it with you to the Annual Meeting. We recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you receive more than one Notice, email notice, proxy card or voting instruction form because your shares are held in multiple accounts or registered in different names or addresses, please vote your shares held in *each account* to ensure that all of your shares will be voted.

Q: What is the record date and what does it mean?

A: The record date for the 2016 Annual Meeting is March 11, 2016. The record date is established by our Board of Directors as required by Delaware General Corporation Law. Owners of our common stock at the close of business on the record date are entitled to receive notice of the meeting and to vote at the meeting and any postponements of the meeting.

Q: How can I change my vote?

A: You may revoke your proxy and change your vote at any time before the final vote at the meeting. You can revoke a proxy by giving written notice or revocation to our Corporate Secretary, following the Internet voting instructions, delivering a later dated proxy, or voting in person at the meeting. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the meeting or specifically request in writing that your proxy be revoked.

Q: Why is the Company seeking approval for a reverse stock split?

A: On June 4, 2015, we received a letter from the Listing Qualifications Staff of The NASDAQ Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of the our common stock for the previous 30 consecutive trading days, we no longer met the requirement to maintain a minimum bid price of $1 per share, as set forth in Nasdaq Listing Rule 5450(a)(1). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were provided a period of 180 calendar days, or until December 1, 2015, in which to regain compliance. We were unable to regain compliance with the minimum bid price requirement within this 180-day period, and on December 3, 2015, we received a Staff Determination Letter notifying us that our stock would be delisted from the Nasdaq Stock Market unless we appealed the determination to the Nasdaq Hearing Panel, or we were eligible to transfer from the Nasdaq Global Market, or NGM, to the Nasdaq Capital Market, or NCM. Though we were eligible to transfer to the NCM, we elected to appeal the delisting determination to the Nasdaq Hearing Panel, which election stayed the Nasdaq Staff's determination pending the Hearing Panel's decision on our appeal. The hearing was held on January 21, 2016, and on January 27, 2016, the Nasdaq Hearing Panel issued its determination letter which it granted us an additional 180-day period (expiring May 31, 2016) to come into compliance with its minimum bid price requirement, and which required that:

- we shall have file by mid-March our definitive proxy for a stockholders meeting which includes a request to approve a reverse stock split to bring our stock priced above $1;

- on or before May 10, 2016, we shall have held a stockholders meeting at which the stockholders approve a reverse stock sufficient to demonstrate compliance with Nasdaq's minimum $1 bid price requirement;

- on or before May 31, 2016, we shall have demonstrated a closing bid price of $1 or more for a minimum of ten consecutive trading days.

Our common stock listing was transferred from the NGM tier to the NCM tier on February 1, 2016, and in a letter dated February 10, 2015, the Nasdaq Staff confirmed its approval of the transfer of our listing from the NGM tier to the NCM tier, effective as of February 1, 2015. In the event we do not cure our listing deficiency by May 31, 2016, Nasdaq will provide us notice that our common stock will be subject to delisting.

To cure the listing deficiency and comply with Nasdaq's requests, we are requesting stockholder approval of a reverse stock split of our common stock, as further described in Proposal 4 of this Proxy statement.

Our Board of Directors has approved the reverse stock split as a means of increasing the share price of our common stock. Our Board of Directors believes that it is in our best interests to maintain our listing on NCM to provide for broader trading of our common stock and to facilitate the use of our common stock in financing and other transactions. We expect the reverse stock split to facilitate the continuation of our listing on the NCM. We cannot assure you, however, that the reverse stock split will result in an increase in the per share price of our common stock, or if it does, how long the increase would be sustained, if at all.

Q: What are the consequences of being delisted from The Nasdaq Stock Market?

A: If we do not effect the reverse stock split, it is likely that we will not be able to meet the $1 minimum closing bid price continued listing requirement of the Nasdaq Capital Market, or NCM, and, consequently, our common stock would be delisted from the NCM. If we are delisted from the NCM, we may be forced to seek to be traded on the OTC Bulletin Board or the "pink sheets," which would require our market makers to request that our common stock be so listed. There are a number of negative consequences that could result from our delisting from the NCM, including, but not limited to, the following:

- The liquidity and market price of our common stock may be negatively impacted and the spread between the "bid" and "asked" prices quoted by market makers may be increased;

- Although the reverse stock split is designed to raise the stock price, there is no guarantee that the share price will rise proportionately to the reverse stock split, so the end result could be a loss of value;

- Our access to capital may be reduced, causing us to have less flexibility in responding to our capital requirements;

- Existing or prospective institutional investors may be less interested or prohibited from investing in our common stock, which may cause the market price of our common stock to decline;

- We will no longer be deemed a "covered security" under Section 18 of the Securities Act of 1933, as amended, and, as a result, we will lose our exemption from state securities regulations. This means that granting stock options and other equity incentives to our employees will be more difficult; and

- If our stock is traded as a "penny stock," transactions in our stock would be more difficult and cumbersome.

Q: How will the reverse stock split work?

A: Instead of being asked to approve a fixed number of Company common stock that will be combined into one share of common stock, the Company's stockholders are being asked to approve a range of shares of Common Stock – between 5 and 25 shares - which will be combined into one share of common stock. Approval of this range will authorize

our Board of Directors in its discretion to effect the reverse stock split using any exchange ratio within the range and with an accompanying reduction in the authorized common stock, or not to effect a reverse stock split at all.

Q: Why am I being asked to approve a range of reverse split ratios rather than a fixed ratio?

A: Our Board of Directors believes it is in the best interest of the Company and its stockholders to retain the discretion to fix the exact reverse split exchange ratio immediately prior to consummation of the reverse split. Our stock price has experienced significant recent volatility due to a combination of factors, including the effects of recent financing transactions and restructurings, our Nasdaq delisting deficiency, the market's perceptions of our clinical, operational and financial results and prospects, as well as recent downturns in our industry and general economic conditions as a whole. Further, we have a number of potential milestones and other events that may occur or otherwise be announced that could positively or negatively affect our stock price and thus impact the reverse split exchange ratio. Should our stockholders approve our reverse stock split proposal, our Board of Directors will take into account our then-current stock price and appropriate related factors before determining a final reverse split ratio.

Q: If the stockholders approve the reverse stock split proposal, when would the Company implement the reverse stock split?

A: We currently expect that the reverse stock split will be implemented as soon as practicable after the receipt of the requisite stockholder approval so as to provide sufficient time for the closing bid price of our stock to exceed $1 for at least ten (10) consecutive trading days prior to May 31, 2016. However, our Board of Directors will have the discretion to delay or abandon the reverse stock split if believes it to be in the best interests of Cytori and our stockholders to do so.

Q: What would be the principal effects of the reverse stock split?

A: The reverse stock split will have the following effects:

- the market price of our common stock immediately upon effect of the reverse stock split will increase substantially over the market price of our common stock immediately prior to the reverse stock split;

- the number of shares of our common stock outstanding and reserved for issuance (including shares issuable upon exercise of outstanding warrants and equity incentive awards) will be reduced to between one-fifth (1/5th) and one-twenty-fifth (1/25th) of the number of shares currently outstanding (except for the effect of eliminating fractional shares), depending upon the reverse split exchange ratio determined by our Board of Directors;

- the number of authorized shares of our common stock will be reduced from 290,000,000 shares (which amount is not otherwise affected by the reverse split) to between 25,000,000 and 100,000,000 shares, as determined by our Board of Directors at its sole discretion.

Q: Are my pre-split stock certificates still good after the reverse stock split? Do I need to exchange them for new stock certificates?

A: As of the effective date of the amendment to our certificate of incorporation, each certificate representing pre-split shares of common stock will, until surrendered and exchanged, be deemed to represent only the relevant number of post-split shares of common stock as a result and at the time of the reverse stock split. As soon as practicable after the effective date of the reverse stock split, our transfer agent, Computershare, will mail you a letter of transmittal. Upon receipt of your properly completed and executed letter of transmittal and your stock certificate(s), you will be issued the appropriate number of shares of the Company's common stock either as stock certificates (including legends, if appropriate) or electronically in book-entry form, as determined by the Company.

Q. What if I hold some or all of my shares electronically in book-entry form and I am a registered stockholder? Do I need to take any action to receive post-split shares?

A. If you hold shares of our common stock in book-entry form (that is, you do not have stock certificates evidencing your ownership of our common stock but instead received a statement reflecting the number of shares registered in your account), you do not need to take any action to receive your post-split shares. If you are entitled to post-split shares, a transaction statement will be sent automatically to your address of record indicating the number of shares you hold. However, if you hold any shares in certificated form, you must still surrender and exchange your stock certificates for those shares and provide a properly completed and executed letter of transmittal.

Q. What if I hold some or all of my shares in street name (that is, through a broker, bank or other third party institution)? Do I need to take any action to receive post-split shares?

A. If you hold shares of our common stock in street name through a brokerage, bank or other third party institution (that is, you do not have stock certificates evidencing your ownership of our common stock but instead received a statement reflecting the number of shares registered in your account from your broker, bank or other third party nominee), you do not need to take any action to receive your post-split shares. If you are entitled to post-split shares, your next transaction statement from your broker, bank or other third party nominee will indicate the number of shares you hold on a post-reverse split basis.

Q. What happens to any fractional shares resulting from the reverse stock split?

A. Stockholders will not receive fractional post-reverse stock split shares in connection with the reverse stock split. Instead, stockholders of record who otherwise would be entitled to receive fractional shares will be entitled to rounding up of the fractional share to the nearest whole number.

Q. What happens to equity awards under the Company's equity incentive plans as a result of the reverse stock split?

A. All shares of the Company's common stock subject to outstanding equity awards (including stock options, performance shares and stock appreciation rights) under our 2004 Equity Incentive Plan, 2011 Employee Stock Purchase Plan, 2014 Equity Incentive Plan and 2015 New Employee Incentive Plan (our "Plans") will be converted and combined upon the effective date of the reverse stock split into common stock at the ratio determined by our Board of Directors(and subject to adjustment for fractional interests). In addition, the exercise price of outstanding equity awards (including stock options and stock appreciation rights) will be proportionately increased such that the approximate aggregate exercise prices for such equity awards will remain the same following the reverse stock split. No fractional shares will be issued pursuant to the Plans following the reverse stock split. Therefore, if the number of shares subject to the outstanding equity awards immediately before the reverse stock split is not evenly divisible (in other words, it would result in a fractional interest following the reverse stock split), the number of shares of common stock issuable pursuant to such equity awards (including upon exercise of stock options and stock appreciation rights) will be rounded up to the nearest whole number.

Q: Why is the Company seeking approval for the decrease in its authorized shares?

Upon consummation of our contemplated reverse stock split (if approved by the stockholders), we anticipate that we will have an overhang of authorized but unissued shares that will exceed our needs. The proposed decrease in our authorized common shares from 290,000,000 is designed to ensure that we do not have what might be viewed as an unnecessarily high number of authorized but unissued shares of Common Stock. However, in the event we implement the reverse stock split and determine the decrease in the authorized shares is not in the best interest of our stockholders, we reserve the right not to adopt the decrease in the authorized shares.

Q: What are my voting choices when voting for director nominees and what vote is needed to elect directors?

A: In voting on the election of director nominees to serve until the 2017 Annual Meeting, stockholders may vote in favor of each nominee, or may withhold votes as to each nominee. In addition, if any other candidates are properly nominated at the meeting, stockholders of record who attend the meeting could vote for the other candidates. Directors will be elected by the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the meeting, provided a quorum is present. Stockholders are not entitled to cumulative voting rights with respect to the election of directors. Abstentions are considered present and entitled to vote with respect to this proposal and will, therefore, be treated as votes "against" this proposal. Broker non-votes with respect to this proposal will not be considered as present and entitled to vote on this proposal, which will therefore reduce the number of affirmative votes needed to approve this proposal.

The Board recommends a vote "FOR" each of the director nominees identified in this Proxy Statement.

Q: What are my voting choices when voting to ratify the appointment of our independent registered public accounting firm, and what vote is needed to ratify the appointment?

A: In voting on the ratification of the appointment our independent registered public accounting firm, stockholders may vote in favor of or against the appointment, or may abstain from voting on the appointment. The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and voting at the meeting is required to approve this proposal. Abstentions will be counted as present for purposes of determining a quorum and are considered shares present and entitled to vote and thus will have the effect of a vote "AGAINST" this proposal. Brokers have discretionary authority to vote on this proposal; broker non-votes will have no effect on this proposal.

The Board recommends a vote "FOR" ratification.

Q: What are my voting choices when voting to approve an amendment to our 2014 Equity Incentive Plan to increase by maximum number of shares of common stock reserved for issuance under the Plan?

A: In voting on the approval of the amendment of our 2014 Equity Incentive Plan to increase the maximum number of shares issuable thereunder (on a pre-split basis), stockholders may vote in favor of the approval or against the approval, or may abstain from voting. The affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on such proposal is required to approve this proposal. Abstentions are considered present and entitled to vote with respect to this proposal and will, therefore, be treated as votes "AGAINST" this proposal. Broker non-votes with respect to this proposal will not be considered as present and entitled to vote on this proposal, which will therefore reduce the number of affirmative votes needed to approve this proposal.

The Board recommends a vote "FOR" approval of an amendment to our 2014 Equity Incentive Plan.

Q: What are my voting choices when voting to approve the amendment to our certificate of incorporation to effect a reverse stock split and decrease the total number of authorized shares of the Company?

A: In voting on the approval of the amendment of our amended and restated certificate of incorporation, as amended ("Certificate of Incorporation"), to effect the reverse split and decrease the number authorized shares of the Company, stockholders may vote in favor of the approval or against the approval, or may abstain from voting. The affirmative vote of a majority of the shares outstanding and entitled to vote as of the Record Date is required to approve amendments to the Certificate of Incorporation to effect the reverse stock split and reduce the number of authorized shares of common stock. Abstentions are considered present and entitled to vote with respect to this proposal and will, therefore, be treated as votes "AGAINST" this proposal. Broker non-votes with respect to this proposal will not be considered as present and entitled to vote on this proposal, which will therefore reduce the number of affirmative votes needed to approve this proposal

The Board recommends a vote "FOR" approval of an amendment of our certificate of incorporation to effect a reverse stock split and decrease the total number of authorized shares of our common stock.

Q: How will a proxy get voted?

A: If you properly complete and return a proxy card or vote by Internet or by telephone, the designated proxy holders will vote your shares as you have directed. If you sign a proxy card but do not make specific choices or if you vote by Internet or telephone but do not make specific choices, the designated proxy holders will vote your shares as recommended by the Board of Directors as follows:

- "**FOR**" the election of each listed nominee for director;
- "**FOR**" ratification of KPMG LLP as our independent registered public accounting firm for the 2016 fiscal year;
- **"FOR"** approval of an amendment to the Cytori Therapeutics, Inc. 2014 Equity Incentive Plan to increase the number of shares reserved for issuance thereunder (on a pre-split basis); and
- "**FOR**" approval of amendments to our certificate of incorporation to effect a reverse stock split and decrease our authorized shares.

Q: How are abstentions and broker non-votes counted?

A: Abstentions and broker non-votes will be counted as present for purposes of determining a quorum. An abstention occurs when a stockholder withholds his or her vote by checking the "abstain" box on the proxy card or (if present and voting at the meeting) a ballot. A broker non-vote occurs when a broker, bank, or other stockholder of record, in nominee name or otherwise, exercising fiduciary powers submits a proxy for the Annual Meeting, but does not vote on a particular proposal because that holder does not have discretionary voting power with respect to that proposal and has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote those shares on routine matters, but not on non-routine matters. Routine matters include the ratification of the appointment of our independent registered public accounting firm and the amendments to our certificate of incorporation. Non-routine matters include the election of directors and approval of an amendment to our 2014 Equity Incentive Plan.

Q: Who pays for the solicitation of proxies?

A: We pay the entire cost of the solicitation of proxies. This includes preparation, assembly, printing, and mailing of the Notice, this Proxy Statement and any other information we send to stockholders. We may supplement our efforts to solicit your proxy in the following ways:

- We may contact you using the telephone or electronic communication;
- Our directors, officers, or other regular employees may contact you personally; or
- We may hire agents for the sole purpose of contacting you regarding your proxy.

If we hire soliciting agents, we will pay them a reasonable fee for their services. We will not pay directors, officers, or other regular employees any additional compensation for their efforts to supplement our proxy solicitation. We anticipate banks, brokerage houses and other custodians, nominees, and fiduciaries will forward soliciting material to the beneficial owners of shares of common stock entitled to vote at the Annual Meeting and that we will reimburse those persons for their out-of-pocket expenses incurred in performing such services.

Q: What constitutes a quorum?

A: In order for business to be conducted at the Annual Meeting, a quorum must be present. A quorum exists when at least 33 ⅓ % of the holders of shares of our common stock issued, outstanding and entitled to vote are represented at the meeting. Shares of common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists.

Q: How many votes may I cast? How many shares are eligible to be voted?

A: You may cast one vote for every share of our common stock that you owned on the record date. As of the record date, March 11, 2016, there were 197,757,279 shares of common stock outstanding, each of which is entitled to one vote.

Q: How will voting on "any other business" be conducted?

A: Although we do not know of any business to be considered at the Annual Meeting other than the proposals described in this Proxy Statement, if any additional business is presented at the Annual Meeting, your signed proxy card gives authority to the designated proxy holders to vote on such matters at their discretion.

Q: Where can I find the voting results of the Annual Meeting?

A: We will publish the final voting results in a current report on Form 8-K, which we expect to file with the SEC within four business days of the Annual Meeting. If the final voting results are unavailable in time to file a current report on Form 8-K with the SEC within four business days after the Annual Meeting, we intend to file a Form 8-K to disclose the preliminary results and, within four business days after the final results are known, we will file an additional current report on Form 8-K with the SEC to disclose the final voting results.

PROPOSAL #1

ELECTION OF DIRECTORS

The Board of Directors currently consists of seven (7) persons. On February 25, 2016, Tommy G. Thompson notified the Board of Directors that he did not intend to stand for reelection at the Annual Meeting. Effective upon Mr. Thompson's departure, the size of the Board of Directors will be reduced to six (6) directors. The Board of Directors, upon recommendation of our Governance and Nominating Committee, has nominated the following persons listed below for election as directors. The names of the six (6) nominees for election as directors are set forth below (the ages shown are as of January 31, 2016). All of the nominees are currently serving as a member of our Board of Directors. All directors are elected annually and serve one-year terms until the next Annual Meeting, or until their respective successors are duly elected. All of the nominees listed below are expected to serve as directors if they are elected. If any nominee should decline or be unable to accept such nomination or to serve as a director, an event which our Board of Directors does not now expect, our Board of Directors reserves the right to nominate another person or to vote to reduce the size of our Board of Directors. If another person is nominated, the proxy holders intend to vote the shares to which the proxy relates for the election of the persons nominated by our Board of Directors.

For more information on nomination of directors, see "Director Nominations" below in the section entitled "Corporate Governance."

The Board of Directors recommends a vote "FOR" the nominees named below:

Director Nominees

Name	Age	Position
David M. Rickey	60	Chairman of the Board of Directors
Marc H. Hedrick, MD	53	President and Chief Executive Officer and Director
Richard J. Hawkins	67	Director
Paul W. Hawran	63	Director
Gary A. Lyons	64	Director
Gail K. Naughton, Ph.D.	60	Director

David M. Rickey has served as a Director of the Company since November 1999 and was appointed the Chairman of the Board in June 2013. Mr. Rickey was President and Chief Executive Officer of Applied Micro Circuits Corporation (AMCC), which provides high-performance, high-bandwidth silicon solutions for optical networks, from February 1996 to March 2005. Mr. Rickey served on the Board of Directors of AMCC from February 1996 to March 2005, and as its Chairman of the Board from August 2000 to March 2005. Mr. Rickey also served as a Director of AMI Semiconductor, Inc. from 2000 to 2006 and was a Director of Netlist, Inc. from 2005 to 2008, as well as several private technology companies. He holds a B.S. from Marietta College, a B.S. from Columbia University and an M.S. from Stanford University. Mr. Rickey's qualifications to sit on our Board of Directors include his extensive executive experience, and his service on other public company boards and committees.

Marc H. Hedrick, M.D. was appointed as Chief Executive Officer of the Company in April 2014. He was appointed as President of the Company in May 2004, and joined us as Chief Scientific Officer, Medical Director and Director in October 2002. In December 2000, Dr. Hedrick co-founded and served as President and Chief Executive Officer and Director of StemSource, Inc., a company specializing in stem cell research and development, which was acquired by the Company in 2002. He is a plastic surgeon and is a former Associate Professor of Surgery and Pediatrics at the University of California, Los Angeles (UCLA). From 1998 until 2005, he directed the Laboratory of Regenerative Bioengineering and Repair for the Department of Surgery at UCLA. Dr. Hedrick earned his M.D. degree from University of Texas Southwestern Medical School, Dallas and an M.B.A. from UCLA Anderson School of Management. Dr. Hedrick's qualifications to sit on our Board of Directors include his experience as a general, vascular and plastic surgeon; his academic appointments and achievements in the life sciences; his executive and managerial experience in stem cell research and scientific product development; and his foundational knowledge, experience and contributions to the specific technology and operations of our company. In addition, Dr. Hedrick has extensive global experience and familiarity with the cell therapy and regenerative medical industry.

Richard J. Hawkins has served as a Director of the Company since December 2007. In 1982, Mr. Hawkins founded Pharmaco, a clinical research organization (CRO) that merged with the predecessor of PPD-Pharmaco in 1991 and is one of the largest CROs in the world today. In 1992, Mr. Hawkins co-founded Sensus Drug Development, which developed and received regulatory approval for SOMAVERTfi, a growth hormone antagonist approved for the treatment of acromegaly, which is now marketed by Pfizer in both the United States and Europe, and he served as Chairman until 2000. In 1994, Mr. Hawkins co-founded Corning Biopro, a contract protein manufacturing firm where he served on the Board until 2000. In September 2003 Mr. Hawkins founded LabNow, Inc., a privately held company that develops lab-on-a-chip sensor technology, where he served as the Chairman and CEO until October 2009. Mr. Hawkins has served on the Board of SciClone Pharmaceuticals, Inc. since October 2004. In February 2011, Mr. Hawkins became CEO, and is currently CEO, of Lumos Pharma, Inc., a start-up pharma company. He served on the Presidential Advisory Committee for the Center for Nano and Molecular Science and Technology at the University of Texas in Austin, and was inducted into the Hall of Honor for the College of Natural Sciences at the University of Texas. Mr. Hawkins graduated cum laude with a B.S. in Biology from Ohio University. Mr. Hawkins's qualifications to sit on our Board of Directors include his executive experience working with life sciences companies, his extensive experience in pharmaceutical research and development, his knowledge, understanding and experience in the regulatory development and approval process and his service on other public company boards and committees.

Paul W. Hawran has served as a Director of the Company since February 2005. Mr. Hawran has held various executive, strategic, financial and operational positions in the health care industry for over 30 years. Mr. Hawran is a Founder of Ascendant MDx, a molecular diagnostic testing company focused on women's health care, and has served as President and CEO of Ascendent MDx since November 2010. Prior to Ascendant MDx, Mr. Hawran was the Chief Financial Officer of Sequenom, Inc., a publicly traded genetics company, from April 2007 to September 2009, served on their Board of Directors from August 2006 to February 2007 and was the Chairman of the Audit Committee of the Board of Directors. Mr. Hawran also served as a Founder, Executive Vice President and Chief Financial Officer of Neurocrine Biosciences, Inc. from May 1993 through September 2006, and as a Senior Advisor to Neurocrine from September 2006 through April 2007. Neurocrine Biosciences, Inc. is a publicly traded company engaged in pharmaceutical drug development. Mr. Hawran was employed by SmithKline Beecham (now Glaxo SmithKline) from July 1984 to May 1993, most recently as Vice President and Treasurer. Prior to joining SmithKline in 1984, he held various financial positions at Warner Communications (now Time Warner) involving corporate finance and financial planning and forecasting. Mr. Hawran earned a B.S. in Finance from St. John's University and an M.S. in Taxation from Seton Hall University. He is a Certified Public Accountant (currently inactive) and is a member of the American Institute of Certified Public Accountants. Mr. Hawran's qualifications to sit on our Board of Directors include his executive experience in life sciences industries, his extensive experience in corporate finance and financial planning, his status as an audit committee financial expert within the meaning of Item 407(d)(5) of SEC Regulation S-K and his service on other public company boards and committees.

