ATHERSYS, INC / NEW

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from _____ to _____

Commission file number 001-33876

Athersys, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-4864095**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3201 Carnegie Avenue, Cleveland, Ohio	**44115-2634**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (216) 431-9900

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.001 per share	NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.
Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☑

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

The aggregate market value at June 30, 2009, the last day of the registrant's most recently completed second quarter, of shares of the registrant's common stock (based upon the closing price per share of $0.88 of such stock as quoted on the NASDAQ Capital Market on such date) held by non-affiliates of the registrant was approximately $11.4 million.

The registrant had 18,929,333 shares of common stock outstanding on March 11, 2010.

Documents Incorporated By Reference.

Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement with respect to the 2010 Annual Meeting of Stockholders.

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PART I

ITEM 1. BUSINESS .

We are a biopharmaceutical company engaged in the discovery and development of therapeutic product candidates designed to extend and enhance the quality of human life. Through the application of our proprietary technologies, we have established a pipeline of therapeutic product development programs in multiple disease areas. We are committed to developing therapeutic products that we believe have best-in-class potential, meaning therapeutic candidates that have the potential to be safer, more effective products than the current standard of care or other products in development, and that may have other advantages, such as superior scalability or ease of administration. Our current product development portfolio consists of MultiStem ®, a patented and proprietary stem cell product that we are developing as a treatment for multiple disease indications and that is currently being evaluated in two ongoing clinical trials, and has been authorized for use in a third clinical trial. In addition, we are developing novel pharmaceuticals to treat indications such as obesity, certain cognitive and attention disorders, and narcolepsy or other forms of excessive daytime sleepiness.

Recent Developments

In December 2009, we entered into a collaboration agreement with Pfizer Inc., or Pfizer, to develop and commercialize MutiStem for the treatment of inflammatory bowel disease, or IBD, for the worldwide market. Under the terms of the agreement, we received an up-front cash payment of $6 million from Pfizer and will receive research funding and support during the initial phase of the collaboration. In addition, we are also eligible to receive milestone payments of up to $105 million upon the successful achievement of certain development, regulatory and commercial milestones. We will be responsible for manufacturing and Pfizer will pay us for manufacturing product for clinical development and commercialization purposes. Pfizer will have responsibility for development, regulatory and commercialization and will pay us tiered royalties on worldwide commercial sales of MultiStem IBD products. Alternatively, in lieu of royalties and certain commercialization milestones, we may elect to co-develop with Pfizer and the parties will share development and commercialization expenses and profits/losses on an agreed basis beginning at phase III clinical development.

Business Strategy

Our principal business objective is to discover, develop and commercialize novel therapeutic products for disease indications that represent significant areas of clinical need and commercial opportunity. The key elements of our strategy are outlined below.

- *Efficiently develop product candidates in established areas of significant clinical need.* We will continue to develop certain product candidates leveraging others' prior clinical efforts and validation while we focus on development of best-in-class product candidates with differentiated profiles. Our intention is to develop our products for ultimate commercialization by us, our partners or licensees after they have received approval from the U.S. Food and Drug Administration, or FDA, and/or other regulatory agencies.

- *Apply our proprietary technologies toward the rapid identification, validation, and development of therapeutic product candidates.* We will continue to use our proprietary technologies to identify and validate therapeutic product candidates. We believe our technologies, including MultiStem and RAGE (Random Activation of Gene Expression), provide us with a competitive advantage in drug discovery and product development by allowing us to move products quickly from the discovery phase into clinical trials. We will select candidates for internal development based on several factors, including the required regulatory approval pathway and the potential market into which the product may be sold, and our ability to feasibly fund development activities through commercialization and marketing of the approved product.

- *Enter into licensing or co-development arrangements for certain product candidates.* We intend to license certain of our product candidates to, or co-develop them with, qualified collaborators to broaden and accelerate our product development and commercialization efforts. We anticipate that this strategy will help us to enhance our return on product candidates for which we enter into collaborations through the receipt of a mix of license fees, milestone payments, and profit sharing or royalties. Certain partnerships may include strategic equity investments.

- *Continue to expand our intellectual property portfolio.* Our intellectual property is important to our business and we take significant steps to protect its value. We have an ongoing research and development effort, both through internal activities and through collaborative research activities with others, which aims to develop new intellectual property and enables us to file patent applications that cover new applications of our existing technologies or product candidates, including MultiStem.

- *Out-license non-core applications of our technologies.* Certain elements of our technologies, such as their application toward the development of novel diagnostics or their use for the analysis, characterization or production of certain types of therapeutic product candidates such as biogenerics or biosimilars, may not be relevant to the key elements of our corporate strategy. We believe these applications may have significant potential value, however, and may provide capital to us that can be applied to our other development efforts. Where appropriate, we may seek to license non-core applications of our technologies to others to realize this value.

Our Current Programs

By applying our proprietary cell therapy platform, MultiStem, we have established therapeutic product development programs in the areas of cardiovascular disease, hematopoietic stem cell, or HSC, transplant support and ischemic stroke, and are developing a program to treat IBD with our partner, Pfizer. We advanced our first two MultiStem programs into clinical development in 2008 and completed phase I enrollment in our cardiovascular trial in the first quarter of 2010. In 2010, we intend to further advance our HSC transplant support phase I study in both the U.S. and Europe, while we prepare for phase I clinical studies in ischemic stroke and IBD and for a potential phase II clinical study of MultiStem for acute myocardial infarction. In addition, by applying our core technologies and capabilities, we have established drug development programs in the areas of obesity and central nervous system disorders involving cognition, attention and wakefulness.

Regenerative Medicine Programs

MultiStem — A Novel Allogeneic Approach to Stem Cell Therapy and Regenerative Medicine

We are developing a proprietary nonembryonic, allogeneic stem cell product candidate, MultiStem, that we believe has potential utility for treating a broad range of diseases and could have widespread application in the field of clinical regenerative medicine. Unlike traditional bone marrow transplants or other stem cell therapies, MultiStem may be manufactured on a large scale (with hundreds of thousands to millions of doses obtained from a single healthy donor), and may be administered without tissue matching or the need for immune suppression, analogous to type O blood. Potential applications of MultiStem include the treatment of cardiovascular disease, cancer treatment related transplant support, certain neurological conditions, autoimmune disease and other conditions. We initiated phase I clinical trials in the areas of acute myocardial infarction, or AMI, and HSC transplant support in 2008 and have received FDA authorization to initiate a phase I clinical trial in the area of ischemic stroke. We believe that MultiStem represents a significant advancement in the field of stem cell therapy and could have broad clinical application.

MultiStem is a patented biologic product that is manufactured from human stem cells obtained from adult bone marrow. The product consists of a special class of human stem cells that have the ability to express a range of therapeutically relevant proteins and other factors, as well as form multiple cell types. Factors expressed by MultiStem have the potential to deliver a therapeutic benefit in several ways, such as the reduction of inflammation, regulation of immune system function, protection of damaged or injured tissue, the formation of new blood vessels in regions of ischemic injury and augmenting tissue repair and healing in other ways. These cells exhibit a drug-like profile in that they act primarily through the production of factors that regulate the immune system, protect damaged or injured cells, promote tissue repair and healing and most or all of the cells are cleared from the body over time.

The therapeutic benefit of bone marrow transplantation has been recognized for decades, and its clinical use has grown since Congress passed the National Organ Transplant Act in 1984 and the National Marrow Donor Registry was established in 1990. However, widespread bone marrow or stem cell transplantation has yet to become a reality. Some of the limitations that have prevented broader clinical application of bone marrow or stem cell transplantation include the requirement for tissue matching between donor and recipient, the typical need for one donor for each patient (a reflection of the inability to expand cells in a controlled and reproducible manner), frequent use of immune suppressive drugs to avoid rejection or immune system complications, the inability to efficiently produce significant quantities of stem cells, and a range of potential safety issues.

A stem cell therapy that has the potential to address the challenges mentioned above could represent a breakthrough in the field of regenerative medicine, since it could greatly expand the clinical application of stem cell therapy or other forms of regenerative medicine. In 2003, we acquired technology originally developed at the University of Minnesota related to a novel stem cell, the Multipotent Adult Progenitor Cell, or MAPC, which may be isolated from adult bone marrow as well as other nonembryonic tissues. Over the past several years, we have further developed this technology and the manufacturing of these cells for use in ongoing clinical trials. Our current product platform is referred to as MultiStem. During several years of preclinical work, MultiStem has demonstrated the potential to address the fundamental limitations observed with traditional bone marrow or hematopoietic stem cell transplants.

We believe that MultiStem represents a potential best-in-class stem cell therapy because it exhibits each of the following characteristics based on research and development to date:

- *Broad plasticity and multiple potential mechanisms of action.* MultiStem cells have a demonstrated ability in animal models to form a range of cell types and appear to be able to deliver therapeutic benefit through multiple mechanisms, such as producing factors that protect tissues against damage and inflammation, as well as enhancing or playing a direct role in revascularization or tissue regeneration.

- *Large scale production.* Unlike conventional stem cells, such as blood-forming or hematopoietic stem cells, MultiStem cells may be produced on a large scale, processed, and cryogenically preserved, and then used clinically in a rapid and efficient manner. Material obtained from a single donor may be used to produce hundreds of thousands or millions of individual doses, representing a yield far greater than other stem cells have been able to achieve.

- *"Off-the-shelf" utility.* Unlike traditional bone marrow or hematopoietic stem cell transplants that require extensive genetic matching between donor and recipient, MultiStem is administered without tissue matching or the requirement for immune suppressive drugs. MultiStem is administered as a cryogenically preserved allogeneic product, meaning that these cells are not genetically matched between donor and recipient. This feature, combined with the ability to establish large MultiStem banks, could make it practical for clinicians to efficiently deliver stem cell therapy to a large number of patients.

- *Safety.* Other stem cell types, such as embryonic stem cells, can pose serious safety risks, such as the formation of tumors or ectopic tissue. In contrast, MultiStem cells have an outstanding safety profile that has been compiled over several years of preclinical study in a range of animal models by a variety of investigators.

At each step of the MultiStem production process, cells are analyzed and qualified according to pre-established criteria to ensure that a consistent, well characterized product candidate is produced. Cells are harvested from a pre-qualified donor and then expanded to form a Master Cell Bank from which we produce clinical grade material. In March 2007, we and our manufacturing partner, Lonza Walkersville, Inc., announced the successful establishment of a Master Cell Bank produced under Good Manufacturing Practices, or GMP, and the production of clinical grade material for our initial clinical trials. In multiple animal models, MultiStem has been shown to be non-immunogenic, and is administered without the genetic matching that is typically required for conventional bone marrow or stem cell transplantation.

MultiStem allows us to pursue multiple high value commercial opportunities from a single product platform, because, based upon work that we and independent collaborators have conducted over the past several years, we believe that MultiStem has the potential to treat a range of distinct disease indications, including ischemic injury and cardiovascular disease, certain neurological diseases, autoimmune disease, transplant support (including in oncology patients), and a range of orphan disease indications. As a result, we expect to be able to efficiently add clinical indications as we further expand the scope of potential applications for MultiStem, enabling us to reduce costs and shorten development timelines in comparison to traditional single-use preclinical studies.

Working with independent investigators, we have conducted preclinical studies in relevant animal models designed to evaluate safety and potential therapeutic benefit in various disease indications. Based on the results of these and other studies, we have submitted and the FDA has authorized three investigational new drug applications, or INDs, involving administration of MultiStem in phase I clinical trials in treating distinct disease conditions to date. We advanced two MultiStem programs into clinical development in 2008, initiating phase I clinical trials in cardiovascular disease (treating patients that have suffered an acute myocardial infarction) and in oncology treatment support (administering MultiStem to leukemia or lymphoma patients who are receiving a traditional bone marrow or HSC transplant to reduce the risk or severity of graft versus host disease, or GVHD). We are conducting the acute myocardial infarction clinical trial with our partner Angiotech Pharmaceuticals, Inc., or Angiotech, and we completed phase I enrollment in the first quarter of 2010.

MultiStem for Heart Attack, HSC Transplant Support in Treatment of Hematologic Malignancies & Stroke

Working with independent investigators at a number of leading institutions, such as the University of Minnesota, the Cleveland Clinic, the National Institutes of Health, the Medical College of Georgia, the University of Oregon Health Sciences Center and the Katholieke Universiteit Leuven, we have studied MultiStem in a range of in vitro and animal models that reflect various types of human disease or injury, such as myocardial infarction, stroke, brain damage due to restricted blood flow in newborns, vascular disease, and bone marrow transplant support/GVHD. In addition, we are exploring, or intend to explore, the potential application of MultiStem in the treatment of a range of other conditions such as certain blood or immune deficiencies and various autoimmune diseases.

As stated above, we have consistently observed that MultiStem is safe and effective in animal models. As a result, we have advanced MultiStem to clinical development stage in three areas: treatment of damage caused by myocardial infarction; support in the hematologic malignancy setting to reduce certain complications associated with traditional bone marrow or HSC transplantation; and treatment for stroke caused by a blockage of blood flow in the brain. We may expand to other clinical indication areas as results warrant and resources permit.

Heart Attack

In our current phase I clinical trial, we are exploring the use of MultiStem as a treatment for damage caused by myocardial infarction, or heart attack. Myocardial infarction is one of the leading causes of death and disability in the United States. Myocardial infarction is caused by the blockage of one or more arteries that supply blood to the heart. Such blockages can be caused, for example, by the rupture of an atherosclerotic plaque deposit. According to the American Heart Association 2010 Statistical Update, there were approximately 935,000 cases of myocardial infarction that occurred in the United States in 2006 and approximately 8.5 million individuals living in the United States that had previously suffered a heart attack. In addition, there were more than 831,000 deaths that occurred from various forms of cardiovascular disease, including 567,000 individuals that died as a result of a myocardial infarction or congestive heart failure. A variety of risk factors are associated with an elevated risk of myocardial infarction or atherosclerosis, including age, high blood pressure, smoking, sedentary lifestyle and genetics. While advances in the diagnosis, prevention and treatment of heart disease have had a positive impact, there is clearly room for improvement — myocardial infarction remains a leading cause of death and disability in the United States and the rest of the world.

MultiStem has been studied in validated animal models of AMI, including at both the Cleveland Clinic and the University of Minnesota. Investigators demonstrated that the administration of allogeneic MultiStem into the hearts of animals damaged by experimentally induced heart attacks resulted in significant functional improvement in cardiac output and other functional parameters compared with animals that received placebo or no treatment. Furthermore, the administration of immunosuppressive drug was not required and provided no additional benefit in this study, and supports the concept of using MultiStem as an allogeneic product.

Working with a qualified contract research organization, we completed additional preclinical studies in established pig models of acute myocardial infarction using catheter delivery and examining various factors such as the route and method of MultiStem administration, dose ranging, and timing of treatment. In 2008, we initiated a multicenter phase I clinical trial in this indication, and during the first quarter of 2010, we completed enrollment. We are working with leading cardiovascular treatment clinical sites and experts in the area of cardiovascular disease to complete this phase I clinical trial.

We are developing MultiStem for this indication in conjunction with our partner, Angiotech. We entered into a product co-development collaboration with Angiotech in May 2006, for the potential application of MultiStem in multiple cardiovascular indications including myocardial infarction, peripheral vascular disease and certain other indications.

HSC Transplant Support in Hematologic Malignancy

Another area of focus is the use of MultiStem as adjunctive treatment for HSC/bone marrow transplant used as therapy in hematologic malignancy. For many types of cancer, such as leukemia or other blood-borne cancers, treatment typically involves radiation therapy or chemotherapy, alone or in combination. Such treatment can substantially deplete the cells of the blood and immune system, by reducing the number of stem cells in the bone marrow from which they arise. The more intense the radiation treatment or chemotherapy, the more severe the resulting depletion is of the bone marrow, blood, and immune system. Other tissues may also be affected, such as cells in the digestive tract and in the pulmonary system. The result may be severe anemia, immunodeficiency, significant reduction in digestive capacity, and other problems that may result in significant disability or death.

One strategy for treating the depletion of bone marrow is to perform a peripheral blood stem cell transplant or a bone marrow transplant. This approach may augment the patient's ability to form new blood and immune cells and provide a significant survival advantage. However, finding a closely matched donor is frequently difficult or even impossible. Even when such a donor is found, in many cases there are immunological complications, such as GVHD, which may result in serious disability or death.

Working with leading experts in the stem cell and bone marrow transplantation field, we have studied MultiStem in animal models of radiation therapy and GVHD. In multiple animal models, MultiStem has been shown to be non-immunogenic, even when administered without the genetic matching that is typically required for conventional bone marrow or stem cell transplantation. Furthermore, in animal model systems testing immune reactivity of T-cells against unrelated donor tissue, MultiStem has been shown to suppress the T-cell-mediated immune responses that are an important factor in causing GVHD. MultiStem-treated animals also displayed a significant increase in survival relative to controls. As a result, we believe that the administration of MultiStem in conjunction with or following standard HSC transplantation may have the potential to reduce the incidence or severity of complications and may enhance gastrointestinal function which is frequently compromised as a result of radiation treatment or chemotherapy.

In 2008, we initiated a phase I clinical trial to examine the safety and tolerability of MultiStem in patients receiving a bone marrow or hematopoietic stem cell transplant related to their treatment for hematologic malignancy. The trial is an open label, multicenter trial that involves leading experts in the field of bone marrow transplantation.

Stroke

A third focus of our regenerative medicine program is the use of MultiStem for the treatment of neurological injury as a result of ischemic stroke, which accounts for approximately 85% of all strokes. Recent progress toward the development of safer and more effective treatments for ischemic stroke has been disappointing. Despite the fact that ischemic stroke is one of the leading causes of death and disability in the United States, affecting more than 700,000 new patients annually according to the United States Centers for Disease Control and Prevention, or CDC, there has been little progress toward the development of treatments that improve the prognosis for stroke victims. The only FDA-approved drug currently available for ischemic stroke is the anti-clotting factor, tPA. According to current clinical guidelines, tPA must be administered to stroke patients within three hours after the occurrence of the ischemic stroke to remove the clot while minimizing potential risks, such as bleeding into the brain. Administration of tPA after this time frame is not recommended, since it can cause bleeding or even death. Given this limited therapeutic window, it is estimated that less than 5% of ischemic stroke victims currently receive treatment with tPA.

In preclinical studies conducted by investigators, including at both the University of Minnesota and the Medical College of Georgia, significant functional improvements have been observed in rodents that have undergone an experimentally induced stroke, or that have incurred significant neurological damage as a result of neonatal hypoxic ischemia, and then received treatment with MultiStem. Through research conducted by collaborators at the Medical College of Georgia and presented at the annual American Academy of Neurology meeting in April 2006, we observed that administration of MultiStem even one week after a surgically induced stroke results in substantial long-term therapeutic benefit, as evidenced by the improvement of treated animals compared with controls in a battery of tests examining mobility, strength, fine motor skills, and other aspects of neurological functional improvement. We believe that this benefit is achieved through several mechanisms, including reduction of inflammation and immune system modulation in the ischemic area and the protection and rescue of damaged or injured cells, including neuronal tissue. These results have been confirmed in subsequent studies that demonstrate MultiStem treatment is well tolerated, does not require immunosuppression, and results in a robust and durable therapeutic benefit even when administered one week after the initial stroke event.

