UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission file number 001-34375

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**

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 o

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

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

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

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

As of October 31, 2013, there were 67,270,466 shares of the registrant's common stock outstanding.

CYTORI THERAPEUTICS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CYTORI THERAPEUTICS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

	As of September 30, 2013	As of December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 10,205,000	$ 25,717,000
Accounts receivable, net of reserves of $1,218,000 and of $278,000 in 2013 and 2012, respectively	2,622,000	3,926,000
Inventories, net	4,138,000	3,175,000
Other current assets	1,128,000	1,161,000
Total current assets	18,093,000	33,979,000
Property and equipment, net of accumulated depreciation of $9,131,000 and of $8,609,000 in 2013 and 2012, respectively	1,550,000	2,174,000
Restricted cash and cash equivalents	350,000	350,000
Investment in joint venture	—	85,000
Other assets	1,962,000	2,740,000
Intangibles, net	9,345,000	—
Goodwill	3,922,000	3,922,000
Total assets	$ 35,222,000	$ 43,250,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,471,000	$ 7,411,000
Current portion of long-term obligations, net of discount	1,193,000	9,784,000
Termination fee obligation	600,000	—
Puregraft divestiture obligation	608,000	—
Joint Venture purchase obligation	4,772,000	—
Warrant liability	—	418,000
Total current liabilities	12,644,000	17,613,000
Deferred revenues, related party	—	638,000
Deferred revenues	190,000	2,635,000
Option liability	—	2,250,000
Long-term deferred rent and other	754,000	756,000
Long-term obligations, net of discount, less current portion	24,822,000	12,903,000
Total liabilities	38,410,000	36,795,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; -0- shares issued and outstanding in 2013 and 2012	—	—
Common stock, $0.001 par value; 145,000,000 shares authorized; 67,270,466 and 65,914,050 shares issued and outstanding in 2013 and 2012, respectively	67,000	66,000
Additional paid-in capital	287,752,000	281,117,000
Accumulated other comprehensive loss	(142,000)	—
Accumulated deficit	(290,865,000)	(274,728,000)
Total stockholders' (deficit) equity	(3,188,000)	6,455,000
Total liabilities and stockholders' equity	$ 35,222,000	$ 43,250,000

SEE NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Product revenues	$ 1,616,000	$ 1,314,000	$ 4,416,000	$ 4,741,000
Cost of product revenues	931,000	703,000	2,296,000	2,588,000
Gross profit	685,000	611,000	2,120,000	2,153,000
Development revenues:				
Development, related party	—	—	638,000	2,413,000
Development revenue	—	—	1,179,000	—
Government contracts and other	1,095,000	2,000	2,503,000	21,000
	1,095,000	2,000	4,320,000	2,434,000
Operating expenses:				
Research and development	4,123,000	3,555,000	11,992,000	9,615,000
Sales and marketing	1,786,000	2,450,000	6,453,000	7,406,000
General and administrative	4,332,000	3,777,000	12,225,000	11,489,000
Change in fair value of warrant liability	—	863,000	(418,000)	1,244,000
Change in fair value of option liability	—	300,000	(2,250,000)	490,000
Total operating expenses	10,241,000	10,945,000	28,002,000	30,244,000
Operating loss	(8,461,000)	(10,332,000)	(21,562,000)	(25,657,000)
Other income (expense):				
Loss on asset disposal	—	—	(257,000)	—
Loss on debt extinguishment	—	—	(708,000)	—
Interest income	1,000	—	2,000	3,000
Interest expense	(1,094,000)	(857,000)	(2,456,000)	(2,582,000)
Other income (expense), net	(96,000)	(17,000)	(392,000)	(91,000)
Gain on Puregraft divestiture	4,392,000	—	4,392,000	—
Gain on previously held equity interest in Joint Venture	—	—	4,892,000	—
Equity loss from investment in joint venture	—	(42,000)	(48,000)	(128,000)
Total other income (expense)	3,203,000	(916,000)	5,425,000	(2,798,000)
Net loss	$ (5,258,000)	$ (11,248,000)	$ (16,137,000)	$ (28,455,000)
Other comprehensive income (loss) – foreign currency translation adjustments	(108,000)	—	(142,000)	—
Net comprehensive loss	$ (5,366,000)	$ (11,248,000)	$ (16,279,000)	$ (28,455,000)
Basic and diluted net loss per common share	$ (0.08)	$ (0.19)	$ (0.24)	$ (0.49)
Basic and diluted weighted average common shares	67,248,384	58,713,036	67,147,584	58,292,911

SEE NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net loss	$ (16,137,000)	$ (28,455,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,169,000	712,000
Amortization of deferred financing costs and debt discount	605,000	706,000
Joint Venture acquisition obligation accretion	204,000	—
Provision for doubtful accounts	938,000	99,000
Change in fair value of warrants	(418,000)	1,244,000
Change in fair value of option liabilities	(2,250,000)	490,000
Share-based compensation expense	2,723,000	2,907,000
Equity loss from investment in joint venture	48,000	128,000
Loss on asset disposal	257,000	—
Gain on previously held equity interest in Joint Venture	(4,892,000)	—
Gain on sale of assets	(4,392,000)	—
Loss on debt extinguishment	708,000	—
Increases (decreases) in cash caused by changes in operating assets and liabilities:		
Accounts receivable	361,000	698,000
Inventories	(975,000)	(93,000)
Other current assets	69,000	(253,000)
Other assets	(117,000)	16,000
Accounts payable and accrued expenses	(1,080,000)	254,000
Deferred revenues, related party	(638,000)	(2,413,000)
Deferred revenues	(1,245,000)	(97,000)
Long-term deferred rent	(2,000)	180,000
Net cash used in operating activities	(25,064,000)	(23,877,000)
Cash flows from investing activities:		
Purchases of property and equipment	(536,000)	(1,077,000)
Proceeds from Puregraft divestiture	5,000,000	
License agreement termination fee	(600,000)	—
Cash acquired in purchase of Joint Venture	5,000	—
Net cash provided by (used in) investing activities	3,869,000	(1,077,000)
Cash flows from financing activities:		
Principal payments on long-term obligations	(22,292,000)	(210,000)
Proceeds from long-term obligations	27,000,000	—
Debt issuance costs and loan fees	(1,744,000)	—
Payments toward purchase of Joint Venture	(141,000)	—
Proceeds from exercise of employee stock options and warrants and stock purchase plan	147,000	988,000
Proceeds from sale of common stock	3,001,000	4,946,000
Costs from sale of common stock	(184,000)	(64,000)
Net cash provided by financing activities	5,787,000	5,660,000
Effect of exchange rate changes on cash and cash equivalents	(104,000)	—
Net decrease in cash and cash equivalents	(15,512,000)	(19,294,000)
Cash and cash equivalents at beginning of period	25,717,000	36,922,000
Cash and cash equivalents at end of period	$ 10,205,000	$ 17,628,000
Supplemental disclosure of cash flows information:		
Cash paid during period for:		
Interest	$ 1,592,000	$ 1,906,000
Supplemental schedule of non-cash investing and financing activities:		
Fair value of warrants allocated to additional paid-in capital	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	—

SEE NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

CYTORI THERAPEUTICS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
September 30, 2013
(UNAUDITED)

1. Basis of Presentation

Our accompanying unaudited Consolidated Condensed Financial Statements as of September 30, 2013 and for the three and nine months ended September 30, 2013 and 2012 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. Our consolidated condensed balance sheet at September 30, 2013 has been derived from the audited financial statements at December 31, 2012, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of Cytori Therapeutics, Inc., and our subsidiaries (the Company) have been included. Operating results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. These financial statements should be read in conjunction with the Consolidated Financial Statements and notes therein included in our annual report on Form 10-K for the year ended December 31, 2012.

2. Use of Estimates

The preparation of Consolidated Condensed 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. Our most significant estimates and critical accounting policies involve recognizing revenue, valuing the acquisition of the Olympus-Cytori Joint Venture, valuing warrants, determining the assumptions used in measuring share-based compensation expense and valuing allowances for doubtful accounts and inventories.

Actual results could differ from these estimates. Management’s estimates and assumptions are reviewed regularly, and the effects of revisions are reflected in the Consolidated Condensed Financial Statements in the periods they are determined to be necessary.

3. Capital Availability

We incurred net losses of $5,258,000 and $16,137,000 for the three and nine months ended September 30, 2013 and $11,248,000 and $28,455,000 for the three and nine months ended September 30, 2012, respectively. We have an accumulated deficit of $290,865,000 as of September 30, 2013. Additionally, we have used net cash of $25,064,000 and $23,877,000 to fund our operating activities for the nine months ended September 30, 2013 and 2012, respectively. To date, these operating losses have been funded primarily from outside sources of invested capital and gross profits. During 2013 and 2012, we expanded our commercialization activities while simultaneously pursuing available financing sources to support operations and growth.

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.

Pursuant to the recently announced Lorem Vascular transaction and related equity purchase, as well as anticipated gross profits and potential outside sources of capital, we believe we have sufficient cash to fund operations through at least the next twelve months, which includes minimum liquidity requirements of the Loan and Security Agreement, which requires us to maintain at least three months of cash on hand. We have an established history of raising capital, and are currently involved in negotiations with multiple parties. In the absence of sufficient positive cash flows from operations, no assurance can be given that we can generate sufficient revenue to cover operating costs or that additional financing will be available to us and, if available, on terms acceptable to us in the future.

The Company continues to seek additional capital through product revenues, strategic transactions, including extension opportunities under the awarded BARDA contract, and from other financing alternatives.

4. Transactions with Olympus Corporation

Acquisition of Olympus’ Interest in the Joint Venture

In 2005, we entered into a joint venture and other related agreements (the "Joint Venture Agreements") with Olympus. The Joint Venture was owned equally by Olympus and us. We had previously accounted for our interests in the Joint Venture using the equity method of accounting, since we could not exert significant influence over the Joint Venture's operations.

On May 8, 2013, Cytori and Olympus agreed to terminate the Olympus-Cytori Joint Venture (Termination Agreement), and Cytori acquired the remaining 50% equity interest in the Joint Venture from Olympus. The termination of the relationship and purchase of Olympus' equity shares of the Joint Venture allows Cytori to regain full control of the manufacturing rights for the Celution ® system. The purpose of the acquisition is to gain more flexibility on the manufacturing process and associated costs, enable higher margins, and speed the transition to the critical next-generation systems. In connection with the Termination Agreement, the assets acquired, liabilities assumed, and the Company's previously held equity interest were recorded at fair value. 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 Condensed Statements of Operations.

As consideration for the Termination Agreement, Cytori can choose from alternative payment options as defined in the Termination Agreement. The payment options call for a minimum of $4,500,000 up to a maximum of $16,000,000 to be paid by Cytori to Olympus in installments over periods ranging from one year to six years depending on the option selected by the Company. Installment payments will be calculated quarterly based on 5% of Cytori's gross sales receipts for all products sold. If Cytori receives an aggregate $35,000,000 in cash through strategic or financing arrangements during the first year of the Termination Agreement, Cytori will pay $4,500,000 upon request of Olympus as full and complete consideration under the Agreement.

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 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 will be amortized to interest expense over a weighted average expected term of 1.8 years. On a quarterly basis, the Company will reassess 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. As a result of this reassessment as of September 30, 2013 the Company believes it will settle the obligation for a total of $4.5 million, which will result in a gain of $0.6 million upon settlement.

There was no revenue or earnings from the Joint Venture included in our consolidated results subsequent to the date of acquisition. Had the acquisition occurred on January 1, 2013, consolidated revenue would not have been affected, but our consolidated net loss would have been reduced by $48,000, the amount of our year to date equity loss from investment in Joint Venture.

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.

Put/Calls and Guarantees

Prior to the termination of the Joint Venture the Shareholders' Agreement between Cytori and Olympus provided that in certain specified circumstances of our insolvency or if we experienced a change in control, Olympus would have the rights to (i) repurchase our interests in the Joint Venture at the fair value of such interests or (ii) sell its own interests in the Joint Venture to Cytori (the "Put") at the higher of (a) $22,000,000 or (b) the Put's fair value.

At December 31, 2012, the estimated fair value of the Put was $2,250,000. The Put, as a previously existing contractual relationship between Olympus and Cytori, was cancelled as a result of the Joint Venture termination in May 2013 and therefore its related fair value decreased to zero as a result of the termination. Fluctuations in the Put value are recorded in the Consolidated Condensed Statements of Operations as change in fair value of option liabilities.

5. Warrant Liability

Warrants with exercise price reset features (down-round protection) were accounted for as liabilities, with changes in the fair value included in net loss for the respective periods. The fair value of the liability associated with the warrants with this reset feature was $0 as of September 30, 2013, and $0 and $418,000 in gains from the change in fair value of warrants were recorded for the three and nine months ended September 30, 2013, respectively. We recorded $863,000 and $1,244,000 in losses for the three and nine months ended September 30, 2012, respectively.

All changes in the fair value of the warrants were to be recognized in earnings until such time as the warrants were exercised or they expire. These warrants expired as of August 2013. The warrants were not traded in an active securities market, and as such, we estimated the fair value of these warrants using an option pricing model with the following assumptions:

	As of September 30, 2013	As of December 31, 2012
Expected term	—	0.61 years
Common stock market price	$ —	$ 2.80
Risk-free interest rate	—	0.11%
Expected volatility	—	73.88%
Resulting fair value (per warrant)	$ —	$ 0.20

Expected volatility was based primarily on historical volatility. Historical volatility was computed using daily pricing observations for recent periods that corresponded to the expected term of the warrants. We believe this method produced an estimate that was representative of our expectations of future volatility over the expected term of these warrants. The expected life was based on the remaining contractual term of the warrants. The risk-free interest rate was the interest rate for treasury constant maturity instruments published by the Federal Reserve Board that was closest to the expected term of the warrants. 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 have resulted in a significantly higher (lower) fair value measurement.

6. Long-term Debt

On June 28, 2013 we entered into a Loan and Security Agreement (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 loan agreement. The Term Loan accrues interest at a fixed rate of 9.75% per annum. Pursuant to the 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. However, if we achieve a specified revenue threshold for the period of 12 months from the date of the loan agreement through June 30, 2014, the interest only period will be extended to February 1, 2015. All unpaid principal and interest with respect to the Term Loan is due and payable in full on July 1, 2017. 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 $1,620,000. 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 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, 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 13.92%. The Term Loan are collateralized by the tangible assets of the company, including a security interest in substantially all of its existing and after-acquired assets.

7. 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 all sales, we use a binding purchase order or a signed agreement as evidence of an arrangement. 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 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

Three distributors comprised 39% of our revenue recognized for the nine months ended September 30, 2013. Three direct customers and one distributor accounted for 54% of total outstanding accounts receivable as of September 30, 2013.

One direct customer comprised 16% of our revenue recognized for the nine months ended September 30, 2012. Three direct customers accounted for 44% of total outstanding accounts receivable as of September 30, 2012.

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

	Nine months ended			
	September 30, 2013		September 30, 2012	
	Product Revenues	% of Total	Product Revenues	% of Total
North America	$ 822,000	19%	$ 810,000	17%
Japan	1,892,000	43%	2,273,000	48%
Europe	865,000	19%	1,006,000	21%
Other countries	837,000	19%	652,000	14%
Total product revenues	$ 4,416,000	100%	$ 4,741,000	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 Biomedical Advanced Research and Development Authority (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 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 includes $4.7 million over two years and covers 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. 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.

We received funds from Olympus and Olympus-Cytori, Inc. during 2005 and 2006. We recorded upfront fees totaling $28,311,000 as deferred revenues, related party. In exchange for these proceeds, we agreed to (a) provide Olympus-Cytori, Inc. an exclusive and perpetual license to our Celution® System device technology and certain related intellectual property, and (b) provide future development contributions related to commercializing the Celution® System platform. The license and development services were not separable and as a result the recognition of this deferred amount as revenue required achievement of service related milestones, under a proportional performance methodology. Revenue was recognized as the above mentioned R&D milestones were completed. Of the amounts received and deferred, we recognized the last remaining development revenue of $638,000 during the three months ended March 31, 2013 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. During 2012, we recognized $2,413,000 for the three and six months ended June 30, 2012 as a result of completion of two remaining clinical milestones for the APOLLO and PRECISE clinical trials. As of September 30, 2013, there are no deferred amounts under this contract.

Refer to Note 14 for discussion about our arrangement with Senko.

8. Inventories

Inventories are carried at the lower of cost or market, determined on the first-in, first-out (FIFO) method.

Inventories consisted of the following:

	September 30, 2013	December 31, 2012
Raw materials	$ 1,900,000	$ 1,384,000
Work in process	473,000	404,000
Finished goods	1,765,000	1,387,000
	$ 4,138,000	$ 3,175,000

9. Share-Based Compensation

Stock Options

During the first quarter of 2013, we issued to our executive officers and directors options to purchase an aggregate of 1,897,000 shares of our common stock, with four-year vesting for our officers and two-year vesting for our directors. The grant date fair value of the awards granted to our officers was $1.80 per share for options with an exercise price of $2.74 (which was the fair market value of our common stock on the date of grant) and $1.49 per share for options with an exercise price of $5.00, respectively. The grant date fair value of the awards granted to our directors was $1.84 per share for options with an exercise price of $2.80 (which was the fair market value of our common stock on the date of grant). The resulting share-based compensation expense of $3,235,000, net of estimated forfeitures, will be recognized as expense over the respective vesting periods.