Gary A. Lyons has served as a Director of the Company since October 2013. Mr. Lyons has served on the Board of Directors of Neurocrine Biosciences since 1993 and served as the President and Chief Executive Officer of Neurocrine from 1993 through January 2008. Prior to joining Neurocrine Biosciences, Mr. Lyons held a number of senior management positions at Genentech, Inc., including Vice President of Business Development and Vice President of Sales. Mr. Lyons currently is the Chairman of the Board of Directors for Rigel Pharmaceuticals, Inc. and serves on the Board of Vical Incorporated and Retrophin. Mr. Lyons was previously a director of PDL BioPharma, Inc., Poniard Pharmaceuticals, Inc., Neurogesx, KaloBios Pharmaceuticals, Inc. and Facet Biotech Corporation. Mr. Lyons holds a B.S. in marine biology from the University of New Hampshire and an M.B.A. from Northwestern University's J.L. Kellogg Graduate School of Management. Mr. Lyons qualifications to sit on our Board include his executive experience working with life sciences companies, his extensive experience in pharmaceutical business development, his knowledge, understanding and experience in the regulatory development and approval process and his service on other public company boards and committees.

Gail K. Naughton, Ph.D., has served as a Director of the Company since July 2014. Dr. Naughton is the founder of Histogen, Inc., a regenerative medicine company developing innovative therapies based upon the products of cells grown under simulated embryonic conditions. She has served as Histogen's Chief Executive Officer and Chairman of the Board since the company's inception in 2007. Prior to that, she held key management positions, including President, Chief Operating Officer and Director, at Advanced Tissue Sciences, a company which she co-founded and was co-inventor of the core technology. Dr. Naughton also currently serves on the Board of Directors for CR Bard, Inc. Dr. Naughton holds a B.S. in Biology from St. Francis College as well as a Master's in Histology and a Ph.D. from New York University

Medical Center. She also holds an EMBA from the Anderson School at the University of California, Los Angeles. Dr. Naughton's qualifications to sit on our Board of Directors include her extensive executive experience, her in-depth knowledge of the healthcare industry and regenerative medicine technology, and her service on other public company boards and committees.

Required Vote

The nominees will be elected by an affirmative vote of a majority of the shares present in person or by proxy at the Annual Meeting and entitled to vote on such proposal, assuming a quorum is present. Abstentions are considered present and entitled to vote with respect to this proposal and will, therefore, be treated as votes against this proposal. Broker non-votes will not be considered as present and entitled to vote on this proposal, which will therefore reduce the number of affirmative votes needed to approve this proposal. Stockholders do not have cumulative voting rights in the election of directors.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEES TO THE BOARD OF DIRECTORS NAMED ABOVE.

PROPOSAL #2

RATIFICATION OF APPOINTMENTOF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our Audit Committee has selected KPMG LLP ("KPMG") as our independent registered public accounting firm for the fiscal year ending December 31, 2016, and has further directed that we submit the selection of the independent registered public accounting firm for ratification by our stockholders at the Annual Meeting. KPMG was our independent registered public accounting firm for the fiscal year ended December 31, 2015. The selection of the independent registered public accounting firm is not required to be submitted for stockholder approval. However, if the stockholders do not ratify this selection, the Audit Committee will reconsider its selection of KPMG. Even if the selection is ratified, our Audit Committee may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that the change would be in the Company's best interests.

Representatives of KPMG will be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

Additional information concerning the Audit Committee and KPMG can be found in the "Audit Matters" section of this Proxy Statement.

Required Vote

The proposal to ratify the appointment of KPMG requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions are considered present and entitled to vote with respect to this proposal and will, therefore, be treated as votes against this proposal. Because brokers have discretionary authority to vote on this proposal, we do not expect any broker non-votes in connection with this proposal.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE SELECTION OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2016.

PROPOSAL #3

APPROVAL OF AMENDMENT TO CYTORI THERAPEUTICS, INC. 2014 EQUITY INCENTIVE PLAN

At the 2014 Annual Meeting, the company's stockholders approved our adoption of the Cytori Therapeutics, Inc. 2014 Equity Incentive Plan (the "***2014 Plan***"). Following the expiration of the Cytori Therapeutics 2004 Plan (the "***2004 Plan***") in 2014, the 2014 Plan became our only equity compensation plan. We have since adopted the 2015 New Employee Incentive Plan, with a 1,000,000 share reserve, which may only be used to issue equity awards to new hires as an inducement to enter into employment with us. The initial share pool available for awards under the 2014 Plan consisted of 3,975,000 shares. At the 2015 Annual Meeting of stockholders, the Company's stockholders approved an amendment to the 2014 Plan to add 4,527,000 shares to its share pool in order to refresh our ability to grant future awards under the 2014 Plan. In addition, that amendment increased the number of "incentive stock options" which may be issued under the 2014 Plan by an identical amount. Because of an increase in the number of shares of common stock that we have utilized under the 2014 Plan, we are asking the stockholders to approve the addition of Five Million (5,000,000) shares to the 2014 Plan and its incentive stock option limit. See "Shares Available under the Plan and Historical Use of Equity" below in this Proposal 3 for a discussion of our request for an additional increase to the 2014 Plan share pool.

We have operated, and continue to operate in a challenging marketplace in which our success depends to a great extent on our ability to attract and retain employees, directors, and other service providers of the highest caliber. One of the tools our Board of Directors regards as essential in addressing these challenges is a competitive equity incentive program. The 2014 Plan is designed to provide a vehicle under which a variety of stock-based and other awards can be granted to service providers (including, employees, consultants, and directors) of our company (and its subsidiaries) which align the interests of award recipients with those of our stockholders, reinforce key goals and objectives that help drive stockholder value, and attract, motivate and retain experienced and highly qualified individuals who will contribute to our success.

Other than the addition of shares to the 2014 Plan's share pool and the increase in the incentive stock option limit, stockholders are not being asked under this proposal to approve any other amendment to the 2014 Plan or to reapprove the 2014 Plan as a whole. Specifically, approval of this proposal will not change the types of awards that may be granted or expand the benefits that eligible participants may receive under the 2014 Plan.

Key Features Designed to Protect Stockholders' Interests

The design of the 2014 Plan reflects our commitment to strong corporate governance and the desire to preserve stockholder value as demonstrated by the following features of the plan:

- *Independent administrator*. The Compensation Committee of the Board of Directors, which is comprised solely of non-employee directors, administers the 2014 Plan.
- *No evergreen feature*. The maximum number of shares available for issuance under the 2014 Plan is fixed and cannot be increased without stockholder approval. In addition, the 2014 Plan expires by its terms on a specified date.
- *Repricing and reloading prohibited*. Stockholder approval is required for any repricing, replacement, or buyout of underwater awards. In addition, no new awards are granted automatically upon the exercise or settlement of any outstanding award.
- *No discount awards; maximum term specified*. Stock options and stock appreciation rights must have an exercise price or base price no less than the closing price of our common stock on the date the award is granted and a term no longer than ten years' duration.
- *Award design flexibility*. Different kinds of awards may be granted under the 2014 Plan, giving us the flexibility to design our equity incentives to compliment the other elements of compensation and to support the attainment of our strategic goals.

- *Share counting*. The number of shares remaining for grant under the 2014 Plan is reduced by the gross number of shares subject to options and stock appreciation rights settled on a net basis, and shares withheld for taxes in connection with options or stock appreciation rights or tendered in payment of an option's exercise price are not recycled.

- *Non-employee director units*. The number of shares for which awards may be granted to any non-employee member of our Board of Directors in any calendar year is limited.

- *Section 162(m) limits*. As described below, with respect to certain awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the 2014 Plan establishes a list of measures of business and financial performance from which the Compensation Committee may construct predetermined performance goals that must be met for an award to vest.

- *No tax gross-ups*. The 2014 Plan does not provide for tax gross-ups.

- *Fixed term*. The 2014 Plan has a fixed term of ten years.

Shares Available Under the Plan and Historical Use of Equity

The 2014 Plan authorizes the Compensation Committee to provide incentive compensation in the form of stock options, stock appreciation awards, restricted stock and stock units, and performance awards. We are asking stockholders to authorize an increase of 5,000,000 shares to this Plan, and an identical increase to the limit on incentive stock options that may be granted under the 2014 Plan.

As of December 31, 2015, options were outstanding under the 1997, 2004 and 2014 Plans for a total of 9,062,146 shares of our common stock and a total of 456,241 shares remained subject to unvested restricted stock and restricted stock units under the 2004 and 2014 Plans. The weighted average exercise price of all of these outstanding options was $2.84 per share and these options had a weighted average remaining term of approximately one (1) year. We have yet to grant any inducement awards under our 2015 New Employee Incentive Plan (the "Inducement Plan")**.**

The following table sets forth the number of shares outstanding under the 1997, 2004, 2014 Plans, as well as the number of shares which remain available for grant under the 2014 Plan and Inducement Plan, and the number of shares we are asking stockholders to authorize for future issuance under the 2014 Plan, along with the potential equity dilution represented by the outstanding shares and shares available for future awards as a percentage of the common shares outstanding (determined on a fully diluted basis).

	Total Shares	**Equity Dilution: Total Shares as a Percent of Total Common Shares Outstanding**[1,2]
Shares subject to awards outstanding under 1997 Plan	221,800	0.10%
Shares subject to awards outstanding under 2004 Plan	6,023,846	2.79%
Shares outstanding under the 2014 Plan and shares available for grant	8,502,000	3.94%
Share increase to the 2014 Plan	5,000,000	2.32%

[1] Determined on a fully diluted basis, meaning the total shares outstanding and authorized under the 1997 Plan, 2004 Plan, 2014 Plan and Inducement Plan are also included in total common shares outstanding

[2] Based on total of 195,186,460 common shares outstanding at January 31, 2016. These numbers do not take into account the reverse stock split the stockholders are also being asked to approve (with a proposed range of reverse split ratios between 1-for 5 and 1-for-25, with the exact ratio to be determined by our Board of Directors). Assuming such approval is obtained, these figures will be proportionately adjusted in accordance with the terms of the outstanding awards and plans. All of the figures in this proposal will be adjusted if such proposal is approved.

Shares available for grant under the Inducement Plan	1,000,000	0.46%
Total	20,747,646	9.61%

As shown in the table above, if the share increase to the 2014 Plan is approved, this would represent a combined total of about 9.61% of the number of shares of our total common stock outstanding on January 31, 2016, determined on a fully diluted basis.

At the 2015 Annual Meeting, our stockholders approved a 4,527,000 share increase (the "2015 Increase") to the 2014 Plan option pool. The amount of this increase was carefully reviewed and analyzed with reference to a number of factors and within the context of our historical grant history and projected grants to existing and new employees. Though at the time of the 2015 Annual Meeting, we believed that the 2015 Increase would be sufficient to last through November 2017, significant senior management hires and greater than anticipated decreases in our stock price contributed to greater than anticipated equity grants to director and officers, including new hire option grants for a total of 885,000 shares to four executives (Cheri Rice, our current Vice President of Product Development, Jeremy Hayden, our General Counsel and Vice President of Business Development, John Harris, our Vice President and General Manager, Cell Therapy, and Lisa Hellmann Rhodes, our Vice President of Human Resources and Communications), and our annual executive option grants for a total of 3,511,755 shares that were approved in December 2015 for grant in January 2016. The executive option grants approved in December 2015 were larger than was contemplated at the time of the 2015 Increase due in large part to the significant decrease in the bid/sale price of our shares since that time. Although the number of shares subject to these December 2015 option grants is larger than historical grants, the Compensation Committee deemed the grants necessary and appropriate based on benchmarks to retain executive management.

Because of the higher than expected utilization of our 2014 Plan share reserve in 2015, as of January 31, 2016, we have 2,125,948 remaining shares available for future equity grants. We believe this share reserve is insufficient for our anticipated needs.

Among the factors the Compensation Committee considered in determining the appropriate size of the increase to the share pool for our 2014 Plan was the Company's recent stock price performance, its prior grant history and its range of potential uses of equity compensation for the next few years. This was based in part on forecasts of our anticipated growth rate for the next few years, which includes anticipated, non-recurring grants for certain new hires. Other factors considered by the Compensation Committee include, but are not limited to, the ratio of the number of shares issued to employees relative to the total number of outstanding shares, the use of both time and performance-based vesting requirements, and a comparison of the Company's rate of burn of employee equity to industry/market cap peer companies. The Compensation Committee also considered the recent approval and adoption of our Inducement Plan. The Inducement Plan has 1,000,000 shares reserved for issuance over the term of the plan, all of which remain available for issuance as of March 3, 2016. With the Inducement Plan available for use with respect to new employee grants, the Compensation Committee deemed it appropriate to decrease the amount of the requested increase to the 2014 Plan to reflect equity awards that we anticipate will be given under the Inducement Plan. Based on our analysis of the foregoing considerations and other relevant considerations, we believe that, after taking into account the proposed share increase, the 2014 Plan's share reserve will be sufficient for us to make grants of equity incentive awards under the 2014 Plan approximately until mid-2017. Of course, however, changes in business practices, industry standards, our compensation strategy, or equity market performance could alter this projection. In addition, we are growing rapidly and as a result our equity-related employee population is also growing. Accordingly, although the requested authorized share reserve is designed to accommodate equity compensation needs under a variety of scenarios for approximately one (1) year, under some scenarios the reserve could prove to be insufficient for this period, in which case the stockholders would have the opportunity to either approve or disapprove any addition to the requested share reserve. For example, although there was a decrease in Company headcount in 2014, many of the forfeited options were granted under the Company's 2004 equity plan, and did not transfer over to the equity pool available under the 2014 plan. Additionally adjustments to employee equity compensation have been made to reflect market trends and Company stock performance.

The following table sets forth the number of shares we have granted (under our 2004 and 2014 Plans) during our last three fiscal years and our annual and three-year average burn rate (gross number of shares granted during the year divided by weighted common shares outstanding).

	Fiscal 2015	Fiscal 2014	Fiscal 2013	Three-Year Average
Stock Options Granted	2,168,000	3,058,190	2,548,950	2,591,713
Restricted Stock and Restricted Stock Units	541,377	115,808	57,600	238,262
Basic and diluted weighted average shares allocable to common stockholders	140,797,316	80,830,698	67,781,364	96,469,793
Burn Rate	1.92%	3.93%	3.85%	2.93%

Summary of the 2014 Plan

What follows is a summary of the material terms of the 2014 Plan, as proposed to be amended. This summary is qualified in its entirety by the specific language of the 2014 Plan and the proposed amendment, copies of which are attached as Appendix A to this Proxy Statement.

General. The purpose of the 2014 Plan is to advance the interests of the Company and its stockholders by providing an incentive program that will enable the Company to attract and retain employees, consultants and directors and to provide them with an equity interest in the growth and profitability of the Company. These incentives are provided through the grant of stock options, SARs, restricted stock, restricted stock units, performance shares, performance units, other stock-based awards, cash-based awards and deferred compensation awards.

Authorized Shares. Subject to certain equitable adjustments for capital structure changes, as described in more detail below, the maximum aggregate number of shares currently authorized for issuance under the 2014 Plan, as amended (and without regard to the proposed reverse stock split) is 8,502,000.

Share Counting. Each share subject to an award under the 2014 Plan will reduce the number of shares remaining available for grant under the 2014 Plan by one (1) share.

If any award granted under the 2014 Plan expires or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture or repurchase are forfeited or repurchased by the Company for not more than the participant's purchase price, any such shares reacquired or subject to a terminated award will again become available for issuance under the 2014 Plan. Shares will not be treated as having been issued under the 2014 Plan and will, therefore, not reduce the number of shares available for issuance to the extent an award is settled in cash. Shares that are withheld or reacquired by the Company in satisfaction of a tax withholding obligation for an option or stock appreciation right, or that are tendered in payment of the exercise price of an option will not be made available for new awards under the 2014 Plan. Upon the exercise of a SAR or net-exercise of an option, the number of shares available under the 2014 Plan will be reduced by the gross number of shares for which the award is exercised.

Adjustments for Capital Structure Changes. Appropriate and proportionate adjustments will be made to the number of shares authorized under the 2014 Plan, to the numerical limits on certain types of awards described below, and to outstanding awards in the event of any change in our common stock through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares or similar change in our capital structure, or if we make a distribution to our stockholders in a form other than common stock (excluding normal cash dividends) that has a material effect on the fair market value of our common stock. In such circumstances, the Compensation Committee also has the discretion under the 2014 Plan to adjust other terms of outstanding awards as it deems appropriate.

Other Award Limits. To enable compensation provided in connection with certain types of awards intended to qualify as "performance-based" within the meaning of Section 162(m) of the Code, the 2014 Plan establishes a limit on the maximum aggregate number of shares or dollar value for which such awards may be granted to an employee in any fiscal year which are intended to qualify as performance-based awards under Section 162(m) of the Code, as follows:

- No more than 2,000,000 shares issuable upon the grant of options or stock appreciation rights may be granted to a participant during any fiscal year; provided for a newly hired participant, this number shall be 3,000,000. In addition, the foregoing limitation also applies to the shares which are referenced in a cash-settled stock appreciation right.

- No more than 1,500,000 of shares subject to "full value" awards per each fiscal year in a performance period shall be available for issuance to any participant; provided, however, that with respect to a newly hired participant, this number shall be 2,000,000.

- With respect to a performance-based award payable in cash, the maximum amount shall be $5,000,000 for each fiscal year in the performance period.

In addition, to comply with applicable tax rules, the 2014 Plan also limits to 8,502,000 the number of shares that may be issued upon the exercise of incentive stock options granted under the 2014 Plan; as adjusted in accordance with the terms of the 2014 Plan. Under the proposed amendment to the 2014 Plan, this limit will be increased by 5,000,000 to 13,502,000 shares.

Notwithstanding any other provision of the 2014 Plan to the contrary, the aggregate number of all awards granted to any nonemployee director during any single calendar year shall not exceed $150,000.

Administration. The 2014 Plan generally will be administered by the Compensation Committee of the Board of Directors, although the Board of Directors retains the right to appoint another of its committees to administer the 2014 Plan or to administer the 2014 Plan directly. In May 2015, the Board of Directors designated our Chief Executive Officer as a Committee for purposes of the 2014 Plan and delegated to such committee the authority to grant up to 50,000 stock options under the 2015 Plan to non-insider officers and employees. In the case of awards intended to qualify for the performance-based compensation exemption under Section 162(m) of the Code, administration of the 2014 Plan must be by a compensation committee comprised solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. (For purposes of this summary, the term "***Committee***" will refer to any such duly appointed committee or the Board of Directors.) Subject to the provisions of the 2014 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the types and sizes of awards, and all of their terms and conditions. The Committee may, subject to certain limitations on the exercise of its discretion required by Section 162(m) of the Code or otherwise provided by the 2014 Plan, amend, cancel or renew any award, waive any restrictions or conditions applicable to any award, and accelerate, continue, extend or defer the vesting of any award. The 2014 Plan provides, subject to certain limitations, for indemnification by the Company of any director, officer or employee against all reasonable expenses, including attorneys' fees, incurred in connection with any legal action arising from such person's action or failure to act in administering the 2014 Plan. All awards granted under the 2014 Plan will be evidenced by a written or digitally signed agreement between the Company and the participant specifying the terms and conditions of the award, consistent with the requirements of the 2014 Plan. The Committee will interpret the 2014 Plan and awards granted thereunder, and all determinations of the Committee generally will be final and binding on all persons having an interest in the 2014 Plan or any award.

Prohibition of Option and SAR Repricing. The 2014 Plan expressly provides that, without the approval of a majority of the votes cast in person or by proxy at a meeting of our stockholders, the Committee may not provide for any of the following with respect to underwater options or stock appreciation rights: (1) either the cancellation of such outstanding options or stock appreciation rights in exchange for the grant of new options or stock appreciation rights at a lower exercise price or the amendment of outstanding options or stock appreciation rights to reduce the exercise price, (2) the issuance of new full value awards in exchange for the cancellation of such outstanding options or stock appreciation rights, or (3) the cancellation of such outstanding options or stock appreciation rights in exchange for payments in cash.

Eligibility. Awards may be granted to employees, directors and consultants of the Company or any present or future parent or subsidiary corporation or other affiliated entity of the Company. Incentive stock options may be granted only to employees who, as of the time of grant, are employees of the Company or any parent or subsidiary corporation of the Company. As of December 31, 2015, we had approximately eighty employees, including five executive officers, and six non-employee directors who would be eligible under the 2014 Plan.

Stock Options. The Committee may grant nonstatutory stock options, incentive stock options within the meaning of Section 422 of the Code, or any combination of these. The exercise price of each option may not be less than the fair market value of a share of our common stock on the date of grant. However, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company (a "***10% Stockholder***") must have an exercise price equal to at least 110% of the fair market value of a share of common stock on the date of grant.

The 2014 Plan provides that the option exercise price may be paid in cash, by check, or cash equivalent; by means of a broker-assisted cashless exercise; by means of a net-exercise procedure; by such other lawful consideration as approved by the Committee; or by any combination of these. Nevertheless, the Committee may restrict the forms of payment permitted in connection with any option grant. No option may be exercised unless the participant has made adequate provision for federal, state, local and foreign taxes, if any, relating to the exercise of the option, including, if permitted or required by the Company, through the participant's surrender of a portion of the option shares to the Company.

Options will become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The maximum term of any option granted under the 2014 Plan is ten years, provided that an incentive stock option granted to a 10% Stockholder must have a term not exceeding five years. Unless otherwise permitted by the Committee, an option generally will remain exercisable for three months following the participant's termination of service, provided that if service terminates as a result of the participant's death or disability, the option generally will remain exercisable for 24 months, but in any event the option must be exercised no later than its expiration date, and provided further that an option will terminate immediately upon a participant's termination for cause (as defined by the 2014 Plan).

Options are nontransferable by the participant other than by will or by the laws of descent and distribution, and are exercisable during the participant's lifetime only by the participant. However, a nonstatutory stock option may be assigned or transferred to certain family members or trusts for their benefit to the extent permitted by the Committee.

Stock Appreciation Rights. The Committee may grant stock appreciation rights either in tandem with a related option (a "***Tandem SAR***") or independently of any option (a "Freestanding SAR"). A Tandem SAR requires the option holder to elect between the exercise of the underlying option for shares of common stock or the surrender of the option and the exercise of the related stock appreciation right. A Tandem SAR is exercisable only at the time and only to the extent that the related stock option is exercisable, while a Freestanding SAR is exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The exercise price of each stock appreciation right may not be less than the fair market value of a share of our common stock on the date of grant.

Upon the exercise of any stock appreciation right, the participant is entitled to receive an amount equal to the excess of the fair market value of the underlying shares of common stock as to which the right is exercised over the aggregate exercise price for such shares. Payment of this amount upon the exercise of a Tandem SAR may be made only in shares of common stock whose fair market value on the exercise date equals the payment amount. At the Committee's discretion, payment of this amount upon the exercise of a Freestanding SAR may be made in cash or shares of common stock. The maximum term of any stock appreciation right granted under the 2014 Plan is ten years.

Stock appreciation rights are generally nontransferable by the participant other than by will or by the laws of descent and distribution, and are generally exercisable during the participant's lifetime only by the participant. If permitted by the Committee, a Tandem SAR related to a nonstatutory stock option and a Freestanding SAR may be assigned or transferred to certain family members or trusts for their benefit to the extent permitted by the Committee. Other terms of stock appreciation rights are generally similar to the terms of comparable stock options.

Restricted Stock Awards. The Committee may grant restricted stock awards under the 2014 Plan either in the form of a restricted stock purchase right, giving a participant an immediate right to purchase common stock, or in the form of a restricted stock bonus, in which stock is issued in consideration for services to the Company rendered by the participant. The Committee determines the purchase price payable under restricted stock purchase awards, which may be less than the then current fair market value of our common stock. Restricted stock awards may be subject to vesting conditions based on such service or performance criteria as the Committee specifies, including the attainment of one or

more performance goals similar to those described below in connection with performance awards. Shares acquired pursuant to a restricted stock award may not be transferred by the participant until vested. Unless otherwise provided by the Committee, a participant will forfeit any shares of restricted stock as to which the vesting restrictions have not lapsed prior to the participant's termination of service. Unless otherwise determined by the Committee, participants holding restricted stock will have the right to vote the shares and to receive any dividends paid, except that dividends or other distributions paid in shares will be subject to the same restrictions as the original award and dividends paid in cash may be subject to such restrictions.