In 2008, we completed additional preclinical safety studies and submitted an IND for this application, which has been authorized by the FDA. The phase I safety clinical trial authorized by the FDA is a double blind, placebo controlled study that allows for administration of MultiStem to patients 48 to 60 hours after the ischemic stroke, which, if shown to be safe and effective, would represent a significant extension of the treatment window relative to existing standard of care. We have initiated planning and are continuing preparations for the commencement of the phase I study.

IBD

In December 2009, we entered into a collaboration agreement with Pfizer to develop and commercialize MutiStem for the treatment of IBD for the worldwide market. IBD is a group of inflammatory and autoimmune conditions that affect the colon and small intestine, typically resulting in severe abdominal pain, weight loss, vomiting and diarrhea. The most common forms of the disease include ulcerative colitis and crohn’s disease, which are estimated to affect more than two million people in the U.S., major European countries and Japan. Chronic IBD can be a severely debilitating condition, and advanced cases may require surgery to remove the affected region of the bowel, and may also require temporary or permanent colostomy or iliostomy. In many cases, surgery does not achieve a permanent cure, and patients suffer a return of the disease. We are currently planning and preparing for a phase I clinical study in the IBD area, and plan to initiate the study as soon as possible after regulatory approval.

We believe that MultiStem could have broad potential to treat a range of conditions. In addition to the above programs, working with partners and collaborators, and as resources permit, we intend to explore the potential utility of MultiStem for treating a range of other conditions, including autoimmune diseases, other conditions that involve the immune system, and certain neurological conditions, especially those in which inflammation plays a role. We believe that MultiStem could have utility in treating multiple diseases, and as a result, has the potential to create significant value for our Company and our stockholders.

Pharmaceutical Programs

Obesity is a substantial contributing factor to a range of diseases that represent the major causes of death and disability in the developed world today. Individuals that are clinically obese have elevated rates of cardiovascular disease, stroke, certain types of cancer and diabetes. According to the CDC, the incidence of obesity in the United States has increased at an epidemic rate during the past 20 years. CDC now estimates that 66% of all Americans are overweight, including more than 30% that are considered clinically obese. The percentage of young people who are overweight has more than tripled since 1980. There has also been a dramatic rise in the rate of obesity in Europe and Asia. Despite the magnitude of this problem, current approaches to clinical obesity are largely ineffective, and we are aware of relatively few new therapeutic approaches in clinical development.

We are developing novel pharmaceutical treatments for obesity, which are compounds designed to act by stimulating a key receptor in the brain that regulates appetite and food intake — the 5HT2c receptor. The role of this receptor in regulating food intake is well understood in both animal models and humans. In 1996, Wyeth Pharmaceuticals launched the anti-obesity drug Redux ® (dexfenfluramine), a non-specific serotonin receptor agonist that was used with the stimulant phentermine in a combination commonly known as fen-phen. This diet drug combination gained rapid and widespread acceptance in the clinical marketplace and was shown to be highly effective at regulating appetite, reducing food intake, and causing weight loss. Unfortunately, in addition to stimulating the 5HT2c receptor, Redux also stimulated the 5HT2b receptor that is found in the heart. The activation of 5HT2b by Redux is believed to have caused significant cardiovascular problems in a number of patients and, as a result, Redux was withdrawn from the market in 1997. In 1996, doctors wrote 18 million monthly prescriptions for drugs constituting the fen/phen combination. In that same year, these drugs generated sales of greater than $400 million, serving as a benchmark for the substantial market opportunity for an effective drug to treat clinical obesity.

Since the withdrawal of Redux from the market, several groups have published research that implicates stimulation of the 5HT2b receptor as the underlying cause of the cardiovascular problems. These findings suggest that highly selective compounds that stimulate the 5HT2c receptor, but that do not appreciably stimulate the 5HT2b receptor, could be developed that maintain the desired appetite suppressive effects without the cardiovascular toxicity. Recently, Arena Pharmaceuticals developed a selective 5HT2c agonist, Lorcaserin, which exhibits significant selectivity for the 5HT2c receptor relative to the 5HT2b receptor. In a phase II clinical trial conducted by Arena Pharmaceuticals, Lorcaserin was demonstrated to reduce appetite and cause statistically significant weight loss in patients that were administered the drug for a period of three months, without causing any apparent cardiovascular effects. However, at higher doses the drug has been shown to cause dizziness, nausea and headaches, which may be a consequence of its apparently more limited selectivity for the 5HT2c receptor relative to another serotonin receptor expressed in the brain, the 5HT2a receptor. Arena Pharmaceuticals recently completed two phase III clinical trials designed to evaluate safety, including cardiovascular safety, and effectiveness at causing weight loss in patients that are administered Lorcaserin for a period of up to two years. The results of these studies demonstrated that there was no evidence of cardiovascular toxicity or other serious adverse events, however, only modest weight loss was seen. We believe the modest weight loss is a result of the inability to administer Lorcaserin at higher dose levels in order to achieve a greater therapeutic effect — a reflection of the limited compound selectivity at the 5HT2a receptor and the neurological side effects seen at higher dose levels.

We initiated a drug development program focused on creating potent and selective compounds that stimulate the 5HT2c receptor, but that avoid the 5HT2b receptor and other receptors, such as 5HT2a. Our specific goal has been to develop an orally administered pill that reduces appetite by stimulating the 5HT2c receptor, but that does not stimulate the 5HT2b receptor, the 5HT2a receptor, or other receptors that could cause adverse side effects. Based on extensive preclinical studies that we have conducted with compounds that we have developed, we have demonstrated the ability to develop highly potent and selective compounds that are potent and selective for the 5HT2c receptor, and that lack activity at either 5HT2a or 5HT2b. We believe that the potency and selectivity profile displayed by compounds we are developing for the 5HT2c receptor relative to both the 5HT2b receptor and the 5HT2a receptor will result in substantially better efficacy and a cleaner safety and tolerability profile in clinical trials, as well as a more convenient dosing schedule than other 5HT2c agonist programs.

H_3 Antagonists for the Treatment of Sleep Disorders and Certain Other Cognitive Disorders

In addition to our other programs, we are independently developing novel, orally-active pharmaceuticals that are designed to enhance wakefulness and promote cognitive abilities in patients that experience attention or cognitive deficits. Individuals that suffer from narcolepsy or other conditions that result in excessive daytime sleepiness, or EDS, may experience persistent tiredness and lack of energy. Chronic fatigue may be experienced by patients with other disease conditions such as Parkinson's or those undergoing treatment for cancer. As a result, such individuals may experience significant difficulty in performing certain tasks and may suffer an impaired quality of life. More than 100,000 individuals in the United States suffer from narcolepsy or EDS. Historically, narcoleptics were treated with amphetamines and related stimulants that had substantial side-effects, but more recently have been prescribed Provigil (Modafinil). This compound works by an unknown mechanism, but appears to be relatively free of the stimulant side-effects of amphetamines. In addition to its use for narcolepsy, Provigil is also approved for the treatment of shift work sleep disorder, or SWSD, and sleep apnea. Known side effects experienced by patients taking Provigil include anxiety, depression, rash, and rare occurrences of serious and potentially life threatening reactions including Stevens Johnson Syndrome, Toxic Epidermal Necrolysis, Erythema Multiforme, and multi-organ hypersensitivity. Sales of Provigil in 2008 were reported to be over $950 million. Although Provigil appears to be an improvement over previous narcolepsy drugs, certain safety concerns were raised by the FDA when Cephalon, Inc. attempted to gain approval of Modafinil for attention deficit-hyperactivity disorder, or ADHD, and the company subsequently abandoned efforts in this market.

Individuals with attention or cognitive disorders may suffer from an inability to focus, solve problems, process information, communicate, and may have memory impairment. Attention and cognitive disorders include ADHD, Schizophrenia, Alzheimer's disease and other forms of dementia. Reuters Business Insights estimates that in 2008 nearly 25 million people suffered from ADHD in the seven major pharmaceutical markets (United States, France, Germany, Italy, Spain, United Kingdom and Japan). Research also shows that 60% of children with ADHD maintain the disorder into adulthood, and the condition afflicts predominantly boys. According to IMS Health, aggregate global sales of drugs for treatment of ADHD and narcolepsy were more than $5.7 billion in 2008, and most of these were psychostimulants (e.g. methylphenidate, amphetamine/dexamfetamine, modafinil) with side effects and abuse potential. Despite the limitations of these products, the market grew by more than 13% over the prior year. We believe there exists a significant market opportunity for safer and more effective treatments.

We are developing multiple classes of highly selective and potent compounds designed to block the H3 receptor and have established a program to develop non-stimulant, non-addictive, orally administered drugs for the treatment of narcolepsy or other conditions related to excessive daytime sleepiness. Our histamine H3 receptor antagonists represent a new class of drugs that could have an improved efficacy and safety profile relative to existing drugs used for the treatment of narcolepsy and related sleep disorders. The H3 receptor regulates levels of histamine and other neurotransmitters in certain areas of the brain that play a direct role in regulating sleep and cognitive function. The histamine H3 receptor antagonists being developed at Athersys represent a new class of drugs that could have an improved efficacy and safety profile relative to existing drugs used for the treatment of a range of conditions that affect cognitive ability, attention or wakefulness. In animal models, H3 receptor antagonists have been shown to increase histamine release in the brain and improve wakefulness, attention and learning. In preclinical studies conducted at independent labs, we have tested some of our more advanced compounds in well validated rodent sleep models. During these studies, compounds significantly enhanced wakefulness without causing hyperactivity. In comparison to Modafinil or caffeine, certain compounds appeared far more potent, achieving a comparable or better effect on wakefulness at substantially lower doses. In addition, these compounds did not appear to cause the excessive rebound sleepiness that is a characteristic of other agents used to promote wakefulness, such as amphetamines.

We intend to continue the study of H3 antagonist compounds that we are developing for potential applications in treating narcolepsy, excessive daytime sleepiness, chronic fatigue associated with certain disease conditions such as Parkinson's, certain attention or cognitive disorders, and other conditions. In addition, we intend to conduct additional pharmacology and safety testing of certain compounds we are developing, and are exploring potential partnering opportunities around this and other programs.

Other Key Technologies

In addition to our current product development programs, we developed our patented random activation of gene expression, or RAGE, technology that provides us with the ability to produce human cell lines that express specific, biologically well validated drug targets without relying upon cloned and isolated gene sequences. While our RAGE technology is not a product, it is a commercial technology that we have successfully applied for the benefit of our partners and that we have also used for our own internal drug development programs. Modern drug screening approaches typically require the physical isolation and structural modification of a gene of interest, an approach referred to as gene cloning, in order to create a cell line that expresses a drug target of interest. Researchers may then use the genetically modified cell line to identify pharmaceutical compounds that inhibit or stimulate the target of interest. The RAGE technology enables us to turn on or amplify the expression of a drug target without having to physically clone or isolate the gene. In effect, the technology works through the random insertion of tiny, proprietary genetic switches that randomly turn genes on without requiring their physical isolation, or any advance knowledge of their structure. This technology provides us with broad freedom to work with targets that may be otherwise unavailable as a result of intellectual property restrictions on the use of specific cloned and isolated genes. Over the past several years, we have produced cell lines that express drug targets in a range of disease areas such as metabolic disease, infectious disease, oncology, cardiovascular disease, inflammation, and central nervous system disorders. Many of these were produced for drug development programs at major pharmaceutical companies that we have collaborated with, such as our ongoing collaboration with Bristol-Myers Squibb, and some have been produced for our internal drug development programs.

Collaborations and Partnerships

Pfizer

In the fourth quarter of 2009, we entered into a collaboration agreement with Pfizer to develop and commercialize MutiStem for the treatment of IBD for the worldwide market. Under the terms of the agreement, we received an up-front cash payment of $6 million from Pfizer and will receive research funding and support during the initial phase of the collaboration. In addition, we are also eligible to receive milestone payments of up to $105 million upon the successful achievement of certain development, regulatory and commercial milestones, though there can be no assurance that we will achieve any milestones. We will be responsible for manufacturing and Pfizer will pay us for manufacturing product for clinical development and commercialization purposes. Pfizer will have responsibility for development, regulatory and commercialization and will pay us tiered royalties on worldwide commercial sales of MultiStem IBD products. Alternatively, in lieu of royalties and certain commercialization milestones, we may elect to co-develop with Pfizer and the parties will share development and commercialization expenses and profits/losses on an agreed basis beginning at phase III clinical development.

The Pfizer collaboration does not have a specific termination date, but will terminate upon the last to expire royalty term, unless terminated earlier by either party. Either party can terminate the agreement for an uncured material breach or default. Pfizer is permitted to terminate the agreement upon advance written notice to us if we sustain certain turnover levels for employees working on the program, if our license with the University of Minnesota is terminated, if we experience a specified change of control event, or in its sole discretion. We can terminate the agreement if a certain milestone event has not occurred by a defined period of time, or if we reasonably believe that Pfizer has failed to satisfy its obligations to progress the development of the program. Following termination of the agreement by us, all licenses granted to Pfizer to develop and commercialize MultiStem for IBD will terminate, other than certain more limited research licenses, and ownership of regulatory and clinical data will revert to us. Following termination of the agreement by Pfizer, the licenses granted to Pfizer will remain in effect according to their terms, unless the termination is due to our breach, employee turnover or termination of the license with University of Minnesota, in which case payments to us will be reduced from what was otherwise payable. Also, if Pfizer terminates in its sole discretion, then Pfizer retains its obligation to fund our research and development costs as set forth in the agreement.

Angiotech

In May 2006, we established a collaboration with Angiotech that is focused on co-developing MultiStem for the treatment of damage caused by myocardial infarction and peripheral vascular disease. In support of the collaboration, Angiotech invested $10.0 million in us and we may also receive up to $3.75 million of additional equity investments and $63.75 million of aggregate cash payments based upon the successful achievement of specified clinical development and commercialization milestones, though there can be no assurance that we will achieve any milestones.

Under the terms of the collaboration, the parties are jointly funding clinical development activities, whereby preclinical costs are borne solely by Athersys, costs for phase I and phase II clinical trials are borne 50% by Athersys and 50% by Angiotech, costs for the first phase III clinical trial will be borne 33% by Athersys and 67% by Angiotech, and costs for any phase III clinical trials subsequent to the first phase III clinical trial will be borne 25% by Athersys and 75% by Angiotech. We have lead responsibility for preclinical and early clinical development and manufacturing of the MultiStem product, and Angiotech will take the lead on pivotal and later clinical trials and commercialization. We will receive nearly half of the net profits from the sale of any jointly developed, approved products. In addition, we will retain the commercial rights to MultiStem for all other therapeutic applications, including treatment of stroke, bone marrow transplantation and oncology support, blood and immune system disorders, autoimmune disease, and other indications that we may elect to pursue.

The Angiotech collaboration does not have a specific termination date, but will terminate upon the earliest to occur of the following:

- if at least one cell therapy product has obtained regulatory approval and we and Angiotech have shared profits with respect to sales of at least one cell therapy product, the date that there has been no sales for 12 months of any cell therapy product that has been the subject of profit-sharing, unless a clinical development candidate is in at least a phase III clinical or later; and
- the later of (1) the expiration date of the last-to-expire patent licensed to Angiotech, and (2) the 15-year anniversary, which would be May 2021.

Neither we nor Angiotech may terminate the collaboration at will; however, either party may elect at certain points to not move forward with individual product development programs. If either party breaches its material obligations and fails to cure that breach within 60 days after notice from the non-breaching party, the non-breaching party may terminate the collaboration. Angiotech has a right to immediately terminate the collaboration upon certain bankruptcy events involving us. Angiotech also has the right to terminate the collaboration upon 120 days' prior notice if Angiotech, in its reasonable judgment, determines that: (1) a primary endpoint in a clinical trial within a clinical development plan has not been met; (2) the clinical efficacy and/or safety with respect to a clinical development candidate or a cell therapy product have not been demonstrated; (3) applicable regulatory requirements for cells, a clinical development candidate or a cell therapy product in one or more major markets shall have a material adverse impact on the ability to obtain regulatory approval for a cell therapy product in such markets; (4) our data regarding cells, a clinical development candidate or a cell therapy product were obtained, in whole or in part, through scientific fraud; or (5) a cell therapy product is not (or is not expected to be) commercially viable or profitable in at least one major market.

Bristol-Myers Squibb

In December 2000, we entered into a collaboration with Bristol-Myers Squibb to provide cell lines expressing well validated drug targets produced using our RAGE technology for compound screening and development. This initial collaboration was expanded in 2002 and again in 2006, and is now in its final phase as amended in 2009. Bristol-Myers Squibb uses the cell lines in its internal drug development programs and, in exchange, we receive license fee and milestone payments and will be entitled to receive royalties on the sale of any approved products. Depending on the use of a cell line by Bristol-Myers Squibb and the progress of drug development programs benefiting from the use of such a cell line, we may receive as much as approximately $5.5 million per cell line in additional license fees and milestone payments, though we cannot assure you that any further milestones will be achieved or that we will receive any additional milestone payments. In September 2008, Bristol-Myers Squibb successfully advanced into phase II clinical development a drug candidate discovered using a target provided by us, thereby triggering a clinical development milestone payment to us.

We intend to continue to prepare and deliver validated drug targets for use by Bristol-Myers Squibb in its drug discovery efforts until the collaboration objectives have been fulfilled. We will remain entitled to receive license fees for targets delivered to Bristol-Myers Squibb, as well as milestone payments and royalties on compounds developed by Bristol-Myers Squibb using our technology. Beyond 2009, we anticipate that Bristol-Myers Squibb's demand for new targets will be substantially reduced or cease altogether.

The Bristol-Myers Squibb collaboration does not have a specific termination date, but will terminate when Bristol-Myers Squibb no longer has an obligation to pay us royalties, which obligation generally continues until the later of the expiration of the Bristol-Myers Squibb patent covering an approved product and ten years after commercial sales of that product began. Though we expect Bristol-Myers Squibb to file for and be issued patents for products developed under the collaboration, we are not aware of any patents issued to Bristol-Myers Squibb covering any potential products related to the collaboration. If either party breaches its material obligations and fails to cure that breach within 60 days after notice from the non-breaching party, the non-breaching party may terminate the collaboration.

Competition

We face significant competition with respect to the various dimensions of our business. With regard to our efforts to develop MultiStem as a novel stem cell therapy, currently, there are a number of companies that are actively developing stem cell products, which encompass a range of different cell types, including embryonic stem cells, umbilical cord stem cells, adult-derived stem cells, and processed bone marrow derived cells.

Osiris is currently engaged in multiple phase II and phase III clinical trials involving Prochymal, an allogeneic stem cell product based on mesenchymal stem cells, or MSCs, that are obtained from healthy consenting donors, and are administered without tissue matching. However, in contrast to MultiStem, MSCs display limited expansion potential and more limited biological plasticity. In November 2008, Osiris announced a partnership in which Genzyme acquired development rights to Prochymal for certain markets outside the United States and Canada in exchange for $130 million in license fees, up to $1.25 billion in clinical and sales milestones, and royalties. Osiris retains commercial development rights to Prochymal for the United States and Canada.

Other public companies are developing stem-related therapies, including Geron, Aastrom Biosciences, Stem Cells Inc., Viacell, Celgene, Advanced Cell Technology, CRYO-CELL International, Mesoblast Limited, Pluristem and Cytori Therapeutics. In addition, private companies, such as Cognate Therapeutics, Gamida Cell, Plureon, Cellerix and others, are also developing cell therapy related products or capabilities. Given the magnitude of the potential opportunity for stem cell therapy, we expect competition in this area to intensify in the coming years.