During the first quarter of 2013, we issued a grant to our non-executive employees options to purchase an aggregate of 552,350 shares of our common stock, with four-year vesting. The grant date fair value of the awards was $1.92 per share and $1.64 per share, respectively, due to the awards being granted on two different dates. The resulting share-based compensation expense of $974,000, net of estimated forfeitures, will be recognized as expense over the respective vesting periods.

During the first quarter of 2012, we issued to our directors and executive officers options to purchase an aggregate of 690,000 shares of our common stock, with four-year vesting for our officers and two-year vesting for our directors. The grant date fair value of the awards granted to our officers was $2.10 per share and to our directors was $1.35 per share. The resulting share-based compensation expense of $1,373,000, net of estimated forfeitures, will be recognized as expense over the respective vesting periods.

Restricted Stock Awards

During the first quarter of 2012, we issued to our executive officers 190,000 shares of restricted stock. The stock award vested on January 10, 2013 and the resulting share-based compensation expense of $602,000 was recognized as expense over the vesting period.

Performance-Based Restricted Stock Awards

In January 2012, we granted 276,375 performance-based restricted stock awards under the 2004 Equity Incentive Plan. The awards provide certain employees until December 31, 2012 to achieve certain performance goals established by the Compensation Committee. In January 2013, the Compensation Committee reviewed the employees performance against the performance goals and allowed only a portion of the awards to continue vesting based on partial achievement of the goals. As a result of this decision, 86,229 shares with fair value of $2.74 per share will continue vesting under the terms of the grant. Since we have not recognized any expense relating to these shares through December 31, 2012, additional compensation expense of $236,000 resulting from this grant modification will be recognized from the modification date through the vesting date of January 2014. We recognized $92,000 and $252,000 of compensation expense related to performance-based awards during the three and nine months ended September 30, 2013, respectively.

10. Loss per Share

Basic per share data is computed by dividing net income or loss applicable 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 applicable 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 and warrants for all periods presented.

We have excluded all potentially dilutive securities, including unvested performance-based restricted stock, from the calculation of diluted loss per share attributable to common stockholders for the three months ended September 30, 2013 and 2012, as their inclusion would be antidilutive. Potentially dilutive common shares excluded from the calculations of diluted loss per share were 17,212,805 for the three and nine month periods ended September 30, 2013 and 18,193,938 for the three and nine month periods ended September 30, 2012, respectively.

11. Accumulated Other Comprehensive Loss

During the first quarter of 2013, we determined that the functional currency of our Japanese subsidiary changed from the US Dollar to the Japanese Yen due to significant changes in economic facts and circumstances of our Japan subsidiary. As a result of this change, a portion of the foreign exchange gain or loss will be classified as foreign currency translation adjustments within other comprehensive income or loss. Our comprehensive loss includes net loss and foreign currency translation adjustments. See the unaudited Consolidated Condensed Statements of Operations and comprehensive loss for the effect of foreign currency translation adjustments.

The components of accumulated other comprehensive loss are as follows:

	For the three months ended September 30, 2013		For the nine months ended September 30, 2013	
	Foreign currency translation adjustments	Accumulated other comprehensive loss	Foreign currency translation adjustments	Accumulated other comprehensive loss
Beginning balance	$ (34,000)	$ (34,000)	$ —	$ —
Net current period other comprehensive loss	(108,000)	(108,000)	(142,000)	(142,000)
Ending balance	$ (142,000)	$ (142,000)	$ (142,000)	$ (142,000)

12. Commitments and Contingencies

We have entered into agreements with various research organizations for pre-clinical and clinical development studies, which have provisions for cancellation. Under the terms of these agreements, the vendors provide a variety of services including conducting research, recruiting and enrolling 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 pre-clinical and clinical studies in progress. As of September 30, 2013, we have pre-clinical research study obligations of $23,000 (all of which are expected to be complete within a year) and clinical research study obligations of $4,080,000 ($3,530,000 of which are expected to be complete within a year). Should the timing of the pre-clinical and clinical trials change, the timing of the payment of these obligations would also change.

During 2008, we entered into a supply agreement with a minimum purchase requirements clause. As of September 30, 2013, we have minimum purchase obligations of $850,000 (all of which are expected to be paid within a year).

We have entered into several lease agreements for our headquarters office location as well as international office locations. As of September 30, 2013, we have remaining lease obligations of $7,981,000 ($2,180,000 of which are expected to be completed within a year).

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 6 for a discussion of our commitments and contingencies related to our long-term obligations.

Refer to note 4 for a discussion of our commitments and contingencies related to our transactions with Olympus.

Refer to note 14 for a discussion of our commitments and contingencies related to our arrangements with Senko.

13. Sale and Exclusive License/Supply Agreement with Bimini Technologies LLC

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.

In connection with the sale, Bimini granted to the Company an exclusive, perpetual, royalty bearing license to market and sell the Puregraft products for use in combination with adipose derived regenerative cells, and non-exclusive rights for use in connection with the Company’s licensed cell and tissue banks. The Company will supply Puregraft products to Bimini on an interim basis until the Company transfers the manufacturing of the Puregraft products to Bimini. After the transfer, Bimini will supply the Puregraft products to the Company.

Pursuant to the sale agreement, the Company has also granted to Bimini the global, exclusive, perpetual, irrevocable royalty bearing license to purchase from Cytori, use and sell the Celution® System products for Alopecia (hair loss). Cytori will supply Celution devices and consumable sets to Bimini, and Bimini will be responsible for all costs associated with commercial development in the Alopecia market. Bimini has also been granted an exclusive option through the end of 2013 to license Celution products for the global aesthetics market.

The agreement includes certain obligations to be performed by the Company on the behalf of Bimini, which includes transferring the manufacturing of Puregraft products to an agreed upon third party on or before December 31, 2014 and training. The Company recorded a gain on the Puregraft divestiture of $4.4 million in the accompanying Consolidated Condensed Statements of Operations, which is net of $608,000 in estimated future transfer and training obligations. 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.

14. 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. The Distribution Agreement with Senko was to commence upon “commercialization.” Essentially, commercialization occurs when one or more Thin Film product registrations are completed with the MHLW. At the inception of this arrangement, we received a $1,500,000 license fee which was recorded as deferred revenues in 2004. Half of the license fee was refundable if the parties agree commercialization is not achievable and a proportional amount was refundable if we terminate the arrangement, other than for material breach by Senko, before three years post-commercialization. We have also received $1,250,000 in milestone payments from Senko.

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 are 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.

During the three and nine months ended September 30, 2013, our aggregate installment payments paid were $200,000 and $600,000, respectively. As of September 30, 2013 we have a remaining termination fee obligation of $600,000.

15. 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.

The following table provides a summary of the recognized assets and liabilities that we measure at fair value on a recurring basis:

	Balance as of September 30, 2013	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 4,644,000	$ 4,644,000	$ —	$ —
Liabilities:				
Warrant liability	$ —	$ —	$ —	$ —

	Balance as of December 31, 2012	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 6,145,000	$ 6,145,000	$ —	$ —
Liabilities:				
Put option liability	$ (2,250,000)	$ —	$ —	$ (2,250,000)
Warrant liability	$ (418,000)	$ —	$ —	$ (418,000)

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

We valued our put liability using an option pricing theory based simulation analysis (i.e., a Monte Carlo simulation). Because some of the inputs 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, the put option liability is classified as Level 3 in the fair value hierarchy.

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

Put option liability	Three months ended September 30, 2013	Nine months ended September 30, 2013
Beginning balance	$ —	$ (2,250,000)
Decrease in fair value recognized in operating expenses	—	2,250,000
Ending balance	$ —	$ —

Put option liability	Three months ended September 30, 2012	Nine months ended September 30, 2012
Beginning balance	$ (2,100,000)	$ (1,910,000)
Increase in fair value recognized in operating expenses	(300,000)	(490,000)
Ending balance	$ (2,400,000)	$ (2,400,000)

Common stock purchase warrants issued in connection with our August 2008 private equity placement do not trade in an active securities market, and as such, we estimated the fair value of these warrants using the option pricing model (see note 5). Some of the significant inputs are observable in active markets, such as common stock market price, volatility, and risk free rate. The fair value of these warrants also incorporate our assumptions about future equity issuances and their impact to the down-round protection feature. Because some of the inputs 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, 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	Three months ended September 30, 2013	Nine months ended September 30, 2013
Beginning balance	$ —	$ (418,000)
Decrease in fair value recognized in operating expenses	—	418,000
Ending balance	$ —	$ —

Warrant liability	Three months ended September 30, 2012	Nine months ended September 30, 2012
Beginning balance	$ (1,008,000)	$ (627,000)
Increase in fair value recognized in operating expenses	(863,000)	(1,244,000)
Ending balance	$ (1,871,000)	$ (1,871,000)

The Company measures the fair value of its assets acquired and liabilities assumed in business acquisition. See Note 4 for discussion of fair value measurements of certain assets recorded at fair value on a non-recurring basis.

No other assets or liabilities are measured at fair value on a recurring basis, or have been measured at fair value on a non-recurring basis subsequent to initial recognition, on the accompanying consolidated condensed balance sheet as of September 30, 2013.

The warrants related to our warrant liability have expired as of August 2013 and the put options were eliminated as a part of the Joint Venture acquisition.

16. 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 September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012, the aggregate fair value and the carrying value of the Company's fixed rate long-term debt were as follows:

	September 30, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Fixed rate long-term debt	$ 25,979,000	$ 25,950,000	$ 22,425,000	$ 22,608,000

Carrying value is net of debt discount of $2,670,000 and $917,000 as of September 30, 2013 and December 31, 2012, respectively.

The fair value of debt is classified as Level 3 in the fair value hierarchy as some of the inputs 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.

17. Stockholders' Equity

Common Stock

On December 13, 2010 we raised $10,000,000 in gross proceeds from a sale of 1,428,571 shares of unregistered common stock to Astellas Pharma Inc. for $7.00 per share in a private stock placement. Pursuant to the terms of the purchase agreement, we granted Astellas Pharma Inc. a two year right of first refusal to enter into a development and commercialization collaboration with us regarding the use of our technology, on a worldwide basis, for the treatment of liver conditions. In addition, we have agreed to use reasonable efforts to file a registration statement with the Securities and Exchange Commission to register the shares of common stock for resale upon the request of Astellas Pharma Inc. We also granted Astellas Pharma Inc. a non-voting observer seat on our Board of Directors and the right to designate a representative member to our Scientific Advisory Board. The $10,000,000 in total proceeds we received exceeded the market value of our stock at the completion of the purchase agreement. The $2,526,000 difference between the proceeds received and the fair market values of our common stock was recorded as a component of deferred revenues in the accompanying Consolidated Balance Sheet. This difference was recorded as deferred revenue since, conceptually, the excess proceeds represent a value paid by Astellas Pharma Inc. attributable to the scientific advisory board seat, the non-voting observer seat on our Board of Directors, and the two year right of first refusal to enter into a development and commercialization collaboration with us regarding the use of our technology, on a worldwide basis, for the treatment of liver conditions, rather than an additional equity investment in Cytori. We recognized this deferred amount as development revenue upon the expiration of the two year period in December 2012. We are still actively involved in discussions with Astellas Pharma, Inc. about a potential future development and commercialization collaboration with us.

In December 2012, we entered into an underwriting agreement with Lazard Capital Markets, LLC (underwriter), relating to the issuance and sale of 7,020,000 shares of our common stock. The price to the public in this offering was $2.85 per share and the underwriter purchased the shares from us at a price of $2.69 per share. The transaction was completed on December 19, 2012 raising approximately $20,007,000 in gross proceeds before deducting underwriting discounts and commissions and other offering expenses payable by us. Under the terms of the underwriting agreement, we granted the underwriter an option, exercisable for 30 days, to purchase up to an additional 1,053,000 shares. Subsequently, in January 2013, the underwriter exercised this option and as a result we sold an additional 1,053,000 shares raising approximately $3,001,000 in gross proceeds before deducting underwriting discounts and commissions and other offering expenses payable by us.

Other Related Party Transactions

During the year ended December 31, 2012, Green Hospital, Inc.'s beneficial ownership decreased to be less than five percent of our outstanding shares of common stock.

During the three and nine months ended September 30, 2013, we incurred approximately $0 and $46,000, respectively, and $22,000 and $73,000 during the three and nine months ended September 30, 2012, respectively, in royalty costs in connection with sales of our Celution® 800/CRS System products to the European and Asia-Pacific reconstructive surgery market, pursuant to our License and Royalty Agreement and the Amended License/Commercial Agreement with the Olympus-Cytori, Inc. Joint Venture. Additionally, in February 2012, we purchased second generation Celution® Systems and consumable sets from the Olympus-Cytori, Inc. Joint Venture, at a formula-based transfer price aggregating to $1,048,000. As of September 30, 2013 and December 31, 2012, Olympus Corporation was a beneficial owner of more than five percent of our outstanding shares of common stock. Refer to note 4 for discussion of the termination of the Olympus-Cytori Joint Venture.

18. Subsequent Events

On November 4, 2013, we entered into a partnership with Lorem Vascular to commercialize Cytori's Cell Therapy for the cardiovascular, renal and diabetes markets in China, Hong Kong, Malaysia, Singapore and Australia. Under this agreement, Lorem Vascular committed to pay up to $500 million in milestone license fees and $7 million in initial product purchase commitments. Cytori is also to receive $24 million upfront in connection with Lorem Vascular's purchase of 8 million shares of our unregistered common stock. The $24 million will be received in two closings of $12 million each. The initial closing has already occurred, and the second $12 million closing payment will be received prior to the end of 2013. Lorem Vascular initial product purchases will consist of $7 million in Celution® devices and consumables with a $2 million order placed immediately and a $5 million order to be placed following regulatory approval in China. Lorem and Cytori have implemented a regulatory plan in China and anticipate approval in 2014.

Item 2 .Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) includes the following sections:

- Overview that discusses our operating results and some of the trends that affect our business.
- Results of Operations that includes a more detailed discussion of our revenue and expenses.
- Liquidity and Capital Resources which discusses key aspects of our statements of cash flows, changes in our financial position and our financial commitments.
- Significant changes since our most recent Annual Report on Form 10-K in the Critical Accounting Policies and Significant Estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements.

You should read this MD&A in conjunction with the financial statements and related notes in Item 1 and our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain statements that may be deemed "forward-looking statements" within the meaning of United States of America 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 in our filings with the Securities and Exchange Commission and under the "Risk Factors" section in Part II below.

We encourage you to read the risks described under Part II, Item 1A "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.

Overview

We are a cell therapy company dedicated primarily to the development of novel treatments for cardiovascular disease and soft tissue injuries and burns. We have a global product development strategy with a focus on the U.S. cardiovascular disease market. In the U.S. our goal is to bring the Cytori Cell Therapy to market for treatment of heart failure due to ischemic heart disease through Cytori-sponsored clinical development efforts and to develop a treatment for thermal burns combined with radiation injury under a contract from BARDA, a division of the U.S. Department of Health and Human Services.

The Cytori Cell Therapy is a proprietary formulation of stem and regenerative cells derived from a patient's own adipose (fat) tissue (ADRCs). Adipose tissue is a rich and accessible source of ADRCs. To access these cells from a patient at the time of a surgical procedure, we have designed and developed a sophisticated tissue processing system, the Celution® System, which automates the complex process of digesting fat tissue, releasing the ADRCs, and concentrating them into an optimized and proprietary formulation in a sterile environment. The system is comprised of a central device and requires single-use, per-procedure consumable cartridges. The business model is based on the sale of the central device and generating recurring revenue from the cartridges that are utilized in each procedure.

While we continue focused development of the cardiovascular disease market, we have continued efforts to develop new therapeutic applications for Cytori's Cell Therapy. We are currently commercializing the Celution® System under select medical device clearances in Europe, Japan, and other regions. The early sales of systems, consumables and ancillary products contributes margins that partially offset our operating expenses and play an important strategic role in fostering familiarity within the medical community with our technology. These sales have also facilitated the discovery of new applications for Cytori's Cell Therapy by customers conducting investigator-initiated and funded research.

Development Pipeline

The primary therapeutic areas currently within our development pipeline are cardiovascular disease, specifically heart failure due to ischemic heart disease, and the treatment of thermal burns.

In the U.S., we are conducting our ATHENA trial, a prospective, double blind, placebo-controlled, multi-center trial in up to 45 patients with ischemic heart disease. The trial will measure several endpoints, including peak oxygen consumption (VO2 max). Additional endpoints include perfusion defect, left ventricle end-systolic and diastolic volume and ejection fraction at six and 12 months, NYHA functional class and health-related quality of life. In the third quarter, the FDA approved expanding the ATHENA trial from six trial centers to a total of eight centers. In addition, we also received approval from the FDA to expand the ATHENA program to include a higher cell dose. This trial, ATHENA II, will enroll 45 patients at up to 10 centers, including most of the centers in ATHENA I and will begin enrolling in the first quarter of 2014.

