

July 21, 2010

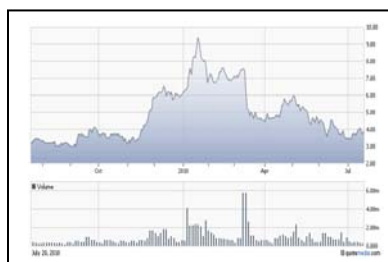
Targeting Ischemic Diseases by Improving Blood Flow

Initiation Review

Valuation: **\$6.00**Fair Value: **\$6.48**Price at 7/20/10: **\$3.95**Market Capitalization: **\$178.05M**Enterprise Value: **\$149.93M**Cash: **\$38.5M**Fully Diluted: **63.4M**Shares Outstanding: **45.1M**Float: **35.77M**52 Week Range: **\$2.93 - \$9.50**Avg Volume (3 mos): **603,408**Avg Volume (10 day): **309,586**Beta: **1.89**Fiscal Year End: **Dec 31**Exchange: **NASDAQ**

Cytori Therapeutics manufactures and sells products to the cosmetic and reconstructive surgery markets and develops treatments for cardiovascular disease. Its principal products include the Celution® System family of products, which processes patients' cells at the bedside in real time, consisting of a central device, a related single-use consumable used for each patient procedure, proprietary enzymes and related instrumentation.

- 2010 goals are to expand the cosmetic and reconstructive surgery product revenue and continue to drive its core cardiovascular pipeline product applications through the regulatory process. The Celution® System uses a “razor and blade” commercialization model which includes a reusable consumable product required for each use of the device, generating a continual and sustainable market.
- Improved outcomes from interim results in a European breast reconstruction reimbursement study.
- Improved patient outcomes in two (2) EU cardiovascular clinical studies, one in acute heart attacks and the other in chronic heart disease.
- Data from the 14 patient acute heart attack APOLLO study showed a substantial reduction in the size of injury to the heart, an improvement in the amount of blood supply to the heart muscle, and a corresponding functional improvement in the amount of blood the heart can pump.
- Data from the 27 patient chronic heart disease PRECISE study showed a reduction in the extent of infarct size in the left ventricle and a statistically significant improvement in maximum oxygen.
- Q1/10 total revenue was \$4.4M with \$2.3M from Celution® and StemSource® sales in Europe, Asia and \$2.1M in development revenue. The net loss for Q1/10 was \$2.4M or (\$0.06) per share.
- Pre-IDE meeting with the FDA to begin to define the clinical objectives needed for Celution® approval for soft tissue reconstruction to determine the exact scale, scope, design, timing and any other requirements for a US study.
- Finalizing the design and protocol for a pivotal European heart attack study which is expected to initiate in FY10-11; the EU approval study is expected to range in size from 150 to 250 patients.
- Negotiating partnerships that appropriately value the product platform for cardiovascular disease applications and other current or future therapeutic applications.
- Entered into a \$20M secured loan facility (6/14/10) allaying the perception of dilution or an imminent financing; these amounts will fund operations into 2012.
- Initiate with a BUY ranking and believe that CYTX's stock has a low valuation but will appreciate as the IDE clarity, execution and trial results become clear. The new blended valuation model implies a pricing of **\$6.00** given the fully diluted shares of **63.4M**. The Sum of the Parts estimation of **\$4.12** is discounted 10% and is above this stocks current price of **\$3.95**.



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Please read the important
Disclosures Section
At the end of this review!

Investment Thesis

I initiate with a **BUY** ranking and believe (assuming market growth) share price momentum and appreciation should propel CYTX to the designated valuation. We derived our current valuation by using a Blended Price Valuation Table which includes a Sum of the Parts (SOTP) analysis and a direct comparable analysis layered with a sector comparable analysis.

This market has especially depreciated the stem cell universe over the last fifteen (15) weeks.

Our SOTP scenario is extremely conservative (with a 10% discount) and details a value of **\$4.12**, and when merged with a direct comparables analysis of **\$15.08** reinforced by a stem cell sector perspective of **\$1.46** and a cosmetic companies comparables of **\$3.36**, implies a blended valuation of **\$6.00** given the fully diluted number of shares of **63.4M**. The Avg. Blended Price Valuation of **\$6.00** is above this stock's current price of **\$3.95** with a trading range of **\$2.93 - \$9.50**. We apply a standard **20x** P/E biotech multiple to 2010 EPS and a 10% Discount Rate back to 2009 or 4 years/periods and achieve a fair value of **\$6.48** per share. We note the average market capitalization of designated comparables is **\$955.84M** or about **3.8X** the implied multiple of CYTX's market cap of **\$250.43M**. In a review of the overall sector stem cell companies, CYTX has a **0.4X** multiple and a comparison value of **\$1.46**.

CYTX is a compelling investment, aside from its platform for regenerative medicine therapies. It's a story that can be broken down into a simple three (3) steps: remove (via minor liposuction) a patient's own adipose (fat) tissue, extract the stem and regenerative cells through the Celution® System, and insert the cells back into the body to treat multiple afflictions. CYTX currently develops its product pipeline for the treatments of ischemic conditions, where improved blood flow is needed, such as cardiovascular disease, urinary incontinence, renal failure, soft tissue defects and wounds. Its principal products include the Celution® family of products, which processes patients' Adipose Derived Stem and Regenerative Cells (ADRCs) at the point of care. It is believed that this heterogeneous population of cells contributes to multiple mechanisms of action including improved blood flow, immune modulation, and differentiation into other cell types. The use of ADRCs in the treatment of many different medical conditions (including cardiovascular disease, soft tissue defects, wound healing, and many more) is being evaluated in numerous clinical and preclinical studies around the world.

CYTX's goal is to provide access to clinical grade ADRCs. This population includes adult stem cells, endothelial progenitor cells, leukocytes, endothelial cells, and vascular smooth muscle cells. The use of ADRCs is a unique and promising approach and holds key advantages over stem and regenerative cells from other sources. While stem and progenitor cells usually make up less than 5% of all ADRCs¹, this is 2,500-fold more than the frequency of such cells in tissues such as bone marrow. The abundance of ADRCs in adipose tissue and the ability to easily collect large amounts of adipose tissue via liposuction eliminates the need for complex tissue culturing.

The Celution® family of products consists of a central device, a related single-use consumable used for each patient procedure, proprietary enzymes, and related instrumentation. Its core product, the Celution® System, provides physicians with clinical grade stem and regenerative cells, which are currently being used for cosmetic and reconstructive surgery. CYTX sells the StemSource® family of products worldwide for research, including in the US. Additionally, it is sold for the cryopreservation and storage of ADRCs. It offers the StemSource® System as a stand alone product, or as a part of a comprehensive suite of systems, equipment, and protocols collectively referred to as a "StemSource® Cell Bank." CYTX also develops Celution® System for applications in cardiovascular disease, wound healing, gastrointestinal disorders, stress urinary incontinence, liver and renal disease, spinal disc degeneration, and pelvic health conditions. Cytori has a strategic development, a manufacturing joint venture agreement, and other related agreements with Olympos Corporation, Japan.