We also face competition in our efforts to develop compounds for the treatment of obesity. There are already approved therapeutic products on the market, such as Xenical (also known as Alli), which is marketed by Roche, and Meridia, which is marketed by Abbott Pharmaceuticals. However, both of these drugs have reported side effects that we believe have limited their adoption by patients and clinicians. For example, potential side effects associated with taking Xenical / Alli include cramping, intestinal discomfort, flatulence, diarrhea, and leakage of oily stool. Potential side effects associated with taking Meridia include increased blood pressure and heart rate, headache, dry mouth, constipation, and insomnia. Individuals with high blood pressure, heart disease, irregular heartbeat, or a history of stroke are also cautioned not to take Meridia.

There are many other companies attempting to develop novel treatments for obesity, and a wide range of approaches are being taken. Some of these companies include large, multinational pharmaceutical companies such as Bristol-Myers Squibb, Merck, Roche, Sanofi-Aventis, GlaxoSmithKline, Eli Lilly and others. There are also a variety of biotechnology companies developing treatments for obesity, including Arena Pharmaceuticals, Orexigen, Vivus, Neurosearch, Amgen, Regeneron, Nastech Pharmaceutical Company, Alizyme, Amylin Pharmaceuticals, Neurocrine Biosciences, Shionogi, Metabolic Pharmaceuticals, Kyorin Pharmaceutical, and others. It is likely that, given the magnitude of the market opportunity, many companies will continue to focus on the obesity area, and that competition will remain high. If we are successful at developing a 5HT2c agonist as a safe and effective treatment for obesity, it is likely that other companies will attempt to develop safer and more effective compounds in the same class, or will attempt to combine therapies in an effort to establish a safer and more effective therapeutic product.

Finally, we face competition with respect to our ability to produce drug targets for our drug development programs. There are many companies with established intellectual property that seek to restrict or protect the use of specific drug targets, including Incyte, Millennium Pharmaceuticals, Human Genome Sciences, Lexicon Genetics, CuraGen, Exelixis, Myriad Genetics, Sangamo BioSciences, and others.

We believe our most significant competitors are fully integrated pharmaceutical companies and more established biotechnology companies that have substantially greater financial, technical, sales, marketing, and human resources than we do. These companies may succeed in obtaining regulatory approval for competitive products more rapidly than we can for our products. In addition, our competitors may develop technologies and products that are cheaper, safer or more effective than those being developed by us or that would render our technology obsolete. Furthermore, some of these companies may feel threatened by our activities and attempt to delay or impede our efforts to develop our products or apply our technologies.

Intellectual Property

We rely on a combination of patent applications, patents, trademarks, and contractual provisions to protect our proprietary rights. We believe that to have a competitive advantage, we must develop and maintain the proprietary aspects of our technologies. Currently, we require our officers, employees, consultants, contractors, manufacturers, outside scientific collaborators and sponsored researchers, and other advisors to execute confidentiality agreements in connection with their employment, consulting, or advisory relationships with us, where appropriate. We also require our employees, consultants, and advisors who we expect to work on our products to agree to disclose and assign to us all inventions conceived during the work day, developed using our property, or which relate to our business.

We have a broad patent estate with claims directed to compositions, methods of production, and methods of use of certain non-embryonic stem cells and related technologies. We acquired ownership of part of our stem cell technology and intellectual property as a result of our 2003 acquisition of a holding company, which held the rights to the technology originally discovered at the University of Minnesota. We also have an exclusive license to additional MAPC-related inventions (or in other words, improvements) developed by the University of Minnesota through May 2009, and under a collaborative research agreement with the Katholieke Universiteit Leuven, or KUL, we have an exclusive license to MAPC-related inventions developed at KUL using the MAPC technology or intellectual property or that result from sponsored research funded by us. We also own and license additional intellectual property develop by us and others. We have fourteen issued patents and more than 120 patent applications related to our stem cell technologies. Our current intellectual property estate, which may broaden over time, could provide coverage for our cell compositions, methods of use, manufacturing processes, and product candidates through as late as 2028.

We have established a broad intellectual property portfolio related to our key functional genomics technologies and product candidates. We have a broad patent estate with claims directed to compositions, methods of making, and methods of using our small molecule drug candidates. We have filed four patent applications with broad claims directed to ATHX-105, related compounds in the same chemical series from which ATHX-105 was derived, and back-up and second generation compounds from distinct chemical series. In our Histamine H3 program, we have filed four patent applications with broad claims directed to compounds from two distinct chemical series. All compounds described in these patent applications were discovered at Athersys. In addition, we currently have fourteen issued United States patents and various issued international patents relating to compositions and methods for the RAGE technology. These patents will expire in 2017. There are also several patent applications relating to human proteins and candidate drug targets that we have identified through the application of RAGE and our other technologies. The RAGE technology was developed by Dr. John Harrington and other Athersys scientists internally in the mid-1990s.

We believe that we have broad freedom to use and commercially develop our technologies and product candidates. However, if successful, a patent infringement suit brought against us may force us or any of our collaborators or licensees to stop or delay developing, manufacturing, or selling potential products that are claimed to infringe a third party's intellectual property, unless that party grants us rights to use its intellectual property. In such cases, we may be required to obtain licenses to patents or proprietary rights of others to continue to commercialize our products. However, we may not be able to obtain any licenses required under any patents or proprietary rights of third parties on acceptable terms, or at all. Even if we were able to obtain rights to the third party's intellectual property, these rights may be non-exclusive, thereby giving our competitors access to the same intellectual property. Ultimately, we may be unable to commercialize some of our potential products or may have to cease some of our business operations as a result of patent infringement claims, which could severely harm our business.

Research and Development

Our research and development costs, which consist primarily of costs associated with external clinical trial costs, preclinical study fees, manufacturing costs, salaries and related personnel costs, legal expenses resulting from intellectual property application processes, and laboratory supply and reagent costs, were $11.9 million in 2009, $16.5 million in 2008, and $15.8 million in 2007.

Government Regulation

Any products we may develop and our research and development activities are subject to stringent government regulation in the United States by the FDA and, in many instances, by corresponding foreign and state regulatory agencies. The European Union, or EU, has vested centralized authority in the European Medicines Evaluation Agency and Committee on Proprietary Medicinal Products to standardize review and approval across EU member nations.

These regulatory agencies enforce comprehensive statutes, regulations, and guidelines governing the drug development process. This process involves several steps. Initially, the company must generate preclinical data to show safety before human testing may be initiated. In the United States, the drug company must submit an IND to the FDA prior to securing authorization for human testing. The IND must contain adequate data on product candidate chemistry, toxicology and metabolism and, where appropriate, animal research testing to support initial safety.

A CTA is the European equivalent of the U.S. IND. CTA requirements are issued by each competent authority within the European Union and are enacted by local laws and Directives.

Any of our product candidates will require regulatory approval and compliance with regulations made by United States and foreign government agencies prior to commercialization in such countries. The process of obtaining FDA or foreign regulatory agency approval has historically been extremely costly and time consuming. The FDA regulates, among other things, the development, testing, manufacture, safety, efficacy, record keeping, labeling, storage, approval, advertising, promotion, sale, and distribution of biologics and new drugs.

The standard process required by the FDA before a pharmaceutical agent may be marketed in the United States includes:

- preclinical tests in animals that demonstrate a reasonable likelihood of safety and effectiveness in human patients;
- submission to the FDA of an IND, which must become effective before clinical trials in humans can commence. If phase I clinical trials are to be conducted initially outside the United States, a different regulatory filing is required, depending on the location of the trial;
- adequate and well controlled human clinical trials to establish the safety and efficacy of the drug or biologic in the intended disease indication;
- for drugs, submission of a New Drug Application, or NDA, or a Biologic License Application, or BLA, with the FDA; and
- FDA approval of the NDA or BLA before any commercial sale or shipment of the drug.

Preclinical studies can take several years to complete, and there is no guarantee that an IND based on those studies will become effective to permit clinical trials to begin. Once clinical trials are initiated, they generally take five to seven years, or longer, to complete. After completion of clinical trials of a new drug or biologic product, FDA approval of the NDA or BLA must be obtained. This process requires substantial time and effort and there is no assurance that the FDA will accept the NDA or BLA for filing and, even if filed, that the FDA will grant approval. In the past, the FDA's approval of an NDA or BLA has taken, on average, one to two years, but in some instances may take substantially longer. If questions regarding safety or efficacy arise, additional studies may be required, followed by a resubmission of the NDA or BLA. Review and approval of an NDA or BLA can take up to several years.

In addition to obtaining FDA approval for each product, each drug manufacturing facility must be inspected and approved by the FDA. All manufacturing establishments are subject to inspections by the FDA and by other federal, state, and local agencies, and must comply with GMP requirements. We do not currently have any GMP manufacturing capabilities, and will rely on contract manufacturers to produce material for any clinical trials that we may conduct.

We must also obtain regulatory approval in other countries in which we intend to market any drug. The requirements governing conduct of clinical trials, product licensing, pricing, and reimbursement vary widely from country to country. FDA approval does not ensure regulatory approval in other countries. The current approval process varies from country to country, and the time spent in gaining approval varies from that required for FDA approval. In some countries, the sale price of the drug must also be approved. The pricing review period often begins after market approval is granted. Even if a foreign regulatory authority approves a drug product, it may not approve satisfactory prices for the product.

In addition to regulations enforced by the FDA, we are also subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act, and other present and potential future federal, state, or local regulations. Our research and development involves the controlled use of hazardous materials, chemicals, biological materials, and various radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials currently comply in all material respects with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our available resources.

Employees

We believe that our success will be based on, among other things, the quality of our clinical programs, our ability to invent and develop superior and innovative technologies and products, and our ability to attract and retain capable management and other personnel. We have assembled a high quality team of scientists, clinical development managers, and executives with significant experience in the biotechnology and pharmaceutical industries.

As of December 31, 2009, we employed 37 full time equivalent employees, 15 with Ph.D. degrees. In addition to our employees, we also use the service and support of outside consultants and advisors. None of our employees is represented by a union, and we believe relationships with our employees are good.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website, www.athersys.com , as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Merger and Name Change

On June 8, 2007, Athersys, Inc., a Delaware corporation, merged with a wholly owned subsidiary of BTHC VI, Inc., a Delaware corporation. On August 31, 2007, Athersys, Inc. changed its name to ABT Holding Company, and BTHC VI, Inc. changed its name to Athersys, Inc. In this annual report, unless otherwise indicated or the context otherwise requires, all references to "we" or "us" are to Athersys, Inc., the Delaware corporation formerly known as BTHC VI, Inc., together with its wholly owned subsidiary, ABT Holding Company, the Delaware corporation formerly known as Athersys, Inc. Specific discussions or comments relating only to BTHC VI, Inc. prior to the merger described above reference "BTHC VI," while those relating only to our subsidiary Athersys, Inc. prior to the merger reference "Athersys."

ITEM 1A. RISK FACTORS

The statements in this section, as well as statements described elsewhere in this annual report, or in other SEC filings, describe risks that could materially and adversely affect our business, financial condition and results of operations and the trading price of our equity securities could decline. These risks are not the only risks that we face. Our business, financial condition and results of operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Risks Related To Our Business and Our Industry

Athersys has incurred losses since inception and we expect to incur significant net losses in the foreseeable future and may never become profitable.

Since Athersys' inception in 1995, it has incurred significant losses and negative cash flows from operations. Athersys has incurred net losses of $19 million in 2007, $18 million in 2008 and $15 million in 2009. As of December 31, 2009, we had an accumulated deficit of $194 million, and anticipate incurring additional losses for at least the next several years. We expect to spend significant resources over the next several years to enhance our technologies and to fund research and development of our pipeline of potential products. To date, substantially all of Athersys' revenue has been derived from corporate collaborations, license agreements and government grants. In order to achieve profitability, we must develop products and technologies that can be commercialized by us or through future collaborations. Our ability to generate revenues and become profitable will depend on our ability, alone or with potential collaborators, to timely, efficiently and successfully complete the development of our product candidates. We have never earned revenue from selling a product and we may never do so, as none of our product candidates have been approved for sale, since they are currently being tested yet in humans and animal studies. We cannot assure you that we will ever earn revenue or that we will ever become profitable. If we sustain losses over an extended period of time, we may be unable to continue our business.

We will need substantial additional funding to develop our products and for our future operations. If we are unable to obtain the funds necessary to do so, we may be required to delay, scale back or eliminate our product development activities or may be unable to continue our business.

The development of our product candidates will require a commitment of substantial funds to conduct the costly and time-consuming research, which may include preclinical and clinical testing, necessary to obtain regulatory approvals and bring our products to market. Net cash used in Athersys' operations was $12 million in 2007, $16 million in 2008 and $5 million in 2009. We expect to have available cash to fund our operations through 2011 based on our current business and operational plans and assuming no new financings. Our future capital requirements will depend on many factors, including:

- the progress and costs of our research and development programs, including our ability to develop our current portfolio of therapeutic products, or discover and develop new ones;
- our ability, or our partners ability and willingness, to advance partnered products or programs, and the speed in which they are advanced;
- the cost of prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the progress, scope, costs, and results of our preclinical and clinical testing of any current or future pharmaceutical or MultiStem related products;
- the time and cost involved in obtaining regulatory approvals;
- the cost of manufacturing our product candidates;
- expenses related to complying with GMP of therapeutic product candidates;
- costs of financing the purchases of additional capital equipment and development technologies;

- competing technological and market developments;
- our ability to establish and maintain collaborative and other arrangements with third parties to assist in bringing our products to market and the cost of such arrangements;
- the amount and timing of payments or equity investments that we receive from collaborators or changes in or terminations of future or existing collaboration and licensing arrangements and the timing and amount of expenses we incur to supporting these collaborations and license agreements;
- costs associated with the integration of any new operation, including costs relating to future mergers and acquisitions with companies that have complementary capabilities;
- expenses related to the establishment of sales and marketing capabilities for products awaiting approval or products that have been approved;
- the level of our sales and marketing expenses; and
- our ability to introduce and sell new products.

We cannot assure you that we will not need additional capital sooner than currently anticipated. We will need to raise substantial additional capital to fund our future operations. We cannot be certain that additional financing will be available on acceptable terms or at all, particularly in light of the current credit crisis. In recent years, it has been difficult for companies to raise capital due to a variety of factors, which may or may not continue. To the extent we raise additional capital through the sale of equity securities, the ownership position of our existing stockholders could be substantially diluted. If additional funds are raised through the issuance of preferred stock or debt securities, these securities are likely to have rights, preferences and privileges senior to our common stock. Fluctuating interest rates could also increase the costs of any debt financing we may obtain.

Failure to successfully address ongoing liquidity requirements will have a material adverse effect on our business. If we are unable to obtain additional capital on acceptable terms when needed, we may be required to take actions that harm our business and our ability to achieve cash flow in the future, including possibly the surrender of our rights to some technologies or product opportunities, delaying our clinical trials or curtailing or ceasing operations.

We are heavily dependent on the successful development and commercialization of MultiStem, and if we encounter delays or difficulties in the development of this product candidate, our business would be harmed.

We are heavily dependent upon the successful development of MultiStem for certain diseases and conditions involving acute or ischemic injury or immune system dysfunction. Our business could be materially harmed if we encounter difficulties in the development of this product candidate, such as:

- delays in the ability to manufacture the product in quantities or in a form that is suitable for any required preclinical studies or clinical trials;
- delays in the design, enrollment, implementation or completion of required preclinical studies and clinical trials;
- an inability to follow our current development strategy for obtaining regulatory approval from the FDA because of changes in the regulatory approval process;
- less than desired or complete lack of efficacy or safety in preclinical studies or clinical trials; and
- intellectual property constraints that prevent us from making, using, or commercializing the product candidate.

The results seen in animal testing of our product candidates may not be replicated in humans.

This annual report discusses the safety and efficacy seen in preclinical testing of our lead product candidates, including MultiStem, in animals, but we may not see positive results when our other product candidates undergo clinical testing in humans in the future. Preclinical studies and phase I clinical trials are not primarily designed to test the efficacy of a product candidate in humans, but rather to:

- test short-term safety and tolerability;
- study the absorption, distribution, metabolism and elimination of the product candidate;
- study the biochemical and physiological effects of the product candidate and the mechanisms of the drug action and the relationship between drug levels and effect; and
- understand the product candidate's side effects at various doses and schedules.

Success in preclinical studies or completed clinical trials does not ensure that later studies or trials, including continuing non-clinical studies and large-scale clinical trials, will be successful nor does it necessarily predict future results. The rate of failure in drug development is quite high, and many companies in the biotechnology and pharmaceutical industries have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. Product candidates may fail to show desired safety and efficacy in larger and more diverse patient populations in later stage clinical trials, despite having progressed through early stage trials. Negative or inconclusive results from any of our ongoing preclinical studies or clinical trials could result in delays, modifications, or abandonment of ongoing or future clinical trials and the termination of our development of a product candidate. Additionally, even if we are able to successfully complete pivotal phase III clinical trials, the FDA still may not approve our product candidates.

Our product candidates are in an early stage of development and we currently have no therapeutic products approved for sale. If we are unable to develop, obtain regulatory approval or market any of our product candidates, our financial condition will be negatively affected, and we may have to curtail or cease our operations.

We are in the early stage of product development, and we are dependent on the application of our technologies to discover or develop therapeutic product candidates. We currently do not sell any approved therapeutic products and do not expect to have any products commercially available for several years, if at all. You must evaluate us in light of the uncertainties and complexities affecting an early stage biotechnology company. Our product candidates require additional research and development, preclinical testing, clinical testing and regulatory review and/or approvals or clearances before marketing. To date, no one to our knowledge has commercialized any therapeutic products using our technologies and we might never commercialize any product using our technologies and strategy.

In addition, we may not succeed in developing new product candidates as an alternative to our existing portfolio of product candidates. If our current product candidates are delayed or fail, or we fail to successfully develop and commercialize new product candidates, our financial condition may be negatively affected, and we may have to curtail or cease our operations.

We may not successfully maintain our existing collaborative and licensing arrangements, or establish new ones, which could adversely affect our ability to develop and commercialize our product candidates.

A key element of our business strategy is to commercialize some of our product candidates through collaborations with other companies. Our strategy includes establishing collaborations and licensing agreements with one or more pharmaceutical, biotechnology or device companies, preferably after we have advanced product candidates through the initial stages of clinical development. However, we may not be able to establish or maintain such licensing and collaboration arrangements necessary to develop and commercialize our product candidates. Even if we are able to maintain or establish licensing or collaboration arrangements, these arrangements may not be on favorable terms and may contain provisions that will restrict our ability to develop, test and market our product candidates. Any failure to maintain or establish licensing or collaboration arrangements on favorable terms could adversely affect our business prospects, financial condition or ability to develop and commercialize our product candidates.

Our agreements with our collaborators and licensees may have provisions that give rise to disputes regarding the rights and obligations of the parties. These and other possible disagreements could lead to termination of the agreement or delays in collaborative research, development, supply, or commercialization of certain product candidates, or could require or result in litigation or arbitration. Moreover, disagreements could arise with our collaborators over rights to intellectual property or our rights to share in any of the future revenues of products developed by our collaborators. These kinds of disagreements could result in costly and time-consuming litigation. Any such conflicts with our collaborators could reduce our ability to obtain future collaboration agreements and could have a negative impact on our relationship with existing collaborators.