ADVANCE is our European clinical trial for acute myocardial infarction (heart attack). As part of a comprehensive evaluation of our global cardiovascular strategy, resource utilization and development priorities, we have discontinued enrollment in the ADVANCE trial as of September 30, 2013. All evidence to date supports the current, known safety profile for Cytori's Cell Therapy and the patients enrolled in the trial will continue to be followed according to the protocol. The outcomes will be fully analyzed in conjunction with the existing safety and feasibility data from the APOLLO acute myocardial infarction trial. We will focus our internal and financial resources on the highest clinical development priority, which is the expanded U.S. ATHENA trial.

We have completed two European pilot trials investigating Cytori's Cell Therapy for cardiovascular disease. We have reported long term, 18-month data from the PRECISE trial for chronic myocardial ischemia, which showed that Cytori's Cell Therapy demonstrated safety and sustained improvement in cardiac functional capacity as measured by VO_2 max. Results from the APOLLO trial for acute heart attack demonstrated safety and sustained improvement in infarct size.

In addition to our cardiovascular disease therapeutic pipeline, Cytori is also developing its cell therapy platform 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 includes $4.7 million over two years and covers 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. We are making progress in fulfilling the required milestones of the base contract with the goal of completing the base period in early 2014.

Results of Operations

Product revenues

Product revenues consisted of revenues primarily from our Celution® and StemSource® Cell Banks.

The following table summarizes the components for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Product revenues - third party	$ 1,616,000	$ 1,314,000	$ 4,416,000	$ 4,741,000

We experienced an increase in product revenue during three months ended and a decrease in product revenue during the nine months ended September 30, 2013 as compared to the same periods in 2012, due principally to the product mix comprising revenue for each period and anticipated timing associated with larger system related sales.

The future: We expect to continue to generate product revenues from a mix of Celution® and StemSource® System and consumables sales. We will sell the products to a diverse group of customers in Europe, Asia and the U.S., who may apply the products towards reconstructive surgery, soft tissue repair, research, aesthetics, and cell and tissue banking as approved in each country. Additionally, as a result of Class I Device Clearance for Celution® and a number of our other products in Japan, we anticipate to sell these products to researchers at academic hospitals seeking to perform investigator-initiated and funded studies using Cytori's Cell Therapy. As a result of sale of our Puregraft® product line discussed in note 13 of the Consolidated Condensed Financial Statements, we do not expect significant revenues from that product line in the foreseeable future.

Cost of product revenues

Cost of product revenues relate primarily to Celution® System products and StemSource® Cell Banks and includes material, manufacturing labor, and overhead costs. The following table summarizes the components of our cost of revenues for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Cost of product revenues	$ 911,000	$ 683,000	$ 2,234,000	$ 2,532,000
Share-based compensation	20,000	20,000	62,000	56,000
Total cost of product revenues	$ 931,000	$ 703,000	$ 2,296,000	$ 2,588,000
Total cost of product revenues as % of product revenues	57.6%	53.5%	52.0%	54.6%

Cost of product revenues as a percentage of product revenues was 57.6% and 52.0% for the three and nine months ended September 30, 2013 and 53.5% and 54.6% for the three and nine months ended September 30, 2012, respectively. Fluctuation in this percentage is to be expected due to the product mix, distributor and direct sales mix, and allocation of overhead.

The future. We expect to continue to see variation in our gross profit margin as the product mix comprising revenues fluctuates.

Development revenues

The following table summarizes the components of our development revenues for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Development (Olympus)	$ —	$ —	$ 638,000	$ 2,413,000
Development (Senko)	—	—	1,179,000	—
Government contract (BARDA)	1,113,000	—	2,503,000	—
Other	(18,000)	2,000	—	21,000
Total development revenues	$ 1,095,000	$ 2,000	$ 4,320,000	$ 2,434,000

We recognize deferred revenues, related party, as development revenue when certain performance obligations are met (i.e., using a proportional performance approach). Of the amounts received and deferred, we recognized the remaining development revenue of $638,000 during the three months ended March 31, 2013 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. During the quarter ended June 30, 2012, we recognized $2,413,000 of revenue associated with our arrangements with Olympus as a result of completion of two remaining clinical milestones for the APOLLO and PRECISE clinical trials.

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 are 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.

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 U.S. Department of Health and Human Service's Biomedical Advanced Research and Development Authority (BARDA). The initial base period includes $4.7 million over two years and covers preclinical research and continued development of Cytori's Celution® system to improve cell processing. The additional contract options, if fully executed, could cover clinical development through FDA approval under a device-based PMA regulatory pathway. 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. To receive funds under this arrangement, we are required to (i) demonstrate that we incurred "qualifying expenses," as defined in the contract agreement between BARDA and us, (ii) maintain a system of controls, whereby we can accurately track and report all expenditures related solely to develop a new countermeasure for thermal burns, and (iii) file appropriate forms and follow appropriate protocols established by BARDA. During the three months and nine months ended September 30, 2013, we incurred $1,035,000 and $2,328,000 in qualified expenditures. We recognized a total of $1,113,000 and $2,503,000 in revenues for the three and nine months ended September 30, 2013, respectively, which included allowable fees as well as cost reimbursements. There were no comparable revenues and expenditures for the three and nine months ended September 30, 2012.

The future: We expect to continue recognizing government contract revenue relating to our contract with BARDA as we continue our development work relating to this contract.

Research and development expenses

Research and development expenses include costs associated with the design, development, testing and enhancement of our products, regulatory fees, the purchase of laboratory supplies, pre-clinical studies and clinical studies.

The following table summarizes the components of our research and development expenses for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
General research and development	$ 3,968,000	$ 3,415,000	$ 11,540,000	$ 9,134,000
Share-based compensation	155,000	140,000	452,000	481,000
Total research and development expenses	$ 4,123,000	$ 3,555,000	$ 11,992,000	$ 9,615,000

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.

The overall increase in research and development expenses for the three and nine months ended September 30, 2013 as compared to the same periods in 2012 is due to increases in salary and related benefits expense (excluding share-based compensation) of $161,000 and $546,000, an increase in professional services expenses of $285,000 and $473,000 and increased research supplies expense of $167,000 and $394,000 partially offset by a decrease in clinical costs of $354,000 during the three months ended September 30, 2013, associated with timing of efforts related to our clinical trials, BARDA related development work and regulatory activities.

The future: We expect research and development expenditures to increase in the remainder of 2013 as we continue enrollment in our US trial ATHENA, begin enrollment in our US trial ATHENA II, continue development work under our BARDA contract, and as we seek additional regulatory clearances and potentially seek to initiate additional trials or patient registries during 2013.

Sales and marketing expenses

Sales and marketing expenses include costs of sales and marketing personnel, tradeshows, physician training, and promotional activities and materials. The following table summarizes the components of our sales and marketing expenses for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Sales and marketing	$ 1,625,000	$ 2,306,000	$ 5,910,000	$ 6,877,000
Share-based compensation	161,000	144,000	543,000	529,000
Total sales and marketing expenses	$ 1,786,000	$ 2,450,000	$ 6,453,000	$ 7,406,000

The decrease in sales and marketing expense during the three and nine months ended September 30, 2013 as compared to the same periods in 2012 was mainly attributed to the decrease in salary and related benefits expense (excluding share-based compensation) of $225,000 and $449,000 and decrease in travel and entertainment expenses of $122,000 and $193,000.

The future: We expect sales and marketing expenditures to remain relatively stable in the remainder of 2013.

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 three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
General and administrative	$ 3,783,000	$ 3,152,000	$ 10,559,000	$ 9,648,000
Share-based compensation	549,000	625,000	1,666,000	1,841,000
Total general and administrative expenses	$ 4,332,000	$ 3,777,000	$ 12,225,000	$ 11,489,000

For the three and nine months ended September 30, 2013 as compared to the same periods in 2012, general and administrative expenses (excluding share-based compensation) increased primarily due to a non-cash accounts receivable charge of $750,000 related to past-due accounts.

The future: We expect general and administrative expenses to remain relatively stable through the remainder of 2013.

Share-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 period of time that employees provide service to us and earn all rights to the awards.

The following table summarizes the components of our share-based compensation expenses for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Cost of product revenues	$ 20,000	$ 20,000	$ 62,000	$ 56,000
Research and development-related	155,000	140,000	452,000	481,000
Sales and marketing-related	161,000	144,000	543,000	529,000
General and administrative-related	549,000	625,000	1,666,000	1,841,000
Total share-based compensation	$ 885,000	$ 929,000	$ 2,723,000	$ 2,907,000

Most of the share-based compensation expenses for the three and nine months ended September 30, 2013 and 2012 related to the vesting of stock option and restricted stock awards to employees.

See Notes to the Consolidated Condensed Financial Statements for disclosure and discussion of share based compensation.

The future. We expect to continue to grant options and stock awards (which will result in an expense) 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 September 30, 2013 the total compensation cost related to non-vested stock options and stock awards not yet recognized for all our plans is approximately $5,550,000, which is expected to be recognized as a result of vesting under service conditions over a weighted average period of 1.89 years.

Change in fair value of warrant liability

The following is a table summarizing the change in fair value of our warrant liability for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Change in fair value of warrant liability	$ —	$ 863,000	$ (418,000)	$ 1,244,000

Changes in fair value of our warrant liability are primarily due to fluctuations in the valuation inputs, such as stock price, volatility, remaining life and others.

The future: Warrant liability fair value was $0 as of September 30, 2013 and no future changes in the fair value of the warrant liability are expected to be recognized in earnings as the warrants expired in August 2013.

Change in fair value of option liability

The following is a table summarizing the change in fair value of our put option liability for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Change in fair value of put option liability	$ —	$ 300,000	$ (2,250,000)	$ 490,000

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-Cytori, Inc. Joint Venture, volatility and others.

The future: The Put was cancelled as a result of the Joint Venture termination as such we will not be recognizing any changes in fair value of put option liability in the future.

Loss on asset disposal

The following table summarizes our loss on asset disposal for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Loss on asset disposal	$ —	$ —	$ (257,000)	$ —

There was no loss on asset disposal during the quarter ended September 30, 2013. During the quarter ended June 30, 2013, we identified certain Celution® One equipment that was initially purchased from the Joint Venture with the purpose of being used in our clinical studies. This equipment was manufactured with a configuration that can no longer be used in our studies. The related net book value of $257,000 was recorded as loss on asset disposal.

Financing items

The following table summarizes interest income, interest expense, and other income and expense for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Loss on debt extinguishment	$ —	$ —	$ (708,000)	$ —
Interest income	1,000	—	2,000	3,000
Interest expense	(1,094,000)	(857,000)	(2,456,000)	(2,582,000)
Other income (expense)	(96,000)	(17,000)	(392,000)	(91,000)
Total	$ (1,189,000)	$ (874,000)	$ (3,554,000)	$ (2,670,000)

- In connection with the June 28, 2013 Loan and Security Agreement (Loan Agreement), a loss on debt extinguishment was recorded that relates to the payoff of the prior loan obligation. See Notes to Consolidated Condensed Financial Statements for further information.

- In June 2013, we entered into a Loan and Security Agreement, pursuant to which the Lenders funded an aggregate principal amount of $27.0 million. The proceeds from the June 2013 loan were used to repay the prior loan obligation and related fees. Interest expense increased for the three months ended September 30, 2013 as compared to the same period in 2012 due to the interest only payments on the new loan entered into in June 2013. Interest expense decreased for the nine months ended September 30, 2013 as compared to the same period in 2012 due to principal payments made on the prior loan obligations.

- The changes in other income (expense) during the three and nine months ended September 30, 2013 as compared to the same periods in 2012 resulted primarily from changes in foreign currency exchange rates.

The future: Interest income earned in the remainder of 2013 will be dependent on our levels of funds available for investment as well as general economic conditions. We expect interest expense in 2013 to increase as a result of increased loan principal balance of $27.0 million of the Term Loan that was funded in June 2013.

Gain on divestiture of Puregraft Product line

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.

The agreement includes certain obligations to be performed by the Company on the behalf of Bimini, which includes transferring the manufacturing of Puregraft products to an agreed upon third party on or before December 31, 2014 and training. The Company recorded a gain on the Puregraft divestiture of $4.4 million in the accompanying Consolidated Condensed Statements of Operations, which is net of $608,000 in estimated future transfer and training obligations. 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.

Gain on previously held equity interest and equity loss from investment in Joint Venture

The following table summarizes our gain on the previously held equity interest and the equity loss from investment in our joint venture with Olympus for the three and nine months ended September 30, 2013 and 2012:

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Gain on previously held equity interest	$ —	$ —	$ 4,892,000	$ —
Equity loss in investment	—	(42,000)	(48,000)	(128,000)
Total	$ —	$ (42,000)	$ 4,844,000	$ (128,000)

Gain on previously held equity interest represents the effect of re-measuring our equity interest in connection with the May 2013 acquisition of the remaining interest in the Olympus-Cytori Joint Venture. See Notes to the Consolidated Condensed Financial Statements for discussion of our Joint Venture Termination Agreement.

The equity losses relate entirely to our previously existing 50% equity interest in the Joint Venture, which prior to the termination of the Joint Venture, was accounted for using the equity method of accounting.

Liquidity and Capital Resources

Short-term and long-term liquidity

The following is a summary of our key liquidity measures at September 30, 2013 and December 31, 2012:

	As of September 30, 2013	As of December 31, 2012
Cash and cash equivalents	$ 10,205,000	$ 25,717,000
Current assets	$ 18,093,000	$ 33,979,000
Current liabilities	12,644,000	17,613,000
Working capital	$ 5,449,000	$ 16,366,000

We incurred net losses of $5,258,000 and $16,137,000 for the three and nine months ended September 30, 2013 and $11,248,000 and $28,455,000 for the three and nine months ended September 30, 2012, respectively. We have an accumulated deficit of $290,865,000 as of September 30, 2013. Additionally, we have used net cash of $25,064,000 and $23,877,000 to fund our operating activities for the nine months ended September 30, 2013 and 2012, respectively. To date, these operating losses have been funded primarily from outside sources of invested capital and gross profits. During 2013 and 2012, we expanded our commercialization activities while simultaneously pursuing available financing sources to support operations and growth.

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. 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.

Pursuant to the recently announced Lorem Vascular transaction and related equity purchase, as well as anticipated gross profits and potential outside sources of capital, we believe we have sufficient cash to fund operations through at least the next twelve months, which includes minimum liquidity requirements of the Loan and Security Agreement, which requires us to maintain at least three months of cash on hand. We have an established history of raising capital, and are currently involved in negotiations with multiple parties. In the absence of sufficient positive cash flows from operations, no assurance can be given that we can generate sufficient revenue to cover operating costs or that additional financing will be available to us and, if available, on terms acceptable to us in the future.

The Company continues to seek additional capital through product revenues, strategic transactions, including extension opportunities under the awarded BARDA contract, and from other financing alternatives.

The following summarizes our contractual obligations and other commitments at September 30, 2013, 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	$ 28,677,000	$ 1,324,000	$ 17,428,000	$ 9,925,000	$ —
Interest commitment on long-term obligations	6,451,000	2,632,000	3,443,000	376,000	—
Operating lease obligations	7,981,000	2,180,000	3,713,000	2,088,000	—
Minimum purchase requirements	850,000	850,000	—	—	—
License termination fee obligation	600,000	600,000	—	—	—
Puregraft divestiture obligation	608,000	608,000			
Joint Venture purchase obligation*	4,772,000	4,772,000	—	—	—
Pre-clinical research study obligations	23,000	23,000	—	—	—
Clinical research study obligations	4,080,000	3,530,000	550,000	—	—
Total	$ 54,042,000	$ 16,519,000	$ 25,134,000	$ 12,389,000	$ —

** The Company has various payment options which could result in the acceleration or deferral of the Joint Venture purchase obligation. See Notes to the Consolidated Condensed Financial Statements for discussion of our acquisition of Olympus' interest in the Joint Venture.*

Cash (used in) provided by operating, investing, and financing activities for the nine months ended September 30, 2013 and 2012 is summarized as follows:

	For the nine months ended September 30,	
	2013	2012
Net cash used in operating activities	$ (25,064,000)	$ (23,877,000)
Net cash provided by (used in) investing activities	3,869,000	(1,077,000)
Net cash provided by financing activities	5,787,000	5,660,000
Effect of exchange rate changes on cash and cash equivalents	(104,000)	—
Net decrease in cash and cash equivalents	(15,512,000)	(19,294,000)

Operating activities

Operational activities, inclusive of research and development, sales and marketing, and general and administrative efforts, offset in part by product sales, generated an operating loss of $21,562,000 for the nine months ended September 30, 2013. The operating cash impact of this loss was $25,064,000, after adjusting for the recognition of non-cash development revenues of $1,817,000, non-cash share-based compensation and other adjustments for material non-cash activities, such as depreciation, amortization, change in fair value of option and warrant liabilities, and changes in working capital due to timing of product shipments (accounts receivable) and payment of liabilities.