Restricted Stock Units. The Committee may grant restricted stock units under the 2014 Plan, which represent rights to receive shares of our common stock at a future date determined in accordance with the participant's award agreement. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant's services to the Company. The Committee may grant restricted stock unit awards subject to the attainment of one or more performance goals similar to those described below in connection with performance awards, or may make the awards subject to vesting conditions similar to those applicable to restricted stock awards. Unless otherwise provided by the Committee, a participant will forfeit any restricted stock units which have not vested prior to the participant's termination of service. Participants have no voting rights or rights to receive cash dividends with respect to restricted stock unit awards until shares of common stock are issued in settlement of such awards. However, the Committee may grant restricted stock units that entitle their holders to dividend equivalent rights, which are rights to receive additional restricted stock units for a number of shares whose value is equal to any cash dividends the Company pays.

Performance Awards. The Committee may grant performance awards subject to such conditions and the attainment of such performance goals over such periods as the Committee determines in writing and sets forth in a written agreement between the Company and the participant. These awards may be designated as performance shares or performance units, which consist of unfunded bookkeeping entries generally having initial values equal to the fair market value determined on the grant date of a share of common stock in the case of performance shares and a monetary value established by the Committee at the time of grant in the case of performance units. Performance awards will specify a predetermined amount of performance shares or performance units that may be earned by the participant to the extent that one or more performance goals are attained within a predetermined performance period. To the extent earned, performance awards may be settled in cash, shares of common stock (including shares of restricted stock that are subject to additional vesting) or any combination thereof.

Prior to the beginning of the applicable performance period or such later date as permitted under Section 162(m) of the Code, the Committee will establish one or more performance goals applicable to the award. Performance goals will be based on the attainment of specified target levels with respect to one or more measures of business or financial performance of the Company and each subsidiary corporation consolidated with the Company for financial reporting purposes, or such division or business unit of the Company as may be selected by the Committee. The Committee, in its discretion, may base performance goals on one or more of the following such measures: revenue; sales; expenses; operating income; gross margin; operating margin; earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; net operating income; net income; economic value added; free cash flow; operating cash flow; balance of cash, cash equivalents and marketable securities; stock price; earnings per share; return on stockholder equity; return on capital; return on assets; return on investment; total stockholder return, employee satisfaction; employee retention; market share; customer satisfaction; product development; research and development expense; completion of an identified special project; and completion of a joint venture or other corporate transaction.

The target levels with respect to these performance measures may be expressed on an absolute basis or relative to an index, budget or other standard specified by the Committee. The degree of attainment of performance measures will be calculated in accordance with generally accepted accounting principles, if applicable, but prior to the accrual or payment of any performance award for the same performance period, and, according to criteria established by the Committee, excluding the effect (whether positive or negative) of changes in accounting standards or any extraordinary, unusual or nonrecurring item occurring after the establishment of the performance goals applicable to a performance award.

Following completion of the applicable performance period, the Committee will certify in writing the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Committee retains the discretion to eliminate or reduce, but not increase, the amount that would otherwise be payable on

the basis of the performance goals attained to a participant who is a "covered employee" within the meaning of Section 162(m) of the Code (with respect to awards intended to qualify as performance-based awards under Section 162(m) of the Code). However, no such reduction may increase the amount paid to any other participant. The Committee may make positive or negative adjustments to performance award payments to participants other than covered employees to reflect the participant's individual job performance or other factors determined by the Committee. In its discretion, the Committee may provide for a participant awarded performance shares of to receive dividend equivalent rights with respect to cash dividends paid on the Company's common stock. The Committee may provide for performance award payments in lump sums or installments. If any payment is to be made on a deferred basis, the Committee may provide for the payment of dividend equivalent rights or interest during the deferral period.

Cash-Based Awards and Other Stock-Based Awards. The Committee may grant cash-based awards or other stock-based awards in such amounts and subject to such terms and conditions as the Committee determines. Cash-based awards will specify a monetary payment or range of payments, while other stock-based awards will specify a number of shares or units based on shares or other equity-related awards. Such awards may be subject to vesting conditions based on continued performance of service or subject to the attainment of one or more performance goals similar to those described above in connection with performance awards. Settlement of awards may be in cash or shares of common stock, as determined by the Committee. A participant will have no voting rights with respect to any such award unless and until shares are issued pursuant to the award. The committee may grant dividend equivalent rights with respect to other stock-based awards. The effect on such awards of the participant's termination of service will be determined by the Committee and set forth in the participant's award agreement.

Deferred Compensation Awards. The 2014 Plan authorizes the Committee to establish a deferred compensation award program. If and when implemented, participants designated by the Committee, who may be limited to directors or members of a select group of management or highly compensated employees, may make an advance election to receive an award of stock options, stock appreciation rights, restricted stock or restricted stock units in lieu of director fees or bonuses otherwise payable in cash. The Committee will determine basis on which the number of shares subject to an equity award granted in lieu of cash compensation will be determined. Such awards will be subject to the applicable provisions of the 2014 Plan.

Change in Control. Unless otherwise defined in a participant's award or other agreement with the Company, the 2014 Plan provides that a "***Change in Control***" occurs upon (a) a person or entity (with certain exceptions described in the 2014 Plan) becoming the direct or indirect beneficial owner of more than 50% of the Company's voting stock; (b) stockholder approval of a liquidation or dissolution of the Company; or (c) the occurrence of any of the following events upon which the stockholders of the Company immediately before the event do not retain immediately after the event direct or indirect beneficial ownership of more than 50% of the voting securities of the Company, its successor or the entity to which the assets of the company were transferred: (i) a sale or exchange by the stockholders in a single transaction or series of related transactions of more than 50% of the Company's voting stock; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

If a Change in Control occurs, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume or continue outstanding awards or substitute substantially equivalent awards for its stock. If so determined by the Committee, stock-based awards will be deemed assumed if, for each share subject to the award prior to the Change in Control, its holder is given the right to receive the same amount of consideration that a stockholder would receive as a result of the Change in Control. In general, any awards which are not assumed, substituted for or otherwise continued in connection with a Change in Control or exercised or settled prior to the Change in Control will terminate effective as of the time of the Change in Control. Subject to the restrictions of Section 409A of the Code, the Committee may provide for the acceleration of vesting or settlement of any or all outstanding awards upon such terms and to such extent as it determines. The 2014 Plan also authorizes the Committee, in its discretion and without the consent of any participant, to cancel each or any award denominated in shares of stock upon a Change in Control in exchange for a payment to the participant with respect each vested share (and each unvested share if so determined by the Committee) subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the Change in Control transaction over the exercise price per share, if any, under the award.

Awards Subject to Section 409A of the Code. Certain awards granted under the 2014 Plan may be deemed to constitute "deferred compensation" within the meaning of Section 409A of the Code, providing rules regarding the

taxation of nonqualified deferred compensation plans, and the regulations and other administrative guidance issued pursuant to Section 409A. Any such awards will be required to comply with the requirements of Section 409A. Notwithstanding any provision of the 2014 Plan to the contrary, the Committee is authorized, in its sole discretion and without the consent of any participant, to amend the 2014 Plan or any award agreement as it deems necessary or advisable to comply with Section 409A.

Amendment, Suspension or Termination. The 2014 Plan will continue in effect until its termination by the Committee, provided that no awards may be granted under the 2014 Plan following the tenth anniversary of the date the 2014 Plan was adopted by the Board. The Committee may amend, suspend or terminate the 2014 Plan at any time, provided that no amendment may be made without stockholder approval that would increase the maximum aggregate number of shares of stock authorized for issuance under the 2014 Plan, change the class of persons eligible to receive incentive stock options or require stockholder approval under any applicable law. No amendment, suspension or termination of the 2014 Plan may affect any outstanding award unless expressly provided by the Committee, and, in any event, may not have a materially adverse effect on an outstanding award without the consent of the participant unless necessary to comply with any applicable law, regulation or rule, including, but not limited to, Section 409A of the Code, or unless expressly provided in the terms and conditions governing the award.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2014 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

Incentive Stock Options. A participant recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. Participants who neither dispose of their shares within two years following the date the option was granted nor within one year following the exercise of the option will normally recognize a capital gain or loss upon the sale of the shares equal to the difference, if any, between the sale price and the purchase price of the shares. If a participant satisfies such holding periods upon a sale of the shares, we will not be entitled to any deduction for federal income tax purposes. If a participant disposes of shares within two years after the date of grant or within one year after the date of exercise (a "disqualifying disposition"), the difference between the fair market value of the shares on the option exercise date and the exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the shares generally should be deductible by us for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

In general, the difference between the option exercise price and the fair market value of the shares on the date of exercise of an incentive stock option is treated as an adjustment in computing the participant's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to participants subject to the alternative minimum tax.

Nonstatutory Stock Options. Options not designated or qualifying as incentive stock options are nonstatutory stock options having no special tax status. A participant generally recognizes no taxable income upon receipt of such an option. Upon exercising a nonstatutory stock option, the participant normally recognizes ordinary income equal to the difference between the exercise price paid and the fair market value of the shares on the date when the option is exercised. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the exercise date, will be taxed as capital gain or loss. We generally should be entitled to a tax deduction equal to the amount of ordinary income recognized by the participant as a result of the exercise of a nonstatutory stock option, except to the extent such deduction is limited by applicable provisions of the Code.

Stock Appreciation Rights. A Participant recognizes no taxable income upon the receipt of a stock appreciation right. Upon the exercise of a stock appreciation right, the participant generally will recognize ordinary income in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant in connection with the exercise of the stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

Restricted Stock. A participant acquiring restricted stock generally will recognize ordinary income equal to the excess of the fair market value of the shares on the "determination date" over the price paid, if any, for such shares. The "determination date" is the date on which the participant acquires the shares unless the shares are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (i) the date on which the shares become transferable or (ii) the date on which the shares are no longer subject to a substantial risk of forfeiture (e.g., when they become vested). If the determination date follows the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to designate the date of acquisition as the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date on which the shares are acquired. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date, will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

Restricted Stock Unit, Performance, Cash-Based and Other Stock-Based Awards. A participant generally will recognize no income upon the receipt of a restricted stock unit, performance share, performance unit, cash-based or other stock-based award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of settlement in an amount equal to the cash received and the fair market value of any substantially vested shares of stock received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above under "Restricted Stock." Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value of the shares on the determination date (as defined above under "***Restricted Stock***"), will be taxed as capital gain or loss. We generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

New Plan Benefits

The granting of awards under the 2014 Plan is subject to the discretion of the Compensation Committee, therefore, the benefits or amounts that any participant or group of participants may receive in the future under the 2014 Plan are not currently determinable.

Awards Granted to Certain Persons

The following table shows the number of shares issued pursuant to awards or subject to awards issued as of January 31, 2016 under the 2014 Plan since its inception to:

- The named executive officers;
- All current executive officers as a group;
- All current directors who are not executive officers; and
- All employees as a group (excluding executive officers).

Name and Position	Number of Shares Subject to Awards
Marc H. Hedrick, M.D. President and Chief Executive Officer	1,144,710[(1)]
Tiago Girao VP of Finance and Chief Financial Officer	652,080[(2)]
Steven Kesten, M.D. Executive Vice President & Chief Medical Officer	906,660[(3)]
Seijiro N. Shirahama Chairman, Cytori Therapeutics, K.K[(7)]	223,500[(4)]
Kenneth Kleinhenz, Vice President, Global Regulatory Affairs	359,145[(5)]
All current executive officers as a group (7 persons)	4,429,570[(6)]
All current directors who are not executive officers, as a group (6 persons)	472,920
All employees as a group (excluding current executive officers)	3,008,482

(1) Represents (i) 1,074,210 shares subject to stock options granted to Dr. Hedrick, and (ii) 70,500 shares awarded to Dr. Hedrick in January 2016 upon determination by the Compensation Committee of his achievement of the performance criteria applicable to a performance-based RSU grant made to Dr. Hedrick in May 2015 (for a performance period measured from May 26, 2015 to December 31, 2015). The target number and maximum number of shares issuable in connection with this performance-based RSU grant were 120,000 and 240,000 shares respectively.

(2) Represents (i) 619,830 shares subject to stock options granted to Mr. Gir[a]o, and (ii) 32,250 shares awarded to Mr. Gir[a]o in January 2016 upon determination by the Compensation Committee of his achievement of the performance criteria applicable to a performance-based RSU grant made to Mr. Gir[a]o in May 2015 (for a performance period measured from May 26, 2015 to December 31, 2015). The target number and maximum number of shares issuable in connection with this performance-based RSU grant were 60,000 and 120,000 shares respectively.

(3) Represents (i) 859,660 shares subject to stock options granted to Dr. Kesten, and (ii) 47,000 shares awarded to Dr. Kesten in January 2016 upon determination by the Compensation Committee of his achievement of the performance criteria applicable to a performance-based RSU grant made to Dr. Kesten in May 2015 (for a performance period measured from May 26, 2015 to December 31, 2015). The target number and maximum number of shares issuable in connection with this performance-based RSU grant were 80,000 and 160,000 shares respectively.

(4) Represents (i) 200,000 shares subject to stock options granted to Mr. Shirahama, and (ii) 23,500 shares awarded to Mr. Shirahama in January 2016 upon determination by the Compensation Committee of his achievement of the performance criteria applicable to a performance-based RSU grant made to Mr. Shirahama in May 2015 (for a performance period measured from May 26, 2015 to December 31, 2015). The target number and maximum number of shares issuable in connection with this performance-based RSU grant were 40,000 and 80,000 shares respectively.

(5) Represents (i) 335,645 shares subject to stock options granted to Mr. Kleinhenz, and (ii) 23,500 shares awarded to Mr. Kleinhenz in January 2016 upon determination by the Compensation Committee of his achievement of the performance criteria applicable to a performance-based RSU grant made to Mr. Kleinhenz in May 2015 (for a performance period measured from May 26, 2015 to December 31, 2015). The target number and maximum number of shares issuable in connection with this performance-based RSU grant were 40,000 and 80,000 shares respectively.

(6) In addition to the equity awards made to our NEOs, this aggregate amount includes 684,830 shares subject to stock options issued to John Harris, Vice President and General Manager of Cell Therapy, and (ii) 453,645 shares subject to stock options issued to Jeremy Hayden, General Counsel and Vice President of Business Development.

(7) Mr. Shirahama was appointed Chairman of Cytori Therapeutics, K.K., our wholly-owned Japanese subsidiary, in December 2015.

Vote Required

Approval of this proposal would require the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Abstentions are considered present and entitled to vote with respect to this proposal and will, therefore, be treated as votes against this proposal. Broker non-votes will have no effect on the outcome of this proposal.

Board of Directors Recommendation

The Board of Directors believes that the amendment to the 2014 Plan is in the best interests of Cytori and its stockholders for the reasons stated above. **Therefore, the Board unanimously recommends a vote "FOR" approval of the amendment to the 2014 Plan.**

PROPOSAL #4

APPROVAL OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT
AND A REDUCTION IN AUTHORIZED SHARES OF COMMON STOCK

Background

Our Board of Directors has approved proposed amendments to our Amended and Restated Certificate of Incorporation, as amended ("Certificate of Incorporation"), that:

- would effect a share consolidation, or reverse stock split (reverse split) of our outstanding common stock and common stock reserved for issuance, at an exchange ratio of not less than 1-for-5 (1:5) and not greater than 1-for-25 (1:25), as shall be determined in the sole discretion of the Board of Directors on the terms described in this Proxy Statement; and

- assuming the reverse split is approved by the stockholders, would reduce the number of authorized shares of our common stock from 290,000,000 (which amount is not otherwise affected by the reverse split) to between 25,000,000 and 100,000,000 shares, as determined by our Board of Directors.

The number of authorized shares of our preferred stock, of which 5,000,000 million is currently authorized, will not be affected by either of the reverse split or the decrease in authorized shares.

The effectiveness of either one of these amendments to our Certificate of Incorporation, and the abandonment of one or both of these amendments, will be determined by our Board of Directors following the Annual Meeting. Our Board of Directors has recommended that these proposed amendments to our Certificate of Incorporation be presented to our stockholders for approval.

If our stockholders approve these amendments to our Certificate of Incorporation, our Board of Directors will have the sole discretion to elect, as it determines to be in the best interests of the Company and its stockholders, whether to effect a reverse stock split and, if so, the number of shares of common stock within the stockholder-approved range (between five and 25 shares) which will be combined into one share of common stock. Our Board of Directors believes that stockholder approval of this range of reverse split ratios (as opposed to approval of a single reverse split ratio) provides the Board with maximum flexibility to achieve the purposes of a reverse stock split and, therefore, is in the best interests of the Company and its stockholders. The corresponding reduction in the authorized common stock for the reverse stock split is designed to ensure that we do not have what might be perceived as an unnecessarily high number of authorized shares of common stock that are unissued and unreserved for issuance.

If, following stockholder approval, the Board determines that it is the best interests of the Company and its stockholders to effect the reverse stock split, the Board would determine the reverse stock split ratio (within the approved range) and authorize the filing of the applicable amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware reflecting the reverse stock split and accompanying decrease in our authorized shares. The text of the form of amendment to the Certificate of Incorporation is set forth in Appendix B to this Proxy Statement. However, such text is subject to amendment to include such changes as may be required by the office of the Secretary of State of the State of Delaware or as the Board deems necessary and advisable to effect the reverse stock split and decrease in authorized shares.

If, following stockholder approval, the Board elects to effect the proposed reverse stock split, then except for adjustments that may result from the treatment of fractional shares as described below, each stockholder will hold the same percentage of outstanding common stock immediately following the reverse stock split as such stockholder held immediately prior to the reverse stock split. The par value of the common stock would remain unchanged at $0.001 per share.

Our Board of Directors does not intend for the reverse stock split transaction to be the first step in a series of plans or proposals of a "going private transaction" within the meaning of Rule 13e-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Reasons For The Reverse Stock Split

Nasdaq Listing Deficiency

Background: Our Board of Directors' primary objective in asking for authority to effect a reverse split is to increase the per-share trading price of our common stock on the Nasdaq Stock Market. On June 4, 2015, we received a letter from the Listing Qualifications Staff of The NASDAQ Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of the our common stock for the previous 30 consecutive trading days, we no longer met the requirement to maintain a minimum bid price of $1 per share, as set forth in Nasdaq Listing Rule 5450(a)(1). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were provided a period of 180 calendar days, or until December 1, 2015, in which to regain compliance. We were unable to regain compliance with the minimum bid price requirement within this 180-day period, and on December 3, 2015, we received a Nasdaq Staff Determination Letter notifying us that our stock would be delisted from the Nasdaq Stock Market unless we appealed the determination to the Nasdaq Hearing Panel, or we were eligible to transfer from the Nasdaq Global Market, or NGM, to the Nasdaq Capital Market, or NCM. Though we were eligible to transfer from the NGM to the NCM, we elected to appeal the delisting determination to the Nasdaq Hearing Panel, which election stayed the Nasdaq Staff's determination pending the Hearing Panel's decision on our appeal. The hearing was held on January 21, 2016, and on January 27, 2016, the Nasdaq Hearing Panel issued its determination letter which it granted us an additional 180-day period (expiring May 31, 2016) to come into compliance with its minimum bid price requirement, and which required that:

- by mid-March, we shall have filed our definitive proxy for a stockholders meeting which includes a request to approve a reverse stock split to bring our stock priced above $1;

- on or before May 10, 2016, we shall have held a stockholders meeting at which the stockholders approve a reverse stock sufficient to demonstrate compliance with Nasdaq's minimum $1 bid price requirement;

- on or before May 31, 2016, we shall have demonstrated a closing bid price of $1 or more for a minimum of ten consecutive trading days.

Our common stock listing was transferred from the NGM tier to NCM tier on February 1, 2016, and in a letter dated February 10, 2015, the Nasdaq Staff confirmed its approval of the transfer of our listing from NGM to NCM effective as of February 1, 2015. In the event we do not cure our listing deficiency by May 31, 2016, Nasdaq will provide us notice that our common stock will be subject to delisting.

Potential Adverse Effects of Delisting: Our Board of Directors has considered the potential harm to us of a delisting from NCM and believes that delisting from the NCM would materially and adversely affect us, including as follows:

- We would be forced to seek to be traded on a less recognized or accepted exchange or market such as the OTC Bulletin Board or the "pink sheets;"

- the trading price of our common stock would be adversely affected, including an increased spread between the "bid" and "asked" prices quoted by market makers;

- the liquidity and marketability of shares of our common stock would be adversely affected, thereby reducing the ability of holders of our common stock to purchase or sell our shares as quickly and as inexpensively as they have done historically (if our stock is traded as a "penny stock," transactions in our stock would be more difficult and cumbersome);

- our ability to access capital on terms favorable to us (or at all) would be adversely affected, as companies trading on the OTC Bulletin Board or "pink sheets" are viewed as less attractive investments with materially higher associated risks, such that existing or prospective institutional investors may be less interested in, or prohibited from, investing in our common stock (which may also cause the market price of our common stock to decline);

- our relationships with vendors and customers may be adversely affected, as they may perceive our business less favorably, which would have a detrimental effect on our relationships with these parties.

Further, if we are required to move our stock listing to the OTC Bulletin Board, or "pink sheets," we will no longer be deemed a "covered security" under Section 18 of the Securities Act of 1933, as amended, and, as a result, we will lose our exemption from state securities regulations. Among other things, this means that granting stock options and other equity incentives to our employees will be more difficult.

Potential Increased Investor Interest

Although the proposed reverse stock split will not have the effect of increasing our equity market capitalization, we believe that implementing the reverse stock split will provide benefits to us and our existing stockholders in a number of ways:

- *Stock Price Volatility*: We have been advised by certain institutional investors, as well as by our financial advisors, that a higher stock price may increase the acceptability of our common stock to a number of long-term investors who may not find our shares attractive at their current prices due to the trading volatility often associated with stocks below certain prices.

- *Stock Price Requirements:* We understand that many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers or by restricting or limiting the ability to purchase such stocks on margin.

- *Transaction Costs:* Investors also may be dissuaded from purchasing stocks below certain prices because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such low-priced stocks.

Reasons for the Reduction in Total Number of Authorized Shares of Common Stock

As a matter of Delaware law, implementation of the reverse stock split does not require a change in the total number of shares of our common stock authorized under our Certificate of Incorporation. However, the proposed reduction in the total number of authorized shares of our common stock is intended to conform to the requirements of certain entities that make recommendations to stockholders regarding proposals submitted by the Company and to ensure that we do not have what might be perceived as an unreasonably high number of authorized but unissued shares of common stock. In addition, the Board of Directors believes that the reduction in the number of authorized shares of the Company's common stock may also reduce certain of the Company's costs, such as annual franchise taxes paid to the State of Delaware.

It is not required that any decrease in our authorized common stock must be in proportion to the reverse stock split ration that is selected by our Board of Directors. Though we intend that the larger the reverse split, the larger the decrease in our authorized shares, it is likely that that our authorized and unissued/unreserved shares of common stock will comprise a greater percentage of our total authorized shares after the reverse split than it currently does. See "Effects of the Reverse Stock Split" below.

Board Discretion to Implement Reverse Stock Split and Decrease in Authorized Shares

If the reverse stock split is approved by our stockholders at the Annual Meeting, the actual reverse stock split and accompanying decrease in authorized shares will be effected, if at all, only upon a subsequent determination by the Board of Directors that the reverse stock split (with the actual reverse split exchange ratio to determined by the Board within the stockholder-approved range, as described above) and decrease in our authorized common stock are in the best interests of the Company and its stockholders at the time. Such determination will be based upon many factors, including existing and expected marketability and liquidity of the common stock, prevailing market conditions and the likely effect of the reverse split on the market price of our common stock. Notwithstanding approval of the proposed reverse stock split and proposed decrease in our authorized shares by the stockholders, the Board of Directors may, in its sole discretion, abandon the proposed amendments to our Certificate of Incorporation and determine prior to the effectiveness of any filing with the Delaware Secretary of State not to effect the reverse stock split (the decrease in our authorized common stock will only occur if the reverse stock split occurs). If the Board of Directors fails to implement the reverse stock split after stockholder approval, further stockholder approval would thereafter be required prior to implement any reverse stock split and/or decrease in our authorized shares.

Effects of the Reverse Stock Split

Maintenance of Ownership Percentage:

If the reverse stock split is approved and effected, each stockholder will own a reduced number of shares of common stock. This would affect all of our stockholders uniformly and would not affect any stockholder's percentage ownership in the Company, except to the extent that the reverse stock split results in a stockholder owning a fractional share, as described below. The number of stockholders of record would not be affected by the reverse stock split.