Currently, our material collaborations and licensing arrangements are our collaboration with Pfizer to develop and commercialize MultiStem for the treatment of IBD, our product co-development collaboration with Angiotech to jointly develop and ultimately market MultiStem for the treatment of damage caused by myocardial infarction and peripheral vascular disease, our collaboration agreement with Bristol-Myers Squibb pursuant to which we provide cell lines produced using our RAGE technology, and our license with the University of Minnesota pursuant to which we license certain aspects of the MultiStem technology. These arrangements do not have specific termination dates; rather, each arrangement terminates upon the occurrence of certain events.

If our collaborators do not devote sufficient time and resources to successfully carry out their contracted duties or meet expected deadlines, we may not be able to advance our product candidates in a timely manner or at all.

Our success depends on the performance by our collaborators of their responsibilities under our collaboration arrangements. Some potential collaborators may not perform their obligations in a timely fashion or in a manner satisfactory to us. Typically, we cannot control the amount of resources or time our collaborators may devote to our programs or potential products that may be developed in collaboration with us. We are currently involved in multiple research and development collaborations with academic and research institutions. These collaborators frequently depend on outside sources of funding to conduct or complete research and development, such as grants or other awards. In addition, our academic collaborators may depend on graduate students, medical students, or research assistants to conduct certain work, and such individuals may not be fully trained or experienced in certain areas, or they may elect to discontinue their participation in a particular research program, creating an inability to complete ongoing research in a timely and efficient manner. As a result of these uncertainties, we are unable to control the precise timing and execution of any experiments that may be conducted.

Additionally, our current or future corporate collaborators will retain the ability to pursue other research, product development or commercial opportunities that may be directly competitive with our programs. If these collaborators elect to prioritize or pursue other programs in lieu of ours, we may not be able to advance product development programs in an efficient or effective manner, if at all. If a collaborator is pursuing a competitive program and encounters unexpected financial or capability limitations, they may be motivated to reduce the priority placed on our programs or delay certain activities related to our programs or be unwilling to properly fund their share of the development expenses for our programs. Any of these developments could harm our product and technology development efforts, which could seriously harm our business.

Under the terms of our collaboration agreement with Angiotech, either party may choose, following the completion of phase I trials, to opt-out of its obligation to fund further product development on a product-by-product basis, provided no clinical trials concerning such product candidate are currently ongoing. If Angiotech should decide to opt-out of funding the development of any of the product candidates for the covered indications, for any reason, we may be unable to fund the development on our own and could be forced to halt one or more MultiStem development programs.

Even if we or our collaborators receive regulatory approval for our products, those products may never be commercially successful.

Even if we develop pharmaceuticals or MultiStem related products that obtain the necessary regulatory approval, and we have access to the necessary manufacturing, sales, marketing and distribution capabilities that we need, our success depends to a significant degree upon the commercial success of those products. If these products fail to achieve or subsequently maintain market acceptance or commercial viability, our business would be significantly harmed because our future royalty revenue or other revenue would be dependent upon sales of these products. Many factors may affect the market acceptance and commercial success of any potential products that we may discover, including:

- health concerns, whether actual or perceived, or unfavorable publicity regarding our obesity drugs, stem cell products or those of our competitors;
- the timing of market entry as compared to competitive products;
- the rate of adoption of products by our collaborators and other companies in the industry;
- any product labeling that may be required by the FDA or other United States or foreign regulatory agencies for our products or competing or comparable products;
- convenience and ease of administration;
- pricing;
- perceived efficacy and side effects;
- marketing;
- availability of alternative treatments;
- levels of reimbursement and insurance coverage; and
- activities by our competitors.

We may experience delays in clinical trials and regulatory approval relating to our products that could adversely affect our financial results and our commercial prospects for our pharmaceutical or stem cell products.

In addition to the regulatory requirements for our pharmaceutical programs, we will also require regulatory approvals for each distinct application of our stem cell product. In each case, we will be required to conduct clinical trials to demonstrate safety and efficacy of MultiStem, or various products that incorporate or use MultiStem. For product candidates that advance to clinical testing, we cannot be certain that we or a collaborator will successfully complete the clinical trials necessary to receive regulatory product approvals. This process is lengthy and expensive.

We intend to seek approval for our product candidates through the FDA approval process. To obtain regulatory approvals, we must, among other requirements, complete clinical trials showing that our products are safe and effective for a particular indication. Under the approval process, we must submit clinical and non-clinical data to demonstrate the medication is safe and effective. For example, we must be able to provide data and information, which may include extended pharmacology, toxicology, reproductive toxicology, bioavailability and genotoxicity studies to establish suitability for phase II or large scale phase III clinical trials.

All of our product candidates are at an early stage of development. As these programs enter and progress through early stage clinical development, or complete additional non-clinical testing, an indication of a lack of safety or lack of efficacy may result in the early termination of an ongoing trial, or may cause us or any of our collaborators to forego further development of a particular product candidate or program. The FDA or other regulatory agencies may require extensive clinical trials or other testing prior to granting approval, which could be costly and time consuming to conduct. Any of these developments would hinder, and potentially prohibit, our ability to commercialize our product candidates. We cannot assure you that clinical trials will in fact demonstrate that our products are safe or effective.

Additionally, we may not be able to find acceptable patients or may experience delays in enrolling patients for our currently planned or any future clinical trials. The FDA or we may suspend our clinical trials at any time if either believes that we are exposing the subjects participating in the trials to unacceptable health risks. The FDA or institutional review boards and/or institutional biosafety committees at the medical institutions and healthcare facilities where we seek to sponsor clinical trials may not permit a trial to proceed or may suspend any trial indefinitely if they find deficiencies in the conduct of the trials.

Product development costs to us and our potential collaborators will increase if we have delays in testing or approvals or if we need to perform more or larger clinical trials than planned. We expect to continue to rely on third party clinical investigators at medical institutions and healthcare facilities to conduct our clinical trials, and, as a result, we may face additional delaying factors outside our control. Significant delays may adversely affect our financial results and the commercial prospects for our product candidates and delay our ability to become profitable.

If our pharmaceutical product candidates do not successfully complete the clinical trial process, we will not be able to partner or market them. Even successful clinical trials may not result in a partnering transaction or a marketable product and may not be entirely indicative of a product's safety or efficacy.

Many factors, known and unknown, can adversely affect clinical trials and the ability to evaluate a product's efficacy. During the course of treatment, patients can die or suffer other adverse events for reasons that may or may not be related to the proposed product being tested. Even if unrelated to our product, certain events can nevertheless adversely impact our clinical trials. As a result, our ability to ultimately develop and market the products and obtain revenues would suffer.

Even promising results in preclinical studies and initial clinical trials do not ensure successful results in later clinical trials, which test broader human use of our products. Many companies in our industry have suffered significant setbacks in advanced clinical trials, despite promising results in earlier trials. Even successful clinical trials may not result in a marketable product or be indicative of the efficacy or safety of a product. Many factors or variables could affect the results of clinical trials and cause them to appear more promising than they may otherwise be. Product candidates that successfully complete clinical trials could ultimately be found to be unsafe or ineffective.

In addition, our ability to complete clinical trials depends on many factors, including obtaining adequate clinical supplies and having a sufficient rate of patient recruitment. For example, patient recruitment is a function of many factors, including:

- the size of the patient population;
- the proximity of patients to clinical sites;
- the eligibility criteria for the trial;
- the perceptions of investigators and patients regarding safety; and
- the availability of other treatment options.

Even if we obtain regulatory approval of any of our product candidates, the approved products may be subject to post-approval studies and will remain subject to ongoing regulatory requirements. If we fail to comply, or if concerns are identified in subsequent studies, our approval could be withdrawn and our product sales could be suspended.

If we are successful at obtaining regulatory approval for MultiStem or any of our other product candidates, regulatory agencies in the United States and other countries where a product will be sold may require extensive additional clinical trials or post-approval clinical studies that are expensive and time consuming to conduct. In particular, therapeutic products administered for the treatment of persistent or chronic conditions, such as obesity, are likely to require extensive follow-up studies and close monitoring of patients after regulatory approval has been granted, for any signs of adverse effects that occur over a long period of time. These studies may be expensive and time consuming to conduct and may reveal side effects or other harmful effects in patients that use our therapeutic products after they are on the market, which may result in the limitation or withdrawal of our drugs from the market. Alternatively, we may not be able to conduct such additional trials, which might force us to abandon our efforts to develop or commercialize certain product candidates. Even if post-approval studies are not requested or required, after our products are approved and on the market, there might be safety issues that emerge over time that require a change in product labeling or that require withdrawal of the product from the market, which would cause our revenue to decline.

Additionally, any products that we may successfully develop will be subject to ongoing regulatory requirements after they are approved. These requirements will govern the manufacturing, packaging, marketing, distribution, and use of our products. If we fail to comply with such regulatory requirements, approval for our products may be withdrawn, and product sales may be suspended. We may not be able to regain compliance, or we may only be able to regain compliance after a lengthy delay, significant expense, lost revenues and damage to our reputation.

We may rely on third parties to manufacture our pharmaceutical product candidates and our MultiStem product candidate. There can be no guarantee that we can obtain sufficient and acceptable quantities of our pharmaceutical product candidates or of our MultiStem product candidate on acceptable terms, which may delay or impair our ability to develop, test and market such products.

Our current business strategy relies on third parties to manufacture and produce our pharmaceutical product candidates and MultiStem product candidate in accordance with good manufacturing practices established by the FDA, or similar regulations in other countries. Our pharmaceutical product candidates or MultiStem product candidate may be in competition with other products or companies for access to these facilities and may be subject to delays in manufacture if third parties give other products greater priority than our product candidates. These third parties may not deliver sufficient quantities of our pharmaceutical or MultiStem product candidates, manufacture our pharmaceutical and MultiStem product candidates in accordance with specifications, or comply with applicable government regulations. Additionally, if the manufactured products fail to perform as specified, our business and reputation could be severely impacted.

We expect to enter into additional manufacturing agreements for the production of product materials. If any manufacturing agreement is terminated or any third party collaborator experiences a significant problem that could result in a delay or interruption in the supply of product materials to us, there are very few contract manufacturers who currently have the capability to produce our pharmaceutical product candidates or MultiStem product on acceptable terms, or on a timely and cost-effective basis. We cannot assure you that manufacturers on whom we will depend will be able to successfully produce our pharmaceutical product candidates or MultiStem product on acceptable terms, or on a timely or cost-effective basis. We cannot assure you that manufacturers will be able to manufacture our products in accordance with our product specifications or will meet FDA or other requirements. We must have sufficient and acceptable quantities of our product materials to conduct our clinical trials and to market our product candidates, if and when such products have been approved by the FDA for marketing. If we are unable to obtain sufficient and acceptable quantities of our product material, we may be required to delay the clinical testing and marketing of our products.

If our contract manufacturers are not satisfying our needs and we decide not to establish our own manufacturing capabilities, it could be difficult and very expensive to change suppliers. Any change in the location of manufacturing would require FDA inspection and approval, which could interrupt the supply of products and may be time-consuming and expensive to obtain. If we are unable to identify alternative contract manufacturers that are qualified to produce our products, we may have to temporarily suspend the production of products, and would be unable to generate revenue from the sale of products.

If we do not comply with applicable regulatory requirements in the manufacture and distribution of our product candidates, we may incur penalties that may inhibit our ability to commercialize our products and adversely affect our revenue.

Our failure or the failure of our potential collaborators or third party manufacturers to comply with applicable FDA or other regulatory requirements including manufacturing, quality control, labeling, safety surveillance, promoting and reporting may result in criminal prosecution, civil penalties, recall or seizure of our products, total or partial suspension of production or an injunction, as well as other regulatory action against our product candidates or us. Discovery of previously unknown problems with a product, supplier, manufacturer or facility may result in restrictions on the sale of our products, including a withdrawal of such products from the market. The occurrence of any of these events would negatively impact our business and results of operations.

If we are unable to create and maintain sales, marketing and distribution capabilities or enter into agreements with third parties to perform those functions, we will not be able to commercialize our product candidates.

We currently have no sales, marketing or distribution capabilities. Therefore, to commercialize our product candidates, if and when such products have been approved and are ready for marketing, we expect to collaborate with third parties to perform these functions. We will either need to share the value generated from the sale of any products and/or pay a fee to the contract sales organization. If we establish any such relationships, we will be dependent upon the capabilities of our collaborators or contract service providers to effectively market, sell, and distribute our product. If they are ineffective at selling and distributing our product, or if they choose to emphasize other products over ours, we may not achieve the level of product sales revenues that we would like. If conflicts arise, we may not be able to resolve them easily or effectively, and we may suffer financially as a result. If we cannot rely on the sales, marketing and distribution capabilities of our collaborators or of contract service providers, we may be forced to establish our own capabilities. We have no experience in developing, training or managing a sales force and will incur substantial additional expenses if we decide to market any of our future products directly. Developing a marketing and sales force is also time consuming and could delay launch of our future products. In addition, we will compete with many companies that currently have extensive and well-funded marketing and sales operations. Our marketing and sales efforts may be unable to compete successfully against these companies.

If we are unable to attract and retain key personnel and advisors, it may adversely affect our ability to obtain financing, pursue collaborations or develop our product candidates.

We are highly dependent on our executive officers Gil Van Bokkelen, Ph.D., our Chief Executive Officer, as well as other executive and scientific officers, including William Lehmann, J.D., M.B.A., President and Chief Operating Officer, John Harrington, Ph.D., Chief Scientific Officer and Executive Vice President, Robert Deans, Ph.D., Senior Vice President, Regenerative Medicine, and Laura Campbell, CPA, Vice President of Finance, as well as other personnel.

These individuals are integral to the development and integration of our technologies and to our present and future scientific collaborations, including managing the complex research processes and the product development and potential commercialization processes. Given their leadership, extensive technical, scientific and financial expertise and management and operational experience, these individuals would be difficult to replace. Consequently, the loss of services of one or more of these named individuals could result in product development delays or the failure of our collaborations with current and future collaborators, which, in turn, may hurt our ability to develop and commercialize products and generate revenues.

Our future success depends on our ability to attract, retain and motivate highly qualified management and scientific, development and commercial personnel and advisors. If we are unable to attract and retain key personnel and advisors, it may negatively affect our ability to successfully develop, test and commercialize our product candidates.

Our ability to compete in the biopharmaceutical market may decline if we do not adequately protect our proprietary technologies.

Our success depends in part on our ability to obtain and maintain intellectual property that protects our technologies and our pharmaceutical products. Patent positions may be highly uncertain and may involve complex legal and factual questions, including the ability to establish patentability of compounds and methods for using them for which we seek patent protection. We cannot predict the breadth of claims that will ultimately be allowed in our patent applications, if any, including those we have in-licensed or the extent to which we may enforce these claims against our competitors. We have filed multiple patent applications that seek to protect the composition of matter and method of use related to our small molecule programs. In addition, we are prosecuting numerous distinct patent families directed to composition, methods of production, and methods of use of MultiStem and related technologies. If we are unsuccessful in obtaining and maintaining these patents related to products and technologies, we may ultimately be unable to commercialize products that we are developing or may elect to develop in the future.

The degree of future protection for our proprietary rights is therefore highly uncertain and we cannot assure you that:

- we were the first to file patent applications or to invent the subject matter claimed in patent applications relating to the technologies or product candidates upon which we rely;
- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- others did not publicly disclose our claimed technology before we conceived the subject matter included in any of our patent applications;
- any of our pending or future patent applications will result in issued patents;
- any of our patent applications will not result in interferences or disputes with third parties regarding priority of invention;
- any patents that may be issued to us, our collaborators or our licensors will provide a basis for commercially viable products or will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies that are patentable;
- the patents of others will not have an adverse effect on our ability to do business; or
- new proprietary technologies from third parties, including existing licensors, will be available for licensing to us on reasonable commercial terms, if at all.

In addition, patent law outside the United States is uncertain and in many countries intellectual property laws are undergoing review and revision. The laws of some countries do not protect intellectual property rights to the same extent as domestic laws. It may be necessary or useful for us to participate in opposition proceedings to determine the validity of our competitors' patents or to defend the validity of any of our or our licensor's future patents, which could result in substantial costs and would divert our efforts and attention from other aspects of our business. With respect to certain of our inventions, we have decided not to pursue patent protection outside the United States, both because we do not believe it is cost effective and because of confidentiality concerns. Accordingly, our international competitors could develop and receive foreign patent protection for gene sequences and functions for which we are seeking United States patent protection, enabling them to sell products that we have developed.

Technologies licensed to us by others, or in-licensed technologies, are important to our business. The scope of our rights under our licenses may be subject to dispute by our licensors or third parties. Our rights to use these technologies and to practice the inventions claimed in the licensed patents are subject to our licensors abiding by the terms of those licenses and not terminating them. In particular, we depend on certain technologies relating to our MultiStem technology licensed from the University of Minnesota, and the termination of this license could result in our loss of some of the rights that enable us to utilize this technology, and our ability to develop products based on MultiStem could be seriously hampered.

In addition, we may in the future acquire rights to additional technologies by licensing such rights from existing licensors or from third parties. Such in-licenses may be costly. Also, we generally do not control the patent prosecution, maintenance or enforcement of in-licensed technologies. Accordingly, we are unable to exercise the same degree of control over this intellectual property as we do over our internally developed technologies. Moreover, some of our academic institution licensors, collaborators and scientific advisors have rights to publish data and information to which we have rights. If we cannot maintain the confidentiality of our technologies and other confidential information in connection with our collaborations, our ability to protect our proprietary information or obtain patent protection in the future may be impaired, which could have a significant adverse effect on our business, financial condition and results of operations.

We may not have adequate protection for our unpatented proprietary information, which could adversely affect our competitive position.

In addition to patents, we will substantially rely on trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. However, others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. To protect our trade secrets, we may enter into confidentiality agreements with employees, consultants and potential collaborators. However, these agreements may not provide meaningful protection of our trade secrets or adequate remedies in the event of unauthorized use or disclosure of such information. Likewise, our trade secrets or know-how may become known through other means or be independently discovered by our competitors. Any of these events could prevent us from developing or commercializing our product candidates.

Disputes concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time consuming and extremely costly and could delay our research and development efforts.

Our commercial success, if any, will be significantly harmed if we infringe the patent rights of third parties or if we breach any license or other agreements that we have entered into with regard to our technology or business.

We are aware of other companies and academic institutions that have been performing research in the areas of adult derived stem cells. In particular, other companies and academic institutions have announced that they have identified nonembryonic stem cells isolated from bone marrow or other tissues that have the ability to form a range of cell types, or display the property of pluripotency. To the extent any of these companies or academic institutions currently have, or obtain in the future, broad patent claims, such patents could block our ability to use various aspects of our discovery and development process and might prevent us from developing or commercializing newly discovered applications of our MultiStem technology, or otherwise conducting our business. In addition, it is possible that some of the pharmaceutical product candidates we are developing may not be patentable or may be covered by intellectual property of third parties.