Operational activities, inclusive of research and development, sales and marketing, and general and administrative efforts, offset in part by product sales, generated an operating loss of $25,657,000 for the nine months ended September 30, 2012. The operating cash impact of this loss was $23,877,000, after adjusting for the consideration of non-cash share-based compensation and other adjustments for material non-cash activities, such as depreciation, amortization, change in fair value of option and warrant liabilities, and changes in working capital due to timing of product shipments (accounts receivable) and payment of liabilities.

Investing activities

Net cash provided in investing activities for the nine months ended September 30, 2013 resulted from cash outflows for payment of a license termination fee of $600,000 and for purchases of property and equipment and cash inflows from sale of Puregraft product line.

Net cash used in investing activities for the nine months ended September 30, 2012 resulted from cash outflow for purchases of property and equipment.

Financing Activities

The net cash provided by financing activities for the nine months ended September 30, 2013 related primarily to a sale of 1,053,000 shares for approximately $3,001,000 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 $22,292,000 primarily relating to our $25.0 million loan. Additionally, in June 2013, we entered into a Loan and Security Agreement with Lenders pursuant to which the Lenders funded aggregate principal amount of $27,000,000 offset by $1,744,000 debt issuance costs and loan fees. Also, during the nine months ended September 30, 2013, we paid $141,000 payment towards our Joint Venture purchase obligation.

The net cash provided by financing activities for the nine months ended September 30, 2012 related primarily to a sale of 1,750,000 shares for approximately $4,946,000 in gross proceeds in connection with our common stock purchase agreement with Seaside entered into on July 11, 2011 and proceeds from exercise of warrants and employee stock options of $988,000.

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. For a summary of significant accounting policies, see Notes to the Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2012 as well as Notes to Consolidated Condensed Financial Statements included elsewhere herein for disclosure and discussion of policies and significant estimates related to our warrant and put liabilities, revenue recognition, and stock based compensation.

Recent Accounting Pronouncements

See Notes to Consolidated Financial Statements included in our 10-K for disclosure and discussion of new accounting standards.

Item 3. 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. As of September 30, 2013, all excess funds were invested in money market funds and other highly liquid investments, therefore our interest rate exposure is not considered to be material.

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 three months ended September 30, 2013, 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 4. Controls and Procedures

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 Quarterly Report on Form 10-Q. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1 . Legal Proceedings

From time to time, we have been involved in routine litigation incidental to the conduct of our business. As of September 30, 2013, we were not a party to any material legal proceeding. See Notes to the Consolidated Condensed Financial Statements included elsewhere herein for a discussion of our loss contingencies.

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 quarterly report on Form 10-Q, including our unaudited Consolidated Condensed 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.

We have marked with an asterisk (*) those risks described below that reflect new risks or substantive changes from the risks described under Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2012.

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. During 2012 and 2013, we expanded our commercialization activities while simultaneously pursuing available financing sources to support operations and growth. 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 future.

In addition, our Loan and Security Agreement with Oxford Finance LLC and Silicon Valley Bank requires us to maintain certain minimum cash requirements, including at least three months of cash on hand, to avoid an event of default thereunder, and if our cash reserves fall below those minimum requirements, then we could be in default under the loan agreement and subject to potential adverse remedies by the lenders, which would have a substantial and material adverse effect on our business, financial condition, results of operations, the value of our common stock and warrants and our ability to raise capital. Pursuant to the recently announced Lorem Vascular transaction and related equity purchase, we believe we have sufficient cash to fund operations through at least the next twelve months, which includes minimum liquidity requirements of the Loan and Security Agreement, which requires us to maintain at least three months of cash on hand and make accrued interest payments to avoid an event of default under the loan agreement. In addition to the Lorem Vascular transaction we are pursuing additional cash through strategic corporate partnerships and may engage in future sales of equity, in addition to our gross profits. 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, increased results of operations, or from other sources, or on terms acceptable to us. Our inability to obtain sufficient additional funds in the future would, at a minimum, require us 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 have a substantial negative effect on our results of operations and financial condition.

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 the next few years

We have incurred net operating losses in each year since we started business. As our focus on the Celution® System platform and development of therapeutic applications for its cellular output has increased, losses have resulted primarily from expenses associated with research and development activities and general and administrative expenses. While we work continuously to implement cost reduction measures where possible, we nonetheless expect to continue operating in a loss position on a consolidated basis and that recurring operating expenses will be at high levels for the next several 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) we 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 these sophisticated medical devices.

We have a limited operating history; operating results and stock price can be volatile like many life science companies

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 Cytori to be unsuitable for some investors.

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, the cardiovascular area and many other indications.

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 Celution® System platform, we are pursuing new approaches for reconstructive surgery, preservation of stem and regenerative cells for potential future use, therapies for cardiovascular disease, soft tissue defects, burns 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 the Celution® System platform 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 our products, or that our competitors will not develop competing technologies that are less expensive or superior. Failure to successfully develop and market our products would have a substantial negative effect on our results of operations and financial condition.

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 Celution® System 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 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 clinical trials in an effort to gauge the risks of proceeding with larger and more expensive trials, we cannot guarantee that we will not experience negative results larger and much more expensive clinical trials than we have conducted to date, such as our ADVANCE acute heart attack trial in Europe, and the ATHENA feasibility trial in heart failure due to ischemic heart disease. Poor results 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, and other third party service providers.

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 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 Singapore, among others.

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.

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 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 regulates 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 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 Celution® System 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 and systems related
- 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;
- 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 in Japan accounted for 12% of our revenue during the year ended December 31, 2012. Loss of this significant customer or a significant reduction in the amount of product ordered by this customer would 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

Cytori was 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 is valued at up to $106 million, with a guaranteed base period of approximately $4.7 million which includes preclinical research and the acceleration of Cytori's ongoing development of Cytori's ongoing development of the Celution® cell processing System (the Celution® System). Upon satisfactory proof of concept, BARDA may elect to exercise up to three contract options which will extend the contract term to up to five years if all options are exercised. 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 achieve these milestones or continue to comply with these procedures and protocols, 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 United States government.

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 Christopher J. Calhoun, our Chief Executive Officer, and Marc Hedrick, MD, our President. 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 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 Global Market 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 September 30, 2013, we had 67,270,466 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. In addition, our 2004 Equity Incentive Plan provides for annual increases in the number of shares available for issuance under the plan, which may, among other things, result in dilution of the price of our common stock. We may also sell additional common stock in subsequent public offerings, which may adversely affect the market price of our common stock.

We have granted demand registration rights for the registration of the resale of certain shares of our common stock to each of Olympus Corporation, 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 5,528,571 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.

We have never paid cash dividends in the past, and currently do not intend to pay any cash dividends in the foreseeable future. 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibit No.	Description
3.4	Certificate of Amendment of Certificate of Incorporation, dated September 23, 2013
10.93	Puregraft Sale-License-Supply Agreement, dated July 30, 2013, by and among the Company and Bimini Technologies LLC. (filed herewith).
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 (filed herewith).
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 (filed herewith).
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 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

* These certifications are being furnished solely to accompany this report pursuant to 18 U.S.C. 1350 and are not being filed for purposes of Section 18 of the Securities and Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CYTORI THERAPEUTICS, INC.

By: /s/ Christopher J. Calhoun
Christopher J. Calhoun
Chief Executive Officer

Dated: November 12, 2013

By: /s/ Mark E. Saad
Mark E. Saad
Chief Financial Officer

Dated: November 12, 2013

Exhibit 3.4

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION

CYTORI THERAPEUTICS, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation") does hereby certify:

FIRST: On April 26, 2013, 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 shareholders.

SECOND: On August 28, 2013, 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.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH, Article IV of the Certificate of Incorporation be hereby amended and restated to read in its entirety as follows:

"ARTICLE IV
The Corporation is authorized to issue two classes of stock to be designated, respectfully, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is One Hundred Fifty Million (150,000,000) shares, One Hundred Forty-Five Million (145,000,000) shares of which will be Common Stock (the "Common Stock") and Five Million (5,000,000) of which will be Preferred Stock (the "Preferred Stock"). The Common Stock and the Preferred Stock shall each have a par value of $0.001 per share."

IN WITNESS WHEREOF, CYTORI THERAPEUTICS, INC. has caused this Certificate of Amendment to be signed by the undersigned, thereunto duly appointed, this 23rd day of September, 2013.

By: /s/ Christopher J. Calhoun
Name: Christopher J. Calhoun
Title: Chief Executive Officer

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, Christopher J. Calhoun, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report- based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2013
/s/ Christopher J. Calhoun
Christopher J. Calhoun,
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, Mark E. Saad, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report- based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2013
/s/ Mark E. Saad
Mark E. Saad
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION 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 Quarterly Report on Form 10-Q of Cytori Therapeutics, Inc. for the quarterly period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof, Christopher J. Calhoun, as Chief Executive Officer of Cytori Therapeutics, Inc., and Mark E. Saad, as Chief Financial Officer of Cytori Therapeutics, Inc., each hereby certifies, respectively, that:

1. The Form 10-Q 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-Q 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/ Christopher J. Calhoun

Dated: November 12, 2013

Christopher J. Calhoun
Chief Executive Officer

By: /s/ Mark E. Saad

Dated: November 12, 2013

Mark E. Saad
Chief Financial Officer

Exhibit 10.93

Execution

SALE AND EXCLUSIVE LICENSE/ SUPPLY AGREEMENT

THIS SALE AND EXCLUSIVE LICENSE/ SUPPLY AGREEMENT (this "**Agreement**"), dated as of the 30th day of July, 2013 (the "**Effective Date**"), is made and entered into by and between **BIMINI TECHNOLOGIES LLC**, located at 3020 Callan Road, San Diego, CA 92121(**"Bimini"**) and **CYTORI THERAPEUTICS, INC.,** a Delaware corporation, located at 3020 Callan Road, San Diego, CA 92121("**Cytori**").

(Bimini and Cytori may each be individually referred to herein as a "**Party**" and collectively as the "**Parties**").

RECITALS

A. Cytori has acquired, developed and possesses, through the expenditure of considerable time, effort and money, certain proprietary products and Intellectual Property Rights (including medical devices, techniques and therapies, know-how, patents, patent applications, technical trade secrets, and business information) either now existing or hereinafter developed in connection with regenerative cell/ADRC technology, cell/tissue banking technology, adipose tissue processing and preparation technology used to carry out regenerative cell therapies, and autologous fat transplantation ("Cytori Technology"); and

B. Cytori intends to sell to Bimini and Bimini intends to purchase from Cytori, all rights, title, and interest in and to all Cytori Technology in so far as it relates to "Standalone Fat Transplantation" which is defined as the clean-up, filtering, elutriation, centrifugation, or dialysis of lipoaspirate for the express purpose of creating and preparing fat grafts for transplantation (excluding the rights retained pursuant to Section 2.1.2). The Cytori Technology for Standalone Fat Transplantation includes (without limitation) the Puregraft Product Line as described on Exhibit A (the "Puregraft Products") and the associated Puregraft trademark.

C. Cytori intends to manufacture and supply the Puregraft Products to Bimini during the interim transition period in which the manufacturing capacity is being transferred to an outside contract manufacturer on the terms and conditions set forth herein; and

D. Bimini intends to manufacture and supply the Puregraft Products and the Standalone Fat Transplantation Products (as defined in Section 2.1.3) to Cytori, for the markets and uses granted to Cytori herein, after completion of the manufacturing capacity transfer to Bimini, on the terms and conditions set forth herein; and

E. Cytori intends to grant to Bimini, and Bimini intends to obtain from Cytori, the perpetual, irrevocable, exclusive, royalty bearing, global license rights to sell and use Cytori's Celution® devices and consumable products including all future generations, comparable derivatives, successors or alternative adipose derived regenerative cell devices (as described more fully on Exhibit B, hereinafter referred to as the "Celution Products") for the "Hair Field" (as defined herein below); and

F. Cytori intends to manufacture and supply the Celution Products to Bimini for the Hair Field in accordance with the terms and conditions set forth herein; and

NOW, THEREFORE, in consideration of the foregoing, the mutual promises herein contained, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the capitalized terms set forth in this Section 1 shall have the following meanings:

"**Affiliate**" means, as to any Party, any Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Party, where "control" (including, with its correlative meanings, "controlled by" and "under common control with") means (a) the beneficial ownership of fifty percent (50%) or more of the outstanding voting securities of a Party, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Party, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise. A corporation, joint venture or partnership in which a Party owns less than fifty percent of the voting and economic benefit shall not constitute an Affiliate.

"**Agreement**" shall have the meaning set forth in the Preamble.

"**Business Day**" shall mean any day on which banking institutions are open in the United States.

"Change in Control" shall mean an event in which a Person, whether directly or indirectly through one or more intermediaries, becomes the owner or holder of fifty one percent (51%) or more of the voting power of a Party, or such other shareholding in a Party so as to enable such Person to direct or cause the direction of management or policies of a Party.

"Cosmetic Market(s)" shall mean sale and use of ADRC's (as defined in Section 2.1.2) with or without autologous fat transplantation for purposes not caused by a named medical illness with an associated ICD code but rather for the sole purpose of discretionary appearance enhancement of the normal state for a patient **and/or** improving the appearance or volume of a body area caused primarily by the normal aging process. Examples of cosmetic uses include use of ADRC's for: breast augmentation, treatment of age-related wrinkles, soft tissue filling of the face and hand due to age related volume loss, body and trunk contour irregularities from aging or perceived insufficiency.

Cosmetic Market is limited: (i) to application only to the skin, epicutaneous or subcutaneous space; (ii) to procedures that are remunerated by discretionary payments from the patient, relative or other similar party directly to the physician without a third party intermediary such as insurance company, government payor etc.; (iii) to procedures that are administered in physician's office, surgery center or other facility without the capability for inpatient (>24hour) care such as a hospital.

The Cosmetic Market specifically excludes any and all marketing, sale and use of the Celution Products for treatment or application to thermal and radiation burns to the skin, or to the nerves or blood vessels, as well as any treatment or therapy involving any systemic (such as intravascular, blood vessel) delivery of cells.

"Cost of Goods Sold" or "COGS" shall mean ... [REDACTED]*...

"**Cytori**" shall have the meaning set forth in the Preamble.

"**Delivery Date**" shall mean the date of delivery of product(s) purchased herein by purchasing Party.

"**Documentation**" shall mean the user and technical manuals and other documentation necessary in connection with commercialization of the Cytori Products.

"**Effective Date**" shall have the meaning set forth in the Preamble.

"**Force Majeure Event**" shall have the meaning set forth in Section 3.10.1

"Hair Field" shall mean sale and use of the Celution Product derived ADRC's applied "Locally" to the affected skin to reverse, stop or slow hair loss and/or re-grow lost or removed hair and/or improve existing hair follicle thickness, hair color, texture or form, whether alone or in combination with Puregraft processed fat and/or scaffolds or matrices and/or any other additive or combination of additives and alone or in combination with other procedures and treatments. "Locally" is defined as the delivery of cells into the skin and/or epicutaneous and /or subcutaneous space at or adjacent to an affected area. This Field of use may not be used or marketed to treat the underlying systemic conditions that may be the causes of hair loss, such as thyroid or hormone regulation, or immune disorders, though in such cases it may be used as a localized treatment into the skin or subcutaneous space at or adjacent to an affected area. This Hair Field specifically excludes any and all marketing and use of the Celution Products for the treatment of thermal and radiation burns to the skin, as well as any systemic(such as intravascular, blood vessel) delivery of cells.

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

"**Intellectual Property Rights**" shall mean (a) all inventions (whether patentable or not and whether or not actually reduced to practice), all improvements thereto, and all patents, provisional and non-provisional patent applications and patent disclosures, together with all reissuances, divisions, continuations, continuations-in-part, renewals, extensions and reexaminations thereof, (b) all copyrightable works, all works of authorship, all copyrights, and all applications, registrations and renewals in connection therewith, (c) all mask works and all applications, registrations and renewals in connection therewith, (d) all trademarks, service marks, trade names, service names, brand names, trade dress rights, logos, Internet domain names and corporate names, together with the goodwill associated with any of the foregoing, (e) all trade secrets and confidential business information (including, but not limited to, ideas, research and development information, know-how, formulas, compositions, biochemical and biological materials, reagents, assays, manufacturing and production processes and techniques, technical data, data base rights, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals, and (f) any and all applications and registrations of the foregoing (in any jurisdiction).

"**Party**" and "**Parties**" shall have the meaning set forth in the Preamble.

"**Person**" shall mean an association, corporation, individual, partnership, trust or any other entity or organization, including a governmental entity, other than a Party.

"**Term**" shall have the meaning set forth in Section 2.3.

"NDA" shall mean the Mutual Non-Disclosure Agreement, dated July 29, 2013, entered into by and among Cytori, and Bimini, and attached hereto as Exhibit D.