Voting Rights: Proportionate voting rights and other rights of the holders of our common stock would not be affected by the reverse stock split, other than as a result of rounding up each fractional share amount to the next whole share amount, as described below. For example, a holder of 1% of the voting power of the outstanding shares of our common stock immediately prior to the reverse stock split would continue to hold 1% of the voting power of the outstanding shares of common stock after the reverse stock split, regardless of the exchange ratio chosen by the Board of Directors.

Decrease in Authorized Shares – Increase in % of Unissued/Unreserved versus Issued/Reserved for Issuance:

At the time of the reverse stock split, the number of authorized shares of the Company's common stock would be reduced from 290,000,000 to a number in a range between 25,000,000 and 100,000,000, as determined by the Board of Directors in its discretion. The par value per share of our common stock would remain unchanged at $0.001 per share after the reverse stock split, and we would continue to have 5,000,000 million shares of authorized but unissued preferred stock.

Despite the reduction, on a post-split basis we anticipate that the proportion of authorized but unissued and unreserved shares of common stock will increase as compared to the number of common stock outstanding or reserved for issuance. For example, as of January 31, 2016, the 195,186,460 shares of our common stock outstanding or reserved for issuance represented approximately 67.3% of the 290,000,000 total shares of common stock authorized under our Certificate of Incorporation, while the 213,895,047 fully-diluted outstanding shares of our common stock (equal to the sum of (i) 195,186,460 shares of outstanding common stock, plus (ii) shares issuable upon exercise of outstanding warrants, plus (iii) option pool shares that are unallocated or reserved for issuance under outstanding awards under our equity incentive plans) represented approximately 73.76% of the 290,000,000 total shares of common stock authorized under our Certificate of Incorporation. By way of example, were our Board of Directors to elect to effect a 1-for-25 reverse stock split, (i) our outstanding share count would decrease from 195,186,460 (on a pre-split basis) to approximately 7,807,458 shares (on a post-split basis) and (ii) our fully-diluted share count would decrease from 213,895,047 (on a pre-split basis) to approximately 8,555,802 shares (on a post-split basis), while the total number of authorized shares of the Company would decrease from 290,000,000 to between 25,000,000 and 100,000,000, as determined at the Board of Director's discretion. While the amount of the reduction in our authorized shares will increase along with an increase in the reverse stock split ratio, our Board is not required to make this reduction in authorized shares proportionate to any such reverse stock split ratio. Thus, after the reverse stock split, we may have a substantially greater

proportion of authorized but unissued and unreserved shares available to us after the reverse split is consummated than we have at present. See "Summary Table re: Effects of Stock Split" for hypothetical reductions in the Company's authorized shares based on the reverse stock split ratio that is ultimately selected by our Board.

We anticipate that we would use this post-split pool of authorized and unreserved/unissued shares to help consummate future financing transactions. Any such financing would likely be dilutive to the stockholders unless it is structured as an offering in which all current stockholders could participate.

Further, the increase in the number of shares of authorized and unissued/unreserved Common Stock will have an 'anti-takeover effect' by permitting the issuance of a proportionately great number shares on a post-split basis (as compared to pre-split) to purchasers who might oppose a hostile takeover bid or oppose any efforts to amend or repeal certain provisions of our Certificate of Incorporation or our Amended and Restated Bylaws, as amended. The increased number of available authorized and unissued/unreserved shares as a result of the reverse stock split would give our management more flexibility to resist or impede a third-party takeover bid that provides an above-market premium that is favored by a majority of the independent stockholders. Any such anti-takeover effect of a reverse stock split would be in addition to existing anti-takeover provisions of the Certificate of Incorporation and our Amended and Restated Bylaws.

Equity Incentive Plans:

All shares of our common stock subject to outstanding equity awards (including stock options, performance shares and stock appreciation rights) under our Amended and Restated 1997 Stock Option and Stock Purchase Plan ("1997 Plan), 2004 Equity Incentive Plan ("2004 Plan"), 2011 Employee Stock Purchase Plan, 2014 Equity Incentive Plan ("2014 Plan") and our 2015 New Employee Incentive Plan ("Inducement Plan" and collectively with the other incentive plans, the "Plans") and the number of shares of common stock which have been authorized for issuance under our Plans but as to which no equity awards have yet been granted or which have been returned respective Plan pools upon cancellation or expiration of such equity awards, will be converted on the effective date of the reverse stock split in proportion to the reverse split ratio of the reverse stock split (subject to adjustment for fractional interests). In addition, the exercise price of outstanding stock awards will be proportionately increased such that approximately the same aggregate price will be required to be paid after the reverse stock split as immediately preceding the reverse stock split. No fractional shares with respect to the shares subject to the outstanding equity awards (including stock options, performance shares and stock appreciation rights) under our Plans will be issued following the reverse stock split. Therefore, if the number of shares subject to any outstanding equity awards under our Plans immediately before the reverse stock split is not evenly divisible (in other words, it would result in a fractional interest following the reverse stock split), the number of shares of common stock subject to such equity award (including upon exercise of stock options and stock appreciation rights) will be rounded up to the nearest whole number. This will result in an increase to the proportion of shares reserved for issuance under our Plans to the number of authorized shares of common stock following the reverse stock split.

The number of shares of our common stock subject to awards under our 1997 Plan, 2004 Plan, 2014 Plan and Inducement Plan as of January 31, 2016 are 221,800; 5,817,971;7,267,175 and 0, respectively.

Summary Table re: Effects of Stock Split

The following table contains approximate information relating to our common stock based upon certain reverse stock split ratios within the range that has been submitted for stockholder approval, and based on share information as of January 31, 2016. The ranges of total authorized shares (on a post-reverse split basis) have been included as examples only, and do not limit the Board's discretion to determine the decrease in our authorized shares within the stockholder-approved range.

	Pre-Reverse Stock Split	**Post-Split (1:5)**	**Post-Split (1:15)**	**Post-Split (1:25)**
Total Authorized Shares	290,000,000	100,000,000[(1)]	50,000,000[(1)]	25,000,000[(1)]
Shares Outstanding	195,186,460	39,037,292	13,012,431	7,807,458
Shares Reserved for Issuance Upon Exercise of	3,275,693	655,139	218,380	131,028

Warrants				
Allocated Option Pool - Shares Reserved for Issuance Upon Exercise/Release of Employee Incentive Plan Awards[(2)]	13,306,946	2,661,389	887,130	532,278
Unallocated Option Pool - Authorized but not Issued or Outstanding, or Reserved for Issuance, Under our Employee Incentive Plans[(2)]	2,125,948	425,190	141,730	85,038
Fully Diluted Shares (Issued and Reserved for Issuance)[(3)]	213,895,047	42,779,009	14,259,670	8,555,802
Shares Authorized but not Issued or Reserved (and % of Total Authorized	76,104,953 (26.24%)	57,220,991 (57.2%)	35,740,330 (71.48%)	16,444,198 (65.78%)

(1) These authorized share amounts are for purposes of example only, and do not in any way limit the authority of our Board of Directors to determine the reduction in our authorized shares within the approved range (assuming stockholder approval of this Proposal 4), which reduction may be proportionately less or greater than the proportions set forth above.
(2) Includes shares issuable upon exercise of awards under our 1997 Plan, 2004 Plan, 2014 Plan and Inducement Plan.
(3) Excludes approximately 24,229,335 shares reserved for our at-the-market, or ATM, offering program, as this share amount may be increased or decreased (all the way to zero) by the Company at its sole discretion.

No fractional shares of our common stock will be issued in connection with the proposed reverse stock split. Holders of common stock who would otherwise receive a fractional share of common stock pursuant to the reverse stock split will receive have their fractional shares rounded up to the nearest whole share amount, as explained more fully below.

Our common stock is currently registered under Section 12(b) of the Exchange Act, and the Company is subject to the periodic reporting and other requirements of the Exchange Act. The reverse stock split would not affect the registration of our common stock under the Exchange Act. After the reverse stock split, our common stock would continue to be reported on the Nasdaq Capital Market tier under the symbol "CYTX".

Certain Risks and Potential Disadvantages Associated with the Reverse Stock Split

If the reverse stock split is implemented, some stockholders may consequently own less than one hundred shares of our common stock. A purchase or sale of less than one hundred shares (an "odd lot" transaction) may result in incrementally higher trading costs through certain brokers, particularly "full service" brokers. Therefore, those stockholders who own less than one hundred shares following the reverse stock split may be required to pay modestly higher transaction costs should they then determine to sell their shares in the Company.

The effect of the reverse stock split upon the market prices for our common stock cannot be accurately predicted. However, surveys of similar stock split combinations for companies in like circumstances in our industry over the past twelve months have reported decreases in stock price performance in the near-term trading period after effectiveness of the reverse stock split. In particular, there is no assurance that the price per share of our common stock after the reverse stock split will increase in a manner directly proportionate to our reverse split ratio so as to cause our market capitalization (and the value of our stockholders' respective common stock holdings) to remain the same. Furthermore, there can be no assurance that the market price of our common stock immediately after the proposed reverse stock split will be maintained for any period of time. Even if an increased share price can be maintained, the reverse stock split may not achieve the other desired results which have been outlined above. Moreover, because some investors may view a reverse stock split negatively, there can be no assurance that approval of the reverse stock split will not adversely impact the market price of our common.

In addition, although we believe the reverse stock split may enhance the desirability of our common stock to certain potential investors, we cannot assure you that, if the reverse stock split is implemented, our common stock will be more attractive to institutional and other long term investors or that the liquidity of our common stock will increase since there would be a reduced number of shares outstanding after the reverse stock split.

Effective Date

If the proposed reverse stock split is approved at our Annual Meeting and the Board of Directors elects to proceed with a reverse stock split within the stockholder-approved range, the reverse stock split would become effective as of the filing (the "Effective Time") of the applicable certificate of amendment to our Certificate of Incorporation with the office of the Secretary of State of the State of Delaware. Except as explained below with respect to fractional shares, at the Effective Time, all shares of our common stock issued and outstanding immediately prior thereto will be, automatically and without any action on the part of the stockholders, combined and converted into new shares of common stock in accordance with the reverse stock split ratio determined by the Board of Directors (within the approved range), and our authorized share total will be decreased to an amount determined by our Board of Directors (within the approved range).

If the Board elects to effect a reverse split, before we file the amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware, we intend to issue a press release announcing the terms, including the reverse stock split ratio and decrease in our authorized shares, as well as the effective date of the reverse split.

Exchange of Stock Certificates

As soon as practicable after the effective date of the reverse stock split, stockholders will be notified that the reverse stock split has been effected. Computershare, our transfer agent, will act as exchange agent for purposes of implementing the exchange of stock certificates. Holders of pre-split shares will be asked to surrender to the exchange agent certificates representing pre-split shares in exchange for certificates representing post-split shares in accordance with the procedures to be set forth in a letter of transmittal that will be delivered to our stockholders. No new certificates will be issued to a stockholder until the stockholder has surrendered to the exchange agent his, her or its outstanding certificate(s) together with the properly completed and executed letter of transmittal. STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATES AND SHOULD NOT SUBMIT THEIR STOCK CERTIFICATES UNTIL THEY RECEIVE A TRANSMITTAL FORM FROM OUR EXCHANGE AGENT. STOCKHOLDERS ARE ENCOURAGED TO PROMPTLY SURRENDER CERTIFICATES TO THE EXCHANGE AGENT FOLLOWING RECEIPT OF TRANSMITTAL FORMS IN ORDER TO AVOID HAVING SHARES POSSIBLY BECOMING SUBJECT TO ESCHEAT LAWS.

Stockholders whose shares are held by their stockbroker do not need to submit old share certificates for exchange. These shares will automatically reflect the new quantity of shares based on the selected Reverse Stock Split ratio. Beginning on the effective date of the Reverse Stock Split, each certificate representing pre-split shares will be deemed for all corporate purposes to evidence ownership of post-split shares.

Treatment of Fractional Shares

In lieu of any fractional shares to which a holder of our common stock would otherwise be entitled as a result of the reverse stock split, we shall round up each such fractional shares to the nearest whole share amount. We expect that this will result in a slight increase in the overall number of shares outstanding after the split than if we were to elect payment of cash for fractional shares, but the effect on stockholders' respective ownership percentages will be negligible. As of January 31, 2016, there were approximately twenty (20) stockholders of record of our common stock.

Discretionary Authority of the Board to Abandon Reverse Stock Split

The Board of Directors reserves the right to abandon the reverse stock split without further action by our stockholders at any time before the effectiveness of the certificate of amendment, even if the reverse stock split has been authorized by our stockholders. By voting in favor of the reverse stock split and accompanying decrease in our authorized shares, you are expressly also authorizing our Board of Directors to determine not to proceed with, and abandon, the reverse stock split and decrease in our authorized shares, if it should so decide.

No Appraisal Rights

Under the Delaware General Corporation Law, our stockholders do not have a right to dissent and are not entitled to appraisal rights with respect to the proposed amendments to our Certificate of Incorporation to effect the reverse stock split and decrease in our authorized shares, and we will not independently provide our stockholders with any such rights.

Material Federal Income Tax Consequences

The following discussion describes the anticipated material United States Federal income tax consequences to "U.S. holders" (as defined below) of Company capital stock relating to the reverse stock split. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service ("IRS"), and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). We have not obtained a ruling from the IRS or an opinion of legal or tax counsel with respect to the tax consequences of the reverse stock split. The following discussion is for information purposes only and is not intended as tax or legal advice. Each holder should seek advice based on the holder's particular circumstances from an independent tax advisor.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES, OR UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TREATY.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of Company capital stock who is for United States Federal income tax purposes:

(i) an individual citizen or resident of the United States;

(ii) a corporation (or other entity treated as a corporation for U.S. Federal income tax purposes) organized under the laws of the United States, any state, or the District of Columbia;

(iii) an estate with income subject to United States Federal income tax regardless of its source; or

(iv) a trust that (a) is subject to primary supervision by a United States court and for which United States persons control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

This discussion assumes that Company capital stock is held as a capital asset within the meaning of Code Section 1221. This discussion does not address all of the tax consequences that may be relevant to a particular Company stockholder or to Company stockholders that are subject to special treatment under United States Federal income tax laws including, but not limited to, banks, financial institutions, tax-exempt organizations, insurance companies, regulated investment companies, real estate investment trusts, entities such as partnerships or s-corporations that are treated as "flow-through" entities, or entities that are disregarded as separate from their owners for tax purposes, persons that are broker-dealers, traders in securities who elect the mark-to-market method of accounting for their securities, or Company stockholders holding their shares of Company capital stock as part of a "straddle," "hedge," "conversion transaction," or other integrated transaction, U.S. expatriates, persons subject to the alternative minimum tax, to persons whose shares constitute "qualified small business stock" for purposes of Code section 1202, or persons who hold their Company capital stock through individual retirement or other tax-deferred accounts. This discussion also does not address the tax consequences to the Company, or to Company stockholders that own 5% or more of the Company's capital stock, are affiliates of Company, or are not U.S. holders. In addition, this discussion does not address other United States Federal taxes (such as gift or estate taxes or alternative minimum taxes), the tax consequences of the reverse stock split under state, local, or foreign tax laws or certain tax reporting requirements that may be applicable with respect to the reverse

stock split. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

If a partnership (or other entity treated as a partnership for United States Federal income tax purposes) is a Company stockholder, the tax treatment of a partner in the partnership, or any equity owner of such other entity will generally depend upon the status of the person and the activities of the partnership or other entity treated as a partnership for United States Federal income tax purposes.

Tax Consequences of the Reverse Stock Split Generally

We believe that the reverse stock split will qualify as a "reorganization" under Section 368(a)(1)(E) of the Code. Accordingly, provided that the fair market value of the post-reverse stock split shares is equal to the fair market value of the pre-reverse stock split shares surrendered in the reverse stock split:

- A U.S. holder will not recognize any gain or loss as a result of the reverse stock split;
- A U.S. holder's aggregate tax basis in his, her, or its post-reverse stock split shares will be equal to the aggregate tax basis in the pre-reverse stock split shares exchanged therefor;
- A U.S. holder's holding period for the post-reverse stock split shares will include the period during which such stockholder held the pre-reverse stock split shares surrendered in the reverse stock split; and
- For purposes of the above discussion of the basis and holding periods for shares of Company capital stock, and except as provided therein, holders who acquired different blocks of Company capital stock at different times for different prices must calculate their basis and holding periods separately for each identifiable block of such stock exchanged, converted, canceled or received in the reverse stock split.

Required Vote and Board of Directors Recommendation

The affirmative vote of the holders of a majority of the shares of the Common Stock outstanding and entitled to vote will be required to approve the reverse stock split and decrease in our authorized shares and the corresponding amendment to our Certificate of Incorporation to effect the reverse split and accompanying decrease. As a result, abstentions will have the same effect as "Against" votes. Because brokers have discretionary authority to vote on this proposal, we do not expect any broker non-votes in connection with this proposal.

The Board believes that the above proposal is in the best interests of the Company and its stockholders for the reasons stated above.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL #4.

CORPORATE GOVERNANCE

During 2015: the Board of Directors held ten meetings and took action via unanimous written consent five times; the Audit Committee met five times; the Compensation Committee met three times; the Governance and Nominating Committee met two times; the Executive Committee met one time and took action via unanimous written consent one time; and the sub-committee of the Executive Committee, comprised of our Chairman and our CEO, took action via unanimous written consent four times.

Each member of the Board of Directors attended seventy-five percent (75%) or more of the aggregate of (i) the total number of Board meetings held during the period of such member's service and (ii) the total number of meetings of committees of the Board of Directors on which such member served, during the period of such member's service, other than Gary Lyons, who attended 75% or more of our regularly scheduled Board meetings, and would have met or exceeded this 75% threshold but for the fact that he was unable to attend two special telephonic meetings of the Board of Directors that were called on short notice.

All Board members are encouraged to attend our annual stockholders' meetings in person. However, in 2015, we were unexpectedly required to move our stockholder meeting date such that it ceased to coincide with our regularly rescheduling Board meeting. Two directors, including our Chairman, attended the 2015 Annual Meeting of our Stockholders.

Board Independence

The Board of Directors has determined that Messrs. Hawkins, Hawran, Rickey, Thompson, Lyons, and Dr. Naughton are "independent" under the rules of the NASDAQ Stock Market. Under applicable SEC and the NASDAQ rules, the existence of certain "related person" transactions above certain thresholds between a director and the Company are required to be disclosed and preclude a finding by the Board of Directors that the director is independent. The Board of Directors is not able to consider Dr. Hedrick, our President and Chief Executive Officer, independent, as a result of his employment with us during the past three years.

Board of Directors Leadership Structure

Our bylaws and governance principles provide the Board of Directors with the flexibility to combine or separate the positions of Chairman and Chief Executive Officer. Historically, these positions have been separate. Our Board believes that the separation of these positions strengthens the independence of our Board and allows us to have a Chairman focused on the leadership of the Board while allowing our Chief Executive Officer to focus more of his time and energy on managing our operations. The Board currently believes this structure works well to meet the leadership needs of the Board and of the Company. Dr. Hedrick, our President and Chief Executive Officer, has comprehensive industry expertise and is able to devote substantial time to the Company, and Mr. Rickey, our Chairman, is able to devote focus on longer term and strategic matters, and to provide related leadership to the Board. As a result, we do not currently intend to combine these positions; however a change in this leadership structure could be made if the Board of Directors determined it was in the best long-term interests of stockholder based upon a departure of either our Chief Executive Officer or Chairman. For example, if the two roles were to be combined, we believe that the independence of the majority of our directors, and the three fully independent Board committees, would provide effective oversight of our management and the Company.

The Board's Role in Risk Oversight

The Board's role in risk oversight includes assessing and monitoring risks and risk management. The Board reviews and oversees strategic, financial and operating plans and holds management responsible for identifying and moderating risk in accordance with those plans. The Board fulfills its risk oversight function by reviewing and assessing reports from members of management on a regular basis regarding material risks faced by us Company and applicable mitigation strategy and activity. The reports cover the critical areas of operations, sales and marketing, development, regulatory and quality affairs, intellectual property, clinical development, legal and financial affairs. The Board and its Committees (described below) consider these reports; discuss matters with management and identify and evaluate any potential strategic or operational risks, and appropriate activity to address those risks.

Board Committees

The Board of Directors has standing Audit, Compensation, Executive, and Governance and Nominating Committees. All members of the Compensation Committee, Audit Committee, and Governance and Nominating Committee are independent directors.

Compensation Committee

The Compensation Committee currently consists of Mr. Thompson (Chairman), Mr. Lyons and Dr. Naughton. Following the Annual Meeting and Mr. Thompson's departure from the Board (or, if earlier, Mr. Thompson's resignation), the Compensation Committee will consist of Mr. Lyons (who will assume Mr. Thompson's position as Chairman), Dr. Naughton and Mr. Rickey. During 2015, Mr. Hawran stepped down as a Compensation Committee member and was replaced by Mr. Lyons. Each of these members is independent as defined by NASDAQ, a "Non-Employee Director" as defined by rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934, as amended, and an "outside director" as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended. The Committee Chairman is responsible for setting the Committee's calendar and meeting agenda.

The Compensation Committee is responsible for developing and implementing compensation programs for our executive officers and other employees, subject only to the discretion of the full Board. More specifically, our Compensation Committee establishes base salary rates for each of the Company's officers, and administers our 2004 Equity Incentive Plan, our 2014 Equity Incentive Plan, our Executive Management Incentive Compensation Plan, our 2011 Employee Stock Purchase Plan and our 2015 New Employee Incentive Plan. This Committee establishes the compensation and benefits for our Chief Executive Officer (CEO) and other executive officers, and annually reviews the relationship between our performance and our compensation policies as well as assessing any risks associated with our compensation policies. In addition, this Committee reviews, and advises the Board on, regional and industry-wide compensation practices and trends in order to assess the adequacy of our executive compensation programs. The charter of the Compensation Committee has been established and approved by the Board of Directors, and a copy of the charter has been posted on our website at www.cytori.com under Investor Relations – Corporate Governance.

The Compensation Committee has delegated to our CEO the authority to award stock option grants to non-executive employees from a pool of stock options set aside by the Committee from time to time. Any grant made from such pool to a non-executive employee may not exceed 50,000 shares and all of the grants shall have an exercise price equal to 100% of our Common Stock's fair market value on the grant date. Upon effectiveness of our reverse stock split (see Proposal 4 above), this grant approval limit will be decreased in proportion to the reverse split ratio. We have a written policy that addresses the dates on which it is appropriate to grant such options. In addition, our CEO:

- Makes recommendations to the Compensation Committee regarding the base salary, bonus and stock option award levels for our other executive officers; and
- Provides an annual recommendation to the Compensation Committee regarding overall Company performance objectives for the year and the individual performance objectives of each of our executive officers with respect to our Executive Management Incentive Compensation Plan, and reports to the Compensation Committee on the satisfaction of each such objective.

Our CEO attends some of the meetings of the Compensation Committee upon invitation, but does not participate in the executive sessions of the Compensation Committee.

Audit Committee

During 2015, Mr. Hawran (Chairman), Mr. Thompson and Mr. Hawkins were the members of our Audit Committee. Following the Annual Meeting and Mr. Thompson's departure from the Board (or, if earlier, Mr. Thompson's resignation), the Audit Committee will consist of Mr. Hawran (Chairman), Mr. Hawkins and Mr. Lyons. The Audit Committee is comprised solely of independent directors, as defined by NASDAQ. The Board of Directors has determined that Mr. Hawran is an "audit committee financial expert" within the meaning of Item 407(d)(5) of SEC Regulation S-K. The charter of the Audit Committee has been established and approved by the Board of Directors, and a copy of the charter has been posted on our website at www.cytori.com under Investor Relations – Corporate Governance.

The Audit Committee selects our auditors, reviews the scope of the annual audit, approves the audit fees and non-audit fees to be paid to our auditors, and reviews our financial accounting controls with the staff and the auditors. The Audit Committee is also charged with review and oversight of management's enterprise risk management assessment.

Governance and Nominating Committee

Mr. Hawkins (Chairman), Mr. Lyons and Dr. Naughton comprised the members of our Governance and Nominating Committee in 2015. Dr. Naughton joined the Governance and Nominating Committee in January 2015.