We are not currently a party to any litigation, interference, opposition, protest, reexamination or any other potentially adverse governmental, ex parte or inter-party proceeding with regard to our patent or trademark positions. However, the life sciences and other technology industries are characterized by extensive litigation regarding patents and other intellectual property rights. Many life sciences and other technology companies have employed intellectual property litigation as a way to gain a competitive advantage. If we become involved in litigation, interference proceedings, oppositions, reexamination, protest or other potentially adverse intellectual property proceedings as a result of alleged infringement by us of the rights of others or as a result of priority of invention disputes with third parties, we might have to spend significant amounts of money, time and effort defending our position and we may not be successful. In addition, any claims relating to the infringement of third-party proprietary rights or proprietary determinations, even if not meritorious, could result in costly litigation, lengthy governmental proceedings, divert management's attention and resources, or require us to enter into royalty or license agreements that are not advantageous to us. If we do not have the financial resources to support such litigation or appeals, we may forfeit or lose certain commercial rights. Even if we have the financial resources to continue such litigation or appeals, we may lose. In the event that we lose, we may be forced to pay very substantial damages; we may have to obtain costly license rights, which may not be available to us on acceptable terms, if at all; or we may be prohibited from selling products that are found to infringe the patent rights of others.

Should any person have filed patent applications or obtained patents that claim inventions also claimed by us, we may have to participate in an interference proceeding declared by the relevant patent regulatory agency to determine priority of invention and, thus, the right to a patent for these inventions in the United States. Such a proceeding could result in substantial cost to us even if the outcome is favorable. Even if successful on priority grounds, an interference action may result in loss of claims based on patentability grounds raised in the interference action. Litigation, interference proceedings or other proceedings could divert management's time and efforts. Even unsuccessful claims could result in significant legal fees and other expenses, diversion of management's time and disruption in our business. Uncertainties resulting from initiation and continuation of any patent proceeding or related litigation could harm our ability to compete and could have a significant adverse effect on our business, financial condition and results of operations.

An adverse ruling arising out of any intellectual property dispute, including an adverse decision as to the priority of our inventions, could undercut or invalidate our intellectual property position. An adverse ruling could also subject us to significant liability for damages, including possible treble damages, prevent us from using technologies or developing products, or require us to negotiate licenses to disputed rights from third parties. Although patent and intellectual property disputes in the technology area are often settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and could include license fees and ongoing royalties. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. Failure to obtain a license in such a case could have a significant adverse effect on our business, financial condition and results of operations.

Many potential competitors, including those who have greater resources and experience than we do, may develop products or technologies that make ours obsolete or noncompetitive.

We face significant competition with respect to our product candidates. With regard to our efforts to develop MultiStem as a novel stem cell therapy, currently, there are a number of companies that are actively developing stem cell products, which encompass a range of different cell types, including embryonic stem cells, adult-derived stem cells, and processed bone marrow derived cells. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Technological developments by others may result in our MultiStem product platform and technologies, as well as our pharmaceutical formulations, becoming obsolete.

We are subject to significant competition from pharmaceutical, biotechnology and diagnostic companies, academic and research institutions, and government or other publicly funded agencies that are pursuing the development of therapeutic products and technologies that are substantially similar to our proposed therapeutic products and technologies, or that otherwise address the indications we are pursuing. Our most significant competitors include major pharmaceutical companies such as Pfizer, Bristol-Myers Squibb, Merck, Roche, Johnson & Johnson, Sanofi-Aventis and GlaxoSmithKline as well as smaller biotechnology or biopharmaceutical companies such as Arena Pharmaceuticals, Orexigen, Celgene, Vivus, Osiris, Geron, Aastrom, Stem Cells Inc., and Cytori Therapeutics. Most of our current and potential competitors have substantially greater research and development capabilities and financial, scientific, regulatory, manufacturing, marketing, sales, human resources, and experience than we do. Many of our competitors have several therapeutic products that have already been developed, approved and successfully commercialized, or are in the process of obtaining regulatory approval for their therapeutic products in the United States and internationally.

Many of these companies have substantially greater capital resources, research and development resources and experience, manufacturing capabilities, regulatory expertise, sales and marketing resources, established relationships with consumer products companies and production facilities.

Universities and public and private research institutions are also potential competitors. While these organizations primarily have educational objectives, they may develop proprietary technologies related to stem cells or secure patent protection that we may need for the development of our technologies and products. We may attempt to license these proprietary technologies, but these licenses may not be available to us on acceptable terms, if at all.

Our competitors, either alone or with their collaborative partners, may succeed in developing technologies or products that are more effective, safer, more affordable or more easily commercialized than ours, and our competitors may obtain intellectual property protection or commercialize products sooner than we do. Developments by others may render our product candidates or our technologies obsolete.

Our current product discovery and development collaborators are not prohibited from entering into research and development collaboration agreements with third parties in any product field. Our failure to compete effectively would have a significant adverse effect on our business, financial condition and results of operations.

We will use hazardous and biological materials in our business. Any claims relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our products and processes will involve the controlled storage, use and disposal of certain hazardous and biological materials and waste products. We and our suppliers and other collaborators are subject to federal, state and local regulations governing the use, manufacture, storage, handling and disposal of materials and waste products. Even if we and these suppliers and collaborators comply with the standards prescribed by law and regulation, the risk of accidental contamination or injury from hazardous materials cannot be completely eliminated. In the event of an accident, we could be held liable for any damages that result, and any liability could exceed the limits or fall outside the coverage of any insurance we may obtain and exceed our financial resources. We may not be able to maintain insurance on acceptable terms, or at all. We may incur significant costs to comply with current or future environmental laws and regulations.

If we acquire products, technologies or other businesses, we will incur a variety of costs, may have integration difficulties and may experience numerous other risks that could adversely affect our business.

To remain competitive, we may decide to acquire additional businesses, products and technologies. We currently have no commitments or agreements with respect to, and are not actively seeking, any material acquisitions. We have limited experience in identifying acquisition targets, successfully acquiring them and integrating them into our current infrastructure. We may not be able to successfully integrate any businesses, products, technologies or personnel that we might acquire in the future without a significant expenditure of operating, financial and management resources, if at all. In addition, future acquisitions could require significant capital infusions and could involve many risks, including, but not limited to the following:

- we may have to issue convertible debt or equity securities to complete an acquisition, which would dilute our stockholders and could adversely affect the market price of our common stock;
- an acquisition may negatively impact our results of operations because it may require us to incur large one-time charges to earnings, amortize or write down amounts related to goodwill and other intangible assets, or incur or assume substantial debt or liabilities, or it may cause adverse tax consequences, substantial depreciation or deferred compensation charges;
- we may encounter difficulties in assimilating and integrating the business, technologies, products, personnel or operations of companies that we acquire;
- certain acquisitions may disrupt our relationship with existing collaborators who are competitive to the acquired business;
- acquisitions may require significant capital infusions and the acquired businesses, products or technologies may not generate sufficient revenue to offset acquisition costs;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- acquisitions may involve the entry into a geographic or business market in which we have little or no prior experience; and
- key personnel of an acquired company may decide not to work for us.

Any of the foregoing risks could have a significant adverse effect on our business, financial condition and results of operations.

To the extent we enter markets outside of the United States, our business will be subject to political, economic, legal and social risks in those markets, which could adversely affect our business.

There are significant regulatory and legal barriers in markets outside the United States that we must overcome to the extent we enter or attempt to enter markets in countries other than the United States. We will be subject to the burden of complying with a wide variety of national and local laws, including multiple and possibly overlapping and conflicting laws. We also may experience difficulties adapting to new cultures, business customs and legal systems. Any sales and operations outside the United States would be subject to political, economic and social uncertainties including, among others:

- changes and limits in import and export controls;
- increases in custom duties and tariffs;

- changes in currency exchange rates;
- economic and political instability;
- changes in government regulations and laws;
- absence in some jurisdictions of effective laws to protect our intellectual property rights; and
- currency transfer and other restrictions and regulations that may limit our ability to sell certain products or repatriate profits to the United States.

Any changes related to these and other factors could adversely affect our business to the extent we enter markets outside the United States.

Foreign governments often impose strict price controls on approved products, which may adversely affect our future profitability in those countries, and the re-importation of drugs to the United States from foreign countries that impose price controls may adversely affect our future profitability.

Frequently foreign governments impose strict price controls on newly approved therapeutic products. If we obtain regulatory approval to sell products in foreign countries, we may be unable to obtain a price that provides an adequate financial return on our investment. Furthermore, legislation in the United States may permit re-importation of drugs from foreign countries into the United States, including re-importation from foreign countries where the drugs are sold at lower prices than in the United States due to foreign government-mandated price controls. Such a practice, especially if it is conducted on a widespread basis, may significantly reduce our potential United States revenues from any drugs that we are able to develop.

If we elect not to sell our products in foreign countries that impose government mandated price controls because we decide it is uneconomical to do so, a foreign government or patent office may attempt to terminate our intellectual property rights in that country, enabling competitors to make and sell our products.

In some cases we may choose not to sell a product in a foreign country because it is uneconomical to do so under a system of government-imposed price controls, or because it could severely limit our profitability in the United States or other markets. In such cases, a foreign government or patent office may terminate any intellectual property rights we may obtain with respect to that product. Such a termination could enable competitors to produce and sell our product in that market. Furthermore, such products may be exported into the United States through legislation that authorizes the importation of drugs from outside the United States. In such an event, we may have to reduce our prices, or we may be unable to compete with low-cost providers of our drugs, and we could be financially harmed as a result.

We may encounter difficulties managing our growth, which could adversely affect our business.

At various times we have experienced periods of rapid growth in our employee numbers as a result of a dramatic increase in activity in technology programs, genomics programs, collaborative research programs, discovery programs, and scope of operations. At other times, we have had to reduce staff in order to bring our expenses in line with our financial resources. Our success will also depend on the ability of our officers and key employees to continue to improve our operational capabilities and our management information and financial control systems, and to expand, train and manage our work force.

We may be sued for product liability, which could adversely affect our business.

Because our business strategy involves the development and sale by either us or our collaborators of commercial products, we may be sued for product liability. We may be held liable if any product we develop and commercialize, or any product our collaborators commercialize that incorporates any of our technology, causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing, sale or consumer use. In addition, the safety studies we must perform and the regulatory approvals required to commercialize our pharmaceutical products, will not protect us from any such liability.

We carry product liability insurance, as well as liability insurance for conducting clinical trials. Currently, we carry a $5 million per event, $5 million annual aggregate coverage for both our products liability policy and our clinical trials protection. We also intend to seek product liability insurance for any approved products that we may develop or acquire. However, in the event there are product liability claims against us, our insurance may be insufficient to cover the expense of defending against such claims, or may be insufficient to pay or settle such claims. Furthermore, we may be unable to obtain adequate product liability insurance coverage for commercial sales of any of our approved products. If such insurance is insufficient to protect us, our results of operations will suffer. If any product liability claim is made against us, our reputation and future sales will be damaged, even if we have adequate insurance coverage.

The availability, manner, and amount of reimbursement for our product candidates from government and private payers are uncertain, and our inability to obtain adequate reimbursement for any products could severely limit our product sales.

We expect that many of the patients who seek treatment with any of our products that are approved for marketing will be eligible for Medicare benefits. Other patients may be covered by private health plans. If we are unable to obtain or retain adequate levels of reimbursement from Medicare or from private health plans, our ability to sell our products will be severely limited. The application of existing Medicare regulations and interpretive coverage and payment determinations to newly approved products is uncertain and those regulations and interpretive determinations are subject to change. The Medicare Prescription Drug Improvement and Modernization Act, enacted in December 2003, provides for a change in reimbursement methodology that reduces the Medicare reimbursement rates for many drugs, which may adversely affect reimbursement for any products we may develop. Medicare regulations and interpretive determinations also may determine who may be reimbursed for certain services, and may limit the pool of patients our product candidates are being developed to serve.

Federal, state and foreign governments continue to propose legislation designed to contain or reduce health care costs. Legislation and regulations affecting the pricing of products like our potential products may change further or be adopted before any of our potential products are approved for marketing. Cost control initiatives by governments or third-party payers could decrease the price that we receive for any one or all of our potential products or increase patient coinsurance to a level that make our products under development become unaffordable. In addition, government and private health plans persistently challenge the price and cost-effectiveness of therapeutic products. Accordingly, these third parties may ultimately not consider any or all of our products under development to be cost effective, which could result in products not being covered under their health plans or covered only at a lower price. Any of these initiatives or developments could prevent us from successfully marketing and selling any of our products that are approved for commercialization.

Public perception of ethical and social issues surrounding the use of adult-derived stem cell technology may limit or discourage the use of our technologies, which may reduce the demand for our therapeutic products and technologies and reduce our revenues.

Our success will depend in part upon our ability to develop therapeutic products incorporating or discovered through our adult-derived stem cell technology. For social, ethical, or other reasons, governmental authorities in the United States and other countries may call for limits on, or regulation of the use of, adult-derived stem cell technologies. Although we do not use the more controversial stem cells derived from embryos or fetuses, claims that adult-derived stem cell technologies are ineffective, unethical or pose a danger to the environment may influence public attitudes. The subject of stem cell technologies in general has received negative publicity and aroused public debate in the United States and some other countries. Ethical and other concerns about our adult-derived stem cell technology could materially hurt the market acceptance of our therapeutic products and technologies, resulting in diminished sales and use of any products we are able to develop using adult-derived stem cells.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal offices are located at 3201 Carnegie Avenue in Cleveland, Ohio. We currently lease approximately 53,000 square feet of space for our corporate offices and laboratories, with about 40,000 square feet of state-of-the-art laboratory space. The lease currently expires in March 2011, and we have an option to extend the lease in annual increments through March 2013 at our current rent of $267,000 per year. Also, we currently lease office and laboratory space for our Belgian subsidiary. The lease expires December 2014 and the annual rent is subject to adjustments based on an inflationary index.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become subject to various legal proceedings that are incidental to the ordinary conduct of our business. Currently, there are no such proceedings.

ITEM 3A. EXECUTIVE OFFICERS OF THE REGISTRANT

The information under this Item is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

There exists no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was elected. Each executive officer serves until his or her successor is elected and qualified.

The following sets forth the name, age, current position and principal occupation and employment during the past five years of our executive officers.

Gil Van Bokkelen, Ph.D.
Age: 49

Dr. Van Bokkelen has served as our Chief Executive Officer and Chairman since June 2007. Dr. Van Bokkelen co-founded Athersys in October 1995 and served as Chief Executive Officer and Director since Athersys' founding. Prior to May 2006, he also served as Athersys' President. He has served as Chairman of Athersys' board of directors since August 2000. Dr. Van Bokkelen is the current Chairman of the board of Governors for the Center for Stem Cells and Regenerative Medicine, and has served on a number of other boards, including the Biotechnology Industry Organization's ECS board of directors (from 2001 to 2004, and from 2008 to present) and the Kent State University Board of Trustees from 2001 to 2004. He received his Ph.D. in Genetics from Stanford University, his B.A. in Economics from the University of California at Berkeley, and his B.A. in Molecular Biology from the University of California at Berkeley.

William (BJ) Lehmann, Jr., J.D.
Age: 44

Mr. Lehmann has served as our President and Chief Operating Officer since June 2007. Mr. Lehmann joined Athersys in September 2001 and was Athersys' Executive Vice President of Corporate Development and Finance from August 2002 until May 2006, when he became Athersys' President and Chief Operating Officer. From 1994 to 2001, Mr. Lehmann was with McKinsey & Company, Inc., an international management consulting firm, where he worked extensively with new technology and service-based businesses in the firm's Business Building practice. Prior to joining McKinsey, he worked at Wilson, Sonsini, Goodrich & Rosati, a Silicon Valley law firm, and worked with First Chicago Corporation, a financial institution. Mr. Lehmann received his J.D. from Stanford University, his M.B.A. from the University of Chicago, and his B.A. from the University of Notre Dame.

John J. Harrington, Ph.D.
Age: 42

Dr. Harrington has served as our Chief Scientific Officer, Executive Vice President and Director since June 2007. Dr. Harrington co-founded Athersys in October 1995 and has served as Athersys' Executive Vice President and Chief Scientific Officer and as Director since Athersys' founding. Dr. Harrington led the development of the RAGE technology as well as its application for gene discovery, drug discovery and commercial protein production applications. He is a listed inventor on 20 issued or pending United States patents, has authored 20 scientific publications, and has received numerous awards for his work, including being named one of the top international young scientists by MIT Technology Review in 2002. Dr. Harrington has overseen the therapeutic product development programs at Athersys since their inception, and during his career he has also held positions at Amgen and Scripps Clinic. He received his Ph.D. in Cancer Biology from Stanford University and his B.A. in Biochemistry and Cell Biology from the University of California at San Diego.

Robert J. Deans, Ph.D.
Age: 58

Dr. Deans has served as our Senior Vice President, Regenerative Medicine since June 2007. Dr. Deans has led Athersys' regenerative medicine research and development activities since February 2003 and has served as Vice President of Regenerative Medicine since October 2003. He was named Senior Vice President of Regenerative Medicine in June 2006. Dr. Deans is highly regarded as an expert in stem cell therapeutics, with over fifteen years of experience in this field. From 2001 to 2003, Dr. Deans worked for early-stage biotechnology companies. Dr. Deans was formerly the Vice President of Research at Osiris Therapeutics, Inc., a biotechnology company, from 1998 to 2001 and Director of Research and Development with the Immunotherapy Division of Baxter International, Inc., a global healthcare company, from 1992 to 1998. Dr. Deans was also previously on faculty at USC Medical School in Los Angeles, between 1981 and 1998, in the departments of Microbiology and Neurology at the Norris Comprehensive Cancer Center. Dr. Deans was an undergraduate at MIT, received his Ph.D. at the University of Michigan, and did his post-doctoral work at UCLA in Los Angeles.

Laura K. Campbell, CPA
Age: 46

Ms. Campbell has served as our Vice President, Finance since June 2007. Ms. Campbell joined Athersys in January 1998 as Controller and has served as Vice President of Finance since May 2006. Prior to joining Athersys, she was at Ernst & Young LLP, a public accounting firm, for 11 years, in the audit practice. During her tenure with Ernst & Young LLP, Ms. Campbell specialized in entrepreneurial services and the biotechnology industry sector and participated in several initial public offerings. Ms. Campbell received her B.S., with distinction, in Business Administration from The Ohio State University.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Capital Market under the symbol "ATHX." Set forth below are the high and low sale prices for our common stock on the NASDAQ Capital Market for the periods indicated.

	High	Low
Year ended December 31, 2009:		
First Quarter	$ 1.28	$ 0.45
Second Quarter	$ 1.04	$ 0.75
Third Quarter	$ 1.35	$ 0.78
Fourth Quarter	$ 6.40	$ 0.97
Year ended December 31, 2008:		
First Quarter	$ 5.00	$ 3.00
Second Quarter	$ 4.23	$ 1.55
Third Quarter	$ 4.00	$ 1.17
Fourth Quarter	$ 1.88	$ 0.15

Holders

As of February 28, 2010, the number of holders of record was approximately 910 of which one is Cede & Co., a nominee for The Depository Trust Company, or DTC. Shares of common stock that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at DTC, and are considered to be held of record by Cede & Co., as one stockholder.

Dividend Policy

All of our assets consist of the capital stock of ABT Holding Company. We would have to rely upon dividends and other payments from ABT Holding Company to generate the funds necessary to make dividend payments, if any, on our common stock. ABT Holding Company, however, is legally distinct from us and has no obligation to pay amounts to us. The ability of ABT Holding Company to make dividend and other payments to us is subject to, among other things, the availability of funds, the terms of our indebtedness and applicable state laws. We did not pay cash dividends on our common stock during the past two years. We do not anticipate that we will pay any dividends on our common stock in the foreseeable future. Rather, we anticipate that we will retain earnings, if any, for use in the development of our business.