"Net Sales" means the total of the gross invoice prices from the Final Sale of Puregraft Products/Standalone Fat Transplantation Products or Celution Products, less the sum of the following deductions where applicable: sales, use, tariff, import/export duties or taxes imposed on particular sales; transportation, handling and refrigeration charges; allowances or credits to customers because of rejections or returns ("Customary Deductions"). "Final Sale" means the last sale of the products within the control of Licensee, Assignee or Successor in interest to a customer, or independent third party (such as a distributor), in each case, in an arm's length transaction; provided, however, if the sales are to an Affiliate that is not wholly owned by a Party, the Final Sale means the average price of same product sold to end users in the region during the preceding six (6) months. If a Licensee or its Affiliate, Assignee or Successor sells at a single price or rate a packaged combination of products (or "Kit"), not all of which if sold individually would be Licensed Products, then "Net Sales" with respect to sales of such Kits or packaged products shall equal the number of units of such Licensed Product sold as part of a Kit (less rejections, defects and returns) multiplied by the respective average net selling price during such period of the same type of Licensed Product sold individually in the same country or region and distribution method, over the preceding six month period, in each case excluding Customary Deductions.

"**Trademark**" shall mean all trademarks, service marks, trademark and service mark applications, trade dress, trade names, logos, insignia, symbols, designs or other marks identifying a party or its products.

"**Warranty Period(s)**" shall have the meaning set forth in Section 3.6.1 and 3.6.2 for the specified products in each case.

1.2 References. In this Agreement, a reference to:

(a) A Section, Sub-section, Preamble, Recital, Attachment, Schedule or Exhibit is, unless the context otherwise requires, a reference to a section or sub-section of, or a preamble, recital, attachment, schedule or exhibit to, this Agreement;

(b) "This Agreement" (or any specific provision hereof) shall be construed as references to this Agreement or that provision as amended, varied or modified from time to time;

(c) "$" or "USD" refers to United States Dollars, the lawful currency for the time being of the United States of America; and

(d) All references in this Agreement to "days" will, unless otherwise specified herein, mean calendar days.

1.3 Headings. Headings in this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

1.4 Attachments, Schedules and Exhibits. The Attachments, Schedules and Exhibits attached hereto are incorporated herein and form a part of this Agreement.

2. PURCHASE AND LICENSES GRANTED BY CYTORI

2.1 Purchase and License Grants and Sublicenses.

2.1.1 Purchase of Cytori Technology related to Standalone Fat Transplantation, including the Puregraft Product Line. Cytori hereby agrees to sell to Bimini, and Bimini hereby purchases from Cytori, all rights, title, and interest in and to all Cytori Technology in so far as it relates to Standalone Fat Transplantation(excluding the Retained Rights pursuant to Section 2.1.2), including (but not limited to) the Puregraft Product Line as described on Exhibit A (the "Puregraft Products") and the Puregraft trademark. As provided in section 2.1.3 and section 2.1.4 below, Bimini is licensing to Cytori certain exclusive rights relating to ADRC enriched applications and certain non-exclusive rights relating to fat banking applications. Upon the Effective Date of this Agreement, Cytori shall promptly transfer and assign, and/or refer all Puregraft Product accounts, leads, and prospects, Puregraft sales representatives and Distributors to Bimini for the purchase or sale of the Puregraft Products.

2.1.2 Exclusive and Retained Rights of Cytori-…..[REDACTED] *….. Cytori retains the exclusive right to make, use and sell any configuration of the Puregraft Products and the Standalone Fat Transplantation Products, including all related Standalone Fat Transplantation Cytori Technology, …..

[REDACTED]*

The description of the exclusive rights retained above in this Section 2.1.2 shall be herein referred to as …..[REDACTED]*….. or the "Retained Rights", and the parties agree that Cytori retains all rights to the Puregraft Products, Standalone Fat Transplantation Products and Standalone Fat Transplantation Cytori Technology, exclusively and perpetually for …..[REDACTED]*….., and that Bimini, its successors and assigns shall not market, offer, or knowingly sell the Puregraft Products or Standalone Fat Transplantation Products for the purpose of …..[REDACTED]*…... For avoidance of doubt, these Retained Rights may not be used to or interpreted to allow Cytori make, use, or sell any Standalone Fat Transplantation products.

2.1.3 Exclusive Rights of Cytori- ADRC Enriched Applications.
Cytori is hereby granted the world-wide, perpetual, irrevocable and exclusive royalty bearing license to purchase from Bimini (and its successors and assigns), use and sell any configuration of Bimini's Standalone Fat Transplantation products, the Puregraft Products (including all future generations of each) made by or for Bimini (the "Standalone Fat Transplantation Products"), its successors and assigns to use and sell the Standalone Fat Transplantation Products for ADRC Enriched Applications (excluding only the Hair Field). ADRC Enriched Applications includes any sale or use of the Standalone Fat Transplantation Products for the express purpose of mixing ADRC's with Standalone Fat Transplantation Product processed fat tissue for re-implantation of the tissue into a patient. The Parties understand and agree that this grant shall not serve as a restriction for Bimini with respect to any other stem cell enriched combination that does not include ADRC's. The Parties Agree that Cytori may not sell the Standalone Fat Transplantation Products separately, but may only offer the Standalone Fat Transplantation Products in conjunction with a Celution consumable set, whether packaged together, or bundled with one or more separately packaged products (including the consumable set). Cytori (its successors and assigns) are hereby granted the world-wide, perpetual, irrevocable, exclusive royalty bearing license to make, use and sell a closed system, as a part of any future Celution Product that creates an ADRC Enriched Fat Graft, provided that for each Celution Consumable sold to create an ADRC Enriched Fat Graft (that does not use a Standalone Fat Transplantation Product purchased from Bimini),Cytori shall be required to pay a royalty. The royalty shall be …..[REDACTED] *….. for Standalone Fat Transplantation Products (such as the Puregraft) in the region during the preceding six (6) months. Prior to the exercise of the License to make such a closed system product, Cytori must first offer Bimini the right to make the closed system Standalone Fat Transplantation Product processing component for use by Cytori.

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

2.1.4 Non-Exclusive Rights of Cytori- Fat Banking Applications. Cytori is hereby granted the world-wide, perpetual, irrevocable, non-exclusive royalty bearing license to purchase from Bimini (and its successors and assigns),any configuration of Bimini's Standalone Fat Transplantation Products made by or for Bimini, its successors and assigns for the sole and express purpose of sale and use in connection with the cryopreservation, storage, thawing and reconstitution, and use of Adipose Tissue, ADRC Enriched Adipose Tissue, and ADRC's for banking. This license shall only be exercised by Cytori in connection with ADRC and/or adipose tissue banks sold or established by or pursuant to license from Cytori.

2.1.5 Non-Compete Terms.

a. Cytori shall not make, sell or use any Standalone Fat Transplantation Products, including any products comparable to or serving essentially the same function as, or displacing, the Puregraft Products or Standalone Fat Transplantation Products, subject only to the continuing supply of the Standalone Fat Transplantation Products/Puregraft Product Line products and later developed Standalone Fat Transplantation products from Bimini to Cytori on the terms of supply set forth herein (provided Cytori is not then in default per Section 2.3.2). Notwithstanding the above, this non-compete shall not be applicable to Cytori to the extent of the Retained Rights or for and to the extent of Cytori's exercise of its Licensed Rights, in the event Bimini ceases to offer the same Puregraft Products to Cytori as those sold herein, and does not provide alternative Standalone Fat Transplantation Products that are reasonably equivalent and readily adaptable for Cell Enriched uses, and for Banking purposes.

b. Bimini shall not make, sell or use any configuration of the Standalone Fat Transplantation Products, or any Puregraft Products (including products comparable to or serving essentially the same function as, or displacing, such products) for …..[REDACTED] *…...

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

2.1.6 Puregraft Sublicenses. The rights granted above in Section 2.1.3 &Section 2.1.4 are fully assignable and sublicenseable in accordance with the terms of this Agreement; provided each party shall remain responsible for its assignees and/or sublicensee's continued compliance with the terms of this Agreement.

2.1.7 Celution Products License for the Hair Field. Subject to the terms, conditions and limitations set forth in this Agreement, Cytori hereby grants to Bimini the global, exclusive, perpetual, irrevocable royalty bearing license to purchase from Cytori, use and sell the Celution Products in the Hair Field. This license does not include any form of systemic or intravascular delivery of ADRC's. With respect to required diligence in the Hair Field,

[REDACTED]*

The parties agree that this plan, without any specified commitment of investment by Bimini shall constitute sufficient efforts to exploit the Hair Field for purposes of this license.

2.1.8 Celution Sublicenses. All of the rights and obligations of this agreement, including the Celution Products license granted above in section 2.1.7, and the right to purchase Celution Products from Cytori (as granted below), are fully assignable and sublicenseable; provided, however, that each party shall remain responsible for its assignees and/or sublicensee's continued compliance with the terms of this Agreement.

2.2 Purchase Payments& Closing

2.2.1 Initial Payment& Closing. In consideration of the rights granted by Cytori to Bimini, pursuant to Section 2.1 above, and for each parties rights &obligations set forth in this Agreement, Bimini shall pay Cytori an "Initial Payment" in the amount of five million dollars ($5,000,000), payable upon execution of this Agreement by wire transfer of immediately available funds to the bank account designated by Cytori below:

[REDACTED]*…

2.2.2 R&D Deliverables& Penalties. After closing, Cytori agrees to complete the following:

a. Cytori shall obtain CE Mark Approval and commercial release for the Puregraft 50 product (comparable to the CE mark currently in existence for the other Puregraft Products), on or before October31, 2013. …..

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

[REDACTED] *…..

b. Cytori shall prepare and submit a 510(k) application seeking clearance of the Puregraft 50 product on or before October31, 2013.

[REDACTED]*…..

c. Cytori shall complete the transfer of the Puregraft (Puregraft 50, Puregraft 250 & Puregraft 850) manufacturing(component, sub-assembly and final assembly)fully to a reasonably agreed third party(ies) on or before December 31, 2014("Completion Date").

[REDACTED]*…..

Cytori shall use its best efforts to perform each of the items in this Section 2.2.2, and Bimini shall be entitled to specific performance in connection with Cytori's failure to comply with this Section 2.2.2 in addition to the monetary remedies described above.

2.2.3 Bimini's Purchase Payments for the Puregraft Product Line in the form of a Royalty. In consideration of the rights sold by Cytori to Bimini herein above, Bimini shall pay purchase payments to Cytori in connection with its (and its Affiliates) Gross Profits (defined as gross Puregraft revenue minus COGS) from the sale of Puregraft Products or Standalone Fat Transplantation Products as follows ("Royalty Purchase Payments"):

a. One Million ($1,000,000) is payable to Cytori upon Bimini's achievement of Ten Million ($10,000,000) in cumulative Gross Profit;
b. One Million Five Hundred Thousand ($1,500,000) is payable to Cytori upon Bimini's achievement of Twenty Five Million ($25,000,000) in cumulative Gross Profit;

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

c. Two Million Five Hundred Thousand ($2,500,000) is payable to Cytori upon Bimini's achievement of Fifty Million ($50,000,000) in cumulative Gross Profit; and
d. Five Million ($5,000,000) is payable to Cytori upon Bimini's achievement of One Hundred Million ($100,000,000) in cumulative Gross Profit.

2.2.4 Bimini Royalty Payments for the Hair Field. In consideration of the exclusive Celution license rights for the Hair Field granted by Cytori to Bimini herein above, and effective as of the Closing of this Agreement Bimini shall perpetually pay semi-annual royalty payments to Cytori in the amount of …..[REDACTED] *….. on its Net Sales from all Hair Field Celution Products sold by Bimini during the preceding six month period.

A report specifying the accounting for such Royalties and full payment thereon shall be due within sixty (60) days after the completion of the prior period.

2.2.5 Cytori Royalty Payments for Puregraft Sales for ADRC Enriched& Banking. In consideration of the license rights granted to Cytori by Bimini in Sections 2.1.3 & 2.1.4 herein above, and effective as of the Closing of this Agreement Cytori shall perpetually pay semi-annual royalty payments to Bimini in the amount of …..[REDACTED]*….. on its Net Sales from such Puregraft Products/Standalone Fat Transplantation Products sold by Cytori during the preceding six month period. A report specifying the accounting for such Royalties and full payment thereon shall be due within sixty (60) days after the completion of the prior period.

2.2.6 Exclusive Right of Negotiation - Celution Products for Cosmetic Market. The Parties hereby agree that Cytori shall not in any manner market, sell or seek to license the Celution Product sales and marketing rights for the Cosmetic Market through December 31, 2013. For avoidance of doubt, this shall not prohibit the appointment of regional non-exclusive or exclusive distributors or sales representatives whose agreements are assignable and the terms of which do not exceed 2 years, or are terminable within no less than 180 days written notice without substantive penalty.

2.2.7 Payments to Cytori for Sale of Cytori Technology related to Standalone Fat Transplantation or Change in Control of Bimini. In the event: (i)of any Change in Control of Bimini, or (ii) Bimini sells or otherwise assigns all or a portion of its interest in the Cytori Technology related to Standalone Fat Transplantation (and related products) to any third party (either of which constitute an "Asset Sale"), whether the proceeds are in the form of cash, stock, goods or other services, then Cytori shall be paid a portion of the proceeds from the Asset Sale as follows:

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

a. Cytori shall be entitled to a …..[REDACTED] *….. in all Asset Sale proceeds to the extent any one or all Asset Sale proceeds taken together cumulatively exceed a total of …..[REDACTED]*….. in proceeds to Bimini. Cytori's share of any or all Asset Sale proceeds shall not exceed …..[REDACTED]*….. payable hereunder.

b. The Asset Sale payments shall be paid in cash (at the fair value of the proceeds received, if not received by Bimini in cash) and shall be fully creditable against the Section 2.2.3 Royalty Purchase Payments not yet paid to Cytori (whether or not due) to the extent such payments remain outstanding. The credits against the Royalty Purchase Payments shall apply first to the last payment due (Section 2.2.3 (d)), and proceed thereafter from last to the third, second and first of Royalty Purchase Payments until the full amount payable under Section 2.2.3 has been paid.

c. This Section shall terminate once …..[REDACTED]*….. have been paid to Cytori in cash as accrued under Section 2.2.3, and/or once the full Royalty Purchase Payments are paid (and credited) through Bimini's payments to Cytori of Cytori's share of Asset Sale proceeds. For the avoidance of doubt, Cytori shall never be entitled to more than …..[REDACTED]*….. in total from the combination of: …..[REDACTED]*……

2.3 Term, Termination& Bankruptcy.

2.3.1 Term of this Agreement. The term of this Agreement shall commence on the Effective Date and shall continue in perpetuity unless terminated as provided below(the "Term").

2.3.2 Remedies &Termination. This Agreement may be terminated (in full or in part- as indicated below) as follows:

a. Upon a material breach of this Agreement by a Party, including its Affiliates, successors or assigns, or any of their sublicensees ("Breaching Party"), which material breach has not been cured within sixty (60) days of its receipt of a written notice of breach from the Non-Breaching Party, the Breaching Party shall be in "Default" (excluding …..[REDACTED]*….. and the Non-Breaching Party shall have the following rights:

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

i. If the Default is due to a …..[REDACTED] *….. event by either Party, such Default shall be handled exclusively as provided in Section 3.4, which shall be the sole remedy therefore.

ii. If Bimini is in Default with respect to its duties or obligations relating to the Celution Products, then Cytori shall be entitled to any remedies that Cytori may have available at law or in equity, and Cytori shall be entitled to suspend, but not cancel any and all Celution Product licenses& supply obligations to Bimini, until such time as the default is fully remedied.

iii. If Cytori is in Default with respect to its duties or obligations relating to the Bimini's Standalone Fat Transplantation Products(including the Puregraft Products), then Bimini shall be entitled to any remedies that Bimini may have available at law or in equity, and Bimini shall be entitled to suspend, but not cancel any and all licenses& supply obligations to Cytori, until such time as the default is fully remedied.

iv. If Bimini's Default is due to failure to pay Cytori the Initial Payment, or Royalty Purchase Payments due for the Puregraft Products, then Cytori shall be entitled to terminate this Agreement in its entirety, and all rights title and interest in the Cytori Technology related Standalone Fat Transplantation products (including the Puregraft Products and all future generations of each) are immediately hereby transferred and assigned back to Cytori.

v. All other Defaults shall be subject to available remedies at law and in equity as appropriate.

2.3.3 Bankruptcy. In the event of the filing or institution of bankruptcy, liquidation or receivership proceeding by or against Cytori, Bimini or their respective successor in interest to this Agreement; which involuntary proceedings are not dismissed within 90 days after the filing thereof (an "Insolvency Proceeding"), the parties shall have the rights specified below:

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* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

a. If Cytori (including its successors and assigns) is the Party subject to the Insolvency Proceeding, then Bimini shall be entitled to exercise all rights pursuant to …..[REDACTED]*….., including access to all Technology and Source Codes in Escrow, unless Cytori is able to provide commercially reasonable assurances that it can and will continue to supply the Celution Products to Bimini as contemplated by the Agreement.

b. If Bimini (including its successors and assigns) is the Party subject to the Insolvency Proceeding, then the Celution Product license granted Bimini in Section 2.1.6 shall become non-exclusive, and Cytori shall then have the full, unrestricted right to market, distribute and sell the Celution Products within the Hair Field. Cytori shall be entitled to exercise all rights pursuant to …..[REDACTED]*….., including access to all Technology and Source Codes in Escrow, unless Bimini is able to provide commercially reasonable assurances that it can and will continue to supply the Puregraft Products/Standalone Fat Transplantation Products to Cytori as contemplated by the Agreement.