Stem cell companies are accumulating the requisite biology and cell processing expertise to develop human therapeutics. The stem cell market is growing rapidly due to an increasing inflow of research and development dollars. The global stem cell market is estimated to be \$88B by 2014 and projected to grow 15% by 2014. The US currently holds a 60% share of the global stem cell market and forms an especially lucrative market for areas such as bone marrow transplantation through stem cells. However, current regulatory initiatives and the high cost of the therapy are affecting market growth.

Risks

CYTX is focused on the development of the Celution® System family of products and the therapeutic applications of its cellular output, which requires extensive cash needs for research and development activities. CYTX has negative cash flows from operations and will be required to raise capital in the future to continue funding operations and lengthy time-consuming clinical studies (so as to provide convincing evidence of the medical benefit) in surgery, cell preservation, the cardiovascular area, and many other indications. CYTX expects 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, Olympus and other partners might pursue parallel development of other technologies or products, which may result in a partner developing competitive products.

Successful development and market acceptance of 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. CYTX's success depends in part on whether it can maintain 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 pending patent applications will be approved or that they will develop additional proprietary products that are patentable.

The regulatory process can be lengthy, expensive, and uncertain. The lack of health insurance reimbursement or reduced or minimal reimbursement pricing may have a significant impact on its ability to sell cell therapy and cell banking technology product(s).

Current Market Dynamics

Negative trends in the general economy continue to adversely affect the financial markets and the global economy. Regulatory authorities demand that drug developers present a reasonable amount of scientific proof that development compounds bind to designated molecular targets or exert the expected physiological effect in the target tissue(s).

Valuation Parameters

The majority of the stem cell companies covered by Scimitar Equity are development stage companies that are not profitable and may not be profitable in the foreseeable future. These companies have an increased degree of volatility relative to the overall market. Valuation should be understood in terms of an objective quantitative model and a comprehensive qualitative explanation that enlightens investors to expectation and potential. Models reflect current judgment, as qualitative analysis and quantitative models are subject to change based on share pricing, share/capitalization increases or decreases based on regulatory constraints and status, market conditions, perceptions and sentiment. Thus, in these current volatile market/economic times, Scimitar has stepped back from making specific price targets. We believe that basic valuation assumptions in a new and regulated industry refers to scenarios in which the current or direct comparables cannot be specifically defined due to the different stem cells being developed, methods, the focus of the therapies and the target diseases.

Given the lack of a specific valuation or an estimate formula for stem cell companies, we are blending different models for a valuation, or as some refer to, "a price target," to come up with a true measurement tool. We retain the discounted cash flow analysis, but most of these companies generate losses per share layered by multiple dilutive financings hoping for the holy grail of an approved therapy. We, therefore, derived this current valuation by using a Blended Price Valuation Table which includes a Sum of the Parts (SOTP) analysis and a direct comparable analysis layered with a sector comparable analysis.

We believe that generating multiple (to include direct and sector scenarios) models and then blending them based on actual market standing (versus the status of on-going trials) allows us to better define the valuation of CYTX. We also believe that this allows us to create our ScimitarEquity™ model for actual pricing or standing in relation to the sector as a whole, while addressing the risk in the market.

Key Catalysts and Milestones

Corporate Value Drivers for next 12 months	STATUS
Acute & chronic heart disease 6-month data	Completed
PureGraft™ US launch	Completed
PureGraft™ EU approval & launch	On-Going
Initiate US clinical studies (soft tissue)	On-Going
Expand to select emerging markets (commercial CRs)	On-Going
Breast reconstruction study 12-month results & reimbursement	On-Going
Data from investigator led studies	On-Going
Strategic partnering opportunities	On-Going
Initiate EU AMI Study in 2010	On-Going

Celution® System	STATUS
Broaden therapeutic applications	On-Going
RESTORE 2 claim and reimbursement study	On-Going
Goal 18,000 hospitals plus specialty clinics worldwide	On-Going
Submission of IDE in FY10	On-Going

PureGraft™	STATUS
US clearance and launch	Completed
EU clearance and launch	On-Going

APOLLO	STATUS
APOLLO Heart Attack Pilot Study Enrollment	Completed
6-month data reported	Completed
Institute EU pivotal study	On-Going
Strategic Partnering Opportunities	On-Going

Key Catalysts and Milestones (cont)

PRECISE Events	STATUS
PRECISE Chronic Heart Disease Pilot Study enrollment	Completed
6-month results reported	Completed
12 and 18-month results	On-Going
Strategic Partnering Opportunities	On-Going

RESTORE 2 Breast Reconstruction Events	STATUS
6-month interim results from RESTORE 2 Breast Reconstruction Study	Completed
12-month interim on first 30 patients	On-Going
Complete 12-month results from Breast Reconstruction Study	On-Going
Strategic Partnering Opportunities	On-Going

StemSource® System and Cell Bank	STATUS
Worldwide product offerings, 1 st sold in Japan	Completed
Complement to plastic surgery practice integrations	Completed
Launch adipose storage StemSource offering to complement cell storage	On-Going

Celution® Applications in Development	
Breast Reconstruction (reimbursement study)	Renal failure
Acute heart attacks	Peripheral artery disease
Chronic heart disease	Radiation wound healing
Liver insufficiency	Radionecrosis of the mandible
Stress urinary incontinence	Burns

Clinical & Regulatory

Cytori's initial clinical trials focus on 2 therapeutic areas: heart disease and reconstructive surgery. In the area of heart disease, Cytori is sponsoring 2 EU clinical trials that evaluate the use of adipose-derived stem and regenerative cells (ADRCs) to treat acute myocardial infarction (heart attack) and chronic myocardial ischemia (a severe form of coronary artery disease).

Europe & International

The Tissue Processing System received a broad European device approval (CE mark) in 2008 for processing a patient's own fat tissue, extracting their stem and progenitor cells, or for the re-injection or implantation of the cells back into the same patient in the same surgical procedure. In order to be a commercially available option for physicians and patients outside of the private-pay market, the system must either achieve reimbursement or receive specific indications-for-use, which for certain applications will require additional clinical evaluation and data to show that using the product provides a clinical benefit to patients and is safe.

The CE Mark is recognized in 27 European countries: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom. The CE Mark is also followed by eight additional countries: Turkey, Australia, New Zealand, Canada, Iceland, Norway, Switzerland, and Israel. The CE Mark will facilitate other registrations around the world.