The Governance and Nominating Committee is comprised solely of independent directors, as defined by NASDAQ. The Governance and Nominating Committee interviews, evaluates, nominates and recommends individuals for membership on the Board, evaluates the effectiveness of the Board and its serving members, and recommends the structure, responsibility and composition of the committees of the Board. The Committee is also responsible for recommending guidelines and policies for corporate governance for adoption by the Board. The charter of the Governance and Nominating Committee has been established and approved by the Board of Directors, and a copy of the charter has been posted on our website at www.cytori.com under Investor Relations – Corporate Governance.

Executive Committee

In 2015, the Executive Committee consisted of Dr. Hedrick, Mr. Rickey, Mr. Hawkins, Mr. Hawran, and Mr. Thompson. Following the Annual Meeting and Mr. Thompson's departure from the Board, the Executive Committee will consist of Dr. Hedrick, Mr. Rickey, Mr. Hawkins, Mr. Hawran and Mr. Lyons.

The Executive Committee's responsibilities include to evaluate and approve the material terms of any financing transactions or business transactions as well as to authorize and approve the issuance of stock and/or other equity securities. The Executive Committee also would be able to act on behalf of the full Board in urgent or exigent circumstances wherein it would be very difficult or impossible to assemble the full Board between regularly scheduled meetings. The Sub-Committee of the Executive Committee, consists of Chairman of the Board and the CEO, has the authority to approve corporate expenditures presented by our management in excess of $250,000 up to a maximum of $1,000,000 for a single corporate transaction.

CODE OF BUSINESS CONDUCT AND ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and controller. This Code of Business Conduct and Ethics has been posted on our website at www.cytori.com. We intend to post amendments to this code, or any waivers of its requirements, on our website at www.cytori.com under Investor Relations – Corporate Governance, as permitted under SEC rules and regulations.

DIRECTOR NOMINATIONS

Criteria for Board Membership

In selecting candidates for appointment or re-election to the Board, the Governance and Nominating Committee seeks candidates with a broad diversity of experience, skills, professions, and backgrounds. The criteria include the candidate's integrity, business acumen, commitment, reputation among our various constituencies and communities, ability to make independent analytical inquiries, understanding of our business environment, and willingness to devote adequate time to Board duties. The Board has also determined that gender and ethnic diversity of the Board will be an important factor in evaluation of candidates. There are no other pre-established qualifications, qualities or skills at this time that any particular Director nominee must possess and nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law. The Governance and Nominating Committee does not assign specific weights to particular criteria, nor has it adopted a particular policy. Rather, the Board of Directors believes that the backgrounds and qualifications of the directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities. The goal of the Governance and Nominating Committee is to assemble a Board of Directors that brings to our Company a variety of skills derived from high quality businesses and professional experience. The Committee seeks to ensure that at least a majority of the directors are independent under NASDAQ rules, and that members of the Company's Audit Committee meet the financial literacy and sophistication requirements under the NASDAQ rules, and at least one of them qualifies as an "audit committee financial expert" under the rules of the SEC.

Stockholder Nominees

The Governance and Nominating Committee is responsible for the consideration of any director candidates recommended by security holders, provided such nominations are made in accordance with the Company's bylaws and applicable law. Any recommendations received from the security holders will be evaluated in the same manner that potential nominees suggested by Board members, management or other parties are evaluated. Any such nominations should be submitted to the Governance and Nominating Committee c/o the Secretary of the Company and should include the following information: (a) all information relating to such nominee that is required by the Company's Amended and Restated Bylaws (the "Bylaws"), and that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the names and addresses of the stockholders making the nomination and the number of shares of the Company's common stock which are owned beneficially and of record by such stockholders; and (c) other appropriate biographical information and a statement as to the qualification of the nominee, and should be submitted no later than the deadlines described in the Bylaws of the Company and under the caption, "Stockholder Proposals for 2016 Annual Meeting" below.

STOCKHOLDER COMMUNICATION WITH THE BOARD

Stockholders may contact an individual director, the Board as a group, or a specified Board committee or group, including the independent directors as a group, by the following means:

- Mail:

  Chairman of the Board
  Cytori Therapeutics, Inc.
  3020 Callan Road
  San Diego, CA 92121

  CC: General Counsel

- E-mail: chairman@cytori.com

Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. The Chairman of the Board will initially receive and process communications before forwarding them to the addressee. Communications also may be referred to other departments within the Company. The Chairman of the Board generally will not forward to the directors a communication that he/she determines to be primarily commercial in nature or related to an improper or irrelevant topic, or that requests general information about the Company. Concerns about questionable accounting or auditing matters or possible violations of the Cytori Code of Business Conduct & Ethics should be reported pursuant to the procedures outlined in the Code of Business Conduct & Ethics, which are available on the Company's website in the Investor Relations section under Corporate Governance Materials.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee currently consists of Mr. Thompson (Chairman), Dr. Naughton, and Mr. Lyons, each of whom is an independent director and none of whom is a current or former employee of the Company. None of our executive officers served as a director or member of the Compensation Committee or any Board committee performing equivalent functions for another entity that has one or more executive officers serving on our Board of Directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding ownership of our Common Stock as of January 31, 2016 (or earlier date for information based on filings with the SEC) by (a) each person known to us to own more than 5% of the outstanding shares of our Common Stock, (b) each director and nominee for director, (c) our President and Chief Executive Officer, VP of Finance and Chief Financial Officer and each other executive officer named in the compensation tables appearing later in this Proxy Statement and (d) all directors and executive officers as a group. The information in this table is based solely on statements in filings with the SEC or other reliable information. A total of 195,186,460 shares of our common stock were issued and outstanding as of January 31, 2016.

Name and Address of Beneficial Owner [1]	Number of Shares of Common Stock Owned [2]	Number of Shares of Common Stock Subject to Awards/Warrants Exercisable Within 60 Days [3]	Total Number of Shares of Common Stock Beneficially Owned [4]	Percent Ownership
Sabby Management, LLC.[5] 10 Mountainview Road, Suite 205 Upper Saddle River, NJ 07458	17,150,297	-	17,150,297	8.8%
CVI Investments, Inc.[6] Ugland House South Church Street George Town Grand Cayman KY1-1104 Cayman Islands	12,570,005	-	12,570,005	6.4%
Marc H. Hedrick, MD	627,411	974,271	1,601,682	*
Tiago M. Girao	126,250	91,250	217,500	*
Steven Kesten, M.D.	55,201	278,292	333,493	*
Seijiro Shirahama	72,159	552,708	624,867	*
Ken Kleinhenz	43,922	329,020	372,942	*
David M. Rickey	873,444	180,255	1,053,699	*
Paul W. Hawran	123,546	192,130	315,676	*
Richard J. Hawkins	76,154	167,130	243,284	*
Tommy Thompson	129,435	83,130	212,565	*
Gary A. Lyons	36,849	46,000	82,849	*
Gail Naughton	21,000	35,500	56,500	*
All executive officers and directors as a group (13)	2,211,570[7]	2,929,686	5,141,257[7]	2.6%

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares as of January 31, 2016.

(1) Unless otherwise indicated, the address of each of the named individuals is c/o Cytori Therapeutics, Inc., 3020 Callan Road, San Diego, CA 92121.

(2) Unless otherwise indicated, represents shares of outstanding common stock owned by the named parties as of January 31, 2016.

(3) Shares of common stock subject to stock options or warrants currently exercisable or exercisable within 60 days of January 31, 2016 are deemed to be outstanding for computing the percentage ownership of the person holding such options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

(4) The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Commission, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities for which that person has a right to acquire beneficial ownership within 60 days.

(5) Based upon a Schedule 13G/A filed January 12, 2016, reporting beneficial ownership as of December 31, 2015. Sabby Healthcare Master Fund, Ltd. ("Sabby Healthcare") has shared voting and dispositive power with respect to 10,975,000 shares. Sabby Volatility Warrant Master Fund, Ltd. (has shared voting and dispositive power with respect to 6,174,697 shares. Sabby Management, LLC ("Sabby Management") serves as the investment manager of Sabby Healthcare and Sabby Volatility and has shared voting and dispositive power with respect to 17,150,297 of these shares. Hal Mintz, in his capacity as manager of Sabby Management, has shared voting and dispositive power with respect to 17,150,297 of these shares. Each

of Sabby Management, LLC and Hal Mintz disclaim beneficial ownership over the securities owned except to the extent of their pecuniary interest therein The address for Sabby Management is 10 Mountainview Road, Suite 205, Upper Saddle River, New Jersey 07458. The address for Mr. Mintz is c/o Sabby Management, LLC, 10 Mountainview Road, Suite 205, Upper Saddle River, New Jersey 07458.

(6) Information reported is based solely on a Schedule 13G as filed with the Securities and Exchange Commission on October 2, 2015. According to the Schedule 13G, CVI Investments, Inc. has (i) shared power to vote or to direct the vote of 12,570,005 shares; and (ii) shared power to dispose or to direct the disposition of 12,570,005 shares. Heights Capital Management, Inc., which serves as the investment manager to Capital Ventures International, may be deemed to be the beneficial owner of all Shares owned by Capital Ventures International.

(7) This aggregate amount includes 26,200 shares owned by Jeremy Hayden, General Counsel and Vice President of Business Development.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

During fiscal year 2015 there were no related party transactions.

Procedures for Approval of Related Person Transactions

The Governance and Nominating Committee of the Board of Directors is responsible for reviewing and approving most material transactions with related persons, as such term is defined under Item 404 of Regulations S-K. However, in certain cases, transactions have been approved by the full Board of Directors, the Audit Committee, or some other committee consisting of all independent directors, as the case may be. In general, transactions with holders of our securities covered by Item 403(a) of Regulation S-K will be reviewed and approved by our full Board of Directors, so long as none of our directors or executive officers or their family members have a material interest in such transaction. Related parties include any of our directors or executive officers, certain of our stockholders and their immediate family members. This obligation is set forth in writing in our Governance and Nominating Committee Charter. A copy of the Governance and Nominating Committee Charter is available at www.cytori.com under Investor Relations – Corporate Governance.

To identify related person transactions, each year we submit and require our directors and officers to complete Director and Officer Questionnaires identifying any transactions with us in which the officer or director or their family members have an interest. We review related person transactions due to the potential for a conflict of interest. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with the interests of the Company. Our Code of Business Conduct and Ethics requires all directors, officers and employees who may have a potential or apparent conflict of interest, or become aware of a potential or apparent conflict of interest, to immediately notify our Compliance Officer or the Chairman of the Audit Committee.

We expect our directors, officers and employees to act and make decisions that are in the Company's best interests and encourage them to avoid situations which present an actual or perceived conflict between our interests and their own personal interests. Exceptions are only permitted in the reasonable discretion of the Board of Directors or the Corporate Governance and Nominating Committee, consistent with the best interests of the Company. In addition, we are strictly prohibited from extending personal loans to, or guaranteeing the personal obligations of, any director or officer.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers, and persons or entities who own more than ten percent of our common stock, to file with the SEC reports of beneficial ownership and changes in beneficial ownership of our common stock. Those directors, officers, and stockholders are required by regulations to furnish us with copies of all forms they file under Section 16(a). Based solely upon a review of the copies of such reports furnished to us and written representations from such directors, officers, and stockholders, we believe that all such reports required to be filed during 2015 were filed on a timely basis except for five Form 4s for four of our directors and one Form 3 for one of our executive officers.

EXECUTIVE OFFICERS

Biographical Information

The following table sets forth biographical information regarding our named executive officers as of January 31, 2016.

Name	Age	Position(s)
Marc H. Hedrick, MD	53	President, Chief Executive Officer and Director
Tiago Girao	36	Vice President, Finance &Chief Financial Officer
Steven Kesten, MD	57	Executive Vice President & Chief Medical Officer
Seijiro N. Shirahama.	61	Chairman, Cytori Therapeutics, K.K[(1)]
Kenneth Kleinhenz.	51	Vice President, Global Regulatory Affairs

(1) Mr. Shirahama previously served as President – Asia Pacific until October 2015, and was appointed as Chairman of Cytori Therapeutics, K.K. in December 2015.

See "Proposal No. 1 Election of Directors" for biographical information regarding Dr. Hedrick.

Tiago Girao was appointed Vice President of Finance and Chief Financial Officer (CFO) in September 2014. Mr. Gir[a]o joined Cytori Therapeutics from NuVasive, Inc. where he recently served as International Controller from February 2014 to August 2014. Prior to his International Controller role, he served as Director, Financial Reporting, where he managed a team responsible for all corporate technical accounting and SEC related matters from March 2012 to February 2014. Prior to joining NuVasive, Mr. Gir[a]o served as Senior Manager, Assurance at KPMG, Cy tori's independent audit firm from October 2004 to March 2012. Prior to joining KPMG, Mr. Gir[a]o was a senior accountant for Ernst &Young in Brazil from October 2000 to August 2004. Mr. Gir[a]o is a certified public accountant with 14 years experience in the accounting, finance and reporting for U.S. and public companies and substantial experience in global finance and operations.

Steven Kesten, M.D. joined Cytori as Executive Vice President and Chief Medical Officer in February 2013. Previously, he served as Vice President and Chief Medical Officer at Uptake Medical from November 2010 to February 2013 and at Boehringer Ingelheim from 2000 to 2010, mostly recently as the Vice President, Medicine for Marketed Products for Respiratory Disease. Prior to that, he served as the medical director of the Rush Advanced Lung Disease and Lung Transplant Program at Rush Presbyterian St. Luke's Medical Center from 1996 to 1999; in 1995 as the medical director of the Toronto Lung Transplant Program at the University of Toronto; and as a staff pulmonologist at Toronto General Hospital and Toronto Western Hospital from 1989 to 1996. He also served as a faculty member of the University of Toronto and an associate professor of medicine at Rush Medical College. Dr. Kesten received his medical degree and specialty training in internal medicine and pulmonary medicine at the University of Toronto.

Seijiro N. Shirahama serves as Chairman of Cytori Therapeutics, K.K. a wholly owned subsidiary of the Company, as position he has held since October 2015. From November 2007 until October 2015, Mr. Shirahama served as our President – Asia Pacific. Mr. Shirahama had served as Senior Vice President – Asia Pacific since November 2006, and as Vice President – Asia Pacific, from September 2002 to November 2006. Prior to that, from May 1999 to August 2002, Mr. Shirahama was President of Touchmetrics K.K., a diagnostic ultrasound firm. He held executive positions with Bristol-Myers Squibb K.K. from April 1997 to October 1998, and from March 1995 until March 1997, was the General Manager for Baxter Biotech Group in Tokyo, Japan. Mr. Shirahama holds a B.A. from Kanagawa University in Yokohama, Japan and an M.A. from the University of San Francisco.

Kenneth Kleinhenz was appointed Vice President, Global Regulatory Affairs in April 2013. From November 2007 to April 2013, Mr. Kleinhenz had served as our Vice President of Regulatory Affairs and Quality Assurance, and prior to that had served as our Director of Regulatory Affairs since 1999. From September 1998 to June 1999, Mr. Kleinhenz was the Technical Director of IFM Manufacturing. He served as a Chief Microbiologist for Becton Dickinson from June 1997 to September 1998, and as Manager of Quality Assurance and Regulatory Affairs at Pacific Pharmaceuticals from September 1993 to June 1997. Mr. Kleinhenz is a veteran of the United States Navy, where he

served as a Clinical Microbiologist for six years at the Naval Hospital, San Diego. He earned his B.S. in Microbiology at the University of California, San Diego, and his M.B.A. in Technology Management at the University of Phoenix.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is designed to provide stockholders with an understanding of our compensation philosophy and objectives as well as the analysis that we performed in setting executive compensation. It discusses the Compensation Committee's determination of how and why, in addition to what, compensation actions were taken during the last fiscal year for each person serving as our chief executive officer and our chief financial officer during 2015, and the three other most highly compensated executive officers who were serving as such at the end of 2015.

Our named executive officers for fiscal year 2015 were Marc H. Hedrick, M.D., our President and Chief Executive Officer; Tiago Girao, our Chief Financial Officer; Steven Kesten, M.D., our Executive Vice President and Chief Medical Officer; Seijiro Shirahama, Chairman of Cytori Therapeutics, K.K., our wholly-owned subsidiary (and prior to October 2015, our President of Asia Pacific); and Ken Kleinhenz our Vice President of Global Regulatory Affairs.

These individuals are collectively referred to in this discussion as the "named executive officers," or NEOs. Investors are encouraged to read this discussion in conjunction with the compensation tables and related notes, which include more detailed information about the compensation of our NEOs for 2015 as well as prior years.

Compensation Philosophy for the Named Executive Officers

The Company's compensation programs for our officers are established by the Compensation Committee of the Board of Directors (the "Committee"). The Committee believes that our compensation policy should align the financial interests of our executives with those of our stockholders. A key to creating this alignment is placing a substantial amount of executive compensation at risk based upon both the short-term and long-term performance of the Company, while discouraging any short-sighted risk-taking behavior. The Committee also seeks to maintain compensation programs that will retain the executives we have, and attract the executives we may need.

The Company's current compensation philosophy targets total compensation for our executive management between the 50th and 60th percentile relative to similarly situated executives within our approved peer group (and with reference to appropriate compensation surveys), with the intent to adjust the compensation of our executives below this range to this level by 2017.

Executive Compensation

In the process of determining compensation for our NEOs, the Compensation Committee considers the current financial position of the Company, the strategic goals of the Company and the performance of each of our NEOs. The Committee also benchmarks the various components (described below) of our compensation program for executives to compensation paid by other public companies in our defined peer group, compensation data from Radford Global Life Sciences Survey, historical review of all executive officer compensation, and recommendations from our CEO (other than for his own salary). From time to time the Committee engages the services of outside compensation consultants. The Committee has the sole authority to select, compensate and terminate its external advisors.

The Committee utilizes the following components of compensation (described further below) to strike an appropriate balance between promoting sustainable and excellent performance and discouraging any inappropriate short-sighted risk-taking behavior:

- Base Salary;
- Annual short-term performance–based cash incentives (the Executive Management Incentive Compensation Plan, or EMIC);
- Short-term and long-term equity compensation in the potential forms as allowed by our 2014 Equity Incentive Plan and 2015 New Employee Incentive Plan, including time-based and performance-based stock options, restricted stock units and other equity awards;

- Personal benefits and perquisites; and
- Acceleration and severance agreements tied to changes on control of the Company.

Summary of Material NEO Compensation Actions During 2015:

- In January 2015, the Committee determined achievement of target bonuses under the Company's 2014 Executive Management Incentive Plan, and granted our executives, including our NEOs, common stock options vesting in monthly installments over four years, as further described below.

- In May 2015, the Board of Directors (i) granted performance-based restricted stock units to our executives, including our NEOs, with a performance period expiring on December 31, 2015 and vesting tied to achievement of certain corporate financial (50%) and clinical (50%) goals, as further described below (which grants were originally intended to occur at the same time as the January 2015 stock option grants); and (ii) approved our 2015 Executive Management Incentive Plan, as further described below.

- In November 2015, the Committee, (i) in conjunction with management and our outside compensation consultant, reviewed and updated our peer group list, as further described below, and updated and reaffirmed our compensation philosophy, as described above; and (ii) approved the 2016 base salaries and target bonus percentages for our executive officers, including our NEOs.

- In December 2015, the Board of Directors approved the grant to our executives, including our NEOs (which grant date was January 4, 2016), of stock options exercisable for a total of 3,511,755 shares of common stock, vesting over four years, with 25% of shares subject to each grant vesting after one year, and the remainder of the shares vesting in thirty-six (36) monthly installments thereafter.

Peer Group

In October 2014, the Committee approved the engagement of Barney & Barney, LLC to review our per group list and to provide recommendations to strengthen the peer group, after discussion and review with management and consultation with Barney & Barney, LLC, our outside compensation consultant, generated an updated peer group list. In generating this peer group list, each prospective peer company was assessed for appropriateness of inclusion based on: industry sector; developmental stage; location; and company revenue, market capitalization, and number of employees. This updated peer group is shown in the table below.

Company	**Market Capitalization as of September 18, 2014**
Vericel Corp (formerly Aastrom Biosciences)	$21.5 Million
ArQule	$72.8 Million
Athersys	$112.1 Million
AVEO Pharmaceuticals	$61.7 Million
CTI Biopharma	$400.3 Million
Cytokinetics	$141.7 Million
Dynavax Technologies	$357.5 Million

Fibrocell Science	$111.5 Million
Geron	$362.4 Million
Hansen Medical	$138 Million
Immunomedics	$302.6 Million
NeoStem	$183.3 Million
Neuralstem	$283.1 Million
Osiris Therapeutics	$451.2 Million
Pain Therapeutics	$173.9 Million
Peregrine Pharmaceuticals	$251.3 Million
Rigel Pharmaceutics	$196.7 Million
Senomyx	$378.2 Million
StemCells	$97.5 Million
Stereotaxis	$49.8 Million
Verastem	$248.6 Million
Vical	$102.8 Million
Ziopharm Oncology	$300.2 Million
Zogenix	$170.7 Million

Base Salaries; Target Bonuses

In determining base salaries for our executives the Committee considers the factors mentioned above, but base salaries are also designed to account for internal equity, length and depth of experience and the complexity and importance of roles and responsibilities. The Committee benchmarks each executive's base salary to the comparable positions in the Radford Global Life Sciences Survey, generally targeting the 50^{th} – 60^{th} percentile, and the base salaries of our top officers are also benchmarked against compensation in our peer companies. The Committee additionally reviews each executive's year to date performance progress in relation to the then-current Executive Management Incentive Compensation Plan.

After review of the benchmark data, discussion of each executive's performance, with input from Dr. Hedrick (except for his own performance), the Committee made the following determinations regarding 2015 executive base salaries and target bonus percentages (with a comparison as against 2014 salaries and bonuses).

	2014 Base Salary; Bonus Target	**2014 Target Bonus %**	**2015 Base Salary**	**2015 Target Bonus %**
Marc Hedrick, M.D.	$450,000	45%	$450,000	45%
Tiago Girao	$240,000[(1)]	30%	$265,000	30%
Steven Kesten, M.D.	$400,000	25%	$306,500[(2)]	28%[(3)]
Seijiro Shirahama	$366,978	25%	$302,000[(4)]	25%
Kenneth Kleinhenz	$267,500	20%	$267,500	20%

(1) Mr. Gir[a]o joined the Company in September 2014.

(2) Dr. Kesten's salary was reduced from $400,000 per year to $213,000 per year effective August 1, 2015 in connection with the decrease in his employment from 40 hours per week to 30 hours per week. His base salary was readjusted to $400,000 per year effective as of January 4, 2016 simultaneously with his return to a 40-hour work week.

(3) Dr. Kesten's target bonus was increased from 25% to 30% per year effective August 1, 2015 in connection with the decrease in his employment from 40 hours per week to 30 hours per week. His target bonus remained at 30% when his base salary was readjusted to $400,000 in January 2016.

(4) Mr. Shirahama's compensation is paid in Japanese Yen. His base salary was calculated using the average exchange rate over the year, or .0083 Japanese Yen to US dollar.

Executive Management Incentive Compensation Plan (Bonus Determination)

Our Compensation Committee adopted the Cytori Therapeutics Executive Management Incentive Compensation Plan (the "EMIC") to increase the performance-based component of our executives' compensation by linking their cash bonus payments to achievement of shorter term performance goals. Target bonuses are reviewed annually and established as a percentage of the executives' base salaries, generally based upon seniority of the officer and targeted at or near the median of the peer group (with reference to our corporate compensation philosophy) and relevant survey data (including the Radford Global Life Sciences Survey). Each year the Committee establishes corporate and individual objectives and respective target percentages, taking into account recommendations from the CEO as it relates to executive positions other than the CEO's compensation. Objectives for Dr. Hedrick were set by the Committee in 2015 to align with the overall corporate objectives. After 2015 fiscal year-end, Dr. Hedrick provided the Committee with a written evaluation showing actual performance as compared to the objectives, and the Committee uses that information, along with the overall corporate performance, to determine what percentage of each executive's bonus target will be paid out as a bonus for that year. Overall, we attempt to set the corporate and individual functional goals to be highly challenging yet attainable. Our corporate financial objectives are intended to be more difficult to achieve than our actual expected results, such that their attainment would require exceptional performance and dedication from our management team.

For 2015, the general corporate objectives were determined by the Committee to account for 100% of the objectives for our CEO, Dr. Hedrick, and weight of 50% of the overall target bonus amounts for each of our other named executive officers. The Company's general corporate objectives were as follows:

- Financial Objectives
  - Achieve 2015 year-end cash objectives
- Clinical Development Objectives
  - Meet combined clinical enrollment objectives for STAR and ACT-OA trials
- Operational Performance
  - Complete certain hand scleroderma and knee osteoarthritis deliverables
  - Achieve next generation Celution system timeline deliverables

The individual following named executive officers' objectives expanded upon their particular function in the overall corporate objectives and were to be weighted as 50% of their respective target bonus amounts.