2.4 Representations and Warranties.

2.4.1 Representations and Warranties of Cytori. Cytori represents and warrants to Bimini that:

(a) Cytori is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and that Cytori has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to fulfill its obligations under, and to consummate the transactions contemplated by, this Agreement.

(b) The execution, delivery and performance of this Agreement by Cytori will not result in any breach or violation of, or conflict with, any material contract, agreement, undertaking, judgment, decree, order, law, regulation or rule to which Cytori is a party or by which Cytori or any of its assets are bound, and upon written approval of the transaction by Oxford Finance LLC, the sales and licenses herein, are free and clear of any claim or lien of any creditor of Cytori.

(c) This Agreement has been duly and validly executed and delivered by Cytori and is binding upon and enforceable against Cytori in accordance with its terms.

(d) Cytori has the full right and authority upon written approval of the transaction by Oxford Finance LLC to sell the property and to grant the licenses as provided herein free and clear of any claim or lien of any creditor of Cytori.

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

2.4.2 Representations and Warranties of Bimini. Bimini represents and warrants to Cytori that:

(a) Bimini is a Limited Liability Company duly organized, validly existing and in good standing under the laws of the state of Delaware, and Bimini has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to fulfill its obligations under, and to consummate the transactions contemplated by, this Agreement. Bimini includes all subsidiaries, ventures, and affiliates (including corporations, partnerships, limited liability companies of every kind and nature) in which Bimini owns 50% or more of the economic interest.

(b) The execution, delivery and performance of this Agreement by Bimini will not result in any breach or violation of, or conflict with, any material contract, agreement, undertaking, judgment, decree, order, law, regulation or rule to which Bimini is a party or by which Bimini or any of its assets are bound.

(c) This Agreement has been duly and validly executed and delivered by Bimini and is binding upon and enforceable against Bimini in accordance with its terms.

3. COMMERCIAL AGREEMENT

3.1 Celution Product Supply/Puregraft Product Supply. Cytori agrees to manufacture and sell the Celution Products to Bimini during the Term of this Agreement for Bimini's exercise of the licenses granted it by Cytori in accordance with the commercial terms contained herein, and subject to Bimini's compliance with all applicable laws and the restrictions and obligations contained herein. Cytori also agrees to manufacture and sell the Puregraft Products to Bimini …..[REDACTED]*….. from the Effective Date until such time as Cytori has successfully transferred the Puregraft Product manufacturing capacity fully to a designated third party manufacturer, and Bimini has assumed control of the manufacturing. Once the manufacture of the Puregraft Products has transferred to Bimini, Bimini agrees to manufacture and sell the Standalone Fat Transplantation Products/Puregraft Products to Cytori during the Term of this Agreement for Cytori's use in accordance with the commercial terms contained herein for Banking and ADRC Enriched Applications at ….. [REDACTED]*…...

3.1.1 [Reserved].

3.1.2 Development of CTX-2 (Next Generation Celution System).Cytori agrees to use commercially reasonable efforts to continue and complete the development of the CTX-2 next generation Celution Device & Consumables at no additional cost to Bimini, provided it is understood that such development may be subject to unforeseen changes and delays. Cytori also confirms that it is the intent of Cytori to continuously improve the Celution Products (including future iterations and generations) in perpetuity.

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3.1.3 Supply of Ancillary Products. Cytori agrees to use reasonable efforts to supply Ancillary Products (as defined in Exhibit C) to Bimini (if available) at …..[REDACTED] *….., plus shipping costs, duties, taxes, or other fees required in connection with Bimini taking possession of the products, provided that the parties both acknowledge and agree that these products are 3rd party products purchased by Cytori for convenience of Cytori's Customers, and any inability to supply the Ancillary Products to Bimini or discontinuation of the Ancillary Products (for all parties) shall not be cause for any liability on the part of Cytori. The sole warranty for the Ancillary Products is that provided by the manufacturers of such products.

3.2 Prices and Payment Terms.

3.2.1 Celution Product Price For Current and Future Generations Of Celution Products. The transfer price for current and future generations of the Celution Products (as of the Effective Date)from Cytori to Bimini shall be at …..[REDACTED]*….. plus shipping costs, duties, taxes, or other fees required in connection with Bimini taking possession of the products.

3.2.2 Product Price for Puregraft Products. The transfer price for the Puregraft Products from Cytori to Bimini (during the Interim Manufacturing Period) shall be at …..[REDACTED]*….. plus shipping costs, duties, taxes, or other fees required in connection with Bimini taking possession of the products. The transfer price for the Standalone Fat Transplantation Products supply from Bimini to Cytori shall be …..[REDACTED]*….. plus shipping costs, duties, taxes, or other fees required in connection with Cytori taking possession of the products.

3.2.3 Invoicing and Payment Procedure. The manufacturing Party shall invoice the purchasing Party concurrently with its delivery of the Celution/Puregraft Products or Standalone Fat Transplantation Products ordered. The purchasing Party shall pay for the Celution/Puregraft Products or Standalone Fat Transplantation Products delivered in accordance with each Purchase Order within a maximum of forty-five (45) calendar days from the date that purchasing Party receives the corresponding invoice issued by the manufacturing Party. Invoices issued by manufacturing Party shall reference the relevant Order number, and indicate (a) applicable tax (if any), (b) quantities of products shipped, and (c) date of shipment of the products.

3.2.4 Late Payment. If any payment amount under any invoice issued pursuant to Section 3.2.3 becomes overdue, purchasing Party shall, upon written demand from manufacturing Party, pay interest on the unpaid, overdue, balance at the lesser of (a) the maximum rate permitted by law, and (b) ten percent (10%) per annum on the outstanding, balance. To the extent that any payment is overdue, payments received by manufacturing Party shall first be applied to any such accrued but unpaid overdue amount. In the even any overdue amounts exceed ninety (90) days from the date of invoice, manufacturing Party shall not be required to accept or ship any additional orders until all outstanding invoices are paid in full.

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3.3 Order and Forecast.

3.3.1 Orders. The purchase and sale of the product(s) hereunder shall be made by written or electronic purchase order issued to manufacturing Party, for purchase of products ("**Order(s)**"). Purchasing Party shall, on or before the first Business Day of each month, place an Order for product(s) in amounts for such month that are in accordance with the applicable Forecast(s) previously submitted in accordance with this Section 3.3. The "**Delivery Date**" specified in an Order shall be no earlier than forty-five (45) days for Puregraft Products or Standalone Fat Transplantation Products, and ninety (90) days for Celution Products from the date the relevant Order is placed, provided that manufacturing Party shall use commercially reasonable efforts to deliver the ordered products sooner if early delivery is requested. Each Order will include: (a) a reference to this Agreement and Section, (b) Order quantities, (c) specifications and/or type/model number of the product(s) ordered; (d) each product unit price and the total price for all product(s) in the Order, (e) shipping instructions, (f) requested Delivery Date in accordance with this Section 3.3.1 (including Delivery Dates for partial shipments of ordered product(s) on different dates); and (g) shipping and billing address. In the event of any conflict between or among the terms and conditions of this Agreement and the terms and conditions specified in an Order (including Order acknowledgement by manufacturing Party), such provisions shall be construed in a mutually consistent manner or, if such construction is not reasonably possible, the provisions of this Agreement shall govern and prevail.

3.3.2 Order Acknowledgment. Manufacturing Party shall confirm its receipt of an Order electronically or by facsimile within five (5) Business Days of its receipt of each Order, stating the applicable Product purchase price and expected Delivery Date. For any Orders that exceed one hundred twenty-five percent (125%) of the applicable Forecast in quantity, manufacturing Party may reject such Orders to the extent such Order exceeds 125% of the applicable Forecast. Manufacturing Party shall specifically acknowledge or reject any Order that exceeds125% of the Forecast within five (5) Business Days from the date on which it receives an Order, or the order will be deemed accepted and binding on the Parties.

3.3.3 Order Address. All Orders shall be sent to the following address:

Execution

For Cytori:

Cytori Therapeutics, Inc.
3020 Callan Road
San Diego, CA 92121, U.S.A.
Fax: 858-200-0951
E-mail: orders@cytori.com

Attn: Customer Service

For Bimini :

Bimini Technologies LLC
3020 Callan Road
San Diego, CA 92121, U.S.A.
Fax: 858-200-0951
E-mail: bconlan@puregraft.com

Attn: Bradford A. Conlan

3.3.4 Order Changes. Once submitted, Orders may not be withdrawn, revoked or altered in any way without manufacturing Party's prior written consent. Furthermore, except as specifically provided herein or otherwise agreed by the Parties, Orders accepted may not be withdrawn, revoked, altered or cancelled.

3.3.5 Partially Binding Forecast. Beginning ninety (90) days after the Effective Date, on the 15thday of every second calendar month thereafter during the Term (or, if such day is not a Business Day, then on the immediately following Business Day), purchasing Party shall submit to manufacturing Party a six (6) month rolling, partially binding forecast (each a "**Forecast**") of the quantities of each product anticipated to be purchased during the upcoming six (6) calendar month period (the "**Forecast Period**"). Each Forecast, and the quantities forecasted for purchase during the Forecast Period covered thereby, shall be partially binding upon the Parties as follows:

Month after delivery of Forecast	Flexibility
Month 1:	Binding (100%) (Shall be reflected without change in Orders sent in the month immediately following the month on which the Forecast is delivered).
Month 2:	Binding (100%) (Shall be reflected without change in the Forecast of the immediately following month as Month 1).
Month 3: (Partially Binding Month)	Partially binding (Upward adjustment by no more than thirty percent (30%), or downward adjustment by no more than thirty percent (30%) of the amounts indicated for Month 3 may be made, as any such adjustments shall be reflected in the Forecast of the immediately following month as Month 2).

Month 4: (Partially Binding Month)	Partially binding (Upward adjustment by no more than fifty percent (50%), or downward adjustment by no more than fifty percent (50%) of the amounts indicated for Month 4may be made, as any such adjustments shall be reflected in the Forecast of the immediately following month as Month 3).
Month 5:	Non-binding (0%) (May be completely changed in the Forecast, as any such adjustments shall be reflected in the Forecast of the immediately following month as Month 4).
Month 6:	Non-binding (0%) (May be completely changed in the Forecast, as any such adjustments shall be reflected in the Forecast of the immediately following month as Month 5).

3.3.6 …..

[REDACTED] *…..

3.3.7 Supply Obligations. Each Party shall at all times use commercially reasonable best efforts to supply Products as required hereunder, provided that in the event of a Change in Control of the manufacturing Party, the manufacturing Party, its successors and assigns shall at all times be required to utilize its unqualified best efforts to supply the products it is obligated to supply hereunder.

3.4 .....

[REDACTED]*.....

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3.4.1 .....

[REDACTED]*.....

3.4.2 .....

[REDACTED]*.....

3.4.3 .....

[REDACTED]*.....

3.5 Inventory Management and Shipment of Products.

3.5.1 Shipment. Unless otherwise specifically agreed between the Parties in writing, purchasing Party shall, at its own expense, procure from manufacturing Party, shipment and delivery of the products purchased herein EXW – Ex Works(INCOTERMS 2010)manufacturing Party facilities.

3.5.2 Title and Risk of Loss. Risk of loss and title to any product(s) purchased pursuant to this Agreement shall pass to purchasing Party EXW shipping point.

3.5.3 Notice of Inability to Deliver Product(s). Manufacturing Party shall provide purchasing Party with immediate written notice if Manufacturing Party becomes aware that it will not be able to deliver the relevant product(s) on or within three (3) days of the Delivery Date specified in an accepted Order, or if Manufacturing Party becomes aware that only a portion of the relevant product(s) can be delivered on or within three (3) days of the relevant Delivery Date specified in an accepted Order. Upon receipt by purchasing Party of such notice, purchasing Party shall instruct Manufacturing Party to either (a) deliver such deliverable portion of the product(s) in accordance with this Agreement and relevant Order, or (b) reschedule shipment of all or a portion of such product(s). If Manufacturing Party delivers a portion of the product(s) ordered under a certain Order pursuant to purchasing Party instructions pursuant to item (a) of this Section 3.5.3, Manufacturing Party shall, at its sole cost and expense (including air transportation) and upon becoming able to complete such Order, promptly deliver all remaining undelivered product(s) specified in such partially performed Order by air transportation, or such other means of transportation reasonably acceptable to purchasing Party.

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3.6 Product Warranties.

3.6.1. Celution Product Warranty. Cytori warrants for a period that is the lesser of: (a) .....[REDACTED]*..... from the Delivery Date of the Celution Products purchased herein; or (b) .....[REDACTED]*..... from the date of delivery of such product(s) by Bimini or its designee to the end-user or customer; that any such Celution Product(s) sold hereunder shall:

(i) operate in a manner that meets the relevant Celution Product(s) specifications; and

(ii) be free from defects, for reason(s) attributable to Cytori, in material, design and workmanship.

3.6.2. Puregraft Product Warranty. Each Puregraft manufacturer warrants for a period that is the lesser of: .....[REDACTED]*..... from the Delivery Date of the relevant product(s) purchased herein; or (b) .....[REDACTED]*..... from the date of delivery of Puregraft Product(s) by purchasing Party or its designee to the end-user or customer; that such Puregraft Product(s) shall:

(i) operate in a manner that meets the relevant Puregraft Product(s) specifications; and

(ii) be free from defects, for reason(s) attributable to the manufacturer, in material, design and workmanship.

3.6.3 Warranty Obligations. During the Warranty Period, The Celution Products, the Standalone Fat Transplantation Products and the Puregraft Products shall each carry the limited warranty as specified in Schedule 2 hereto. Products manufactured by third parties (Other than the Celution Device and Consumable Sets and Standalone Fat Transplantation Products or Puregraft Products), shall have only the warranty as provided by the manufacturer of such products.

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3.6.4 Disclaimer of Warranty. EXCEPT AS SPECIFICALLY SET FORTH IN THIS SECTION 3.6, MANUFACTURING PARTY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND THOSE ARISING FROM A COURSE OF DEALING.

3.7 Obsolescence.

3.7.1 Discontinuance by Cytori. Cytori agrees and acknowledges that it has an obligation to manufacture, supply and support the Celution Product(s) without interruption during the Term. If Cytori wishes to discontinue the manufacture and supply of any particular Cytori Product(s) during the Term, Cytori shall provide written notice of such to Bimini not less than .....[REDACTED] *..... in advance of the last date such Cytori Product(s) can be ordered. Upon Bimini's receipt of any such discontinuance notice by Cytori, Cytori shall provide Bimini with the appropriate designation for a suitable replacement Celution Product(s) to be supplied hereunder as reasonably necessary for the use of such products in the Hair Field as herein contemplated by the parties. Cytori shall continue to provide support for Cytori manufactured discontinued products as required for a period of at least three years from the date of discontinuance.

3.7.2 Discontinuance by Bimini. Bimini agrees and acknowledges that it has an obligation to manufacture, supply and support the Puregraft Product(s) without interruption during the Term. If Bimini wishes to discontinue the manufacture and supply of any particular Bimini Product(s) during the Term, Bimini shall provide written notice of such to Cytori not .....[REDACTED]*..... in advance of the last date such Bimini Product(s) can be ordered. Upon Cytori's receipt of any such discontinuance notice by Bimini, Bimini shall advise Cytori of the appropriate designation for a suitable replacement Puregraft Product(s) to be supplied hereunder as reasonably necessary for the use of such products as herein contemplated by the parties.

3.7.3 Final Order. Prior to the effective date of the discontinuance of any product(s) under Section 3.7.1 or 3.7.2 herein, purchasing Party may make, and manufacturing Party agrees to accept, a final Order for the discontinued product(s), to be paid for and shipped during a period commencing on the date of any discontinuance, and ending on the date that is .....[REDACTED]*..... after such date of any such discontinuance.

3.8 Marketing, Licensing and Insurance.

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3.8.1 Marketing Materials. Cytori agrees to transfer all marketing materials developed or in development for the Puregraft Products. For avoidance of doubt and confusion, marketing materials include all digital and print marketing collateral including but not limited to videos, brochures, website content, graphics, presentations, animations, messaging, tradeshow associated materials such as booth graphics, white papers, and journal articles.

3.8.2 Product Use Restrictions/Representations. Bimini understands and agrees that the Celution Products which are labeled and intended for specific indications may cause injury or death if used for applications outside such specified labeling and instructions for use. Bimini agrees that only qualified trained and licensed healthcare professionals will be provided authorization to use the Celution Products in the Hair Field in a manner consistent with all applicable laws and regulations.

3.8.3. False or Misleading Representations. Bimini shall make no false or misleading representations to customers or other persons with regard to the Celution Products or Cytori. Cytori shall permit Bimini to externally link the Bimini and any Affiliates website to the Cytori website, provided Cytori has the opportunity to review and approve the content of the Bimini website that refers to Cytori or its products (or utilizes Cytori Trademarks), which review and approval shall not be unreasonably delayed or withheld for longer than two weeks upon mutually recognized submission to Cytori for review. Cytori recognizes that they will have no right to review and approve the content of the Bimini website(s) if it does not refer to Cytori or its products (or utilizes Cytori Trademarks).