In the area of reconstructive surgery, Cytori is sponsoring an EU reimbursement study for patients requiring breast reconstruction after lumpectomy for breast cancer. This is a multi-center 72 patient study. Enrollment was completed in November of 2009. Complete analysis of the primary 12-month endpoint is expected to be reported in 2011.

United States

CYTX is working with the FDA on an ongoing basis to initiate device-based clinical studies in the US for FDA clearances and approvals which require the submission of clinical. This regulatory process could be lengthy.

Medical products are generally regulated as one of three types of products, a drug (pills, small molecules, peptides, most proteins), a biologic (living cells), or a medical device. Regenerative medicine products are generally regulated as biologics, which typically require lengthier development paths, as compared to drugs or devices. Because the Celution® System is a device that processes tissue, the FDA determined in June of 2009 that the products will be regulated as a medical device, creating the possibility for a much shorter time-to-market. Before any new medical device may be introduced to the US market, CYTX must obtain FDA clearance or approval through the pre-market approval application, or PMA, process. Approval of a PMA could take three or more years from the time the process is initiated, depending on trials needed. The 510(k) and PMA processes are expensive, uncertain, and lengthy, and there is no guarantee of ultimate clearance or approval.

Clinical & Regulatory (cont)

Clinical Status

Cytori's Commercial Focus and Clinical Studies				
Product	Clinical Development Phase			
Cell-enriched fat grafting	Pre-Clinical	Pilot	Pivotal	Market
Acute myocardial infarction	Pilot data May 7			
Chronic heart disease	Pilot data May 7			
Investigator-Sponsored Studies (Open-access to Celution® operating system)				
Product	Clinical Development Phase			
Stress urinary incontinence	Pre-Clinical			
Wounds & radiation injury	Pre-Clinical			
Renal failure	Pre-Clinical			
Liver disease	Pre-Clinical			
Peripheral vascular disease	Pre-Clinical			

CYTX (5/7/10) reported that stem and regenerative cells derived from adipose tissue (ADRCs) improved patient outcomes in 2 EU clinical studies, 1 in acute heart attacks and the other in chronic heart disease. Both studies incorporated CYTX's proprietary cell processing device, the Celution® System, as the means to separate, concentrate and prepare each patient's own cells for re-injection in the same procedure.

Cytori is very encouraged by the data from the PRECISE chronic heart disease trial which is for a more complex disease state. For this reason, CYTX is awaiting data from the 12 and 18-month follow-ups, which will help in the design of a pivotal study. The results from the two EU safety and feasibility studies were reported in Madrid, Spain on 5/10.

Both trials demonstrated that the Celution® System-based procedure was safe and feasible. Data from the 14 patient acute heart attack study, referred to as APOLLO study, showed a substantial reduction in the size of injury to the heart, an improvement in the amount of blood supply to the heart muscle, and a corresponding functional improvement in the amount of blood the heart can pump.

The clinical data from APOLLO reinforces that improved blood flow and reduction of infarct size are how these cells are believed to impart benefit. Compared to other cell sources, adipose tissue, using the Celution® System, is the only approach whereby a patient can access a meaningful number of their own cells at the point-of-care. This is especially critical for heart attack patients, where successful outcomes are dependent on immediate coronary intervention.

Cytori is finalizing the design and protocol for a pivotal APOLLO study which is expect to initiate in late 2010 to early 2011. This will be a European approval study that is expected to range in size from 150 to 250 patients.

Of the two results, CYTX believes they can bring the acute heart attack aid to market in the shortest amount of time in Europe, where CE Mark regulatory approval for this indication would cover multiple countries and present a market opportunity of greater than 1.9M patients per year.

Patents

CYTX's global patent portfolio is built around the Celution® System and the numerous therapeutic uses for which the Celution® System output can be tailored. CYTX's current products as well as future generation products in development are protected.

Celution® System Patents	
Device	US Patent Nos: 7,390,484; 7,514,075
Single use consumables	US Patent Nos: 7,390,484; 7,514,075
Reagents	US Patent Nos: 7,390,484; 7,473,420; 7,514,075
User interface	US Patent Nos: 7,514,075
Adipose tissue via liposuction or lipectomy	US Patent Nos: 7,390,484
Method for cosmetic & reconstructive surgery	US Patent Nos: 7,429,488
Method for cell banking	US Patent Nos: 7,501,115

Future Generation Products in Development Patents	
Celution® System: Device - Alternative configurations, including Celution® One device to be manufactured by Olympus-Cytori Joint Venture - Non-centrifuge based desktop devices	US Patent Nos: 7,390,484; 7,514,075
Celution® System: Single Use Consumables - Alternative Configurations	US Patent Nos: 7,390,484; 7,514,075
Celution® System: Output - Optimized for intravascular delivery - Optimized for specific therapeutic applications	US Patent Nos: 7,473,420; 7,514,075
Celution® System: Output with additives - Including scaffolds, demineralized bone, immunosuppressive agents, cell differentiation agents, cytokines, growth factors	US Patent Nos: 7,390,484; 7,473,420; 7,514,075

Licensed Patents from University of California	
Adipose Tissue (Future Generation Products)	US Patent Nos: 7,740,537
Celution® System capable of cell culture or antibody selection	US Patent Nos: 7,390,484 and 7,514,075

Insider and Institutional Holdings

Holder	% Outstanding
Management, Directors and Officers	2.4%
Partners	16.4%
Institutional Holdings	21.3%
Gagnon Securities	3.64%
Aletheia Research and Management	0.67%
Perkins Capital	1.26%
BlackRock	3.28%
Jennison	1.34%
Perkins Capital Management	1.26%
State Street Global Advisors	1.17%
Dimensional Fund Advisors	1.16%
Vanguard Group	0.89%
Stratus Capital Management	0.89%
Northern Trust	0.79%
Princeton Capital Management	0.58%
TIAA-CREF I	0.42%
Credit Suisse	0.34%
BAM Capital	0.34%
Bridgeway Capital Management	0.31%
Citadel	0.29%
BNY Mellon Asset Management	0.27%
Goede Capital Management	0.23%
Morgan Stanley	0.22%
Calpers	0.22%

Capitalization

Financial Instruments	# of Shares
Number of Common Shares Outstanding	45.1 M
Subsequent Seaside Closing (5/10)	0.50 M
Employee Options	6.2 M
Warrants Outstanding	11.6 M
Fully Dilutive Total	63.4M

Valuation Analysis

The current valuation uses a Blended Price Valuation Table including a Sum of the Parts (SOTP) analysis, a direct comparable analysis layered with a sector comparable analysis.

Blended Price Target/Valuation Table	
Sum-of-The-Parts	\$ 4.12
Comparable Analysis	\$ 15.08
Sector Analysis	\$ 1.46
Cosmetic Analysis	\$ 3.36
Avg. Blended Price Target	\$ 6.00

Our SOTP scenario is extremely conservative and details a value of **\$4.12**, and when merged with a direct comparables index of **\$15.08** reinforced by a stem cell sector perspective of **\$1.46** and a cosmetic analysis of **\$3.36**, implies a blended valuation of **\$6.00** given the fully diluted number of shares of **63.4M**.