Mr. Gir[a]o 's individual objectives included:

- Manage cash, operating burn and product/contract revenue
- Manage clinical trial spend
- Business development assistance such as financial and pharmoeconomics modeling
- Product development objectives
- Investor relations objectives

Dr. Kesten's individual objectives included:

- STAR and ACT-OA enrollment objectives, and management of related clinical trial spend
- Business development objectives
- Product development objectives

Mr. Shirahama's individual objectives included:

- Stress urinary incontinence, or SUI, clinical trial objectives
- Financial objectives including achievement of profitability and product revenue/contribution goals
- Operational objectives

- Partnering objectives

Mr. Kleinhenz's individual objectives included:

- Regulatory assistance with STAR and ACT-OA trials
- Regulatory budget and product development objectives

The 2015 target bonus as a percentage of annual base salary for each named executive officer was: 45% for Dr. Hedrick; 30% for Mr. Gir^{a}o , 28% for Dr. Kesten; 25% for Mr. Shirahama, and 20% for Mr. Kleinhenz. The Committee, in its January 2016 meeting, evaluated our progress in 2015 as compared to overall the corporate objectives in the 2015 EMIC Plan described above. The Committee evaluated the overall results and then evaluated the progress of each executive officer towards their own functional objectives and the results are tabulated in the table below:

Officer and Position	Target Bonus as a % of Salary	% of Target Bonus Awarded	Bonus Awarded as a % of Salary	Amount of 2015 Bonus Paid in 2015[2]
Marc H. Hedrick, President & CEO	45%	99%	44.5%	$200,475
Tiago M. Girao, Chief Financial Officer	30%	88%	26%	$69,563
Steven Kesten[1] Executive Vice President & Chief Medical Officer	28%	102%	29%	$87,659
Seijiro Shirahama[2] Chairman, Cytori Therapeutics, K.K.	25%	57%	14%	$42,676
Ken Kleinhenz, Vice President of Global Regulatory Affairs	20%	106%	21%	$56,443

(1) Dr. Kesten's bonus payout reflects an increase in his target bonus from 25% to 30% of base salary when he moved to a 30-hour work week, effective as of August 1, 2015 (and accompanying reduction in base salary from $400,000 to $213,000). He subsequently returned to a 40-hour work week (and his base salary readjusted to $400,000 per year) on January 4, 2016.

(2) Mr. Shirahama's bonus was determined by the Committee as 13.8% of his base salary in US Dollars using the 2015 average annual foreign exchange rate, or .0083 Japanese Yen to US dollar.

(3) The 2015 bonus amounts are paid in quarterly installments during 2016, beginning April 1, 2016.

Long-Term Equity Compensation

We designed our long-term equity grant program to further align the interests of our executives with those of our stockholders and to reward the executives' longer-term performance. Historically, the Committee has granted individual option grant awards, although from time-to-time, to further increase the emphasis on compensation tied to performance, the Committee may grant other equity awards as allowed by the 2014 Equity Incentive Plan. The Committee grants stock options, restricted stock, restricted stock units and similar equity awards permitted under our plans based on its judgment as to whether the complete compensation packages to our executives, including prior equity awards, are sufficient to retain and incentivize the executives and whether the grants balance long-term versus short-term compensation. The Committee also considers our overall performance as well as the individual performance of each NEO, and the potential dilutive effect of restricted stock awards, and the dilutive and overhang effect of the equity grant awards, and recommendations from the CEO (other than with respect to his own equity awards).

Previously, our practice has been to grant long-term equity compensation to our executives at the regularly-scheduled Compensation Committee meeting in the first quarter of the year. However, in the latter half of 2015, the

Compensation Committee decided to review future executive compensation, including long-term equity compensation for the next calendar year (excluding new hires and promotions) on an annual basis during the final calendar year meeting of the Compensation Committee. Long-term equity grants are also considered as executive new hires are made or promotions granted. The Compensation Committee meeting dates are not related to dates for release of Company information. Stock options are granted with an exercise price equal to the fair market value of our common stock on the date of grant and restricted stock and restricted stock units are awarded at the fair market value on the date of award. In January 2015, the Committee approved the following stock option grants to the NEOs:

Officer	**Stock options at fair market value** ($0.48) [(1)]
Marc Hedrick, M.D.	240,000
Tiago Girao	120,000
Steven Kesten, M.D.	160,000
Seijiro Shirahama	80,000
Kenneth Kleinhenz	80,000

(1) These options vest over four years in 48 equal, consecutive, monthly installments.

In May 2015, the Committee granted performance-based restricted stock units (RSUs) to the NEOs as described in the table below. The performance period for these RSUs was May 26, 2015 through December 31, 2015. The grants of these performance-based RSUs were originally scheduled to be approved at the January 2015 Compensation Committee meeting, but approval was deferred pending final agreement on performance criteria and related matters. The determination of the actual amount of performance-based RSUs awarded to the NEOs was made by the Compensation Committee at its January 2016 meeting. The value of performance-based restricted stock units was determined on January 28, 2016, the date of Compensation Committee approval of the awards.

Officer	**Target Performance-Based RSUs[(1)]**	**Grant Date FMV of Target Performance-Based RSUs**	**Performance-Based RSUs Awarded[(2)]**
Marc Hedrick, M.D.	120,000	$0.6681	70,500
Tiago Girao	60,000	$0.6681	32,250
Steven Kesten, M.D.	80,000	$0.6681	47,000
Seijiro Shirahama	40,000	$0.6681	23,500
Kenneth Kleinhenz	40,000	$0.6681	23,500

(1) For each NEO, the maximum number of performance-based RSUs that could have vested (based upon exceeding the performance criteria) was double the amount (200%) of the target grants.

(2) The awards were calculated by adding (i) the product of 50% and the "clinical performance factor" (based on achievement of certain clinical milestones and determined with reference to the certain corporate clinical metrics); and (ii) the product of 50% and the "financial performance factor" (based on the Company's cash position as of December 31, 2015).

Short-Term Equity Compensation

No short term equity was granted to Executives in fiscal years 2014 or 2015.

Personal Benefits and Perquisites

All of our executives are eligible to participate in our employee benefit plans, including medical, dental, vision, life insurance, short-term and long-term disability insurance, flexible spending accounts, 401(k), and Employee Stock Purchase Program (ESPP). These plans are available to all full-time employees. In keeping with our philosophy to provide total compensation that is competitive within our industry we offer limited personal benefits and perquisites to executive

officers that include supplemental long-term disability insurance. You can find more information on the amounts paid for these perquisites in our 2014 Summary Compensation Table.

Company Acquisition / Post-Termination Compensation

We have entered into individual change of control agreements (the "CIC Agreements") with each of our NEOs. The CIC Agreements provide for certain severance benefits to be paid to each of these executives in the event of his involuntary termination without cause, or due to the executive's resignation for good reason (including the Company's material breach of its obligations, material reduction in duties, responsibilities, compensation or benefits, or relocation by more than 30 miles without prior consent), provided such termination or resignation occurs in connection with an acquisition of the Company. Upon such termination or resignation in the event of an acquisition, Dr. Hedrick would receive a lump sum payment of 18 times his monthly base salary, and 18 times his monthly COBRA payments, and Mr. Gir[a]o, Dr. Kesten, Mr. Shirahama and Mr. Kleinhenz would each receive a lump sum payment of 12 times their monthly base salary, and 12 times their monthly COBRA payments. Notwithstanding the foregoing, these executives' employment may be terminated for cause (including extended disability, repudiation of the CIC Agreement, conviction of a plea of no contest to certain crimes or misdemeanors, negligence that materially harms the Company, failure to perform material duties without cure, drug or alcohol use that materially interferes with performance, and chronic unpermitted absence) without triggering an obligation for the Company to pay severance benefits under the CIC Agreements.

In addition, under the CIC Agreements, any unvested stock options granted to each of the above named executive officers would vest in full upon (1) the date of the executive's termination under the circumstances described above following entry into an acquisition agreement (subject to the actual consummation of the acquisition) or (2) consummation of an acquisition.

In all events, each executive's entitlement to the benefits described above is expressly conditioned upon his execution and delivery to the Company of a CIC Agreement and General Release of claims, in the form to be attached to the CIC Agreement.

The executives may voluntarily terminate their employment with the Company at any time. If they voluntarily terminate their employment, they will receive payment for any earned and unpaid base salary as of the date of such termination; accrued but unused vacation time; and benefits they are entitled to receive under benefit plans of the Company, less standard withholdings for tax and social security purposes, through the termination date.

2015 Summary Compensation Table

The following table sets forth information concerning compensation earned during 2015 for services rendered to us by the NEOs.

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name and Principal Position	**Year**	**Salary**	**Stock Awards[1]**	**Option Awards[2]**	**Non-Equity Incentive Plan Comp.[3]**	**All Other Comp-ensation[4]**	**Total**
Marc H. Hedrick, M.D., President and Chief Executive Officer (PEO)	2015	$450,000	$ 80,172[9]	$ 115,200	$ 200,475	—	$ 845,847
	2014	$ 437,350	—	$ 554,307	$ 182,250	—	$ 1,173,907
	2013	$ 406,627	—	$ 465,869	$ 89,133	—	$ 961,629
Tiago M. Girao, VP of Finance and Chief Financial Officer (PFO)	2015	$ 265,000	$ 40,086[9]	$ 57,600	$ 69,563	—	$ 432,249
	2014	$ 79,080[5]	—	$ 137,561	$ 50,000[6]	—	$ 266,641
	2013	—	—	—	—	—	—
Steven Kesten, M.D., Executive Vice President and Chief Medical Officer	2015	$ 306,500	$53,448[9]	$ 76,800	$ 87,659	—	$ 524,407
	2014	$ 400,000	—	$ 310,888	$ 63,750	$68,401 [7]	$ 774,638
	2013	$ 333,333	—	$ 271,174	$ 113,880	—	$ 786,788

Seijiro Shirahama, Chairman, Cytori Therapeutics, K.K.	2015	$ 302,025 [8]	$26,724[9]	$ 38,400	$ 42,676	—	$ 409,825
	2014	$ 366,978 [8]	—	$ 208,574	$ 50,460	—	$ 626,012
	2013	$ 371,808 [8]	—	$ 211,758	$ 24,528	—	$ 608,094
Ken Kleinhenz Vice President, Global Regulatory Affairs	2015	$ 267,500	$ 26,724[9]	$ 38,400	$56,443	—	$ 389,067
	2014	$ 267,500	—	$ 248,500	$32,838	—	$ 548,838
	2013	$ 250,000	—	$ 246,600	$ 29,250	—	$ 525,850

(1) This column represents the dollar amount of the aggregate grant date fair value of stock awards, computed in accordance with FASB ASC Topic 718.For information relating to the assumptions made by us in valuing the stock awards made to our named executive officers in 2015, refer to Note 15 to our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

(2) This column represents the dollar amount of the aggregate grant date fair value of option awards, computed in accordance with FASB ASC Topic 718. For information relating to the assumptions made by us in valuing the option awards made to our named executive officers in 2015, refer to Note 15 to our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

(3) The amounts in column (f) reflect the cash awards under our EMIC Plan, which is discussed in further detail in the CD&A under the heading "2015 NEO Compensation – *Executive Management Incentive Compensation Plan*."

(4) Dollar value of the Named Executive Officer's perquisites and other personal benefits was less than $10,000 for the year reported.

(5) Reflects pro-rated salary amount based on Mr. Gir^{a}o 's commencement of employment in September 2014.

(6) Includes sign-on bonus ($25,000).

(7) All Other Compensation for Dr. Kesten who was hired 2/26/2013 includes a relocation allowance ($68,401).

(8) We pay Mr. Shirahama in Japanese Yen. During 2013, 2014, and 2015 his salary was recorded at the average exchange rate over the year, or 0.0102, 0.0095 and 0.0083 Japanese Yen to US dollar respectively.

(9) On May 26, 2015, the Compensation Committee granted performance-based RSUs. In January 2016, the Compensation Committee determined the percentage of performance achieved and authorized vesting of the shares. Had maximum achievement of the performance criteria been achieved, the fair market value of the awards as of the award date would have been two times the amount (200%) set forth in the table.

2015 Grants of Plan-Based Awards

The following table sets forth information regarding grants of stock and option awards made to our NEOs during fiscal 2015:

(a)	(b)	(c-e)			(f)	(g)	(h)	(i)	(j)
		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			All Other Stock Awards: Number of Shares of Stock or Units[2]	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Market Price on Date of Grant	Full Grant Date Fair Value of Stock and Option Awards
Named Officers	Grant Date	Thre-shold ($)	Target ($)	Maxi-mum ($)	(#)	(#)	($/Sh)	($/Sh)	($)[3]
Marc H. Hedrick, M.D., President and Chief	01/30/2015	–	$202,500	–	–	240,000	$0.48	$ 0.48	$115,200
	05/26/2015				120,000	–	$ –	$0.6681	$80,172

Executive Officer									
Tiago M. Girao, VP of Finance Chief Financial Officer	01/30/2015 05/26/2015	–	$79,500	–	– 60,000	120,000 –	$0.48 $ –	$ 0.48 $0.6681	$57,600 $40,086
Steven Kesten, M.D., Executive Vice President and Chief Medical Officer	01/30/2015 05/26/2015	–	$85,800	–	– 80,000	160,000 –	$0.48 $ –	$ 0.48 $0.6681	$76,800 $53,448
Seijiro Shirahama, Chairman, Cytori Therapeutics, K.K.	01/30/2015 05/26/2015	–	$75,500[4]	–	– 40,000	80,000 –	$0.48 $ –	$ 0.48 $0.6681	$38,400 $26,724
Kenneth Kleinhenz, Vice President, Global Regulatory Affairs	01/30/2015 05/26/2015	–	$53,500	–	– 40,000	80,000 –	$0.48 $ –	$0.48 $0.6681	$38,400 $26,724

(1) Amounts reported represent the target cash bonus amounts that could have been earned under the EMIC, as described under the heading Compensation Discussion & Analysis - Executive Compensation" above.

(2) These share amounts represent the target award grants to our NEOs. The Board determined the actual awards on January 28, 2016, with reference to the performance criteria determined at the time of the grant of the awards (May 26, 2015). The maximum amount of shares awardable under these grants was two times the target amounts set forth in the table.

(3) Computed in accordance with FASB ASC Topic 718. Refer to Note 15 to our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015, regarding assumptions underlying valuation of equity awards.

(4) Mr. Shirahama's Estimated Future Payouts Under Non-Equity Incentive Plan Awards is based in US Dollars using the 2015 average annual foreign exchange rate, or .0083 Japanese Yen to US dollar.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

The stock options granted to the NEOs in January 2015 have an exercise price of $0.48 per share. The performance-based RSUs granted to the NEOs in May 2015 had an aggregate fair market value of $98,230 at the time they were awarded in January 2016 (had the NEOs achieved maximum performance under the performance-based RSUs, the aggregate fair market value of the maximum awards on the date of award would have been $129,200). Exercise prices and fair market value for these awards are determined by the closing sale price of the Company's common stock on NASDAQ on the date of grant or award (in the case of performance-based RSUs. Each NEO's January 2015 option has a term of ten years and vests over a period of four years, with 25% of the option shares vesting after one year, with the remaining shares vesting in equal monthly installments over the ensuing thirty-six (36) months, subject to the NEO's continued service to the Company.

Outstanding Equity Awards at December 31, 2015

The following table sets forth information regarding outstanding equity awards held by our NEOs as of December 31, 2015.

		Option Awards				Stock Awards	
Name	Option Grant Date [1]	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable [2]	Option Exercise Price ($)	Option Ex-piration Date	Number of Shares or Units of Stock That Have Not Vested (#)	**Market Value of Shares or Units of Stock That Have Not Vested ($)**
Marc H. Hedrick, M.D., President and Chief Executive Officer	1/24/2006	70,000	—	$7.04	1/24/2016	—	—
	2/26/2007	50,000	—	$5.44	2/26/2017	—	—
	1/31/2008	60,000	—	$5.14	1/31/2018	—	—
	1/29/2009	75,000	—	$4.80	1/29/2019	—	—
	2/5/2010	110,000	—	$6.71	2/5/2020	—	—
	1/27/2011	55,000	—	$5.57	1/27/2021	—	—
	1/26/2012	112,604	2,396	$3.44	1/26/2022	—	—
	1/31/2013	133,680	49,653	$2.74	1/31/2023	—	—
	1/31/2013	66,841	24,826	$5.00	1/31/2023	—	—
	4/11/2014	118,750	166,250	$2.38	4/11/2024	—	—
	8/21/2014	50,000	50,000[3]	$1.40	8/21/2024	—	—
	1/30/2015	55,000	185,000	$0.48	1/30/2025	—	—
Tiago M. Girao, VP of Finance Chief Financial Officer	9/2/2014	46,875	103,125	$1.36	9/2/2024	—	—
	1/30/2015	27,500	92,500	$0.48	1/30/2025	—	—
Steven Kesten, M.D., Executive Vice President and Chief Medical Officer	1/31/2013	110,104	40,896	$2.74	1/31/2023	—	—
	4/11/2014	58,333	81,667	$2.38	4/11/2024	—	—
	8/21/2014	45,000	45,000[3]	$1.40	8/21/2024	—	—
	1/30/2015	36,667	123,333	$0.48	1/30/2025	—	—
Seijiro Shirahama, Chairman, Cytori Therapeutics, K.K.	1/24/2006	35,000	—	$7.04	1/24/2016	—	—
	2/26/2007	30,000	—	$5.44	2/26/2017	—	—
	11/15/2007	25,000	—	$5.35	11/15/2017	—	—
	1/31/2008	55,000	—	$5.14	1/31/2018	—	—
	1/29/2009	65,000	—	$4.80	1/29/2019	—	—
	2/5/2010	95,000	—	$6.71	2/5/2020	—	—
	1/27/2011	47,500	—	$5.57	1/27/2021	—	—
	1/26/2012	39,167	833	$3.44	1/26/2022	—	—
	1/31/2013	60,764	22,569	$2.74	1/31/2023	—	—
	1/31/2013	30,382	11,285	$5.00	1/31/2023	—	—
	4/11/2014	41,667	58,333	$2.38	4/11/2024	—	—
	8/21/2014	25,000	25,000[3]	$1.40	8/21/2024	—	—
	1/30/2015	18,333	61,667	$0.48	1/30/2025	—	—
Ken Kleinhenz Vice President of Global Regulatory Affairs	3/23/2006	15,000	—	$8.52	3/23/2016	—	—
	4/02/2007	16,000	—	$5.45	4/02/2017	—	—
	10/12/2007	20,000	—	$6.04	10/12/2017	—	—
	1/28/2008	20,000	—	$5.14	1/28/2018	—	—
	2/29/2009	30,000	—	$4.80	2/29/2019	—	—
	2/05/2010	45,000	—	$6.71	2/05/2020	—	—
	1/27/2011	22,500	—	$5.57	1/27/2021	—	—
	1/26/2012	19,583	417	$3.44	1/26/2022	—	—
	1/31/2013	43,750	16,250	$2.74	1/31/2023	—	—
	1/31/2013	21,875	8,125	$5.00	1/31/2023	—	—
	4/11/2014	31,250	43,750	$2.38	4/11/2024	—	—
	8/21/2014	25,000	25,000[3]	$1.40	08/21/2024	—	—
	1/30/2015	18,333	61,667	$0.48	1/30/2025	—	—

(1) For a better understanding of this table, we have included an additional column showing the grant date of the stock options.

(2) Generally, awards issued under the 1997, 2004 and 2014 plans are subject to four-year vesting, and have a contractual term of 10 years. Awards presented in this table contain one of the following two vesting provisions:

- 25% of a granted award vests after one year of service, while an additional 1/48 of the award vests at the end of each month thereafter for 36 months, or
- 1/48 of the award vests at the end of each month over a four-year period.

(3) The August 2014 grant vesting schedule is, 50% of granted award vests after one year of service and the additional 50% on the second anniversary of the grant.

2015 Option Exercises and Stock Vested

The following table sets forth information regarding options exercised and shares of common stock acquired upon vesting by our Named Executive Officers during the fiscal ended December 31, 2015:

(a)	(b)	(c)	(d)	(e)
	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
Marc H. Hedrick, President and Chief Executive Officer	—	—	70,500	$13,395
Tiago M. Girao, VP of Finance Chief Financial Officer	—	—	32,250	$6,6975
Steven Kesten, M.D., Executive Vice President and Chief Medical Officer	—	—	47,000	$8,930
Seijiro Shirahama, Chairman, Cytori Therapeutics, K.K.	—	—	23,500	$4,465
Ken Kleinhenz, Global Vice President of Regulatory Affairs	—	—	23,500	$4,465

(1) Represents performance based restricted stock units that were granted on May 26, 2015 and vested on January 28, 2016 based on the performance period ending December 31, 2015. Amount date of grant, the target share amounts awards to Dr. Hedrick, Mr. Gir^{a}o , Dr. Kesten, Mr. Shirahama and Mr. Kleinhenz were 120,000, 60,000, 80,000, 40,000 and 40,000 shares respectively (and maximum share amounts awardable were two times (200%) these respective amounts).

(2) The fair market value on the date of award, January 28, 2016, was $0.19. Computed in accordance with FASB ASC Topic 718. Refer to Note 15 to our audited consolidated financial statements included on our annual report on Form 10-K for the year ended December 31, 2015, regarding assumptions underlying valuation of equity awards.

Pension Benefits

We did not have a pension plan nor did we provide pension benefits to our NEOs (or any other employees) during fiscal 2015.

Nonqualified Deferred Compensation

We did not permit compensation deferral by our NEOs (or any other employees) during fiscal year 2015.

Potential Payments Upon Termination or Change In Control

On January 31, 2008, we entered into an individual change of control agreement (the Agreement) with Dr. Hedrick (filed as Exhibit 10.53 to our Annual Report on Form 10-K, as filed with the SEC on March 14, 2008). A new Agreement for Dr. Hedrick was executed on March 11, 2015 to account for his appointment to CEO in 2014, which supersedes and replaces his previous agreement. On February 12, 2010, February 26, 2013, April 16, 2012, March 10, 2015 and February 18, 2010, respectively we entered into individual change of control agreements with Mr. Shirahama,

Dr. Kesten, Mr. Gir[a]o and Mr. Kleinhenz. The terms of the Agreements are described in detail in the section above titled, Compensation Discussion & Analysis - *Company Acquisition / Post-Termination Compensation*.

The following table describes the potential payments upon termination and/or a change in control of the Company for Dr. Hedrick, our President and Chief Executive Officer:

	Change in Control[2]	Termination Following Change in Control[3]
PAYMENTS DUE UPON ACQUISITION / TERMINATION[1]:		
Cash Severance		
Base Salary[4]	$ —	$ 675,000
Benefits		
COBRA Premiums	$ —	$ 25,060
Long-Term Incentives		
Value of Accelerated Stock Options[5]	$ —	$ —
TOTAL VALUE	$ —	**$ 700,060**

The following table describes the potential payments upon termination and/or a change in control of the Company for Mr. Gir[a]o, our Chief Financial Officer.

	Change in Control[2]	Termination Following Change in Control[3]
PAYMENTS DUE UPON ACQUISITION / TERMINATION[1]:		
Cash Severance		
Base Salary[4]	$ —	$ 265,000
Benefits		
COBRA Premiums	$ —	$ 16,707
Long-Term Incentives		
Value of Accelerated Stock Options[5]	$ —	$ —
TOTAL VALUE	$ —	**$ 281,707**

The following table describes the potential payments upon termination and/or a change in control of the Company for Dr. Kesten, our Executive Vice President & Chief Medical Officer.

	Change in Control[2]	Termination Following Change in Control[3]
PAYMENTS DUE UPON ACQUISITION / TERMINATION[1]:		
Cash Severance		
Base Salary[4]	$ —	$ 400,000
Benefits		
COBRA Premiums	$ —	$ 12,251
Long-Term Incentives		
Value of Accelerated Stock Options[5]	$ —	$ —
TOTAL VALUE	$ —	**$ 412,251**

The following table describes the potential payments upon termination and/or a change in control of the Company for Mr. Shirahama, our Chairman of Cytori Therapeutics, K.K.