3.8.4. Bimini Rights In Cytori Marks. Except as expressly agreed by the Parties herein or elsewhere in writing, nothing in this Agreement shall be construed to grant either Party any rights in any Trademarks of the other Party. Notwithstanding the immediately preceding sentence, Cytori hereby authorizes Bimini, only for the purposes of labeling, marketing and selling the Celution Products, to use the "Celution®" Trademark(s) of Cytori in exercise of the license rights granted herein. Use of specified Cytori Trademarks by Bimini, shall be expressly limited by the following terms of use:

(a) Use of Cytori Marks by Bimini. Cytori hereby grants to Bimini a non-exclusive right and license to use the specified Cytori Marks solely in connection with the promotion, sale and distribution of the Celution Products as granted herein. All rights with respect to Cytori Marks and all other trademarks, service marks and trade names used by Cytori not specifically granted to Bimini in this Agreement are reserved to Cytori.

(b) Acknowledgment of Ownership. Bimini acknowledges that (i) Cytori owns the Cytori Marks and all goodwill associated with or symbolized by Cytori Marks, (ii) Bimini has no ownership right in or to any Cytori Marks, and (iii) Bimini shall acquire no ownership interest in or to any of Cytori Marks by virtue of this Agreement. Bimini shall do nothing inconsistent with Cytori's ownership of the Cytori Marks and related goodwill. Nothing in this Agreement shall be deemed to constitute or result in an assignment of any Cytori Marks to Bimini or the creation of any equitable or other interests therein.

(c) Form of Use. Bimini shall use Cytori Marks only in the form and manner as reasonably agreed from time to time by Cytori. Bimini shall mark each Product and/or all advertising, promotional or other materials bearing any of Cytori Marks with such notices as Cytori may require, including, but not limited to, notices that Cytori's Marks are trademarks of Cytori and are being used with the permission of Cytori.

(d) Submissions. Bimini shall submit to Cytori for its written approval before any use is made thereof, representative samples of all Products, catalogs, brochures, packages, containers, and advertising or promotional materials bearing the Celution trademark. Bimini shall not make any use of the "Celution" trademark unless and until it receives Cytori's prior written approval. Cytori shall have the absolute right to approve or reject any proposed use(s) of any of "Celution" or "Cytori" trademark, in its sole discretion.

(e) Registration. Cytori shall have the sole and exclusive right (but not the obligation) to obtain trademark registration for any Cytori Marks (or any confusingly similar Marks) or to take such other action with respect to the Cytori Marks as it deems appropriate.

(f) Infringement Information. Bimini shall notify Cytori promptly of any unauthorized use of Cytori Marks or of any mark confusingly similar thereto which comes to its attention. Cytori shall have the sole right to determine whether or not any action shall be taken against any such infringement for all Cytori Marks.

3.8.5. Cytori Rights In Bimini Marks. Except as expressly agreed by the Parties herein or elsewhere in writing, nothing in this Agreement shall be construed to grant either Party any rights in any Trademarks of the other Party. Notwithstanding the immediately preceding sentence, Bimini hereby authorizes Cytori, only for the purposes of labeling, marketing and selling the Standalone Fat Transplantation Products, to use the "Puregraft® " Trademark(s) of Bimini. Use of specified Bimini Trademarks by Cytori, shall be expressly limited by the following terms of use:

(a) Use of Bimini Marks by Cytori. Bimini hereby grants to Cytori a non-exclusive right and license to use the specified Bimini Marks solely in connection with the promotion, sale and distribution of the Standalone Fat Transplantation Products as granted herein. All rights with respect to Bimini Marks and all other trademarks, service marks and trade names used by Bimini not specifically granted to Cytori in this Agreement are reserved to Bimini.

(b) Acknowledgment of Ownership. Cytori acknowledges that (i) Bimini owns the Bimini Marks and all goodwill associated with or symbolized by Bimini Marks, (ii) Cytori has no ownership right in or to any Bimini Marks, and (iii) Cytori shall acquire no ownership interest in or to any of Bimini Marks by virtue of this Agreement. Cytori shall do nothing inconsistent with Bimini's ownership of the Bimini Marks and related goodwill. Nothing in this Agreement shall be deemed to constitute or result in an assignment of any Bimini Marks to Cytori or the creation of any equitable or other interests therein.

(c) Form of Use. Cytori shall use Bimini Marks only in the form and manner as reasonably agreed from time to time by Bimini. Cytori shall mark each Product and/or all advertising, promotional or other materials bearing any of Bimini Marks with such notices as Bimini may require, including, but not limited to, notices that Bimini's Marks are trademarks of Bimini and are being used with the permission of Bimini.

(d) Submissions. Cytori shall submit to Bimini for its written approval before any use is made thereof, representative samples of all Products, catalogs, brochures, packages, containers, and advertising or promotional materials bearing the Puregraft trademark. Cytori shall not make any use of the "Puregraft" trademark unless and until it receives Hindale's prior written approval. Bimini shall have the absolute right to approve or reject any proposed use(s) of any of "Puregraft" or "Bimini" trademark, in its sole discretion.

(e) Registration. Bimini shall have the sole and exclusive right (but not the obligation) to obtain trademark registration for any Bimini Marks (or any confusingly similar Marks) or to take such other action with respect to the Bimini Marks as it deems appropriate.

(f) Infringement Information. Cytori shall notify Bimini promptly of any unauthorized use of Bimini Marks or of any mark confusingly similar thereto which comes to its attention. Bimini shall have the sole right to determine whether or not any action shall be taken against any such infringement for all Bimini Marks.

3.8.6. Celution Products Software Rights. With respect to any software products incorporated in or forming a part of the Celution Products hereunder, Cytori and Bimini intend and agree that such software products are being licensed and not sold, and that the words "purchase", "sell" or similar or derivative words are understood and agreed to mean "license", and that the word "Bimini" or similar or derivative words are understood and agreed to mean "licensee" with respect to the software component, Cytori or its licensor, as the case may be, retains all rights and interest in software products provided hereunder.

3.8.7. Grant of Rights Relating to Celution Products Software. Cytori hereby grants to Bimini a royalty-free, non-exclusive license, to use software provided hereunder solely for end-users business purposes on the hardware products provided hereunder and to use the related documentation solely for the purpose of the use of the Celution Products as authorized under this Agreement. This license terminates when Bimini's lawful possession of the hardware products provided hereunder ceases, unless earlier terminated as provided herein. Bimini agrees to hold in confidence and not to sell, transfer, license, loan or otherwise make available in any form to third parties the software products and related documentation provided hereunder. Neither may Bimini disassemble, decompile or reverse engineer, copy, modify, enhance or otherwise change or supplement the software products provided hereunder without Cytori's prior written consent. Cytori will be entitled to terminate this license if Bimini fails to comply with any term or condition herein. Bimini agrees, upon termination of the Celution Products license, immediately to return to Cytori all software products and related documentation provided hereunder and all copies and portions thereof.

3.8.8. Third Party Software. Certain of the software products provided by Cytori may be owned by one or more third parties and licensed to Cytori. Accordingly, Cytori and Bimini agree that such third parties retain ownership of and title to such software products.

3.8.9 Insurance. Each Party will, maintain adequate commercial general liability insurance and product liability insurance, in amounts which are reasonable and customary within the industry. Subject to reasonable insurance policy limitations and exclusions, such product liability insurance of each Party shall insure against all liability arising out of the use, manufacture (including packaging and delivery), sale, offer for sale, importation, distribution, marketing and promotion of the Celution and Puregraft Product(s) throughout the world.

3.9 Country of Manufacture.

3.9.1 Country of Origin Certification. Upon Bimini's request, Cytori shall provide Bimini with an appropriate certification stating the country of origin for Celution and Puregraft Product(s), sufficient to satisfy the requirements of the customs authorities of the country of receipt and any applicable export licensing regulations, including those of the United States. After the transfer of manufacturing of the Puregraft Products to Bimini, it shall provide the same information to Cytori upon request.

3.9.3 Customs Authorities; Export Regulations. Bimini shall notify Cytori of any requirement from applicable customs authorities, and Bimini will comply in a timely manner with such requirements. Upon Bimini’s reasonable request, Cytori shall provide any necessary information concerning the products supplied by Cytori to satisfy the requirements of the customs authorities of the country of receipt and the countries of Bimini’s operations.

3.10 Force Majeure Events.

3.10.1 Force Majeure. To the extent that either Party to this Agreement is temporarily unable to perform its obligations hereunder, in whole or in part, due to causes beyond such Party's reasonable control, including, but not limited to, acts of God, acts of war, acts of terrorism, civil disturbance, governmental action, strikes, fire, flood, typhoon, peril or accident at sea, inability to secure materials and transportation or facilities**,** walkouts or lock-outs or other labor disputes beyond the reasonable control of such Party (each, a "**Force Majeure Event**"), the time for performing such Party's obligations will be extended until such time (a) as the Force Majeure Event has been resolved or otherwise mitigated or eliminated, or (b) as mutually agreed by the Parties, and in case of either (a) or (b), so as not to materially impede or prevent performance of such Party's obligations; provided, however, that the Party claiming the benefit of this provision shall provide to the other Party prompt written notice and reasonable evidence of the occurrence of such Force Majeure Event, and shall cooperate with the other Party in taking all such commercially reasonable actions as may be necessary or appropriate to mitigate, avoid or lessen the adverse effects of such Force Majeure Event, as it may relate to the performance of each Party's respective obligations hereunder. In no event shall a Party's inability to pay any sums due hereunder or otherwise perform any of its financial obligations hereunder be independently deemed to be a Force Majeure Event. Until such Force Majeure Event is so resolved, mitigated or eliminated, or until expiration of the time period mutually agreed by the Parties, the Party so unable to perform its obligations shall not be deemed to be in default under or in breach of this Agreement; further provided that the Parties shall in any event be required to perform all other obligations hereunder which are reasonably capable of being performed during the continuance of such Force Majeure Event. In the event that the Parties do not agree upon the occurrence of a Force Majeure Event, then the matter shall be submitted to arbitration pursuant to the provisions of Section 4.2 hereof. Subject to the foregoing, a Force Majeure Event may also include (a) the occurrence of any pandemic, epidemic or prevalent disease or illness with an actual or probable threat to human life, including, without limitation, atypical pneumonia or Severe Acute Respiratory Syndrome (SARS), or avian influenza, or (b) adherence to any travel restriction, warning or advisory issued in relation thereto by the Government of the United States, the World Health Organization (WHO) or the U.S. Centers for Disease Control (CDC), or (c) any quarantine or similar measure taken in relation thereto by any governmental authority to prevent the spread of any communicable disease, or (d) any unavailability of any resources or services resulting directly from any of the foregoing, or (e) impossibility to deliver product(s) due to export/import restriction derived from a governmental regulation that would make the export/import act illegal. In the event that a Force Majeure Event continues for three (3) months or longer, either Party may terminate and cancel any and all outstanding Orders, regardless as to whether accepted by manufacturing Party, by written notice to the other Party.

3.11 TRAINING.

3.11.1 Initial & Follow-up Training. Prior to launch of marketing and sales efforts by Bimini, Cytori shall conduct training for the designated Bimini staff or designees on how to set up, operate and use the Celution Products. Bimini designated personnel shall also be trained (at the time and place reasonably agreed by the Parties in good faith) in the installation, maintenance and basic field repairs of the Celution Products, including software upgrades and troubleshooting. .....

[REDACTED]*.....

.....[REDACTED]*....., Cytori shall make additional training available as reasonably required for a modest cost based fee, provided it is conducted in San Diego, CA, as it is the express expectation of the Parties that Bimini shall be responsible for training its own employees and its customers after the .....
[REDACTED]*.....

In the Case of such new Celution Products, Cytori shall make additional training available free of charge in locations as reasonably agreed.

3.11.2 Clinical Training and Case Support.
.....[REDACTED]*..... Cytori shall also provide reasonable training to Bimini employees or designees as required to train competent and properly qualified medical personnel to utilize the Celution Products and Puregraft Products clinically. .....

[REDACTED]*.....

, at times and locations as reasonably and mutually agreed.

3.12 REGULATORY.

3.12.1 Regulatory Matters. Bimini shall be responsible for obtaining all necessary government approvals, registrations, consents, licenses and permits that are required for the marketing and sale of the Celution Products in accordance with the license rights granted herein ("Approvals"), and for complying with any and all applicable statutory, administrative or regulatory requirements for product labeling and packaging, product documentation such as traceability, samples, sales literature and records, and documentation for recalls including but not limited to product serial numbers for each product sold identifiable by account and date of sale, which documentation shall be maintained on a permanent basis by Bimini notwithstanding termination or expiration of this Agreement. Bimini shall also maintain records of all product registrations with any government agency or health authority, or any registration, approvals, or filing of this Agreement. Without limiting the generality of the foregoing:

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

(a) Bimini shall bear all costs, fees and expenses associated with obtaining regulatory approvals and for complying with laws in connection with its activities with exception to the US 510k clearance and CE Mark approval of the Puregraft 50 product line as specified herein above. Notwithstanding the forgoing, in the event and to the extent that Cytori has already obtained regulatory approvals, Bimini shall bear no expense for these or other Cytori efforts to obtain the same. Cytori also agrees to make all relevant regulatory information in its possession or that comes into its possession (including equivalency studies/clinical study information) available to Bimini for regulatory submissions for the Hair Field including for any evolutions, alternatives, next generation devices of the Celution Products and Celution System. If an appropriate amount of positive, clinical data is collected for the hair field of use, Cytori is obligated to agree to seek expansion of the Celution CE Mark Claims to include supported hair language at Bimini's expense.

(b) Bimini shall promptly provide to Cytori, upon Cytori's request, such evidence that Cytori shall require, including, but not limited to, an opinion of any independent attorney licensed to practice law in a country confirming that all Approvals necessary to import and sell the Celution Products in such country have been obtained and that Bimini's sales of the Products are in compliance with all Laws. If such evidence is not received by Cytori, Cytori shall be entitled to hold shipment of the Celution Products until such evidence is received.

(c) Notwithstanding the foregoing, and subject to the Bimini's ongoing commitment of Confidentiality (as specified in the NDA) for all regulatory information provided by Cytori, Cytori shall provide all regulatory and quality materials related to the Puregraft Products, and access to its regulatory files for the Celution Products, and available relevant clinical data as reasonable or necessary for Bimini in its regulatory activities. Cytori shall also from time to time provide reasonable regulatory counsel and advice from its internal regulatory team to aid Bimini's qualified regulatory personnel in the application and use of the Cytori regulatory materials.

3.13 COMPLIANCE WITH LAWS.

3.13.1 Corruption. Each party will comply with all applicable laws and regulations with respect to their activities contemplated herein. Each Party agrees that it will not knowingly assist or participate in any violation of laws or regulations applicable to Cytori or Bimini, including the United States Foreign Corrupt Practices Act and the UK Anti-Bribery Act, and any similar anti-bribery laws applicable to its business activities. Each party represents and warrants that it will comply with all laws applicable in the countries where it operates, as well as the Foreign Corrupt Practices Act of the United States, which relates to the conduct of business practices and all similar laws that may prohibit gratuities, inducements, or certain other payments; including, payments of money or anything of value offered, promised or paid, directly or indirectly, to any government official, or public or political officer, or other person to induce such person or official to use their influence with a government or instrumentality to obtain an improper business advantage for Cytori or Bimini in relation to this Agreement. Bimini acknowledges that Cytori is subject to certain United States laws, including the Foreign Corrupt Practices Act of 1977 and any of its amendments, which may apply to activities carried out outside the United States of America. Neither Party will take nor omit to take any action if such act or omission would cause Cytori or Bimini to be in violation of any such laws.

3.13.1 United States Export Controls. Each Parties sale and delivery of Products to the other shall be subject in all respects to such laws and regulations of the United States of America (including, but are not limited to, those of the Export Administration Regulations of the U.S. Department of Commerce (the "EAR"), and the laws of any other country (as applicable) which may restrict or require licenses for the export of Items from the United States (and/or the other country) and their re-export from other countries) as shall from time to time govern the sale and delivery of goods abroad by persons subject to the jurisdiction of the countries in which it operates and the U.S. Neither Party will directly or indirectly export, re-export or transship any of the products, even though otherwise permitted by this Agreement or by subsequent authorization from the manufacturing Party, except as shall be permitted by the applicable laws in effect from time to time. Upon the reasonable request by manufacturing Party, purchasing party shall give written assurances against such export, re-export or transshipment.

3.14 QUALITY& PACKAGING.

3.14.1 Product Quality. Each manufacturing Party and its Assignees shall be responsible for compliance with present and future applicable statutes, laws, ordinances and regulations of the United States and the European Economic Community now or hereafter in effect relating to the manufacture and quality of the Celution and/or Puregraft Products and/or Standalone Fat Transplantation Products manufactured by or for such Party (as applicable). Furthermore, manufacturing Party and its Assignees shall: (i) maintain and comply with inspection and process control systems with respect to the manufacture of products as required by applicable law, and (ii) maintain a documented quality system that encompasses the following areas: how quality documents are generated and controlled, how manufacturing processes are controlled, how special or automated processes are validated, how suppliers are controlled, how test equipment is calibrated and controlled, handling of defective material, how corrective action processes are controlled, and how statistical process control is implemented, The ISO 13485:2003 Standard and the FDA Quality System Regulation (Code of Federal Regulations 21 CFR Part 820) should be referenced as examples of Quality System structure and discipline. Manufacturing Party agrees that it shall at all times use its best efforts to remain in compliance with all applicable Laws in the United States and European Economic Community applicable to a medical device manufacturers.