CYTX:	
Sum of the Parts Analysis	
Part (in 000's)	Value
2009A revenues (000's)	\$ 14,730
Price/sales multiple	4.0x
Discount rate	10.0%
Periods	4.00
Value of revenue	\$ 40,243
Cash	38,500
Technology Value (Intangibles)	182,500
Total	\$ 261,243
Est. Shares Outstanding (Fully Diluted)	63,400
Implied fair value	\$ 4.12

Per share:	
Revenues	\$ 0.63
Cash	\$ 0.61
Technology	\$ 2.88
Total	\$ 4.12

The Sum of the Parts (SOTP) analysis seeks to break the organization into key component pieces, then attempts to value each piece separately. As the name implies, the sum of these different components provides the value for the overall firm. Typically, key components in the biotech arena include the revenues, cash, and intangible assets of the firm. These components are divided by the total shares outstanding to find the per-share value of each piece, and then summed together for the total value. For the revenue piece, a discount rate and price to sales (P/S) multiple is applied, dependent upon firm characteristics, to find the per-share value of revenue. The cash and technology are simply divided by the number of shares outstanding, and the sum of these three components should provide a fair value for the firm's stock price.

Valuation Analysis (cont)

We note the average market capitalization of designated comparables is **\$955.84 M** or about **3.8X** the implied multiple of CYTX's market cap of **\$250.43M (Fully Diluted)**. In a review of the overall public stem cell sector companies, CYTX has a **0.4X** multiple and a full value of **\$1.46**.

Stem Cell Company Direct Comparables

Company	Ticker	Price	Market Cap (\$M)	EV (\$M)
ThermoGenesis	KOOL	\$0.60	\$33.60	\$22.97
Biotime	BTIM	\$5.06	\$172.02	\$152.35
Osiris Therapeutics	OSIR	\$6.87	\$225.16	\$120.29
Tengion Inc	TNGN	\$3.92	\$48.43	\$58.20
Dendreon Corporation	DNDN	\$31.83	\$4,300.00	\$3,810.00
Average of Comparables		\$9.66	\$955.84	\$832.76
Cytori Therapeutics	CYTX	\$3.95	\$250.43	
Implied Multiples			3.8x	
Implied Fair Value CYTX			\$15.08	

SYMBOL	COMPANY	COMPARABLE DEFINITIONS
KOOL	Thermo Genesis	Offers automated and semi-automated devices, and single-use processing disposables that enable the collection, processing, and cryopreservation of stem cells and other cellular tissues from cord blood and bone marrow. KOOL's core offerings include the AXP AutoXpress Platform for processing of cord blood; and BioArchive System, an automated cryogenic device used by cord blood banks for the cryopreservation and archiving of cord blood stem cell units for transplant. Its offerings also comprise MXP MarrowXpress, which is used for isolating stem cells from bone marrow, and the Res-Q 60 BMC, a point-of-care bone marrow stem cell processing system.
BTIM	Biotime	Stem cell therapeutic technology that allows the transformation of human cells of the body back and ACTCellerate technology that permits the generation of purified cells of the human body.
OSIR	Osiris Therapeutics	Lead biologic drug candidate includes Prochymal, which is in Phase III clinical trials for the treatment of acute and steroid refractory graft versus host disease (GvHD) and Crohn's disease, as well as for the repair of gastrointestinal injury resulting from radiation exposure and also is developing its Prochymal drug candidate for the repair of heart tissue following a heart attack and for the protection of pancreatic islet cells in patients with type 1 diabetes. Additionally, the company focuses on developing biologic products for use in surgical procedures. OSIR has collaboration agreements with Genzyme, Juvenile Diabetes Research Foundation and JCR Pharmaceuticals Co., Ltd. for the distribution of Prochymal for GvHD in Japan.
TNGN	Tengion	A recently public regenerative medicine company focuses on commercializing a range of replacement organs and tissues, or neo-organs and neo-tissues to address unmet medical needs in urologic, renal, gastrointestinal and vascular diseases. It creates these functional neo-organs and neo-tissues using a patient's own cells, or autologous cells. The TNGN's lead product candidate, the Neo-Urinary Conduit, is an autologous implant that catalyzes regeneration of native-like bladder tissue for bladder cancer patients requiring a urinary diversion following bladder removal, or cystectomy.
DNDN	Dendreon	An approved active cellular immunotherapy that had completed 3 Phase III trials for the treatment of metastatic, castrate-resistant prostate cancer

Valuation Analysis (cont)

Stem Cell Sector Comparables

Company	Ticker	Price	Market Cap (\$M)	EV (\$M)
Athersys	ATHX	\$2.91	\$54.99	\$41.68
Stem Cells	STEM	\$0.91	\$108.90	\$77.17
Geron Corporation	GERN	\$4.66	\$457.52	\$334.20
Opexa Therapeutics	OPXA	\$1.45	\$22.65	\$17.31
Neuralstem	CUR	\$2.35	\$99.29	\$89.66
NeoStem	NBS	\$1.74	\$92.28	\$91.32
Pluristem Therapeutics	PSTI	\$1.15	\$24.04	\$20.98
Intl. Stem Cell Corporation	ISCO.OB	\$1.03	\$73.50	\$69.28
ReNeuron Group	RENE.L	\$7.76	\$33.95	\$21.22
Bioheart	BHRT.OB	\$0.27	\$7.01	\$14.12
Aastrom Biosciences	ASTM	\$1.54	\$43.51	\$19.97
Average of Comparables		\$2.34	\$92.51	\$72.45
Cytori Therapeutics	CYTX	\$3.95	\$250.43	
Implied Multiples			0.4x	
Implied Fair Value CYTX			\$1.46	

Company	Ticker	Type	Trials
Athersys	ATHX	Allogeneic	2 – Phase I 4 – Pre-clinical
Stem Cells	STEM	Cell based therapeutics	2 – Phase I
Geron Corporation	GERN	Telomerase inhibitors	Phase I, Phase II Phase Ia and Phase II
Opexa Therapeutics	OPXA	Cellular therapies	Phase IIb
Neuralstem	CUR	Spinal cord cells	Phase I
NeoStem	NBS	Autologous	SC provider
Pluristem Therapeutics	PSTI	Allogeneic	Phase I
Intl. Stem Cell Corporation	ISCO.OB	Pluripotent	Pre-clinical
ReNeuron Group	RENE.L	Neural cell line	Phase I
Aastrom Biosciences	ASTM	Autologous	2 – Phase II

Valuation Analysis (cont)