	Change in Control[2]	Termination Following Change in Control[3]
PAYMENTS DUE UPON ACQUISITION / TERMINATION[1]:		
Cash Severance		
Base Salary[4]	$ —	$ 302,000[6]
Benefits		
COBRA Premiums	$ —	$ —
Long-Term Incentives		
Value of Accelerated Stock Options[5]	$ —	$ —
TOTAL VALUE	$ —	**$ 302,000**

The following table describes the potential payments upon termination and/or a change in control of the Company for Mr. Kleinhenz, Vice President Global Regulatory Affairs.

	Change in Control[2]	Termination Following Change in Control[3]
PAYMENTS DUE UPON ACQUISITION / TERMINATION[1]:		
Cash Severance		
Base Salary[4]	$ —	$ 133,750
Benefits		
COBRA Premiums	$ —	$ 8,353
Long-Term Incentives		
Value of Accelerated Stock Options[5]	$ —	$ —
TOTAL VALUE	$ —	**$ 142,103**

(1) Assumes a triggering event occurred on December 31, 2015.

(2) Based on the occurrence of a change in control of the Company, provided that the executive is at that time still in the service of the Company.

(3) Based on the occurrence of either actual or constructive termination without good cause in the context of a change in control of the Company as described in detail in the section above titled, *Company Acquisition/Post-Termination Compensation*.

(4) Based on the executive's annual base salary on December 31, 2015, which was $450,000 for Dr. Hedrick; $265,000 for Mr. Gir[a]o ; $400,000 for Dr. Kesten; $302,000 for Mr. Shirahama, and $267,500 for Mr. Kleinhenz. Dr. Kesten's salary was reduced from $400,000 to $213,000 per year on July 1, 2015, but was increased back to $400,000 as of January 4, 2016.

(5) Based on the difference between the aggregate exercise price of all accelerated in-the-money stock options and the aggregate market value of the underlying shares, calculated based on the per-share closing market price of our common stock on December 31, 2015, $0.18.

(6) Mr. Shirahama's salary is in Japanese Yen. His base salary was calculated using the average exchange rate over the current year, or .0083 Japanese Yen to US dollar.

Director Compensation

Generally, our Board believes that the level of director compensation should be based on time spent carrying out Board and committee responsibilities and be competitive with comparable companies. In addition, the Board believes that a significant portion of director compensation should align director interests with the long-term interests of shareholders. The Board makes changes in its director compensation practices only upon the recommendation of the Compensation Committee, and discussion and approval by the Board.

The following table summarizes director compensation during fiscal year 2015:

(a)	(b)	(c)	(d)	(e)
Director Name[1]	**Fees Earned or Paid in Cash[2] ($)**	**Stock Awards ($)**	**Option Awards[7][8] ($)**	**Total ($)**
David M. Rickey, Chairman	$65,000	—	$11,645	$76,645
Richard J. Hawkins	$32,688	$25,000(3)	$11,645	$69,333
Paul W. Hawran	$52,313	$14,187(4)	$11,645	$78,145
Gary A. Lyons	$31,688	$ 9,086(5)	$11,645	$52,419
Gail K. Naughton, Ph.D.	$49,250	—	$11,645	$60,895
Tommy G. Thompson	$33,000	$31,250(6)	$11,645	$75,895

(1) Dr. Hedrick is not included in this table as he is an employee of the Company and received no extra compensation for his service as a Director. The compensation received by Dr. Hedrick as employee of the Company is shown in the 2015 Summary Compensation Table and the three equity-related tables above.

(2) In fiscal year 2015, each non-employee director's compensation included a $6,250 quarterly retainer for service on the Board, a fee of $2,000 per quarterly Board meeting attended, and a fee of $1,000 per special Board meeting attended in person. Attendance of telephonic Board meetings was compensated at $1,000 per meeting. Compensation Committee, Governance and Nominating Committee and Audit Committee members received a $1,250 quarterly retainer for Committee service and $1,000 per meeting attended. Executive Committee members were exempt from receiving committee fees. The Chairman of the Board received an additional annual stipend of $25,000, the Chairman of the Audit Committee received an additional annual stipend of $15,000, and the Chairmen of the Compensation Committee and the Governance and Nominating Committee each received an additional annual stipend of $10,000, respectively.

(3) Richard J. Hawkins was granted 34,288 shares of restricted stock at a fair value of $0.73, effective on May 08, 2015 with shares cliff vesting on December 31, 2015 in exchange for forfeiting $25,000 of his cash compensation.

(4) Paul W. Hawran was granted 34,288 shares of restricted stock at a fair value of $0.73, effective on May 08, 2015 with shares cliff vesting on December 31, 2015 in exchange for forfeiting $14,187 of his cash compensation.

(5) Gary A. Lyons was granted 34,288 shares of restricted stock at a fair value of $0.73, effective on May 08, 2015 with shares cliff vesting on December 31, 2015 in exchange for forfeiting $9,086 of his cash compensation.

(6) Tommy G. Thompson was granted 34,288 shares of restricted stock at a fair value of $0.73, effective on May 08, 2015 with shares cliff vesting on December 31, 2015 in exchange for forfeiting $31,250 of his cash compensation.

(7) Column (d) represents the grant date fair value of the option awards, computed in accordance with FASB ASC Topic 718. For additional information on the valuation assumptions with respect to the 2015 grants, refer to Note 15 to our audited consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015, regarding assumptions underlying valuation of equity awards.

(8) Directors were awarded 25,000 options to purchase stock at a fair value of $0.47 effective February 13, 2015.

Narrative Disclosure to the Director Compensation Table

The stock options granted to the non-employee directors in February 2015 have an exercise price of $0.47 per share. The exercise prices of these grants were equal to the closing sale price of the Company's common stock on NASDAQ on the date of grant. The option awards have a contractual term of 10 years and vest in equal monthly installments over a period of two years, subject to the director's continued service to the Company.

Messrs. Hawkins, Hawran, Lyons and Thompson each elected in 2015 to forego certain cash payments to which they were otherwise entitled for their services as directors in exchange for shares of restricted stock. See the summary director compensation table and related footnotes above for more information.

Changes to Director Compensation Program

In November 2015, the Compensation Committee approved a revised Director Compensation Program that, among other things, eliminated per-meeting fees for Board and Committee members in favor of annual retainers. The materials elements of the 2016 Director Compensation Program are as follows:

- $30,000 annual cash retainer for Board members (an increase from $25,000 in 2015);
- $30,000 annual cash retainer for the Chairman of the Board (an increase from $25,000 in 2015); $20,000 annual cash retainer for the Chairman of the Audit Committee (an increase from $15,000 in 2015); and $15,000 annual cash retainer for the Chairmen of our Compensation Committee and Governance and Nominating Committee (an increase from $10,000 in 2015);
- $10,000 annual cash retainer for each non-Chairman committee member (an increase from $5,000 in 2015);
- Initial equity grants for new directors and annual equity grants for existing directors based on a percentage of our common stock outstanding, or CSO, which percentages for 2016 shall be 0.056% of CSO for initial grants, and 0.041% of CSO for annual grants. Previously, initial director grants had been fixed at 50,000 options, and annual grants had been fixed at 25,000 options.

The Compensation Committee believes that these enhancements to the Director Compensation Program better align with director compensation practices at our peer companies. The Compensation Committee believes that overall cash compensation to the Board members will not substantially change (and may even decrease), as the increased annual cash retainers for 2016 are expected to offset the per-meeting fees that were paid in 2015 and prior years.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K and in the Annual Meeting Proxy Statement on Schedule 14A.

THE COMPENSATION COMMITTEE

Tommy G. Thompson (Chairman)
Gary Lyons
Gail K. Naughton, Ph.D.

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this Proxy Statement, in whole or in part, the foregoing Compensation Committee Report and the following Audit Committee Report shall not be incorporated by reference into any such filings.

AUDIT MATTERS

Report of the Audit Committee

The duties and responsibilities of the Audit Committee are set forth in its written charter, a copy which is available on the Company's website. Under the guidance of a written charter adopted by the Board of Directors, the purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and audits of its financial statements. The responsibilities of the Audit Committee include appointing and providing for the compensation of the Company's registered public accounting firm. Each of the members of the Audit Committee meets the independence requirements of NASDAQ.

Management has primary responsibility for the system of internal controls over financial reporting, disclosure controls and procedures, and for preparing the Company's consolidated financial statements. The independent registered public accounting firm has the responsibility to express an opinion on the financial statements based on an audit conducted in accordance with generally accepted auditing standards.

In this context and in connection with the audited financial statements contained in the Company's Annual Report on Form 10-K, the Audit Committee provided the following report:

The Audit Committee has reviewed and discussed the Company's audited financial statements for the year ended December 31, 2015 with the Company's management and the Company's independent registered public accounting firm, KPMG LLP ("KPMG"). The Audit Committee has discussed with KPMG the matters required to be discussed by Auditing Standard No. 16, "Communication with Audit Committees," as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from KPMG required by the applicable requirements of the Public Company Accounting Oversight Board Rule 3526, Communication with Audit Committees Concerning Independence regarding KPMG's communications with the Audit Committee concerning independence, discussed with KPMG their independence, and concluded that the non-audit services performed by KPMG are compatible with maintaining their independence. KPMG advised the audit committee that KPMG was and continues to be independent accountants with respect to the Company. Based upon the Audit Committee's review and discussions as noted above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the Securities and Exchange Commission.

Respectfully submitted,
Paul W. Hawran (Chairman)
Richard J. Hawkins
Tommy G. Thompson

Principal Accountant Fees and Services

The Audit Committee has appointed KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015. The Audit Committee reviews and must pre-approve all audit and non-audit services performed by KPMG LLP as well as the fees charged by KPMG LLP for such services. No fees were approved under the Regulation S-X Rule 2.01(c)(7)(i)(C) exception to the pre-approval requirement. In its review of non-audit service fees, the Audit Committee considers, among other things, the possible impact of the performance of such services on the accounting firm's independence.

The following table shows the aggregate fees paid or accrued by the Company for the audit and other services provided by KPMG LLP for fiscal years ended December 31, 2015 and 2014.

	2015	2014
Audit fees [(1)]	$ 470,000	$ 470,000
Audit related fees [(2)]	40,000	58,000
Tax Fees [(3)]	58,000	56,000
Total	$568,000	$ 584,000

(1) Audit fees consist of fees for professional services performed by KPMG LLP for the integrated audit of our annual financial statements (and internal control over financial reporting) included in our Form 10-K filing and review of financial statements included in our quarterly Form 10-Q filings, reviews of registration statements and issuances of consents, and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit related fees consist of fees for assurance and related services, such as comfort letters, performed by KPMG LLP that are reasonably related to the performance of the audit or review of our financial statements.

(3) Tax fees consist of fees for professional services performed by KPMG LLP with respect to tax compliance, tax advice, tax consulting and tax planning.

OTHER MATTERS

As of the time of preparation of this Proxy Statement, neither the Board nor management intends to bring before the meeting any business other than the matters referred to in the Notice of Annual Meeting and this Proxy Statement. If any other business should properly come before the meeting, or any adjournment or postponement thereof, the persons named in the proxy will vote on such matters according to their best judgment.

Stockholders Sharing the Same Address

In accordance with notices previously sent to many stockholders who hold their shares through a bank, broker or other holder of record (a "street-name stockholder") and share a single address, only one Notice of Availability of Proxy Materials is being delivered to that address unless contrary instructions from any stockholder at that address were received. This practice, known as "householding," is intended to reduce the Company's printing and postage costs. However, any such street-name stockholder residing at the same address who wishes to receive a separate copy of this Proxy Statement or accompanying Annual Report to Stockholders may request a copy by contacting the bank, broker or other holder of record, or the Company by telephone at: (858) 458-0900. The voting instruction sent to a street-name stockholder should provide information on how to request (1) householding of future Company materials or (2) separate materials if only one set of documents is being sent to a household. If it does not, a stockholder who would like to make one of these requests should contact the Company as indicated above.

Stockholder Proposals for the 2017 Meeting

Stockholders interested in submitting a proposal for consideration at our 2017 Annual Meeting must do so by sending such proposal to our Corporate Secretary at Cytori Therapeutics, Inc., 3020 Callan Road, San Diego, CA 92121, Attention: Corporate Secretary. Under the SEC's proxy rules, the deadline for submission of proposals to be included in our proxy materials for the 2017 Annual Meeting is November 15, 2016. Accordingly, in order for a stockholder proposal to be considered for inclusion in our proxy materials for the 2017 Annual Meeting, any such stockholder proposal must be received by our Corporate Secretary on or before November 15, 2016 and comply with the procedures and requirements set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as well as the applicable requirements of our bylaws. Any stockholder proposal received after November 15, 2016 will be considered untimely, and will not be included in our proxy materials.

In addition, stockholders interested in submitting a proposal outside of Rule 14a-8 must properly submit such a proposal in accordance with our bylaws. Our bylaws require advance notice of business to be brought before a stockholders' meeting, including nominations of persons for election as directors. To be timely, notice to our Corporate Secretary must be received at our principal executive offices not less than 120 days prior to the anniversary date of the preceding year's proxy statement and must contain specified information concerning the matters to be brought before such meeting and concerning the stockholder proposing such matters. Therefore, to be presented at our 2017 Annual Meeting, such a proposal must be received by the Company no later than November 15, 2016; provided, however, that in the event we hold the 2017 Annual Meeting of stockholders more than 30 days before or after the one-year anniversary date of the 2016 Annual Meeting, a proposal must be received by the Company a reasonable time before the proxy solicitation is made.

MISCELLANEOUS

Our Board of Directors knows of no other business to be presented at our Annual Meeting. If other matters properly come before our Annual Meeting, it is intended that the proxies in the accompanying form will be voted thereon in accordance with the judgment of the person or persons holding such proxies.

By Order of the Board of Directors,

MARC H. HEDRICK
President &Chief Executive Officer

[BALLOT]

C/*O COMPUTERSHARE*
250 ROYALL STREET
CANTON, MA 02021

VOTE BY INTERNET
Before the meeting - Go to **www.proxyvote.com**
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTER PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends that you vote FOR the following:	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.
	☐	☐	☐	_____

1. Election of Directors
Nominees

01) David M. Rickey	02) Richard J. Hawkins	03) Paul W. Hawran	04) Marc H. Hedrick, MD
05) Gary A. Lyons	06) Gail K. Naughton, Ph.D.		

The Board of Directors recommends you vote FOR the following proposals 2, 3 and 4:

		For	Against	Abstain
2.	To ratify the selection of KPMG LLP as the independent registered public accounting firm of Cytori for the fiscal year ending December 31, 2016.	☐	☐	☐
3.	To approve an amendment to the Cytori Therapeutics, Inc. 2014 Equity Incentive Plan.	☐	☐	☐
4.	To approve an amendment to our Amended and Restated Certificate of Incorporation effecting (i) a reverse split of our common stock by a ratio in the range of 1-for-5 and 1-for-25, as determined in the sole discretion of our Board of Directors, and (ii) a decrease in our authorized common stock from 290,000,000 shares to a number between 25,000,000 and 100,000,000 shares, as determined by our Board of Directors at its sole discretion.	☐	☐	☐

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date:	Signature (Joint Owners)	Date:

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Combined Document is available at www.proxyvote.com .

- -

CYTORI THERAPEUTICS, INC.
PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 10, 2016

The undersigned hereby appoints Marc H. Hedrick, MD, Tiago Girao and Jeremy Hayden, or any of them, as proxy holders each with full power of substitution, to appear on behalf and to vote all shares of common stock of Cytori Therapeutics, Inc. (the "Company") that the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on May 10, 2016,
and at any postponement thereof.

When properly executed, this proxy will be voted as directed. If properly executed and no instructions are specified, this proxy will be voted FOR the election of the listed Nominees as Directors under Proposal 1, FOR Proposals 2, 3 and 4 and at the discretion of the proxies with respect to such other business as may properly come before the meeting.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Director's recommendations.

PLEASE COMPLETE, DATE AND SIGN THIS PROXY AND RETURN IT IN THE ACCOMPANYINGENVELOPE.

Continued and to be signed on reverse side

APPENDIX A

2014 EQUITY INCENTIVE PLAN
of
CYTORI THERAPEUTICS, INC.

Table of Contents

Table of Contents Continued

Table of Contents Continued

2014 Equity Incentive Plan
Of
Cytori Therapeutics, Inc.

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 **Establishment.** The 2014 Equity Incentive Plan of Cytori Therapeutics, Inc. (the "***Plan***") was approved by the Board on June 11, 2014, and shall be subject to approval by the stockholders of the Company, at which time it shall become effective (the "***Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Purchase Rights, Restricted Stock Bonuses, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, Other Stock-Based Awards, and Deferred Compensation Awards.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, on or before ten (10) years from the Effective Date.

2. DEFINITIONS AND CONSTRUCTION.

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "***Affiliate***" means (i) a parent entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) a subsidiary entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms "parent," "subsidiary," "control" and "controlled by" shall have the meanings assigned such terms for the purposes of registration of securities on Form S-8 under the Securities Act.

(b) "***Award***" means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award, Other Stock-Based Award or Deferred Compensation Award granted under the Plan.

(c) "***Award Agreement***" means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions applicable to an Award.

(d) "***Board***" means the Board of Directors of the Company.

(e) "***Cash-Based Award***" means an Award denominated in cash and granted pursuant to Section 11.

(f) "***Cashless Exercise***" means a Cashless Exercise as defined in Section 6.3 (b)(i).

(g) "***Cause***" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following: (i) the Participant's theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (ii) the Participant's material failure to abide by a Participating Company's code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Participant's improper use or disclosure of a Participating Company's confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Participating Company's reputation or business; (v) the Participant's repeated failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant's conviction (including any plea of guilty or *nolo contendere*) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with a Participating Company.

(h) "***Change in Control***" means the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "***Transaction***") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(ff)(iii), the entity to which the assets of the Company were transferred (the "***Transferee***"), as the case may be; or

(iii) approval by the stockholders of a plan of complete liquidation or dissolution of the Company.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be,

either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple acquisitions of the voting securities of the Company and/or multiple Ownership Change Events are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(i) "***Code***" means the Internal Revenue Code of 1986, as amended, and any applicable regulations or administrative guidelines promulgated thereunder.

(j) "***Committee***" means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(k) "***Company***" means Cytori Therapeutics, Inc., a Delaware corporation, or any successor corporation thereto.

(l) "***Consultant***" means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

(m) "***Covered Employee***" means, at any time the Plan is subject to Section 162(m), any Employee who is or may reasonably be expected to become a "covered employee" as defined in Section 162(m), or any successor statute, and who is designated, either as an individual Employee or a member of a class of Employees, by the Committee no later than the earlier of (i) the date that is ninety (90) days after the beginning of the Performance Period, or (ii) the date on which twenty-five percent (25%) of the Performance Period has elapsed, as a "Covered Employee" under this Plan for such applicable Performance Period.

(n) "***Deferred Compensation Award***" means an Award granted to a Participant pursuant to Section 12.

(o) "***Director***" means a member of the Board.

(p) "***Disability***" means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(q) "***Dividend Equivalent Right***" means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award (other than an Option or SAR) held by such Participant.

(r) "***Employee***" means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a member of the Board nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion, whether an individual has

become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(s) "***ERISA***" means the Employee Retirement Income Security Act of 1974 and any applicable regulations or administrative guidelines promulgated thereunder.

(t) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(u) "***Fair Market Value***" means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(v) "***Full Value Award***" means any Award settled in Stock, other than (i) an Option, (ii) a Stock Appreciation Right, or (iii) a Restricted Stock Purchase Right or an Other Stock-Based Award under which the Company will receive monetary consideration equal to the Fair Market Value (determined on the effective date of grant) of the shares subject to such Award.

(w) "***Incentive Stock Option***" means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(x) "***Insider***" means an Officer, Director or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(y) "***Net Exercise***" means a Net Exercise as defined in Section 6.3(b)(i).

(z) "***Nonemployee Director***" means a Director who is not an Employee.

(aa) "***Nonemployee Director Award***" means any Award granted to a Nonemployee Director.

(bb) "***Nonstatutory Stock Option***" means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(cc) "***Officer***" means any person designated by the Board as an officer of the Company.

(dd) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(ee) "***Other Stock-Based Award***" means an Award denominated in shares of Stock and granted pursuant to Section 11.

(ff) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(gg) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(hh) "***Participant***" means any eligible person who has been granted one or more Awards.

(ii) "***Participating Company***" means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(jj) "***Participating Company Group***" means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(kk) "***Performance Award***" means an Award of Performance Shares or Performance Units.

(ll) "***Performance Award Formula***" means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(mm) "***Performance-Based Compensation***" means compensation under an Award that satisfies the requirements of Section 162(m) for certain performance-based compensation paid to Covered Employees.

(nn) "***Performance Goal***" means a performance goal established by the Committee pursuant to Section 10.3.

(oo) "***Performance Period***" means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

(pp) "***Performance Share***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(qq) "***Performance Unit***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(rr) "***Restricted Stock Award***" means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(ss) "***Restricted Stock Bonus***" means Stock granted to a Participant pursuant to Section 8.

(tt) "***Restricted Stock Purchase Right***" means a right to purchase Stock granted to a Participant pursuant to Section 8.

(uu) "***Restricted Stock Unit***" means a right granted to a Participant pursuant to Section 9 to receive on a future date or event a share of Stock or cash in lieu thereof, as determined by the Committee.

(vv) "***Rule 16b-3***" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(ww) "***SAR***" or "***Stock Appreciation Right***" means a right granted to a Participant pursuant to Section 7 to receive payment, for each share of Stock subject to such Award, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the Award over the exercise price thereof.

(xx) "***Section 162(m)***" means Section 162(m) of the Code.

(yy) "***Section 409A***" means Section 409A of the Code.

(zz) "***Section 409A Deferred Compensation***" means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

(aaa) "***Securities Act***" means the Securities Act of 1933, as amended.

(bbb) "***Service***" means a Participant's employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise

provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(ccc) *"**Stock**"* means the common stock of the Company, as adjusted from time to time in accordance with Section 4.3.

(ddd) *"**Subsidiary Corporation**"* means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(eee) *"**Ten Percent Owner**"* means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(fff) *"**Trading Compliance Policy**"* means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(ggg) *"**Vesting Conditions**"* mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such shares upon the Participant's termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 **Committee Complying with Section 162(m).** If the Company is a "publicly held corporation" within the meaning of Section 162(m), the Board may establish a Committee of "outside directors" within the meaning of Section 162(m) to approve the grant of any Award intended to result in the payment of Performance-Based Compensation.

3.5 **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, including, but not limited to the prohibitions on Option or SAR repricings set forth in Section 3.6, the Committee shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;

(b) to determine the type of Award granted;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation

arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to determine whether an Award will be settled in shares of Stock, cash, other property or in any combination thereof;

(f) to approve one or more forms of Award Agreement;

(g) to amend, modify, or cancel any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.6 **Option or SAR Repricing**. Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs having exercise prices per share greater than the then Fair Market Value of a share of Stock ("*Underwater Awards*") and the grant in substitution therefore of new Options or SARs having a lower exercise price, Full Value Awards, or payments in cash, or (b) the amendment of outstanding Underwater Awards to reduce the exercise price thereof. This Section shall not apply to adjustments pursuant to the assumption of or substitution for an Option or SAR in a manner that would comply with Section 424(a) or Section 409A of the Code or to an adjustment pursuant to Section 4.3.

3.7 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.3, as of the Plan's Effective Date, the maximum number of shares of Stock that may be issued under the Plan pursuant to Awards shall be equal to three million nine hundred and seventy five thousand (3,975,000) shares. Shares of stock that may be issued under the Plan pursuant to Awards shall consist of authorized or reacquired shares of Stock or any combination thereof.

4.2 **Share Counting.**

(a) If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, then in each case the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations applicable to SARs and Options pursuant to Section 17.2, shall not again be available for issuance under the Plan. Shares withheld by the Company in satisfaction of tax withholding obligations described in Section 17.2 with respect to Full Value Awards, shall again be available for issuance under the Plan. Upon payment in shares of Stock pursuant to the exercise of a SAR, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares subject to the SAR. If the exercise price of an Option is paid by means of a Net-Exercise, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise Options shall not be added to the shares of Stock authorized for grant under this Plan.

(b) Any shares of Stock that again become available for grant pursuant to this Section shall be added back as one (1) share of Stock for every one share subject to an Award.