ITEM 6. SELECTED FINANCIAL DATA

(in thousands, except per share data)

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Consolidated Statement of Operations Data:					
Revenues:					
Contract revenue	$ 1,079	$ 1,880	$ 1,433	$ 1,908	$ 763
Grant revenue	1,080	1,225	1,827	1,817	2,833
Total revenues	2,159	3,105	3,260	3,725	3,596
Costs and expenses:					
Research and development	11,920	16,500	15,817	9,741	12,578
General and administrative	5,621	5,479	7,975	3,347	3,755
Depreciation	233	218	283	528	982
Restructuring costs	—	—	—	—	251
Loss from operations	(15,615)	(19,092)	(20,815)	(9,891)	(13,970)
Other (expense) income:					
Other (expense) income, net	(126)	48	2,017	208	18
Interest income	375	1,146	1,591	119	317
Interest expense	—	(94)	(1,263)	(1,047)	(964)
Accretion of premium on convertible debt	—	—	(456)	(260)	—
Loss before cumulative effect of change in accounting principle	(15,366)	(17,992)	(18,926)	(10,871)	(14,599)
Cumulative effect of change in accounting principle	—	—	—	306	—
Net loss	$ (15,366)	$ (17,992)	$ (18,926)	$ (10,565)	$ (14,599)
Preferred stock dividends	—	—	(659)	(1,408)	(2,253)
Deemed dividend resulting from induced conversion of convertible preferred stock	—	—	(4,800)	—	—
Net loss attributable to common stockholders	$ (15,366)	$ (17,992)	$ (24,385)	$ (11,973)	$ (16,852)
Basic and diluted net loss per common share attributable to common stockholders:					
Loss before cumulative effect of change in accounting principle	$ (0.81)	$ (0.95)	$ (2.26)	$ (41.89)	$ (57.79)
Cumulative effect of change in accounting principle	—	—	—	1.05	—
Net loss per share	$ (0.81)	$ (0.95)	$ (2.26)	$ (40.84)	$ (57.79)
Weighted average shares outstanding, basic and diluted	18,928,379	18,927,988	10,811,119	293,142	291,612
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 11,167	$ 12,552	$ 13,248	$ 1,528	$ 1,080
Available-for-sale securities (short-tem)	10,135	15,460	22,477	—	3,481
Working capital (deficit)	16,291	26,789	32,849	(3,206)	1,828
Available-for-sale securities (long-tem)	5,080	3,601	13,850	—	—
Total assets	28,331	33,877	52,225	4,266	7,309
Long-term obligations, less current portion	—	—	—	9,310	4,684

Accrued dividends	—	—	—	8,882	7,473
Total stockholders’ equity (deficit)	18,957	31,563	47,631	(20,007)	(8,584)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with "Item 8. Financial Statements and Supplementary Data" included below in this annual report on Form 10-K.

Overview and Recent Developments

We are a biopharmaceutical company engaged in the discovery and development of therapeutic product candidates designed to extend and enhance the quality of human life. Through the application of our proprietary technologies, we have established a pipeline of therapeutic product development programs in multiple disease areas. Our current product development portfolio consists of MultiStem, a patented and proprietary stem cell product that we are developing as a treatment for multiple disease indications, and that is currently being evaluated in two ongoing clinical trials. In addition, we are developing novel pharmaceuticals to treat indications such as obesity, certain cognitive and attention disorders, as well as narcolepsy, other forms of excessive daytime sleepiness and chronic fatigue associated with certain disease indications.

Current Programs

In 2008, we advanced two MultiStem programs into clinical development, initiating phase I studies in cardiovascular disease (treating patients that have suffered an acute myocardial infarction) and in oncology treatment support (administering MultiStem to leukemia or lymphoma patients who are receiving a traditional bone marrow or HSC transplant to reduce the risk or severity of GVHD). We are conducting the acute myocardial infarction clinical trial with our partner Angiotech, and we completed phase I enrollment in the first quarter of 2010. In May 2006, we entered into a product co-development collaboration with Angiotech to jointly develop and ultimately market MultiStem for the treatment of damage caused by myocardial infarction and peripheral vascular disease.

In December 2009, we entered into a collaboration agreement with Pfizer to develop and commercialize MutiStem for the treatment of IBD for the worldwide market. We are currently planning and preparing for a phase I clinical study in the IBD area and plan to initiate the study as soon as possible after regulatory approval.

We are also independently developing novel orally active pharmaceutical products for the treatment of obesity and certain central nervous system disorders, including disorders such as narcolepsy, excessive daytime sleepiness, and chronic fatigue, as well as other potential indications such as attention deficit hyperactivity disorder and other cognitive disorders such as schizophrenia.

Financial

In June 2007, we completed a merger with BTHC VI, Inc. and its wholly-owned subsidiary that was formed for the purpose of completing the merger. BTHC VI was a public shell corporation with substantially no assets, liabilities or operations. We continued as the surviving entity in the merger and our business became the sole operations of BTHC VI after the merger. BTHC VI's acquisition of us effected a change in control and was accounted for as a reverse acquisition whereby we were the acquirer for financial statement purposes. Accordingly, our financial statements present our historical results and do not include the historical financial results of BTHC VI prior to the merger. At the time the merger was effective, each share of common stock of Athersys was exchanged into 0.0358493 shares of BTHC VI common stock, par value $0.001 per share.

In connection with the merger in June 2007, Athersys completed a restructuring of its capital stock, which included the conversion of the preferred stock into shares of its common stock, the termination of certain warrants, and the elimination of accrued dividends. As a result, immediately prior to the consummation of the merger with BTHC VI, all convertible preferred stock (including termination of warrants and elimination of accrued dividends) was converted into 53,341,747 shares of common stock and then exchanged for 1,912,356 shares of BTHC VI common stock using the merger exchange ratio of 0.0358493. The change to the conversion ratios of the convertible preferred stock was deemed to be an induced conversion, which resulted in a $4.8 million deemed dividend and an increase to the net loss attributable to common stockholders in June 2007.

Immediately after the merger, we completed an offering of 13,000,000 shares of common stock for aggregate net proceeds of $58.5 million in June 2007, which included the issuance of warrants to purchase 3,250,000 shares of common stock to the investors. We also issued warrants to purchase 500,000 shares of common stock to the lead investor and warrants to purchase 1,093,525 shares of common stock to the placement agents.

Upon the closing of the June 2007 offering, bridge investors from 2006 also received five-year warrants to purchase 132,945 shares of common stock at $6.00 per share, which terms were consistent with the warrants issued to new investors in the offering.

In 2007, Athersys terminated the majority of stock option awards and granted options for 3,625,000 shares of common stock under our equity incentive plans to its officers, employees, directors and consultants with an exercise price of $5.00 per share, resulting in stock compensation expense of $5.1 million in 2007.

We have incurred losses since inception of operations in December 1995 and had an accumulated deficit of $194 million at December 31, 2009. Our losses have resulted principally from costs incurred in research and development, clinical and preclinical product development, acquisition and licensing costs, and general and administrative costs associated with our operations. We have used the financing proceeds from private equity and debt offerings and other sources of capital to develop our technologies, to discover and develop therapeutic product candidates and to acquire certain technologies and assets. We have also built drug development capabilities that have enabled us to advance product candidates into clinical trials. We have established strategic collaborations that have provided revenues and capabilities to help further advance our product candidates, and we have also built a substantial portfolio of intellectual property.

Results of Operations

Since our inception, our revenues have consisted of license fees and milestone payments from our collaborators and grant proceeds primarily from federal and state grants. We have derived no revenue on the sale of FDA-approved products to date. Research and development expenses consist primarily of costs associated with external clinical and preclinical study fees, manufacturing costs, salaries and related personnel costs, legal expenses resulting from intellectual property application processes, and laboratory supply and reagent costs. We expense research and development costs as they are incurred. We expect to continue to make significant investments in research and development to enhance our technologies, advance clinical trials of our product candidates, expand our regulatory affairs and product development capabilities, conduct preclinical studies of our products and manufacture our products. General and administrative expenses consist primarily of salaries and related personnel costs, professional fees and other corporate expenses. To date, we have financed our operations through private equity and debt financing and investments by strategic collaborators. We expect to continue to incur substantial losses through at least the next several years.

The following table sets forth our revenues and expenses for the periods indicated. The following tables are stated in thousands.

Revenues

	Year ended December 31,		
	2009	**2008**	**2007**
Contract revenue	$ 1,079	$ 1,880	$ 1,433
Grant revenue	1,080	1,225	1,827
	$ 2,159	$ 3,105	$ 3,260

Research and development expenses

Type of expense	Year ended December 31, 2009	2008	2007
Personnel costs	$ 3,607	$ 2,924	$ 2,813
Research supplies	907	849	679
Facilities	826	817	762
Clinical and preclinical development costs	1,904	7,878	5,723
Sponsored research	878	393	465
Patent legal fees	1,351	1,481	1,086
Other	1,151	1,431	1,821
Stock-based compensation	1,296	727	2,468
	$ 11,920	$ 16,500	$ 15,817

General and administrative expenses

Type of expense	Year ended December 31, 2009	2008	2007
Personnel costs	$ 1,975	$ 1,726	$ 1,987
Facilities	299	342	330
Legal and professional fees	916	1,032	1,165
Other	919	1,250	1,822
Stock-based compensation	1,512	1,129	2,671
	$ 5,621	$ 5,479	$ 7,975

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues. Revenues decreased to $2.2 million for the year ended December 31, 2009 from $3.1 million for 2008. Contract revenues for the year ended December 31, 2009 included $171,000 of revenues from Pfizer in connection with our collaboration agreement entered into in December 2009. We expect our contract revenues related to the Pfizer collaboration in the next few years to include amortization of the $6.0 million license fee over the estimated performance period, research and development funding, as well as payments for manufacturing and potential milestone achievement. Also included in contract revenues are license fees and milestone payments from our collaboration with Bristol-Myers Squibb, which decreased in 2009 as a result of a decline in activity and as a result of a clinical development milestone achieved in September 2008. We intend to continue to prepare and deliver validated drug targets as needed by Bristol-Myers Squibb for use in its drug discovery efforts, and will remain entitled to receive license fees, milestone payments and royalties on compounds developed by Bristol-Myers Squibb using our technology. Beyond 2009, however, we anticipate that Bristol-Myers Squibb's demand for new targets will be substantially reduced or cease altogether. Grant revenue decreased $145,000 primarily due to the completion of a state grant in 2008 and due to the timing of expenditures that are reimbursed with grant proceeds. Additionally, our grant revenues could fluctuate during any year based on the timing of grant-related activities and the award of new grants.

Research and Development Expenses. Research and development expenses decreased to $11.9 million in 2009 from $16.5 million in 2008. The decrease of $4.6 million related primarily to a decrease in clinical and preclinical development costs of $6.0 million, a decrease in other research and development expenses of $280,000 and a decrease in patent legal fee expense of $130,000 in 2009 compared to 2008. These decreases were partially offset by an increase in personnel costs of $683,000, an increase in stock compensation expense of $569,000, an increase in sponsored research of $485,000, and an increase in research supplies and facilities expenses of $67,000 in 2009 compared to 2008. Of the $6.0 million decrease in clinical and preclinical development costs, $5.3 million related to costs associated with the completion of an ATHX-105 phase I clinical trial in the first half of 2008 and preparations for a phase II clinical trial of ATHX-105 in 2008, which included several preclinical studies and manufacturing costs. ATHX-105 development was suspended early in 2009 and there will be no future costs incurred for this product candidate. The remaining $700,000 decrease in clinical and preclinical development costs related primarily to a $235,000 credit from a renegotiated contract with a contract research organization in June 2009, reduced manufacturing costs associated with our MultiStem clinical trials, and reduced external costs for regulatory consulting and preclinical studies. Our clinical costs in 2009 and 2008 are reflected net of Angiotech's cost-sharing reimbursements related to our MultiStem acute myocardial infarction collaboration in the amount of $847,000 and $943,000, respectively. Patent legal fee expense for 2009 decreased compared to 2008, but continued to be significant as a result of further development and maintaining our portfolio of patent applications. The increase in personnel costs related to the addition of personnel in support of our clinical programs and regulatory affairs, a 2009 company-wide performance bonus, salary increases and increased benefit costs. The increase in stock compensation expense related to a change in our estimated forfeiture rate, increased expense related to options held by certain consultants that are computed using variable accounting, and the issuance of stock option awards in 2009. Sponsored research costs increased primarily due to grant-funded programs that require collaboration with certain academic research institutions. We expect our research and development expenses to increase in 2010, primarily due to increased MultiStem clinical trial expenses and support of our Pfizer and Angiotech collaborations. Other than external expenses for our clinical and preclinical programs, we do not track our research expenses by project; rather, we track such expenses by the type of cost incurred.

General and Administrative Expenses. General and administrative expenses increased to $5.6 million in 2009 from $5.5 million in 2008. The $100,000 increase was due primarily to an increase in stock compensation expense of $383,000 and an increase in personnel costs of $249,000, partially offset by a decrease in other expenses of $331,000, a decrease in legal and professional fees of $116,000 and a decrease in facilities expense of $43,000 in 2009 compared to 2008. The increase in stock compensation expense related to a change in our estimated forfeiture rate and the issuance of stock option awards in 2009. The increase in personnel costs related to a 2009 company-wide performance bonus, salary increases and increased benefit costs. The decrease in other expenses for 2009 was primarily a result of reduced temporary help and outsourced accounting services in 2009. The decrease in legal and professional fees in 2009 was primarily a result of reduced legal fees incurred in connection with SEC filings and transactional work. We expect our general and administrative expenses to continue at similar levels in 2010.

Depreciation. Depreciation expense increased to $233,000 in 2009 from $218,000 in 2008. The increase in depreciation expense was due to depreciation on capital purchases made in 2009.

Other Expense. Included in other expense for 2009 is an impairment loss of $115,000 related to an investment in a privately-held company.

Interest Income. Interest income decreased to $375,000 in 2009 from $1.1 million in 2008. The change in interest income was due to the decline in cash and investment balances during the period. While we received $6.0 million in fees from Pfizer in 2009, this payment had limited impact on interest income given its receipt in late December. Due to declining interest rates and lower cash balances as a result of our ongoing and planned clinical and preclinical development, we expect our 2010 interest income to be less than 2009 absent any new financings or business transactions.

Interest Expense. Interest expense decreased to $0 in 2009 from $94,000 in 2008 due to the repayment of our senior loan in June 2008. We do not expect any significant interest expense in 2010.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues. Revenues decreased to $3.1 million for the year ended December 31, 2008 from $3.3 million for 2007. Grant revenue decreased $0.6 million primarily due to the completion of a 2006 state grant in October 2008 as well as the timing of expenditures that are reimbursed with grant proceeds. License fee revenues increased $0.4 million as a result of the nature and timing of target acceptances under our collaboration agreement with Bristol-Myers Squibb and the achievement of a clinical development milestone in September 2008.

Research and Development Expenses. Research and development expenses increased to $16.5 million in 2008 from $15.8 million in 2007. The increase of approximately $0.7 million related primarily to an increase in clinical and preclinical development costs of $2.2 million, an increase in patent legal fees of $395,000, an increase in research supplies expenses of $170,000 and an increase in personnel costs of $111,000 in 2008 compared to 2007. These increases were partially offset by a decrease in stock compensation expense of $1.7 million, a decrease in other expenses of $390,000 and a decrease in sponsored research of $72,000 in 2008 compared to 2007. The $2.2 million increase in preclinical and clinical costs was a result of the completion of the ATHX-105 phase I clinical trial, preparations for the ATHX-105 phase II clinical trial, completion of two additional phase I trials in the United Kingdom, performance of ATHX-105 non-clinical studies, and increases in MultiStem preclinical and clinical costs and manufacturing expenses. Our clinical costs in 2008 and 2007 are reflected net of Angiotech's cost-sharing reimbursements related to our MultiStem acute myocardial infarction collaboration in the amount of $943,000 and $63,000, respectively. The increase in patent legal fees for 2008 was a result of maintaining our growing and maturing portfolio of patent applications, including prosecution costs for several cases that entered the national phase in 2008. Personnel costs increased due to the addition of personnel in support of our clinical programs, annual salary increases and increased benefit costs, which was partially offset by the absence of bonus payments in 2008. The decrease in other expenses was primarily a result of a milestone payment in 2007 in the amount of $1.0 million associated with a stem cell collaboration milestone and a stem cell IND milestone and was paid to the former owners of the technology. This decrease was partially offset by an increase in outsourced research and development expenses. Other than external expenses for our clinical and preclinical programs, we do not track our research expenses by project; rather, we track such expenses by the type of cost incurred.

General and Administrative Expenses. General and administrative expenses decreased to $5.5 million in 2008 from $8.0 million in 2007. The $2.5 million decrease was due primarily to a decrease in stock compensation expense of $1.5 million, decrease in other expenses of $572,000, decrease in personnel costs of $261,000, and a decrease in legal and professional fees of $133,000. The decrease in other expenses for 2008 was primarily as result of a one-time advisory fee of $350,000 in 2007 related to the merger. Personnel costs decreased due to the absence of bonus payments in 2008, which was partially offset by the addition of administrative support personnel, annual salary increases and increased benefit costs. The decrease in legal and professional fees in 2008 was primarily a result of reduced legal fees incurred in connection with SEC filings and transactional work.

Depreciation. Depreciation expense decreased to $218,000 in 2008 from $283,000 in 2007. The decrease in depreciation expense was due to more laboratory equipment, computer equipment, furniture and leasehold improvements becoming fully depreciated.

Other Income. In May 2007, Athersys sold certain non-core technology related to its asthma discovery program to Wyeth Pharmaceuticals for $2.0 million.

Interest Income. Interest income decreased to $1.1 million in 2008 from $1.6 million in 2007. The change in interest income was due to the receipt and investment of the proceeds from the equity offering in June 2007, the proceeds of which had declined as they were used to fund operations.

Interest Expense. Interest expense on Athersys' debt outstanding under its senior loan and its subordinated convertible promissory notes decreased to $94,000 in 2008 from $1.3 million in 2007. The decrease in interest expense was due to the repayment of the senior loan in June 2008, conversion in June 2007 of $2.5 million in aggregate principal amount of subordinated convertible promissory notes issued to bridge investors, and conversion in June 2007 of $10 million in aggregate principal amount of subordinated convertible promissory notes issued to Angiotech.

Accretion of Premium on Convertible Debt. The accretion of premium on convertible debt of $0.5 million in 2007 relates to the $2.5 million in aggregate principal amount of subordinated secured convertible promissory notes issued to bridge investors in 2006 that were converted into common stock upon the closing of the equity offering in June 2007. The notes, if not converted, were repayable with accrued interest at maturity, plus a repayment fee of 200% of the outstanding principal. Athersys computed a premium on the debt in the amount of $5.25 million due upon redemption, which was being accreted over the term of the notes using the effective interest method. The unamortized premium was reversed and recorded in additional paid-in-capital when the notes were converted in June 2007.

Liquidity and Capital Resources

Our sources of liquidity include our cash balances and available-for-sale securities. At December 31, 2009, we had $11.2 million in cash and cash equivalents and $15.2 million in available-for-sale securities. Athersys has primarily financed its operations through private equity and debt financings that have resulted in aggregate cumulative proceeds of approximately $200 million.