Small Mid-Cap Cosmetics' Comparables

Company	Ticker	Price	Market Cap (\$M)	EV (\$M)
Syneron Medical	ELOS	\$9.40	\$319.81	\$104.77
Cynosure	CYNO	\$9.61	\$122.12	\$31.60
Palomar Medical Technologies	PMTI	\$10.68	\$197.80	\$81.10
Average of Comparables		\$9.90	\$213.24	\$72.49
Cytori Therapeutics	CYTX	\$3.95	\$250.430	
Implied Multiples			0.9x	
Implied Fair Value CYTX			\$3.36	

SYMBOL	COMPANY	STATUS
ELOS	Syneron Medical	Engages in the R&D, marketing, and sale of aesthetic medical products worldwide. ELOS develops products based on its proprietary ELOS technology, which combines conducted radiofrequency energy, an electrical energy; and light or laser-based energy, an optical energy. Its products target a range of non-invasive aesthetic medical procedures and sells its products primarily to physicians and other practitioners, including plastic surgeons, aestheticians, medical spas, dentists, dermatologists, and cosmetic physicians through a direct sales force in the United States and Canada, and through distributors in Europe, the Middle East, South Africa, the Asia-Pacific region, and South and Central America.
CYNO	Cynosure	Develops and markets aesthetic treatment systems to the dermatology, plastic surgery, and general medical markets. CYNO offers various aesthetic treatment systems, including the Elite product line for hair removal, treatment of facial, and leg veins and pigmentations; the Smartipo product line for LaserBodySculpting for the removal of unwanted fat. Cynosure sells its products through a direct sales force in North America, France, Spain, the United Kingdom, Germany, Korea, China, and Japan, as well as through international distributors in 71 other countries.
PMTI	Palomar Medical Technologies	Sells lasers and other light-based products, and related disposable items and accessories for use in dermatology and cosmetic procedures. Its proprietary technology products include EsteLux pulsed light system, Palomar MediLux pulsed light system, StarLux 300 and StarLux 500 pulsed light and laser systems, Aspire body sculpting system, Palomar EsteLux pulsed light system, and Palomar Q-YAG 5 system and sells its products through a network of distributors in Europe, Japan, South America, Central America, the Far East, the Middle East, and Australia and New Zealand.

Valuation Analysis (cont)

Our Standardized Scimitar Valuation Matrix and Price Target Sensitivity Analysis below assume a 2010 EPS (the companies second estimated year of profitability) of **(\$0.47)**. We apply a standard **20x** P/E biotech multiple to 2010 EPS and a 10% Discount Rate back to 2009 or 4 years/periods and achieve a fair value of **\$6.48** per share.

Cytori Therapeutics (CYTX)					
Valuation Matrix					
Based on projected EPS in 2010 of:					(\$0.47)
	Discount Factor				
P/E x	5.0%	10.0%	15.0%	20.0%	25.0%
10	(\$3.90)	(\$3.24)	(\$2.71)	(\$2.29)	(\$1.94)
15	(\$5.86)	(\$4.86)	(\$4.07)	(\$3.43)	(\$2.92)
20	(\$7.81)	(\$6.48)	(\$5.43)	(\$4.58)	(\$3.89)
25	(\$9.76)	(\$8.10)	(\$6.78)	(\$5.72)	(\$4.86)
30	(\$11.71)	(\$9.73)	(\$8.14)	(\$6.87)	(\$5.83)

Valuation Analysis (cont)

Cytori Therapeutics (CYTX)					
Consolidated Income Statement					
(in thousands, except per-share data)					
Period Ending	2010	2010	2010	2010	FY10E
	Q1A	Q2E	Q3E	Q4E	
Product Revenues					
Total Product Revenues	2,266.0	2,400.0	2,500.0	2,600.0	9,766.0
% growth		6%	4%	4%	67%
Development Revenues					
Total Development Revenues	2,143.0	0.0	0.0	700.0	2,843.0
% growth		-100%			-68%
Total Revenues	4,409.0	2,400.0	2,500.0	3,300.0	12,609.0
% growth		-46%	4%	32%	-14%
Cost of Product Revenue	930.0	1,000.0	1,200.0	1,500.0	4,630.0
% total revenue	21%	42%	48%	45%	37%
Operating Expenses					
Research and development	2,245.0	2,425.0	2,725.0	2,975.0	10,370.0
% of total revenue	51%	101%	109%	90%	82%
Sales and marketing	1,999.0	2,000.0	2,000.0	2,000.0	7,999.0
% of total revenue	45%	83%	80%	61%	63%
General and administrative	3,218.0	2,200.0	2,250.0	2,600.0	10,268.0
% of total revenue	73%	92%	90%	79%	81%
Change in fair value of warrants	(2,167.0)	0.0	0.0	0.0	(2,167.0)
% of total revenue	-49%	0%	0%	0%	-17%
Change in fair value of option liabilities	260.0	0.0	0.0	0.0	260.0
% of total revenue	6%	0%	0%	0%	2%
Total Operating Expenses	5,555.0	6,625.0	6,975.0	7,575.0	26,730.0
Operating Loss	(2,076.0)	(5,225.0)	(5,675.0)	(5,775.0)	(18,751.0)
Other income (expense)					
Gain on sale of assets	0.0	0.0	0.0	0.0	0.0
Interest income	1.0	0.8	0.7	0.7	3.0
Interest expense	(276.0)	(82.4)	(82.4)	(82.4)	(523.2)
Other expense, net	(75.0)	0.0	0.0	0.0	(75.0)
Equity loss from investment in joint venture	(21.0)	0.0	0.0	0.0	(21.0)
Total Other Income (net)	(371.0)	(81.6)	(81.7)	(81.7)	(616.3)
Other comprehensive loss-unrealized loss	0.0	0.0	0.0	0.0	0.00
Comprehensive loss	(2,447.0)	(5,306.6)	(5,756.7)	(5,856.7)	(20,060.3)
Basic and Diluted Net Loss per Share	(\$0.06)	(\$0.13)	(\$0.14)	(\$0.14)	(\$0.47)
Basic and diluted weighted average common shares	42,281,381.0	42,281,381.0	42,281,381.0	42,281,381.0	42,281,381.0

Valuation Analysis (cont)