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, the Award limits set forth in Section 5.3, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "***New Shares***"), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of,

the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the exercise or purchase price under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

4.4 **Assumption or Substitution of Awards.** The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code. In addition, subject to compliance with applicable laws, and listing requirements, shares available for grant under a stockholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for awards under the Plan to individuals who were not Employees or Directors of the Participating Company Group prior to the transaction and shall not reduce the share reserve set forth above. Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options shall not be added to the shares of Stock authorized for grant under this Plan.

5. ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.

5.1 **Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Directors.

5.2 **Participation in the Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Award Limitations.**

(a) ***Incentive Stock Option Limitations.***

(i) **Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed three million nine hundred and seventy five thousand (3,975,000) shares.

(ii) **Persons Eligible.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an *"**ISO-Qualifying Corporation**"*). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(iii) **Fair Market Value Limitation.** To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion

of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, shares issued pursuant to each such portion shall be separately identified.

(b) ***Section 162(m) Award Limits.*** Subject to adjustment as provided in Section 4.3:

(i) Options and SARs. No Employee shall be granted within any fiscal year of the Company one or more Options or SARS which are intended to qualify as Performance-Based Compensation to purchase more than two-million (2,000,000) shares of Stock under Options or to receive compensation calculated with reference to more than that number of SARs. Notwithstanding the foregoing, for a newly hired Employee, this limitation shall be three-million (3,000,000) shares of Stock.

(ii) Full Value and Cash Awards. No Employee shall be granted within any fiscal year of the Company one or more Full Value Awards intended to qualify for treatment as Performance-Based Compensation which in the aggregate could result in such Employee receiving more than one-million five hundred thousand (1,500,000) shares for each full fiscal year of the Company contained in the Performance Period for such Award. Notwithstanding the foregoing, with respect to a newly hired Participant, the share limits set forth above shall be two-million (2,000,000) shares. With respect to an Award of Performance Based Compensation payable in cash, the maximum amount shall be five–million dollars ($5,000,000) for each fiscal year contained in the Performance Period.

(c) Limit on Awards to Nonemployee Directors. Notwithstanding any other provision of the Plan to the contrary, the aggregate shares of Stock subject to Awards granted to any Nonemployee Director during any single calendar year shall not exceed one-hundred fifty thousand (150,000) shares.

6. **STOCK OPTIONS.**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A or 424(a) of the Code.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option and (c) no Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such Option (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Committee and subject to the limitations contained in Section 6.3(b), by means of (1) a Cashless Exercise, or (2) a Net Exercise; (iii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) ***Limitations on Forms of Consideration.***

(i) **Cashless Exercise.** A *"**Cashless Exercise**"* means the delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of

Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(ii) **Net Exercise.** A *"Net Exercise"* means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

6.4 **Effect of Termination of Service.**

(a) ***Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided by this Plan and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate. Except as otherwise provided in the Award Agreement, or other agreement governing the Option, vested Options shall remain exercisable failing a termination of Service as follows:

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of two (2) year after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the *"**Option Expiration Date**"*).

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of two (2) year after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(iii) **Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of ninety (90) days after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by.*** Notwithstanding the foregoing, other than with respect to a termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 15 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, a Nonstatutory Stock Option may be assignable or transferable subject to the applicable limitations, described in the General Instructions to Form S-8 under the Securities Act; provided that no consideration may be received for any transfer. An Incentive Stock Option shall not be assignable or transferable in any manner.

7. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 **Types of SARs Authorized.** SARs may be granted in tandem with all or any portion of a related Option (a "***Tandem SAR***") or may be granted independently of any Option (a "***Freestanding SAR***"). A Tandem SAR may only be granted concurrently with the grant of the related Option.

7.2 **Exercise Price.** The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR. Notwithstanding the foregoing, a SAR may be granted with an exercise price lower than the minimum exercise price set forth above if such SAR is granted pursuant to an assumption or substitution for another stock appreciation right in a manner that would qualify under the provisions of Section 409A of the Code.

7.3 **Exercisability and Term of SARs.**

(a) ***Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) ***Freestanding SARs.*** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that (i) no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR, and (ii) no Freestanding SAR granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such SAR (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of a Freestanding SAR, each Freestanding SAR shall terminate ten (10) years after the effective date of grant of the SAR, unless earlier terminated in accordance with its provisions.

7.4 **Exercise of SARs.** Upon the exercise of an SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant.

7.5 **Effect of Termination of Service.** Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

7.6 **Transferability of SARs.** During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR may be assignable or transferable subject to the applicable limitations, described in the General Instructions to Form S-8 under the Securities Act; provided that no consideration may be received for any transfer.

8. RESTRICTED STOCK AWARDS.

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

8.2 **Purchase Price.** The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

8.3 **Purchase Period.** A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

8.4 **Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Trading Compliance Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

8.6 **Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that such dividends and distributions shall vest and become nonforfeitable only if the underlying shares of Stock subject to the Restricted Stock Award become vested (including, but not limited to, the satisfaction of any performance related Vesting Condition). In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or Disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 **Nontransferability of Restricted Stock Award Rights.** Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. RESTRICTED STOCK UNIT AWARDS.

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 **Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

9.2 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 **Vesting.** Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to the Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then the satisfaction of the Vesting Conditions automatically shall be determined on the first to occur of (a) the next trading day on which the sale of such shares would not violate the Trading Compliance Policy or (b) the later of (i) last day of the calendar year in which the original vesting date occurred or (ii) the last day of the Company's taxable year in which the original vesting date occurred.

9.4 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units (rounded to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or Disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 **Settlement of Restricted Stock Unit Awards.** The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee, in its discretion, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

9.7 **Nontransferability of Restricted Stock Unit Awards.** The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. PERFORMANCE AWARDS.

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 **Types of Performance Awards Authorized.** Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 **Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.3, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

10.3 **Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. Unless otherwise permitted in compliance with the requirements under Section 162(m) with respect to each Performance Award intended to result in the payment of Performance-Based Compensation, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain. Once established, the Performance Goals and Performance Award Formula applicable to a Covered Employee shall not be changed during the Performance Period. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

10.4 **Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained ("***Performance Targets***") with respect to one or more measures of business or financial performance (each, a "***Performance Measure***"), subject to the following:

(a) ***Performance Measures.*** Performance Measures shall be calculated in accordance with the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall be calculated in accordance with generally accepted accounting principles, a method used generally in the Company's industry, or in accordance with a methodology established by the Committee prior to the grant of the Performance Award. Performance Measures shall be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. Unless otherwise determined by the Committee prior to the grant of the Performance Award, the Performance Measures applicable to the Performance Award shall be calculated prior to the accrual of expense for any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) on the Performance Measures of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be one or more of the following, as determined by the Committee: (i) revenue; (ii) sales; (iii) expenses; (iv) operating income; (v))gross margin; (vi) operating margin; (vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization; (vii) pre-tax profit; (ix) net operating income; (x) net income; (xi) economic value added; (xii) free cash flow; (xiii) operating cash flow; (xiv) balance of cash, cash equivalents and marketable securities; (xv) stock price; (xvi) earnings per share; (xvii) return on stockholder equity; (xviii) return on capital; (xix) return on assets; (xx) return on investment; (xxi) total stockholder return; (xxii) employee satisfaction; (xxiii) employee retention; (xxiv) market share; (xxv) customer satisfaction; (xxvi) product development; (xxvii) research and development expenses; (xxviii) completion of an identified special project; and (xxix) completion of a joint venture or other corporate transaction.

(b) ***Performance Targets.*** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value, an increase or decrease in a value, or as a value determined relative to an index, budget or other standard selected by the Committee.

10.5 **Settlement of Performance Awards.**

(a) ***Determination of Final Value.*** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) ***Discretionary Adjustment of Award Formula.*** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant who is not a Covered Employee to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Covered Employee's Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula. No such reduction may result in an increase in the amount payable upon settlement of another Participant's Performance Award that is intended to result in Performance-Based Compensation.

(c) ***Effect of Leaves of Absence.*** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

(d) ***Notice to Participants.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) ***Payment in Settlement of Performance Awards.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 16.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to the Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made

on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(f) ***Provisions Applicable to Payment in Shares.*** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

10.6 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock. The number of additional Performance Shares (rounded down to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights shall be accumulated and paid to the extent that Performance Shares become nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

10.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award or in the Participant's employment agreement, if any, referencing such Awards, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) ***Death or Disability.*** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) ***Other Termination of Service.*** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety.

10.8 **Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Cash-Based Awards and Other Stock-Based Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

11.1 **Grant of Cash-Based Awards**. Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

11.2 **Grant of Other Stock-Based Awards**. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be made available as a form of payment in the settlement of other Awards or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 **Value of Cash-Based and Other Stock-Based Awards**. Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. The Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met. The establishment of performance criteria with respect to the grant or vesting of any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall follow procedures substantially equivalent to those applicable to Performance Awards set forth in Section 10.

11.4 **Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards**. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. The determination and certification of the final value with respect to any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall comply with the requirements applicable to Performance Awards set forth in Section 10. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

11.5 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Other Stock-Based Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of such Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions and performance criteria, if any, as are applicable to the Award.

11.6 **Effect of Termination of Service**. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

11.7 **Nontransferability of Cash-Based Awards and Other Stock-Based Awards.** Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws or foreign law applicable to such shares of Stock.

12. **DEFERRED COMPENSATION AWARDS.**

12.1 **Establishment of Deferred Compensation Award Programs**. This Section 12 shall not be effective unless and until the Committee determines to establish a program pursuant to this Section. If the Committee determines that any such program may constitute an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA, the Committee shall adopt and implement such program through a separate subplan to this Plan. Eligibility to participate in such subplan shall be limited to Directors and a select group of management or highly compensated employees, and the Committee shall take all additional actions required to qualify such subplan as a "top-hat" unfunded deferred compensation plan, including filing with the U.S. Department of Labor within 120 days following the adoption of such subplan a notice pursuant to Department of Labor Regulations Section 2520.104-23.

12.2 **Terms and Conditions of Deferred Compensation Awards**. Deferred Compensation Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Deferred Compensation Awards may incorporate all or any of the terms of the Plan by reference and, except as provided below, shall comply with and be subject to the terms and conditions applicable to the appropriate form of Award as set forth in the applicable section of this Plan.

(a) ***Limitation on Elections.*** Notwithstanding any Participant's prior election to reduce cash compensation pursuant to a program established in accordance with this Section 12, no Deferred Compensation Award may be granted to the Participant after termination of the Plan or termination of the Participant's Service, and any such cash compensation shall be paid at the normal time and in accordance with the terms of the applicable cash compensation arrangement.

(b) ***Election Irrevocable.*** A Participant's election to reduce cash compensation pursuant to a program established in accordance with this Section 12 shall become irrevocable on the last day of the calendar year prior to the year in which the services are to be rendered with respect to which such cash compensation would otherwise become payable, or at the time otherwise required by Section 409A.

(c) ***Vesting.*** Deferred Compensation Awards may be fully vested at grant or may be subject to such Vesting Conditions as the Committee determines.

13. **STANDARD FORMS OF AWARD AGREEMENT.**

13.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement, which execution may be evidenced by electronic means.

13.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

14. **CHANGE IN CONTROL.**

14.1 **Effect of Change in Control on Awards.** Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) ***Accelerated Vesting.*** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following such Change in Control, and to such extent as the Committee shall determine.

(b) ***Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is not assumed, substituted for, or otherwise continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) ***Cash-Out of Outstanding Stock-Based Awards.*** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

14.2 **Federal Excise Tax Under Section 4999 of the Code.**

(a) ***Excess Parachute Payment.*** In the event that any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, the Participant, subject to compliance with applicable law (including, but not limited to the rules imposed by Section 409A), may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) ***Determination by Independent Accountants.*** To aid the Participant in making any election called for under Section 14.2(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 14.2(a), the Company shall request a determination in writing by independent public accountants selected by the Company (the *"**Accountants**"*). As soon as practicable thereafter, the Accountants shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants charge in connection with their services contemplated by this Section.

15. **COMPLIANCE WITH SECURITIES LAW.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

16. **COMPLIANCE WITH SECTION 409A.**

16.1 **Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 16 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term "***Short-Term Deferral Period***" means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term "substantial risk of forfeiture" shall have the meaning provided by Section 409A.

16.2 **Deferral and/or Distribution Elections.** Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an "***Election***") that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

(a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

(b) Elections shall be made by the end of the Participant's taxable year prior to the year in which services commence for which an Award may be granted to such Participant.

(c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 16.3.

16.3 **Subsequent Elections.** Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

(a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

(b) Each subsequent Election related to a payment in settlement of an Award not described in Section 16.4(a)(ii), 16.4(a)(iii) or 16.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

(c) No subsequent Election related to a payment pursuant to Section 16.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

(d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 16.3.

16.4 **Payment of Section 409A Deferred Compensation.**

(a) ***Permissible Payments.*** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

(i) The Participant's "separation from service" (as defined by Section 409A);

(ii) The Participant's becoming "disabled" (as defined by Section 409A);

(iii) The Participant's death;

(iv) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 16.2 or16.3, as applicable;

(v) A change in the ownership or effective control or the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

(vi) The occurrence of an "unforeseeable emergency" (as defined by Section 409A).

(b) ***Installment Payments***. It is the intent of this Plan that any right of a Participant to receive installment payments (within the meaning of Section 409A) shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

(c) ***Required Delay in Payment to Specified Employee Pursuant to Separation from Service.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 16.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a "specified employee" (as defined by Section 409A) as of the date of the Participant's separation from service before the date (the "***Delayed Payment Date***") that is six (6) months after the date of such Participant's separation from service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(d) ***Payment Upon Disability.*** All distributions of Section 409A Deferred Compensation payable by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

(e) ***Payment Upon Death.*** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the

Participant's Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death.

(f) ***Payment Upon Change in Control.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 14.1(b) shall vest to the extent provided by such Award but shall be converted automatically at the effective time of such Change in Control into a right to receive, in cash on the date or dates such award would have been settled in accordance with its then existing settlement schedule (or as required by Section 16.4(c)), an amount or amounts equal in the aggregate to the intrinsic value of the Award at the time of the Change in Control.

(g) ***Payment Upon Unforeseeable Emergency.*** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum upon the Committee's determination that an unforeseeable emergency has occurred. The Committee's decision with respect to whether an unforeseeable emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

(h) ***Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

(i) ***No Representation Regarding Section 409A Compliance***. Notwithstanding any other provision of the Plan, the Company makes no representation that Awards shall be exempt from or comply with Section 409A. No Participating Company shall be liable for any tax, penalty or interest imposed on a Participant by Section 409A.

17. **TAX WITHHOLDING.**

17.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including social insurance), if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

17.2 **Withholding in or Directed Sale of Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company may require a Participant to direct a broker, upon the vesting, exercise or settlement of an Award, to sell a portion of the shares subject to the Award determined by the Company in its discretion to be sufficient to cover the tax withholding obligations of any Participating Company and to remit an amount equal to such tax withholding obligations to such Participating Company in cash.

18. **AMENDMENT, SUSPENSION OR TERMINATION OF PLAN.**

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.3), (b) no change in the class of persons eligible to receive Incentive Stock Options, (c) any amendment to Section 3.5, and (d) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or quotation system upon which the Stock may then be listed or quoted. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may adversely affect any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

19. **MISCELLANEOUS PROVISIONS.**

19.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

19.2 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period. In addition, to the extent claw-back or similar provisions applicable to

Awards are required by applicable law, listing standards and/or policies adopted by the Company, Awards granted under the Plan shall be subject to such provisions.

19.3 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

19.4 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

19.5 **Rights as a Stockholder.** A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3 or another provision of the Plan.

19.6 **Delivery of Title to Shares.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

19.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

19.8 **Retirement and Welfare Plans**. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any Participant under any Participating Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit. In addition, unless a written employment agreement or other service agreement references Awards, a general reference to "benefits" in such agreement shall not be deemed to refer to Awards granted hereunder.

19.9 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

19.10 **Severability**. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

19.11 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Participating Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

19.12 **Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

19.13 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of Delaware, without regard to its conflict of law rules.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the 2014 Equity Incentive Plan of Cytori Therapeutics, Inc. as duly adopted by the Board on June 11, 2014.

By: /s/ Jonathan E. Soneff
General Counsel & Corporate Secretary

FIRST AMENDMENT

TO THE CYTORI THERAPEUTICS, INC.

2014 STOCK PLAN

WHEREAS, Cytori Therapeutics, Inc., a Delaware corporation (the "**Company**"), maintains the Cytori Therapeutics, Inc. 2014 Stock Plan (the "**Plan**"); and

WHEREAS, Section 14 of the Plan reserves to the Board of Directors of the Company (the "**Board**") or the Compensation Committee of the Board the authority to amend the Plan from time to time, subject to stockholder approval if such amendment includes an increase to the number of shares of common stock of the Company that may be issued under the Plan; and

WHEREAS, the Board has determined that it is desirable and in the best interests of the Company and its stockholders to amend the Plan to increase the number of shares of common stock of the Company issuable under the Plan by 4,527,000 shares, to an aggregate of 8,502,000 shares measured from the Plan's inception; and

WHEREAS, the Board wishes to increase the limit on the number of shares of Stock which may be issued as "incentive stock options" to 8,502,000.

NOW, THEREFORE, the Plan is hereby amended as follows, effective upon approval of the stockholders of the Company:

1. Section 4.1 of the Plan is hereby amended in its entirety to read as follows:

   4.1 **Maximum Number of Shares Issuable**. Subject to adjustment as provided in Section 4.3, as of the Plan's Effective Date, the maximum number of shares of Stock that may be issued under be Plan pursuant to Awards shall be equal to eight million five hundred and two thousand (8,502,000) shares. Shares of stock that may be issued under the Plan pursuant to Awards shall consist of authorized or reacquired shares of Stock or any combination thereof.

2. Section 5.3(a) is hereby amended in its entirety to read as follows:

   5.3 Award Limitations.

   (a) ***Incentive Stock Option Limitations****.*

   (i) ***Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.*** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed eight million five hundred and two thousand (8,502,000) shares.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by its duly authorized officer this 13th day of August, 2015.

CYTORI THERAPEUTICS, INC.

By: /s/ Marc Hedrick
Marc Hedrick, President and CEO

SECOND AMENDMENT

TO THE CYTORI THERAPEUTICS, INC.
2014 EQUITY INCENTIVE PLAN

WHEREAS, Cytori Therapeutics, Inc., a Delaware corporation (the "**Company**"), maintains the Cytori Therapeutics, Inc. 2014 Equity Incentive Plan (the "**Plan**"); and

WHEREAS, Section 14 of the Plan reserves to the Board of Directors of the Company (the "**Board**") or the Compensation Committee of the Board the authority to amend the Plan from time to time, subject to stockholder approval if such amendment includes an increase to the number of shares of common stock of the Company that may be issued under the Plan; and

WHEREAS, the Board has determined that it is desirable and in the best interests of the Company and its stockholders to amend the Plan to increase the number of shares of common stock of the Company issuable under the Plan by Five Million (5,000,000) shares, to an aggregate of Thirteen Million Five Hundred and Two Thousand (13,502,000) shares measured from the Plan's inception; and

WHEREAS, the Board wishes to increase the limit on the number of shares of Stock which may be issued as "incentive stock options" under the Plan to Thirteen Million Five Hundred and Two Thousand (13,502,000) shares.

NOW, THEREFORE, **BE IT RESOLVED** the Plan is hereby amended as follows, effective upon approval of the stockholders of the Company:

3. Section 4.1 of the Plan is hereby amended in its entirety to read as follows:

> ***4.1 Maximum Number of Shares Issuable***. Subject to adjustment as provided in Section 4.3, as of the Plan's Effective Date, the maximum number of shares of Stock that may be issued under the Plan pursuant to Awards shall be equal to Thirteen Million Five Hundred and Two Thousand (13,502,000) shares. Shares of stock that may be issued under the Plan pursuant to Awards shall consist of authorized or reacquired shares of Stock or any combination thereof.

4. Section 5.3(a) is hereby amended in its entirety to read as follows:

> ***5.3 Award Limitations.***
>
> *(a)* ***Incentive Stock Option Limitations.***
>
> (i) ***Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.*** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed Thirteen Million Five Hundred and Two Thousand (13,502,000) shares.

RESOLVED FURTHER, that for the sake of clarity, the above numbers do not reflect the reverse stock split the stockholders are also going to be requested to approve at the 2016 Annual Meeting of Stockholders. If such approval is obtained, then such numbers shall be adjusted proportionately

pursuant to the terms of the Plan and in accordance with the reverse split ratio determined by the Company's Board of Directors.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed by its duly authorized officer this _____ day of _____, 2016.

CYTORI THERAPEUTICS, INC.

By: _____

APPENDIX B

CERTIFICATE OF AMENDMENT
OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
CYTORI THERAPEUTICS, INC.

Cytori Therapeutics, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: The name of the corporation is Cytori Therapeutics, Inc. (the "***Corporation***").

SECOND: On March 3, 2016, the Board of Directors of the Corporation duly adopted resolutions approving the following amendment of the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), declaring said amendment to be advisable and providing for such consideration of such amendment at the Corporation's annual meeting of the stockholders.

THIRD: On May __, 2016, the Corporation's annual meeting of the stockholders was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

FOURTH: Article IV.A of the Amended and Restated Certificate of Incorporation of the Corporation be hereby amended and restated to read in its entirety as follows:

> "This Corporation is authorized to issue two classes of stock to be designated, respectively, 'Common Stock' and 'Preferred Stock.' The total number of shares which the Corporation is authorized to issue is _____ Million (_____) shares, _____ Million (_____) shares of which shall be Common Stock (the 'Common Stock') and Five Million (5,000,000) shares of which shall be Preferred Stock ('Preferred Stock'). The Common Stock and Preferred Stock shall each have a par value of $0.001 per share.
>
> Upon the filing and effectiveness (the "Effective Time"), pursuant to the General Corporation Law of the State of Delaware, of this Certificate of Amendment to the Certificate of Incorporation of the Corporation, each _____ (_____) shares of Common Stock either issued and outstanding or held by the Corporation in its treasury immediately prior to the Effective Time shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of Common Stock (the "Reverse Stock Split"). No fractional shares shall be issued in connection with the Reverse Stock Split. Stockholders who would otherwise be entitled to receive fractional shares shall be entitled to the rounding up of the fractional share to the nearest whole number. Each certificate that immediately prior to the Effective Time represented shares of Common Stock ("Old Certificates"), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the elimination of fractional share interests as described above."

FIFTH: This amendment to the Corporation's Amended and Restated Certificate of Incorporation shall be effective on and as of the date of filing of this Certificate of Amendment with the Secretary of State of the State of Delaware.

****

IN WITNESS WHEREOF, Cytori Therapeutics, Inc. has caused this Certificate of Amendment to be signed by the undersigned, thereunto duly appointed, this __th day of May, 2016.

CYTORI THERAPEUTICS, INC.

By: _____
Name: Marc H. Hedrick
Title: President and Chief Executive Officer

CORPORATE OFFICERS

MARC H. HEDRICK, M.D.
President and Chief Executive Officer

TIAGO GIRAO
Vice President, Finance and Chief Financial Officer

STEVEN KESTEN, M.D.
Executive Vice President and Chief Medical Officer

JOHN HARRIS
Vice President and General Manager of Cell Therapy

JEREMY HAYDEN
General Counsel and Vice President of Business Development

BOARD OF DIRECTORS

DAVID M. RICKEY
Chairman of the Board

RICHARD J. HAWKINS
Director

PAUL W. HAWRAN
Director

MARC H. HEDRICK, M.D.
President and Director

GARY A. LYONS
Director

GAIL K. NAUGHTON, PH.D.
Director

TOMMY G. THOMPSON*
Director

*Not standing for re-election at the 2016 Annual Stockholder Meeting

CORPORATE HEADQUARTERS

Cytori Therapeutics, Inc.
3020 Callan Road
San Diego, CA 92121
United States
Tel: +1.858.458.0900
cytori.com

Cytori Therapeutics K.K.
Sumitomo Fudosan Onarimon Ekimae Bldg. 11F
6-17-21 Shimbashi
Minato-ku, Tokyo 105-0004
Japan
Tel: +81.3.6870.7500

STOCKHOLDER INFORMATION

OUTSIDE CORPORATE COUNSEL
DLA Piper (US), LLP

INDEPENDENT ACCOUNTANTS
KPMG LLP / San Diego, CA

TRANSFER AGENT
Computershare
250 Royall Street
Canton, MA 02021
Tel: +1.800.962.4284

NOTICE OF ANNUAL MEETING
May 10, 2016, 9 AM PT
Cytori Therapeutics, Inc.
3020 Callan Road
San Diego, CA 92121

NASDAQ: CYTX

CORP-205-LIT-INT_A-0316