In December 2009, we entered into a collaboration agreement with Pfizer to develop and commercialize MutiStem for the treatment of IBD for the worldwide market. Under the terms of the agreement, we received an up-front cash payment of $6 million from Pfizer and will receive research funding and support during the initial phase of the collaboration. In addition, we are also eligible to receive milestone payments of up to $105 million upon the successful achievement of certain development, regulatory and commercial milestones, though there can be no assurance that we will achieve any milestones. We will be responsible for manufacturing and Pfizer will pay us for manufacturing product for clinical development and commercialization purposes. Pfizer will have responsibility for development, regulatory and commercialization and will pay us tiered royalties on worldwide commercial sales of MultiStem IBD products. Alternatively, in lieu of royalties and certain commercialization milestones, we may elect to co-develop with Pfizer and the parties will share development and commercialization expenses and profits/losses on an agreed basis beginning at phase III clinical development.

In connection with our MultiStem collaboration with Angiotech, upon the successful achievement of specified clinical development and commercialization milestones, we may also receive up to $3.75 million of additional equity investments and $63.75 million of aggregate cash payments, though there can be no assurance that we will achieve any milestones. Under the terms of the collaboration, the parties are jointly funding clinical development activity, whereby preclinical costs are borne solely by us, costs for phase I and phase II clinical trials are borne 50% by us and 50% by Angiotech, costs for the first phase III clinical trial will be borne 33% by us and 67% by Angiotech, and costs for any phase III clinical trials subsequent to the first phase III clinical trial will be borne 25% by us and 75% by Angiotech. We have lead responsibility for preclinical and early clinical development and manufacturing of the MultiStem product, and Angiotech will take the lead on later clinical trials and commercialization. Late in 2007, the parties began to share costs for phase I clinical development, which is reconciled quarterly. As of December 31, 2009, $229,000 was due from Angiotech representing its share of costs for the fourth quarter of 2009. Upon product commercialization, we will receive nearly half of the net profits from the sale of any jointly developed, approved products.

Our collaboration agreement with Bristol-Myers Squibb, which was initially established in 2001, is now in its final phase. In September 2008, Bristol-Myers Squibb successfully advanced into phase II clinical development a drug candidate discovered using a target provided by us, thereby triggering a clinical development milestone payment to us. We intend to continue to prepare and deliver validated drug targets as needed by Bristol-Myers Squibb for use in its drug discovery efforts. We will remain entitled to receive license fees for targets delivered to Bristol-Myers Squibb, as well as milestone payments and royalties on compounds developed by Bristol-Myers Squibb using our technology, though there can be no assurance that we will achieve any milestones or royalties. Beyond 2009, we anticipate that Bristol-Myers Squibb’s demand for new targets will be substantially reduced or cease altogether.

Our available-for-sale securities typically include United States government obligations, commercial paper and corporate debt securities. As of December 31, 2009, approximately 83% of our investments were in United States government obligations, including government-backed agencies. We have been investing conservatively due to the ongoing economic conditions and have prioritized liquidity and the preservation of principal in lieu of potentially higher returns. As a result, we have experienced no losses on the principal of our investments and have held our investments until maturity. Also, although these unfavorable market and economic conditions have resulted in a decrease to our market capitalization, there has been no impairment to the value of our assets. Our fixed assets are used for internal research and development and, therefore, are not impacted by these external factors.

We will require substantial additional funding in order to continue our research and product development programs, including preclinical testing and clinical trials of our product candidates. We expect to have available cash to fund our operations through 2011 based on our current business and operational plans and assuming no new financings or significant business transactions. Our funding requirements may change at any time due to technological advances or competition from other companies. Our future capital requirements will also depend on numerous other factors, including scientific progress in our research and development programs, additional personnel costs, progress in preclinical testing and clinical trials, the time and cost related to proposed regulatory approvals, if any, and the costs in filing and prosecuting patent applications and enforcing patent claims. We cannot assure you that adequate funding will be available to us or, if available, that it will be available on acceptable terms, particularly in light of the current credit crisis. Any shortfall in funding could result in our having to curtail our research and development efforts.

We expect to continue to incur substantial losses through at least the next several years and may incur losses in subsequent periods. The amount and timing of our future losses are highly uncertain. Our ability to achieve and thereafter sustain profitability will be dependent upon, among other things, successfully developing, commercializing and obtaining regulatory approval or clearances for our technologies and products resulting from these technologies.

Net cash used in operating activities was $4.6 million, $15.7 million and $12.1 million in 2009, 2008 and 2007, respectively, and represented the use of cash in funding clinical and preclinical product development activities. We expect that net cash used in operating activities will increase in 2010 in connection with increased research and development expenses of our MultiStem clinical trials and our Pfizer and Angiotech collaborations.

Net cash provided by investing activities was $3.2 million in 2009 and $16.8 million in 2008. Net cash used in investing activities was $36.4 million in 2007. The fluctuations from period to period are due to the timing of purchases and maturity dates of investments and the purchase of equipment. Purchases of equipment were $381,000, $532,000 and $161,000 in 2009, 2008 and 2007, respectively. We expect that our capital equipment expenditures will continue at similar levels in 2010 compared to 2009.

Financing activities neither used nor provided cash in 2009, used cash of $1.8 million in 2008, and provided cash of $60.2 million in 2007. These fluctuations relate primarily to proceeds from the equity offering in June 2007, the issuance of a convertible promissory note in 2007 to Angiotech, and repayments of our senior loan.

Investors in the equity offering in June 2007 received five-year warrants to purchase an aggregate of 3,250,000 shares of common stock with an exercise price of $6.00 per share. The lead investor in the June offering, Radius Venture Partners, invested $10.0 million and received additional five-year warrants to purchase an aggregate of 500,000 shares of common stock with a cash or cashless exercise price of $6.00 per share. The placement agents for the June offering received five-year warrants to purchase an aggregate of 1,093,525 shares of common stock with a cash or cashless exercise price of $6.00 per share. The exercise of such warrants could provide us with cash proceeds. No warrants have been exercised at December 31, 2009.

Our senior loan was repaid in full in June 2008. The senior lenders retain a right to receive a milestone payment of $2.25 million upon the occurrence of certain events as follows: (1) the entire amount upon (a) the merger with or into another entity where our stockholders do not hold at least a majority of the voting power of the surviving entity, (b) the sale of all or substantially all of our assets, or (c) our liquidation or dissolution; or (2) a portion of the amount from proceeds of equity financings not tied to specific research and development activities that are part of a research or development collaboration, in which case, the senior lenders will receive an amount equal to 10% of proceeds above $5.0 million in cumulative gross proceeds until the milestone amount is paid in full. The milestone payment is payable in cash, except that if the milestone event is (2) above, we may elect to pay 75% of the milestone in shares of common stock at the per-share offering price. No milestone events have occurred as of December 31, 2009. The senior lenders also received warrants to purchase 149,026 shares of common stock with an exercise price of $5.00 upon the closing of our equity offering in June 2007. The exercise of such warrants could provide us with cash proceeds. No warrants were exercised at December 31, 2009.

Our contractual payment obligations as of December 31, 2009 are as follows:

Contractual Obligations	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Operating leases for facilities and equipment lease	$ 470,000	$ 384,000	$ 86,000	$ —	$ —

We lease office and laboratory space under an operating lease and have options to renew the lease in annual increments through March 2013 at the initial rental rate. We executed options to renew through March 2011. Also, we lease office and laboratory space for our Belgian subsidiary. The lease expires December 2014 and the annual rent is subject to adjustments based on an inflationary index.

We filed a resale registration statement with the SEC for 18,508,251 shares of common stock, which includes all shares of common stock issued in the equity offering in June 2007 and shares of common stock issuable upon exercise of the warrants issued in the offering (as well as the 531,781 shares of common stock issued to the bridge investors and the 132,945 shares underlying their warrants). The resale registration statement was declared effective by the SEC on October 18, 2007. Under the registration rights agreement entered into in connection with the offering, subject to certain exceptions, if the resale registration statement ceases to remain effective, a 1% cash penalty will be assessed for each 30-day period until the registration statement becomes effective again, capped at 10% of the aggregate gross proceeds we received from the equity offering. Because the penalty is based on the number of unregistered shares of common stock held by investors in the offering, our maximum penalty exposure will decline over time as investors sell their shares of common stock that were included in the registration statement.

Athersys has never paid dividends on its capital stock, and all accrued cumulative dividends were eliminated in June 2007 in connection with the merger.

We have no off-balance sheet arrangements.

Critical Accounting Policies and Management Estimates

The SEC defines critical accounting policies as those that are, in management's view, important to the portrayal of our financial condition and results of operations and demanding of management's judgment. Our discussion and analysis of financial condition and results of operation are based on Athersys' consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates on experience and on various assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

A discussion of the material implications of uncertainties associated with the methods, assumptions and estimates underlying our critical accounting polices is as follows:

Revenue Recognition

Our license and collaboration agreements may contain multiple elements, including license and technology access fees, research and development funding, manufacturing revenue, cost-sharing, milestones and royalties. The deliverables under such an arrangement are evaluated under Accounting Standards Codification, or ASC, 605-25, *Multiple-Element Arrangements* , (which originated primarily from the guidance in EITF 00-21) to assess whether they have standalone value and objective and reliable evidence of fair value, and if so, are accounted for as a single unit. We then recognize revenue for each unit based on the culmination of the earnings process under ASC 605-S25 (issued as SAB Topic 13) and our estimated performance period for the single units of accounting based on the specific terms of each collaborative agreement. We subsequently adjust the estimated performance periods, if appropriate, on a prospective basis based upon available facts and circumstances. Future changes in estimates of the performance period may materially impact the timing of future revenue recognized. Amounts received prior to satisfying the revenue recognition criteria for contract revenues are recorded as deferred revenue in the accompanying balance sheets. Reimbursement amounts (other than those accounted for using collaboration accounting) paid to us are recorded on a gross basis in the statements of operations as contract revenues.

We entered into a collaboration agreement with Pfizer in December 2009 that contains multiple elements and deliverables. For a description of the collaboration agreement and the determination of contract revenues, see Note E to our consolidated financial statements included in this annual report on Form 10-K.

Also included in contract revenue are license fees received from Bristol-Myers Squibb, which are specifically set forth in the license and collaboration agreement as amounts due to us based on our completion of certain tasks (e.g., delivery and acceptance of a cell line) and development milestones (e.g., clinical trial phases), and as such, are not based on estimates that are susceptible to change. Such amounts are invoiced and recorded as revenue as tasks are completed and as milestones are achieved.

Similarly, grant revenue consists of funding under cost reimbursement programs primarily from federal and state sources for qualified research and development activities performed by us, and as such, are not based on estimates that are susceptible to change. Such amounts are invoiced (unless prepaid) and recorded as revenue as tasks are completed.

Collaborative Arrangements

Collaborative arrangements that involve cost or future profit sharing are reviewed to determine the nature of the arrangement and the nature of the collaborative parties' businesses. The arrangements are also reviewed to determine if one party has sole or primary responsibility for an activity, or whether the parties have shared responsibility for the activity. If responsibility for an activity is shared and there is no principal party, then the related costs of that activity are recognized by us on a net basis in the statement of operations (e.g., total cost, less reimbursement from collaborator). If we are deemed to be the principal party for an activity, then the costs and revenues associated with that activity are recognized on a gross basis in the statement of operations. The accounting may be susceptible to change if the nature of a collaborator's business changes. Currently, our only collaboration accounted for on a net basis is our cost-sharing collaboration with Angiotech.

Clinical Trial Costs

Clinical trial costs are accrued based on work performed by outside contractors who manage and perform the trials. We obtain initial estimates of total costs based on enrollment of subjects, project management estimates and other activities. Actual costs are typically charged to us and recognized as the tasks are completed by the contractor. Accrued clinical trial costs may be subject to revisions as clinical trials progress, and any revisions are recorded in the period in which the facts that give rise to the revisions become known. Since such actual costs are typically invoiced as incurred or based on contractual amounts for services rendered, the amounts are generally not susceptible to significant changes in estimates.

Investments in Available-for-Sale Securities

We determine the appropriate classification of investment securities at the time of purchase and re-evaluate such designation as of each balance sheet date. Our investments typically consist primarily of United States government obligations, commercial paper and corporate debt securities, which are classified as available-for-sale and are valued based on quoted prices in active markets for identical assets (Level 1). Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization or accretion is included in interest income. Realized gains and losses on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method. Interest earned on securities classified as available-for-sale is included in interest income. Since the elements related to accounting for these investments are reflected on monthly statements, the amounts are not based on estimates that are susceptible to change. None of our financial assets are in markets that are not active.

Stock-Based Compensation

We recognize stock-based compensation expense on the straight-line method and use a Black-Scholes option-pricing model to estimate the grant-date fair value of share-based awards. The expected term of options granted represent the period of time that option grants are expected to be outstanding. We use the "simplified" method to calculate the expected life of option grants given our limited history and determine volatility by using the historical stock volatility of other companies with similar characteristics. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates and if our expectations on forfeitures changes. If actual forfeitures vary from the estimate, we will recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest.

All of the aforementioned estimates and assumptions are evaluated on a quarterly basis and may change as facts and circumstances warrant. Changes in these assumptions can materially affect the estimate of the fair value of our share-based payments and the related amount recognized in our financial statements.

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board, or FASB, issued guidance (issued as EITF Issue No. 07-1) related to accounting for collaborative arrangements codified in ASC 808, *Collaborative Arrangements* . The effective date of the guidance was January 1, 2009 for calendar year companies with retrospective application required for all periods presented for collaborative arrangements existing as of the effective date. ASC 808 requires certain disclosures related to collaborative arrangements where parties are active participants and exposed to significant risks and rewards dependent on the commercial success of the activity. The adoption of the new guidance did not have a material impact on our financial statements because our accounting for our collaborative agreement with Angiotech was consistent with the standard's provisions.

In June 2008, the FASB issued clarifying guidance (issued as EITF Issue No. 07-5) related to determining whether an instrument is indexed to an entity's own stock, codified in ASC 815, *Derivative and Hedging* . The new guidance was effective for us on January 1, 2009. The adoption of the new guidance had no impact on our financial statements.

In April 2009, the FASB issued guidance (issued as Staff Position FAS 115-2 and FAS 124-2) related to the recognition and presentation of other-than-temporary impairments, codified in ASC 320, *Investments-Debt and Equity Securities* . The guidance requires, among other things, that other-than-temporary impairments be separated into the amount recognized in earnings and the amount recognized in other comprehensive income. The guidance was effective for us on June 30, 2009. The adoption of the new guidance had no impact on our financial statements.

In April 2009, the FASB issued additional guidance (issued as FSP 157-4) related to determining fair value when the volume and level of activity for the asset or liability has significantly decreased in relation to normal market activity and required additional disclosures about fair value measurements in annual and interim reporting periods, which was codified in ASC 820, *Fair Value Measurements and Disclosures* . The standard also provides guidance on circumstances that may indicate that a transaction is not orderly. This additional guidance within ASC 820 was effective for us on June 30, 2009. The adoption of the additional guidance had no impact on our financial statements.

In May 2009, the FASB issued additional guidance (issued as SFAS No. 165), codified in ASC 855, *Subsequent Events*, related to subsequent events and provides authoritative guidance regarding subsequent events as this guidance was previously only addressed in auditing literature. The additional guidance was effective for us on June 30, 2009 and its adoption had no impact on our financial statements.

In May 2008, the FASB issued guidance (issued as Staff Position APB 14-1) related to accounting for convertible debt that may be settled in cash upon conversion, codified in ASC 470-20, *Debt with Conversion and Other Options* . The new guidance requires the issuer of certain convertible debt instruments that may be settled in cash on conversion to separately account for the liability and equity components in a manner that reflects the issuer's nonconvertible debt borrowing rate. We have no current convertible debt instruments, and concluded that all of our prior instruments were not within the scope of the new guidance; therefore, there was no retrospective effect from the adoption of the new guidance on our financial statements.

In September 2009, ASC 605-25, *Multiple-Element Arrangements* , was updated (ASU No. 2009-13) related to revenue recognition for arrangements with multiple elements. The new guidance is effective for our annual report on Form 10-K for the year ended December 31, 2010, however, early adoption is permitted provided that the new guidance is retroactively applied to the beginning of the year of adoption. We have not yet evaluated the potential effect of the future adoption of this new guidance.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These forward-looking statements relate to, among other things, the expected timetable for development of our product candidates, our growth strategy, and our future financial performance, including our operations, economic performance, financial condition, prospects, and other future events. We have attempted to identify forward-looking statements by using such words as "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "should," "will," or other similar expressions. These forward-looking statements are only predictions and are largely based on our current expectations. These forward-looking statements appear in a number of places in this annual report.

In addition, a number of known and unknown risks, uncertainties, and other factors could affect the accuracy of these statements. Some of the more significant known risks that we face are the risks and uncertainties inherent in the process of discovering, developing, and commercializing products that are safe and effective for use as human therapeutics, including the uncertainty regarding market acceptance of our product candidates and our ability to generate revenues. The following risks and uncertainties may cause our actual results, levels of activity, performance, or achievements to differ materially from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements:

- the possibility of delays in, adverse results of and excessive costs of the development process;
- changes in external market factors;
- changes in our industry's overall performance;
- changes in our business strategy;
- our ability to protect our intellectual property portfolio;
- our possible inability to realize commercially valuable discoveries in our collaborations with pharmaceutical and other biotechnology companies;
- our ability to meet milestones under our collaboration agreements;
- our possible inability to execute our strategy due to changes in our industry or the economy generally;
- changes in productivity and reliability of suppliers;
- the success of our competitors and the emergence of new competitors; and
- the risks mentioned elsewhere in this annual report under Item 1A, "Risk Factors."

Although we currently believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, levels of activity or performance. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk is related to our investment portfolio and our borrowings. Fixed rate investments and borrowings may have their fair market value adversely impacted from changes in interest rates. Due in part to these factors, our future investment income may fall short of expectations. Further, we may suffer losses in investment principal if we are forced to sell securities that have declined in market value due to changes in interest rates. We invest our excess cash primarily in debt instruments of the United States government and its agencies, commercial paper and corporate debt securities. As of December 31, 2009, approximately 83% of our investments were in United States government obligations, including government-backed agencies. We have been investing conservatively due to the current economic conditions, including the current credit crisis, and have prioritized liquidity and the preservation of principal in lieu of potentially higher returns. As a result, we have experienced no losses on the principal of our investments.

We enter into loan arrangements with financial institutions when needed and when available to us. At December 31, 2009, we had no borrowings outstanding.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED FINANCIAL STATEMENTS

Athersys, Inc.
Years Ended December 31, 2009, 2008 and 2007

Athersys, Inc.

Consolidated Financial Statements

Years Ended December 31, 2009, 2008 and 2007

Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Athersys, Inc.

We have audited the accompanying consolidated balance sheets of Athersys, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Athersys, Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U. S. generally accepted accounting principles.

Cleveland, Ohio
March 11, 2010

/s/ ERNST & YOUNG LLP

Athersys, Inc.