Consolidated Balance Sheet					
(in thousands)					
Period Ending	2006A	2007A	2008A	2009A	2010E
Assets					
Current Assets					
Cash and cash equivalents	12,878.0	11,465.0	12,611.0	12,854.0	16,774.0
Accounts receivable (net of doubtful accounts)	225.0	9.0	1,308.0	1,631.0	1,187.6
Inventories, net	164.0	0.0	2,143.0	2,589.0	2,572.2
Other current assets	711.0	764.0	1,163.0	1,024.0	513.4
Total Current Assets	13,978.0	12,238.0	17,225.0	18,098.0	21,047.2
Property and equipment, net	4,699.0	3,432.0	2,552.0	1,314.0	694.5
Investment in joint venture	76.0	369.0	324.0	280.0	280.0
Other assets	428.0	468.0	729.0	500.0	500.0
Intangibles, net	1,300.0	1,078.0	857.0	635.0	635.0
Goodwill	4,387.0	3,922.0	3,922.0	3,922.0	3,922.0
Total Assets	24,868.0	21,507.0	25,609.0	24,749.0	27,078.7
Liabilities					
Current Liabilities					
Accounts payable and accrued expenses	5,587.0	7,349.0	5,088.0	5,478.0	4,291.7
Current portion of long-term obligations	999.0	721.0	2,047.0	2,705.0	2,164.0
Total Current Liabilities	6,586.0	8,070.0	7,135.0	8,183.0	6,455.7
Deferred revenues, related party	23,906.0	18,748.0	16,474.0	7,634.0	7,634.0
Deferred revenues	2,389.0	2,379.0	2,445.0	2,388.0	2,388.0
Warrant liability	0.0	0.0	0.0	6,272.0	6,272.0
Option liability	900.0	1,000.0	2,060.0	1,140.0	1,140.0
Long-term deferred rent	741.0	473.0	168.0	0.0	0.0
Long-term obligations, less current portion	1,159.0	237.0	5,044.0	2,790.0	2,232.0
Total Liabilities	35,681.0	30,907.0	33,326.0	28,407.0	26,121.7
Stockholder's Equity					
Preferred stock	0.0	0.0	0.0	0.0	0.0
Common stock	22.0	26.0	31.0	40.0	40.0
Additional paid-in capital	103,053.0	129,504.0	161,214.0	178,806.0	178,806.0
Accumulated deficit	(103,460.0)	(132,132.0)	(162,168.0)	(182,504.0)	(177,889.0)
Treasury stock, at cost	(10,414.0)	(6,794.0)	(6,794.0)	0.0	0.0
Amount due from stock option exercise	(14.0)	(4.0)	0.0	0.0	0.0
Total Stockholder's Equity	(10,813.0)	(9,400.0)	(7,717.0)	(3,658.0)	957.0
Total Liabilities and Stockholder's Equity	24,868.0	21,507.0	25,609.0	24,749.0	27,078.7

Valuation Analysis (cont)

Consolidated Cash Flow Statement					
(in thousands)					
Period Ending	2006A	2007A	2008A	2009A	2010E
Cash Flow from Operating Activities					
Net loss	(25,447.0)	(28,672.0)	(30,036.0)	(23,216.0)	(20,067.3)
Depreciation and Amortization	2,120.0	1,616.0	1,533.0	1,681.0	840.5
Amortization of deferred financing costs and debt discount	0.0	0.0	178.0	709.0	0.0
Inventory provision	88.0	70.0	0.0	0.0	0.0
Warranty provision	(23.0)	(65.0)	(44.0)	(23.0)	0.0
Increase (reduction) in allowance for doubtful accounts	(7.0)	(1.0)	121.0	663.0	0.0
Change in fair value of option liabilities	(4,431.0)	100.0	1,060.0	(920.0)	0.0
Change in fair value of warrants	0.0	0.0	0.0	4,574.0	0.0
Gain on sale of assets	0.0	(1,858.0)	0.0	0.0	0.0
Stock-based compensation	3,220.0	2,310.0	2,257.0	2,649.0	2,074.8
Stock issued for license amendment	487.0	0.0	0.0	0.0	0.0
Equity loss from joint venture	74.0	7.0	45.0	44.0	0.0
Increases (Decreases) in Cash caused by Operating Assets and Liabilities					
Accounts receivable	598.0	217.0	(1,420.0)	(986.0)	443.4
Inventories	6.0	0.0	(2,143.0)	(446.0)	16.8
Other current assets	(90.0)	(70.0)	(147.0)	41.0	510.6
Other assets	30.0	(40.0)	(63.0)	75.0	0.0
Accounts payable and accrued expenses	281.0	1,827.0	(2,217.0)	413.0	(1,186.4)
Deferred revenues, related party	6,595.0	(5,158.0)	(2,274.0)	(8,840.0)	0.0
Deferred revenues	(152.0)	(10.0)	66.0	(57.0)	0.0
Long-term deferred rent	168.0	(268.0)	(305.0)	(168.0)	0.0
Net cash used in operating activities	(16,483.0)	(29,995.0)	(33,389.0)	(23,807.0)	(17,367.5)
Cash Flows from Investing Activities					
Proceeds from sale and maturity of short-term investments	67,137.0	28,007.0	5,739.0	0.0	0.0
Purchases of short-term investments	(63,258.0)	(24,032.0)	(5,739.0)	0.0	0.0
Proceeds from sale of assets	0.0	3,175.0	0.0	0.0	0.0
Costs from sale of assets	0.0	(305.0)	0.0	0.0	0.0
Purchases of property and equipment	(3,138.0)	(563.0)	(393.0)	(221.0)	(221.0)
Investment in joint venture	(150.0)	(300.0)	0.0	0.0	0.0
Net cash used in investing activities	591.0	5,982.0	(393.0)	(221.0)	(221.0)
Cash Flows from Financing Activities					
Principal payments on long-term obligations	(952.0)	(1,200.0)	(958.0)	(2,053.0)	0.0
Proceeds from long-term obligations	600.0	0.0	7,500.0	0.0	(558.0)
Proceeds from long-term obligations (current portion)	0.0	0.0	0.0	0.0	(541.0)
Debt issuance costs	0.0	0.0	(513.0)	0.0	0.0
Proceeds from exercise of employee stock options	920.0	1,875.0	795.0	531.0	0.0
Proceeds from sale of stock	16,780.0	21,500.0	28,954.0	23,196.0	22,607.5
Costs from sale of common stock	(561.0)	(1,599.0)	(850.0)	(1,336.0)	0.0
Proceeds from sale of treasury stock	0.0	6,000.0	0.0	3,933.0	0.0
Net Cash Provided by Financing Activities	16,787.0	26,576.0	34,928.0	24,271.0	21,508.5
Net Increase in Cash and Cash Equivalents	895.0	2,563.0	1,146.0	243.0	3,920.0

Valuation Analysis (cont)

Operating Working Capital Schedule					
(in thousands)					
Period Ending	2006A	2007A	2008A	2009A	2010E
Current Assets					
Accounts receivable	225.0	9.0	1,308.0	1,631.0	1,187.6
<i>Days receivable</i>		7.0	34.6	35.9	35.9
Inventories	164.0	0.0	2,143.0	2,589.0	2,572.2
<i>Turnover days</i>		70.0	208.1	251.0	200.0
Other current assets	711.0	764.0	1,163.0	1,024.0	513.4
<i>Other asset days</i>		18.7	29.6	37.8	18.0
Total Current Assets	1,100.0	773.0	4,614.0	5,244.0	4,273.2
Current Liabilities					
Accounts payable and accrued expenses	5,587.0	7,349.0	5,088.0	5,478.0	4,291.7
<i>Days payable</i>		63.0	64.4	57.8	57.8
Total Current Liabilities	5,587.0	7,349.0	5,088.0	5,478.0	4,291.7
Total Working Capital	(4,487.0)	(6,576.0)	(474.0)	(234.0)	(18.4)
Total Changes in Working Capital					(215.6)