3.14.2 Product Packaging. Manufacturing Party agrees to cause the products it supplies hereunder to be packed pursuant to its standard export procedure and its quality systems, which procedure and systems will be compliant with US & EU industry standards and all applicable US & EU laws and regulations. The above notwithstanding, purchasing Party shall be responsible for advising manufacturing Party with respect to necessary compliance information sufficient to comply with local packaging regulations and other requirements in the countries in which it intends to sell the products supplied herein outside of the US and EU.

3.15 PATENT OWNERSHIP AND RIGHTS TO INVENTIONS.

3.15.1 No Ownership of Celution Technology By Bimini. Except for the rights expressly granted in this Agreement, Bimini shall not be deemed by anything contained in this Agreement or done pursuant to this Agreement to acquire any right, title or interest in or to any Celution related Cytori Technology, or any hereinafter developed Celution related Cytori Technology. Any products, documents, materials, training or other disclosures or representations of the Celution related Cytori Technology disclosed in any manner to Bimini shall be referred to as the "Cytori Material".

3.15.2 Celution Related Inventions. Cytori and Bimini hereby agree that any discoveries, improvements, inventions, processes, techniques, know-how and data, whether or not patentable, made or conceived or reduced to practice or learned by Bimini and/or any of Bimini's Affiliates or sublicensees under this Agreement ("Bimini Party(ies)"), that modifies or incorporates the Cytori Materials (such discoveries, improvements, inventions, processes, techniques, know-how and data are collectively referred to as "Bimini Inventions") .....[REDACTED] *.....

3.15.3 Puregraft Related Inventions. Cytori and Bimini hereby agree that any discoveries, improvements, inventions, processes, techniques, know-how and data, whether or not patentable, made or conceived or reduced to practice or learned by either Party and/or its Affiliates, assignees or sublicensees under this Agreement ("Invention Party(ies)"), that modifies or incorporates the Standalone Fat Transplantation Products technology, including the Puregraft Products (such discoveries, improvements, inventions, processes, techniques, know-how and data are collectively referred to as "Standalone Fat Transplantation Inventions") are solely owned by Bimini, excepting only .....

[REDACTED]*.....

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

3.15.4 Invention Disclosure Puregraft. Cytori shall disclose in writing to Bimini all Standalone Fat Transplantation Inventions, whether or not patentable, within thirty (30) days of identification or development, or within 30 days of Cytori's written receipt of same from any Cytori affiliate, sublicensee, assignee or successor in interest, as the case may be. Bimini and Cytori shall cooperate to the extent reasonably necessary in the preparation, filing and prosecution of any patent applications by Bimini.

3.15.5 Invention Disclosure Celution. Bimini shall disclose in writing to Cytori all Bimini Celution related Inventions, whether or not patentable, within thirty (30) days of identification or development or within thirty (30) days of Bimini' written receipt of same from any Bimini affiliate, sublicensee, assignee or successor in interest, as the case may be. Bimini shall cooperate with Cytori to the extent reasonably necessary in the preparation, filing and prosecution of any patent applications by Cytori.

3.16 ACCRUED LIABILITIES. The expiration or sooner termination of Section 3 of this Agreement for any cause shall not release any Party hereto from any liability which, at the time of such expiration or termination, has already accrued against such Party (or which thereafter may accrue against such Party in respect of any act or omission occurring prior to such expiration or termination), nor shall any such expiration or termination of this Agreement affect in any way the survival of any right, duty or obligation of any Party hereto which is expressly stated elsewhere in this Agreement to survive expiration or earlier termination hereof.

3.17 EXAMINATION AND AUDIT OF BOOKS & RECORDS. Each party (a) shall maintain for at least five (5) years its books, records, contracts and accounts relating to the manufacture, marketing and sale of the products covered in this Agreement, including, without limitation, information concerning customer accounts (both distributors and end-user sales identity), inventory levels, unit sales, historical product sales prices, competitor information, market trends and strategies, promotional activities, manufacturing expenses and any other information reasonably required to calculate the COGS and royalty payments required in this Agreement, and compliance with each parties marketing rights and restrictions(collectively, "Auditable Information"), and (b) shall permit examination of the Auditable Information to the extent necessary to confirm compliance with this Agreement at all reasonable times and upon reasonable notice (in no event shall such notice be less than five (5) days) by the other Party, and(c)shall allow representatives of the other Party at any reasonable time to examine its place(s) of businesses and inventory of products.

The parties hereby also agree to meet at least annually (or semi-annually at either parties written request) to review end-user sales patterns to confirm substantial compliance with each parties sales activities with the marketing rights as granted (or retained) herein. In the event of significant discrepancies, the parties shall mutually agree to amend their marketing practices to eliminate activities outside of the rights granted herein in an equitable manner.

3.18 RETURN OF CONFIDENTIAL INFORMATION**.** Upon expiration or sooner termination this Agreement, the Receiving Party shall immediately cease all use of the Disclosing Party's Confidential Information and shall, in accordance with Disclosing Party's reasonable written instructions, promptly return to Disclosing Party or destroy all Confidential Information of the Disclosing Party, including, without limitation, all copies (in electronic form or otherwise) in Receiving Party's possession and any notes or memoranda that contain Confidential Information of the Disclosing Party. The Receiving Party shall certify in a writing signed by an officer or director of the Receiving Party that all such Disclosing Party Confidential Information has been returned, deleted or destroyed.

3.19 LIMITATION OF LIABILITY.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL ANY PARTY BE LIABLE TO THE OTHER PARTY OR TO ANY THIRD PARTY FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OF ANY NATURE (INCLUDING, BUT NOT LIMITED TO, DAMAGES FOR LOSS OF BUSINESS, LOSS OF PROFIT OR REVENUES, LOSS OF USE OF THE PRODUCTS OR ANY ASSOCIATED EQUIPMENT, COST OF CAPITAL, COST OF SUBSTITUTE PRODUCTS, FACILITIES OR SERVICE, DOWNTIME, PERSONAL PROFITS, BUSINESS INTERRUPTION, OR ANY OTHER PECUNIARY LOSS) ARISING OUT OF OR IN ANY WAY RELATED TO THE PARTIES' PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, WHETHER SUCH LIABILITY IS ASSERTED ON THE BASIS OF CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR OTHERWISE, EVEN IF THE OTHER PARTY HAS BEEN WARNED OF THE POSSIBILITY OF SUCH DAMAGES. EXCEPT TO THE EXTENT SPECIFICALLY PROVIDED OTHERWISE IN THIS AGREEMENT, ALL REMEDIES PROVIDED FOR HEREUNDER, INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO TERMINATE THIS AGREEMENT AND ALL OF THE REMEDIES PROVIDED BY LAW (AND NOT EXCLUDED PURSUANT TO THE FOREGOING SENTENCE), SHALL BE DEEMED CUMULATIVE AND NON EXCLUSIVE. FOR THE AVOIDANCE OF DOUBT, THE FOREGOING PROVISIONS OF THIS SECTION 3.19 DO NOT PRECLUDE DIRECT DAMAGES FOR BREACH OF THIS CONTRACT BY EITHER PARTY.

4. MISCELLANEOUS PROVISIONS

4.1 Governing Law. This Agreement shall be governed in all respects by the laws of Illinois without regard to provisions regarding choice of laws.

4.2 Dispute Resolution. Except for Bimini's right to specific performance provided in Section 2.2.2 which may be enforced (including in the first instance) in a Court of law, all disputes arising out of or in connection with this Agreement, or any relationship created by or in accordance with this Agreement, shall be finally settled under the Rules of the American Arbitration Association (the "**Rules**") by three arbitrators. Judgment on the award rendered by the panel of arbitrators shall be binding upon the Parties and may be entered in any court having jurisdiction thereof. Bimini shall nominate one arbitrator and Cytori shall nominate one arbitrator. The arbitrators so nominated by Bimini and Cytori, respectively, shall jointly nominate the third arbitrator within fifteen (15) days following the confirmation of arbitrators nominated by Bimini and Cytori. If the arbitrators nominated by Bimini and Cytori cannot agree on the third arbitrator, then such third arbitrator shall be selected as provided in the Rules. The place of the arbitration and all hearings and meetings shall be Chicago, USA for the Standalone Fat Transplantation Products and Puregraft Products and San Diego, CA for the Celution Products, unless the Parties to the arbitration otherwise agree. The arbitrators may order pre-hearing production or exchange of documentary evidence, and may require written submissions from the relevant Parties hereto, but may not otherwise order pre-hearing depositions or discovery. The arbitrators shall apply the laws of Illinois as set forth in Section 4.1; provided, however, that the Federal Arbitration Act shall govern. The language of the arbitral proceedings shall be English. The arbitrators shall not issue any award, grant any relief or take any action that is prohibited by or inconsistent with the provisions of this Agreement.

No arbitration pursuant to this Section 4.2 shall be commenced until the Party intending to request arbitration has first given thirty (30) days written notice of its intent to the other Party, and has offered to meet and confer with one or more responsible executives of such other Party in an effort to resolve the dispute(s) described in detail in such written notice. If one or more responsible executives of the other Party agree, within thirty (30) days after receipt of such written notice, to meet and confer with the requesting Party, then no arbitration shall be commenced until the Parties have met and conferred in an effort to resolve the dispute(s), or until sixty (60) days has elapsed from the date such written notice has been given.

4.3 CLAIMS & INDEMNIFICATION. Each Party shall promptly notify the other of any potential or actual litigation or governmental action relating to the Standalone Fat Transplantation and Puregraft Products or Celution Products (to the extent relevant to the other Party) or their use. Notifying Party shall provide such notice as soon as possible, but not to exceed five (5) business days from the time that such party learns of any threatened claim or litigation activity. The right to indemnification shall not be waived by the late provision of notice specified above, except to the extent such late notices prejudices the defense of the Claim.

(a) Indemnification by Bimini. Except to the extent Cytori is obligated to indemnify, defend and hold Bimini harmless hereunder, Bimini, and its successors and assigns will indemnify, defend and hold harmless Cytori and its affiliates, officers, directors and employees and assigns (the "Cytori Indemnified Parties") from any claim, liability, loss, damage, lien, judgment, expense and cost (including reasonable attorneys' fees and other litigation expenses) with respect to any 3rd party claims against a Cytori Indemnified Party arising from Bimini’s, and its successors, assigns, sublicensees and/or customers: (a) operations, or facilities; (b) its sale and use of the Puregraft or Celution Products; (c) Products liability claims (for Products manufactured by or on behalf of Bimini); (d) failure to comply with applicable Laws; or (d) the negligence or willful misconduct in the handling, labeling, manufacture, inspection, packaging, storage and delivery, marketing, sale or disposal of the Puregraft or Celution Products. Nothing in the foregoing shall obligate Bimini to indemnify Cytori to the extent a third party claim is the result of a material breach by Cytori of this Agreement, or to the extent the claim is one for which Cytori is obliged to indemnify Bimini hereunder (collectively, "Cytori Claims").

(b) Indemnification by Cytori. Except to the extent Bimini is obligated to indemnify, defend and hold Cytori harmless hereunder, Cytori, and its successors and assigns will indemnify, defend and hold harmless Bimini and its affiliates, officers, directors and employees and assigns (the "Bimini Indemnified Parties") from any claim, liability, loss, damage, lien, judgment, expense and cost (including reasonable attorneys' fees and other litigation expenses) with respect to any 3rd party claims against a Bimini Indemnified Party arising from Cytori's, and its successors, assigns, sublicensees and/or customers: (a) operations, or facilities; (b) its sale and use of the Puregraft or Celution Products; (c) products liability claims (for Products manufactured by or on behalf of Cytori); (d) failure to comply with applicable Laws; or (e) the negligence or willful misconduct in the handling, labeling, manufacture, inspection, packaging, storage and delivery, marketing, sale or disposal of the Standalone Fat Transplantation Products or Puregraft Products or Celution Products. Nothing in the foregoing shall obligate Cytori to indemnify Bimini to the extent any such claim is the result of a material breach by Bimini of Bimini' obligations under this Agreement, or to the extent the claim is one for which Bimini is obliged to indemnify Cytori hereunder (collectively, "Bimini Claims").

(c) Procedure. Indemnifying party shall have the right to control the defense of any claim for which indemnification is tendered provided it promptly assumes such defense and selects counsel reasonably acceptable to the party to be indemnified, and provided reasonable assurances with respect to the capability to conduct such defense (financial or otherwise) can be provided. The indemnified party shall cooperate in the defense and shall have the right to consent to any settlement of the claims provided that such consent may not be unreasonably withheld or delayed in the event that the proposed settlement fully releases the indemnified party from all Claims.

4.5 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the Parties hereto.

4.6 ENTIRE AGREEMENT. This Agreement and the attachments, schedules and exhibits hereto, which are hereby expressly incorporated herein by this reference, constitute the entire understanding and agreement between the Parties with regard to the subject matter hereof and thereof, and this Agreement supersedes, cancels and annuls in its entirety any and all prior or contemporaneous agreements and understandings, express or implied, oral or written among them with respect thereto. No alteration, modification, interruption or amendment of this Agreement shall be binding upon the Parties unless in writing designated as an amendment hereto, and executed with equal formality by each of the Parties.

4.7 NOTICES. Except as otherwise expressly provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given (a) when hand delivered to the other Party; (b) when received, if sent by facsimile at the address and number set forth below, with a written confirmation copy of such facsimile sent the next business day in accordance with (c) below; (c) the second business day after deposit with a national overnight delivery service, postage prepaid, addressed to the other Party as set forth below, provided that the sending Party receives a confirmation of delivery from the delivery service provider; or (d) if earlier, when actually received.

To Cytori:	To Bimini:
3020 Callan Road, San Diego, CA 92121, U.S.A. Attn: Christopher J. Calhoun Fax: 858-458-0995	3020 Callan Road, San Diego, CA 92121, U.S.A. Attn: Bradford A. Conlan Fax: 858-458-0995

A Party may change or supplement its address set forth above, or may designate additional addresses, for purposes of this Section 4.6, by giving the other Party written notice of the new address in the manner set forth above.

4.8 AMENDMENTS AND WAIVERS. No term or provision of this Agreement may be amended, waived, discharged or terminated orally but only by an instrument in writing signed by the Party against whom the enforcement of such amendment, waiver, discharge or termination is sought. Any waiver shall be effective only in accordance with its express terms and conditions.

4.9 CUMULATIVE REMEDIES. Unless expressly so stated in this Agreement in respect of any particular right or remedy, the rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

4.10 TITLES AND SUBTITLES. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

4.11 RELATIONSHIP OF PARTIES. This Agreement shall not be deemed to constitute either Party, the agent, the partner, the licensee, the affiliate or the representative of the other Party, and neither Party shall represent to any third party that it has any such relationship or right of representation.

4.12 PRESS RELEASE. No public announcements or press releases shall be issued by either Party regarding this Agreement or any of the activities engaged in by the Parties pursuant to this Agreement without the prior written approval of the other Party; provided, however, that either Party shall have the right to make such public disclosure as may be necessary or appropriate to comply with applicable securities or other laws.

4.13 COUNTERPARTS. This Agreement may be executed by facsimile signature in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

4.14 SEVERABILITY. Should any provision of this Agreement be determined to be illegal or unenforceable, such determination shall not affect the remaining provisions of this Agreement.

4.15 .....

[REDACTED] *.....

4.16 The rights and obligations of each Party herein, shall survive any transfer of assets or interests or assignments by either Party and be fully binding on any purchaser or successor in interest to such rights and obligations.

(Signature page follows)

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the Parties have executed this Sale and Exclusive License/Supply Agreement as of the Effective Date.

CYTORI THERAPEUTICS, INC

By: /s/ Christopher J. Calhoun
Title: Chief Executive Officer

Date: July 30, 2013

BIMINI TECHNOLOGIES LLC

By: /s/ Bradford A. Conlan
Title: Chief Executive Officer

Date: July 30, 2013

LIST OF EXHIBITS &SCHEDULES

Exhibit A:	Description of Puregraft Products
Exhibit B:	Description of Celution Products
Exhibit C:	Description of Ancillary Products
Exhibit D:	NDA
Schedule 1:	Limited Warranties for Celution Products
Schedule 2:	Limited Warranties for Puregraft Products

EXHIBIT A

[REDACTED] *

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

EXHIBIT B

[REDACTED] *

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

EXHIBIT C

[REDACTED] *

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

EXHIBIT D

[REDACTED] *

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

SCHEDULE 1

[REDACTED] *

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.

Schedule 2

[REDACTED] *

* Material has been omitted pursuant to a request for confidential treatment, and the omitted contents were filed separately with the Securities and Exchange Commission.