Debt Schedule (in thousands)		
Period Ending	2009A	2010E
Cash at beginning of the year		12,854.0
Cash before debt paydown		5,019.0
Cash cushion		(100.0)
Total Cash for Debt		17,773.0
Current portion of long-term debt		
Current portion at begin of year		2,705.0
Mandatory issuance (retirement)		0.0
Issuance/(retirement)		(541.0)
Total Current Portion at End of Year	2,705.0	2,164.0
Long-term debt		
Long-term debt at begin of year		2,790.0
Mandatory issuance (retirement)		0.0
Issuance/ (retirement)		(558.0)
Total Long-Term Debt at End of Year	2,790.0	2,232.0
Interest		
Interest paid		257.6
<i>Interest rate</i>		10.58%
Total Issuance (Retirement)		(1,099.0)
Total Interest Expense		523.2
Total Cash at End of Year	12,854.0	16,774.0
Total Interest Income		3.0
<i>Interest rate</i>		1%
Balance		0.0
Current portion debt switch		0.20
Long term debt switch		0.20
Interest Income switch		0.02

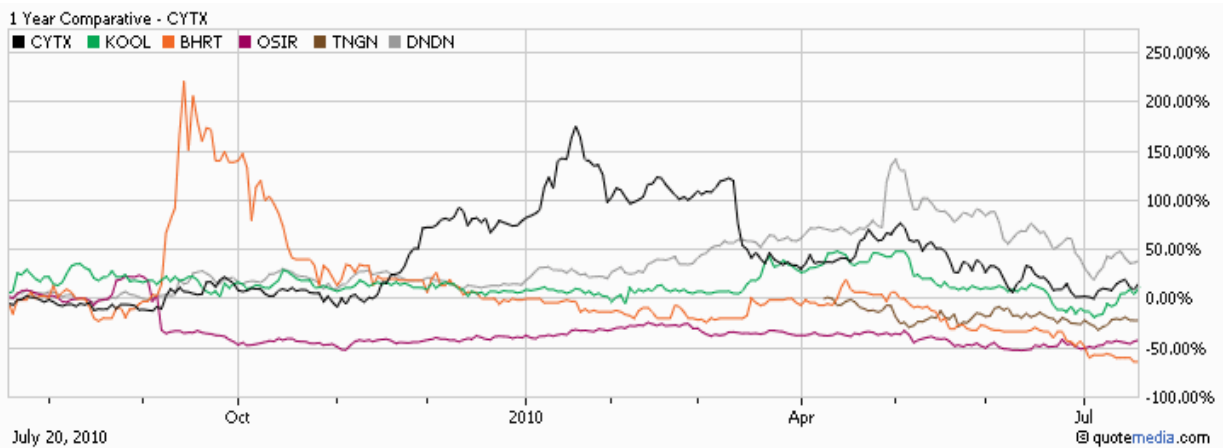
Quarterly Cash Analysis (in thousands)	
Period Ending	2010 Q1A
Cash inflow (incl. new debt)	45.00
Cash outflow (incl. debt repayment)	(6.50)
Total Cash Position at end of quarter	38.50

Valuation (cont)

CYTX Share Price and Volume



Comparables Index



Cytori Therapeutics, Inc. (CYTX): Black
ThermoGenesis, Corp. (KOOL): Green
Bioheart, Inc. (BHRT): Orange
Osiris Therapeutics, Inc. (OSIR): Pink
Tengion, Inc. (TNGN): Brown
Dendreon, Corp. (DNDN): Grey

Technology

Cytori's mission is to improve the quality and length of life by providing innovative regenerative therapies to patients.

Specifically, Cytori Therapeutics' goal is to provide access to clinical grade Adipose-Derived Stem and Regenerative Cells (ADRCs). ADRCs, sometimes referred to as stromal vascular fraction cells, are a heterogeneous or mixed population of cells found in adipose tissue. This population includes adult stem cells, endothelial progenitor cells, leukocytes, endothelial cells, and vascular smooth muscle cells.

Adipose, also known as fat tissue is a rich and accessible known source of stem cells. It contains a specialized class of stem cells comprised of multiple cell types that promote healing and repair. Adipose stem cells have been shown to differentiate into multiple cell types, including muscle cells (heart, smooth and skeletal) bone, fat, cartilage and nerve. Beyond differentiation, regenerative cells may provide therapeutic benefit through the release of growth factors and other therapeutic healing mechanisms.

The major advantages of adipose tissue as a source of regenerative cells, which distinguish it from alternative cell sources, include: yield, a therapeutic dose of regenerative cells can be isolated in approximately one hour without cell culture; safety, patients receive their own cells (autologous-use) so there is no risk of immune rejection or disease transmission; versatility, stem cells from adipose tissue impart benefit from multiple mechanisms-of-action.

Given this, Cytori has developed a proprietary device for cost-effective access to a patient's own ADRCs at the point-of-care: the Celution® System family of products. Celution® System seed products include PureGraft™ and StemSource® Cell Bank.

The Celution™ System is designed to automate the proprietary process and methods for extracting and purifying a high yield of stem cells. Cytori's goal is to introduce the first system that can enable real-time, cellular therapy at the bedside.



Autologous adult stem and regenerative cells are thought to promote healing of scarred or injured tissue. While we are learning more about the exact mechanisms every day, it is believed that this heterogeneous population of cells influences the local environment via cell-to-cell signaling, immune modulation, and differentiation into other cell types. The use of ADRCs in the treatment of many different medical conditions (including cardiovascular disease, soft tissue defects, wound healing, and many more) is being evaluated in numerous clinical and preclinical studies around the world.

The use of ADRCs is a unique and promising approach and holds key advantages over stem and regenerative cells from other sources. While stem and progenitor cells usually make up less than 5% of all ADRCs¹, this is 2,500-fold more than the frequency of such cells in tissues such as bone marrow (0.002%). The abundance of ADRCs in adipose tissue and the ability to easily collect large amounts of adipose tissue via liposuction eliminates the need for tissue culturing.

Notably, ADRCs have been shown in preclinical and clinical applications to increase blood flow in ischemic tissue; also, these cells have demonstrated increased blood flow which restores health in important unmet medical needs.

Technology (cont)

Cytori's Celution[®] 700 System

This device technology processes adipose tissue to obtain a diverse and mixed population of cells. Key claims are directed to a closed processing system for tissue collection, filtration, concentration and a provision for aseptic removal.

The system for brings a mixed population of cells including, but not limited to fibroblasts, red blood cells, white blood cells, smooth muscle cells, smooth muscle progenitor cells, endothelial cells, endothelial progenitor cells, lymphatic cells, lymphatic progenitor cells, as well as adult stem cells.

Commercialization Model

Cytori is commercializing the Celution[®] System using the “razor and blade” commercialization model. The Celution System’s cell processing device is the “master” or reusable product, and a new, single-use consumable set is required for each use of the device. Cytori is actively selling the Celution[®] System to clinics and hospitals in the EU and Asia in order to generate a continual and sustainable market for the single use consumables.

Cytori’s commercialization model has attracted leading international medical device and healthcare companies such as GE Healthcare and Olympus Corporation as partners. These organizations help bring relationships, insight and scale that a company of Cytori’s size could not achieve on its own.

Unlike traditional cell therapy commercialization models, the cells themselves are not sold as pharmaceuticals. By commercializing the Celution[®] System devices and consumables rather than the cells, Cytori can offer its products at a much lower price point while retaining meaningful gross margins. Given the urgent need for affordable healthcare, Cytori is uniquely positioned to provide cost-effective access to regenerative medicine.

Technology (cont)

PureGraft™



Product Description

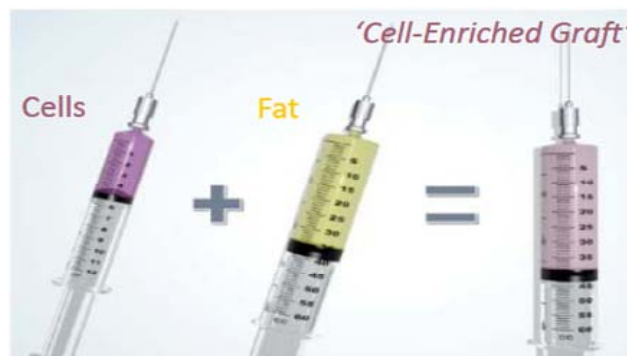
PureGraft is a revolutionary product developed by Cytori Therapeutics which allows the operator to prepare a fat graft in about 20 minutes. With no mechanical equipment required, the PureGraft bag clears the lipoaspirate of blood, tumescent fluid, and free lipid in a closed, sterile system which is easy to operate. Furthermore, the physician is in complete control of the hydration of the fat graft by adjusting the length of time that the bag is allowed to drain during the final step.

Key Features & Benefits

- Fast - It only takes approximately 20 minutes to prepare between 50-500 mL of graft.
- Space-saving – No mechanical equipment needed.
- Controllable – The physician can control the hydration of the graft by varying the drain times and number of wash cycles.
- Sterile – This single-use, closed, sterile, disposable product reduces the risk of graft contamination during preparation.

PureGraft™ is for the preparation of fat grafts in a closed, sterile field. With advanced filtering capabilities, PureGraft™ selectively washes the lipoaspirate and drains the tumescent fluid, free lipid and debris in less than 15 minutes, streamlining the graft preparation process. With no mechanical equipment, the PureGraft™ System is easy to operate and allows the physician to control hydration of the graft. Compared to conventional graft preparation techniques, the PureGraft™ System has been designed to prepare grafts quicker and to process larger volumes (50-250 mL).

The PureGraft™250/PURE System is indicated for use in the harvesting, filtering and transferring of autologous fat tissue for reinjection back into the same patient for aesthetic body contouring. The PureGraft™250/PURE System includes the PureGraft™ 250/PURE Consumable Set, the PureGraft™250/CK Convenience Kit and the PureGraft™550/IS Instrument Set.



Financial Highlights

Q1/10

Q1/10 total revenue was \$4.4 M. The net loss for Q1/10 was \$2.447 M or (\$0.06) per share. Q1/10 product revenues were \$2.3 M from Celution® and StemSource® sales in Europe, Asia and the US (representing 19% product revenue growth over Q1/09 of \$1.9 M and 80% growth over Q4/09) and \$2.1 M in development revenue. The cumulative number of revenue generating systems grew to 110 in Q1/10 (compared to 59 in Q1/09). In addition, 342 consumables were shipped in the first quarter of 2010, compared to 337 consumables shipped in the fourth quarter of 2009 and 241 consumables shipped in the first quarter of 2009. Of these, 261 consumables were re-orders in the first quarter of 2010, compared to 164 re-orders in the same quarter of 2009 and 258 re-orders in the prior quarter. Gross margin grew 59% (a gross profit of \$1.3 M) in Q1/10 (compared with 43% in Q1/09). The improvement in margin is due largely to a greater proportion of direct sales and improved manufacturing efficiencies. Total operating expenses were \$5.6 M (compared to \$6.4 M in Q1/09). Included in operating expenses was a \$1.9 M net reduction in non-cash change in fair value of the warrant and option liability compared to a \$0.8 M net reduction in Q1/09. CYTX ended Q1/10 with \$22.7 M in cash and cash equivalents (versus \$12.9 M at 12/31/09) plus \$2.7 M in accounts (net) receivables. Subsequent to the end of Q1/10, CYTX raised an additional \$2.3 M from the sale of stock through the equity agreement with Seaside 88, LP.

Q4/09

Q4/09 revenues were \$2.9 M, which consisted of \$1.6 M in development revenue and \$1.3 M in product revenues. Gross profit was \$513 K in Q4/09. Net cash used in operating activities for Q4/09 was \$6.1 M. Revenues for FY09 were \$14.7 M, which consisted of \$8.9 M in development revenues, related mostly to the achievement of 3 clinical milestones under their Olympus Corporation partnership, and \$5.8 M in product revenues. Gross profit for FY09 was \$2.4 M. Operating expenses for FY09 were \$32.9 M. Approximately \$9.2 M of total expenses in FY09 was non-cash. \$6.3 M in non-cash expenses related to the increase in fair value of warrants and stock based compensation offset by a reduction in the fair value of the option liability. In 2009, there was a significant reduction in operating expenses driven by \$6.5 M of reductions in R&D and G&A offset in part by a \$2.0 increase in sales and marketing expenses. Net cash expended in FY09 was \$23.8 M. CYTX raised \$14.3 M from scheduled closings with Seaside 88, LP and the exercise by third parties of the warrants trading under the symbol CYTXW and believes that based on its anticipated gross profits, cash operating requirements and proceeds from Seaside 88, to have sufficient funds through the first half of 2011. Cytori ended FY09 with \$12.9 M in cash and cash equivalents plus \$1.6 M in accounts receivable.

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I, Henry W. McCusker, hereby certify that all the views expressed in this review accurately reflect my personal views about CYTX or companies and its or their securities. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views contained in this review. <http://www.scimitarequity.com/disclosure/index.jsp>

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