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Amounts)

	December 31,	
	2009	**2008**
Assets		
Current assets:		
Cash and cash equivalents	**$ 11,167**	$ 12,552
Available-for-sale securities	**10,135**	15,460
Accounts receivable	**352**	260
Receivable from Angiotech	**229**	234
Investment interest receivable	**93**	189
Prepaid expenses and other	**173**	408
Total current assets	**22,149**	29,103
Available-for-sale securities	**5,080**	3,601
Deposits and other	**38**	156
Equipment, net	**849**	701
Equity investments	**215**	316
Total assets	**$ 28,331**	$ 33,877
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	**$ 1,128**	$ 1,498
Accrued compensation and related benefits	**667**	97
Accrued clinical trial costs	**83**	58
Accrued expenses	**857**	603
Deferred revenue	**3,123**	58
Total current liabilities	**5,858**	2,314
Deferred revenue	**3,516**	—
Stockholders' equity:		
Preferred stock, at stated value; 10,000,000 shares authorized, and no shares issued and outstanding at December 31, 2009 and December 31, 2008	**—**	—
Common stock, $0.001 par value; 100,000,000 shares authorized, 18,929,333 and 18,927,988 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	**19**	19
Additional paid-in capital	**212,704**	209,895
Accumulated other comprehensive income	**71**	120
Accumulated deficit	**(193,837)**	(178,471)
Total stockholders' equity	**18,957**	31,563
Total liabilities and stockholders' equity	**$ 28,331**	$ 33,877

See accompanying notes.

Athersys, Inc.

Consolidated Statements of Operations

(In Thousands, Except Share and Per Share Amounts)

	Year Ended December 31,		
	2009	**2008**	**2007**
Revenues			
Contract revenue	**$ 1,079**	$ 1,880	$ 1,433
Grant revenue	**1,080**	1,225	1,827
Total revenues	**2,159**	3,105	3,260
Costs and expenses			
Research and development (including stock compensation expense of $1,296, $727 and $2,468 in 2009, 2008 and 2007, respectively)	**11,920**	16,500	15,817
General and administrative (including stock compensation expense of $1,512, $1,129 and $2,671 in 2009, 2008 and 2007, respectively)	**5,621**	5,479	7,975
Depreciation	**233**	218	283
Total costs and expenses	**17,774**	22,197	24,075
Loss from operations	**(15,615)**	(19,092)	(20,815)
Other (expense) income, net	**(126)**	48	2,017
Interest income	**375**	1,146	1,591
Interest expense	**—**	(94)	(1,263)
Accretion of premium on convertible debt	**—**	—	(456)
Net loss	**$ (15,366)**	$ (17,992)	$ (18,926)
Preferred stock dividends	**—**	—	(659)
Deemed dividend resulting from induced conversion of convertible preferred stock	**—**	—	(4,800)
Net loss attributable to common stockholders	**$ (15,366)**	$ (17,992)	$ (24,385)
Basic and diluted net loss per common share attributable to common stockholders	**$ (0.81)**	$ (0.95)	$ (2.26)
Weighted average shares outstanding, basic and diluted	**18,928,379**	18,927,988	10,811,119

See accompanying notes.

Athersys, Inc.

Consolidated Statements of Stockholders' Equity (Deficit)

(In Thousands, Except Share Amounts)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Number of Shares	Stated Value	Number of Shares	Par Value					
Balance at January 1, 2007	364,524	$ 68,301	293,770	$ —	$ 53,495	$ (250)	$ —	$ (141,553)	$ (20,007)
Stock based compensation	—	—	—	—	5,139	—	—	—	5,139
Accrued dividends — Class C	—	—	—	—	(659)	—	—	—	(659)
Elimination of cumulative accrued dividends — Class C	—	—	—	—	9,541	—	—	—	9,541
Conversion of preferred stock to common stock	(364,524)	(68,301)	1,912,356	2	68,299	—	—	—	—
Issuance of common stock from warrant exercises	—	—	1,003,190	1	9	—	—	—	10
Retirement of treasury stock	—	—	—	—	(250)	250	—	—	—
Shares of common stock for merger with BTHC VI, Inc.	—	—	299,622	—		—	—	—	—
Issuance of common stock, net of expenses	—	—	13,001,379	13	58,479	—	—	—	58,492
Issuance of common stock warrants	—	—	—	—	492	—	—	—	492
Issuance of common stock for conversion of convertible notes	—	—	2,417,671	3	13,494	—	—	—	13,497
Comprehensive loss:									
Net loss	—	—	—	—	—	—	—	(18,926)	(18,926)
Unrealized gain on available-for- sale securities	—	—	—	—	—	—	52	—	52
Total comprehensive loss									(18,874)
Balance at December 31, 2007	**—**	—	18,927,988	19	208,039	—	52	(160,479)	47,631
Stock based compensation	—	—	—	—	1,856	—	—	—	1,856
Comprehensive loss:									
Net loss	—	—	—	—	—	—	—	(17,992)	(17,992)
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	68	—	68
Total comprehensive loss									(17,924)
Balance at December 31, 2008	**—**	**—**	**18,927,988**	**19**	**209,895**	**—**	**120**	**(178,471)**	**31,563**
Stock based compensation	—	—	—	—	**2,808**	—	—	—	**2,808**
Issuance of common stock	—	—	**1,345**	—	**1**	—	—	—	**1**
Comprehensive loss:									
Net loss	—	—	—	—	—	—	—	**(15,366)**	**(15,366)**
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	**(49)**	—	**(49)**
Total comprehensive loss									**(15,415)**
Balance at December 31, 2009	**—**	**—**	**18,929,333**	**19**	**212,704**	**—**	**71**	**(193,837)**	**18,957**

See accompanying notes.

Athersys, Inc.

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31,		
	2009	**2008**	**2007**
Operating activities			
Net loss	**$ (15,366)**	$ (17,992)	$ (18,926)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	**233**	218	283
Gain on sale of equipment	**(21)**	(24)	—
Accretion of premium on convertible debt	**—**	—	456
Provision on notes receivable	**—**	74	193
Earned milestone applied to note receivable	**—**	—	283
Stock-based compensation	**2,808**	1,856	5,139
Expense related to warrants issued to lenders	**—**	16	476
Amortization of premium (discount) on available- for-sale securities and other	**305**	12	(52)
Changes in operating assets and liabilities:			
Accounts receivable	**(92)**	618	111
Receivable from Angiotech	**5**	(171)	(63)
Prepaid expenses and other assets	**449**	178	(558)
Accounts payable and accrued expenses	**479**	(467)	505
Deferred revenue	**6,581**	(29)	87
Net cash used in operating activities	**(4,619)**	(15,711)	(12,066)
Investing activities			
Purchase of available-for-sale securities	**(11,692)**	(26,594)	(46,316)
Proceeds from maturities of available-for-sale securities	**15,300**	43,917	10,100
Investment in privately-held company	**(14)**	—	—
Proceeds from sale of equipment	**21**	24	—
Purchases of equipment	**(381)**	(532)	(161)
Net cash provided by (used in) investing activities	**3,234**	16,815	(36,377)
Financing activities			
Principal payments on debt	**—**	(1,800)	(3,332)
Proceeds from convertible promissory notes	**—**	—	5,000
Proceeds from issuance of common stock, net	**—**	—	58,495
Net cash (used in) provided by financing activities	**—**	(1,800)	60,163
(Decrease) increase in cash and cash equivalents	**(1,385)**	(696)	11,720
Cash and cash equivalents at beginning of year	**12,552**	13,248	1,528
Cash and cash equivalents at end of year	**$ 11,167**	$ 12,552	$ 13,248

See accompanying notes.

Athersys, Inc.

Notes to Consolidated Financial Statements

A. Background, Merger and Offering

We are a biopharmaceutical company engaged in the discovery and development of therapeutic products in one business segment. Operations consist primarily of research and product development activities.

On June 8, 2007, our subsidiary, which was then named Athersys, Inc. ("Old Athersys"), effected a merger into a wholly-owned subsidiary of a public company (the "Merger"). The public company, BTHC VI, Inc. ("BTHC VI"), was a shell corporation with no assets, liabilities or operations as of the date of the Merger. Upon completion of the Merger, the officers and directors of Old Athersys assumed control over the operations of BTHC VI, and Old Athersys' operations became the sole operations of BTHC VI on a consolidated basis. In August 2007, BTHC VI changed its name to Athersys, Inc. (the "Company" or "us").

Prior to the consummation of the Merger, Old Athersys completed a restructuring of its capital stock, which included the conversion of its preferred stock into shares of Old Athersys' common stock, termination of certain warrants and the elimination of accrued dividends. As a result, immediately prior to the consummation of the Merger, all convertible preferred stock (including termination of warrants and elimination of accrued dividends) was converted into 53,341,747 shares of common stock and then exchanged for 1,912,356 shares of BTHC VI common stock using the Merger exchange ratio of 0.0358493. The change to the conversion ratios of the convertible preferred stock was deemed to be an induced conversion, which resulted in a $4.8 million deemed dividend and an increase to the net loss attributable to common stockholders in June 2007.

BTHC VI's acquisition of Old Athersys effected a change in control and was accounted for as a reverse acquisition whereby Old Athersys is the accounting acquirer for financial statement purposes. Accordingly, our financial statements as presented reflect the historical results of Old Athersys and do not include the historical financial results of BTHC VI prior to the consummation of the Merger.

Immediately after the Merger, we completed an offering of 13,000,000 shares of common stock for net proceeds of $58.5 million (the "Offering"). The Offering included the issuance of warrants to purchase 3,250,000 shares of common stock to the investors with an exercise price of $6.00 and a five-year term. We also issued warrants to purchase 500,000 shares of common stock to the lead investor and warrants to purchase 1,093,525 shares of common stock to the placement agents, all with an exercise price of $6.00.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

A. Background, Merger and Offering, continued

Upon the closing of the Offering, bridge investors from 2006 also received five-year warrants to purchase 132,945 shares of common stock at $6.00 per share, which terms were consistent with the warrants issued to new investors in the Offering.

We filed a resale registration statement with the SEC for 18,508,251 shares of common stock, which includes all shares of common stock issued in the Offering and shares of common stock issuable upon exercise of the warrants issued in the Offering (as well as the 531,781 shares of common stock issued to the bridge investors and the 132,945 shares underlying their warrants). The resale registration statement was declared effective by the SEC on October 18, 2007. Under the purchase agreement for the Offering, subject to certain exceptions, if the resale registration statement ceases to remain effective, a 1% cash penalty will be assessed for each 30-day period until the registration statement becomes effective again, capped at 10% of the aggregate gross proceeds received in the Offering. Because the penalty is based on the number of unregistered shares of common stock held by investors in the Offering, our maximum penalty exposure will decline over time as investors sell their shares of common stock that were included in the registration statement.

In 2007, Old Athersys sold certain non-core technology related to its asthma drug discovery program to a pharmaceutical company for $2.0 million, which was recognized as a gain on the sale in other income in 2007.

B. Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and results of operations and those of our wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Investments in joint ventures are accounted for using the equity method when we do not control the investee, but have the ability to exercise significant influence over the investee’s operations and financial policies.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

Revenue Recognition

Our license and collaboration agreements may contain multiple elements, including license and technology access fees, research and development funding, manufacturing revenue, cost-sharing, milestones and royalties. The deliverables under such an arrangement are evaluated under Accounting Standards Codification ("ASC") 605-25, *Multiple-Element Arrangements* , (which originated primarily from the guidance in EITF 00-21) to assess whether they have standalone value and objective and reliable evidence of fair value, and if so, are accounted for as a single unit. We then recognize revenue for each unit based on the culmination of the earnings process under ASC 605-S25 (issued as SAB Topic 13) and our estimated performance period for the single units of accounting based on the specific terms of each collaborative agreement. We subsequently adjust the estimated performance periods, if appropriate, on a prospective basis based upon available facts and circumstances. Future changes in estimates of the performance period may materially impact the timing of future revenue recognized. Amounts received prior to satisfying the revenue recognition criteria for contract revenues are recorded as deferred revenue in the accompanying balance sheets. Reimbursement amounts (other than those accounted for using collaboration accounting) paid to us are recorded on a gross basis in the statements of operations as contract revenues.

We entered into a collaboration agreement with Pfizer, Inc. ("Pfizer") in December 2009 that contains multiple elements and deliverables. For a description of the collaboration agreement and the determination of contract revenues, see Note E.

Also included in contract revenue are license fees received from Bristol-Myers Squibb, which are specifically set forth in the license and collaboration agreement as amounts due to us based on our completion of certain tasks (e.g., delivery and acceptance of a cell line) and development milestones (e.g., clinical trial phases), and as such, are not based on estimates that are susceptible to change. Such amounts are invoiced and recorded as revenue as tasks are completed and as milestones are achieved.

Similarly, grant revenue consists of funding under cost reimbursement programs primarily from federal and state sources for qualified research and development activities performed by us, and as such, are not based on estimates that are susceptible to change. Such amounts are invoiced (unless prepaid) and recorded as revenue as tasks are completed.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are primarily invested in money market funds and commercial paper. The carrying amount of our cash equivalents approximates fair value due to the short maturity of the investments.

Research and Development

Research and development expenditures, which consist primarily of costs associated with external clinical and preclinical study fees, manufacturing costs, salaries and related personnel costs, legal expenses resulting from intellectual property application processes, and laboratory supply and reagent costs, including direct and allocated overhead expenses, are charged to expense as incurred.

Collaborative Arrangements

Collaborative arrangements that involve cost or future profit sharing are reviewed to determine the nature of the arrangement and the nature of the collaborative parties' businesses. The arrangements are also reviewed to determine if one party has sole or primary responsibility for an activity, or whether the parties have shared responsibility for the activity. If responsibility for an activity is shared and there is no principal party, then the related costs of that activity are recognized by us on a net basis in the statement of operations (e.g., total cost, less reimbursement from collaborator). If we are deemed to be the principal party for an activity, then the costs and revenues associated with that activity are recognized on a gross basis in the statement of operations. The accounting may be susceptible to change if the nature of a collaborator's business changes. Currently, our only collaboration accounted for on a net basis is our cost-sharing collaboration with Angiotech Pharmaceuticals, Inc. ("Angiotech").

Clinical Trial Costs

Clinical trial costs are accrued based on work performed by outside contractors, who manage and perform the trials. We obtain initial estimates of total costs based on enrollment of subjects, project management estimates and other activities. Actual costs are typically charged to us and recognized as the tasks are completed by the contractor. Accrued clinical trial costs may be subject to revisions as clinical trials progress, and any revisions are recorded in the period in which the facts that give rise to the revisions become known.

B. Accounting Policies, continued

Royalties

We may be required to make royalty payments to certain parties based on product sales under license agreements. We did not pay any royalties during the three-year period ended December 31, 2009.

Investments in Available-for-Sale Securities

We determine the appropriate classification of investment securities at the time of purchase and re-evaluate such designation as of each balance sheet date. Our investments typically consist of U.S. government obligations, commercial paper and corporate debt securities, which are classified as available-for-sale and are valued based on quoted prices in active markets for identical assets (Level 1). Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of applicable tax, reported as a component of accumulated other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization or accretion is included in interest income. Realized gains and losses on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method. Interest earned on securities classified as available-for-sale is included in interest income. None of our financial assets are in markets that are not active.

Long-Lived Assets

Equipment is stated at acquired cost less accumulated depreciation. Laboratory and office equipment are depreciated on the straight-line basis over the estimated useful lives (three to seven years).

Long-lived assets are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the asset or related group of assets may not be recoverable. If the expected future undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized at that time. Measurement of impairment may be based upon appraisal, market value of similar assets or discounted cash flows.

In connection primarily with a settlement that occurred in 2003 and a milestone that was achieved in 2006, we and an affiliate own preferred stock in a privately-held company with an aggregate value of approximately $300,000. We evaluated this cost-method investment and deemed the investment to be other-than-temporarily impaired at December 31, 2009, recognizing $115,000 of impairment loss in 2009. No impairment losses were recorded in 2008 or 2007.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

Patent Costs and Rights

Costs of prosecuting and maintaining patents and patent rights are expensed as incurred. As of December 31, 2009, we have filed for broad intellectual property protection on our proprietary technologies. We currently have numerous U.S. patent applications and corresponding international patent applications related to our technologies, as well as many issued U.S. and international patents.

Comprehensive Income (Loss)

Unrealized gains and losses on our available-for-sale securities are the only components of accumulated other comprehensive income (loss). Total comprehensive income or loss is disclosed in the consolidated statement of stockholders' equity (deficit).

Concentration of Credit Risk

Accounts receivable are subject to concentration of credit risk due to the absence of a large number of customers. At December 31, 2008, one customer accounted for 39% of accounts receivable. We do not require collateral from our customers.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

Stock-Based Compensation

We recognize stock-based compensation expense on the straight-line method and use a Black-Scholes option-pricing model to estimate the grant-date fair value of share-based awards. The expected term of options granted represent the period of time that option grants are expected to be outstanding. We use the "simplified" method to calculate the expected life of option grants given our limited history and determine volatility by using the historical stock volatility of other companies with similar characteristics. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. If actual forfeitures vary from the estimate, we recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest.

All of the aforementioned estimates and assumptions are evaluated on a quarterly basis and may change as facts and circumstances warrant. Changes in these assumptions can materially affect the estimate of the fair value of our share-based payments and the related amount recognized in our financial statements

The following weighted-average input assumptions were used in determining the fair value:

	December 31,		
	2009	**2008**	**2007**
Volatility	**89.5%**	69.6%	73.4%
Risk-free interest rate	**2.4%**	3.0%	5.3%
Expected life of option	**5.01 years**	5.09 years	5.36 years
Expected dividend yield	**0.0%**	0.0%	0.0%

Income Taxes

Deferred tax liabilities and assets are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the tax rate and laws currently in effect. We evaluate our deferred income taxes to determine if a valuation allowance should be established against the deferred tax assets or if the valuation allowance should be reduced based on consideration of all available evidence, both positive and negative, using a "more likely than not' standard.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

We had no liability for uncertain income tax positions as of December 31, 2009 and 2008. Our policy is to recognize potential accrued interest and penalties related to the liability for uncertain tax benefits, if applicable, in income tax expense. Net operating loss and credit carryforwards since inception remain open to examination by taxing authorities, and will for a period post utilization.

Net Loss per Share

We compute basic and diluted net loss per share using the weighted-average number of common stock outstanding during the period. The change to the conversion ratios of the convertible preferred stock in June 2007 represented an induced conversion, which resulted in a deemed dividend in the amount of $4.8 million that was included in determining the net loss attributable to common stockholders in 2007.

We have outstanding options and warrants that have not been used in the calculation of diluted net loss per share because their effects would be anti-dilutive. Therefore, the numerator and the denominator used in computing both basic and diluted net loss per share are equal. The following instruments were excluded from the calculation of diluted net loss per share attributable to common stockholders because their effects were antidilutive:

- Outstanding stock options to purchase 4,001,149, 3,738,473 and 3,679,884 shares of common stock for the years ended December 31, 2009, 2008 and 2007, respectively;
- Warrants to purchase 5,125,496 shares of common stock for each the years ended December 31, 2009, 2008 and 2007;
- Shares of common stock issuable upon conversion of convertible preferred stock in the amount of 160,041 for the year ended December 31, 2007; and
- Shares of common stock issuable upon the conversion of convertible promissory notes in the amount of 112,098 for the year ended December 31, 2007.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board ("FASB") issued guidance (issued as EITF Issue No. 07-1) related to accounting for collaborative arrangements, codified in ASC 808, *Collaborative Arrangements* . The effective date of the guidance was January 1, 2009 for calendar year companies with retrospective application required for all periods presented for collaborative arrangements existing as of the effective date. ASC 808 requires certain disclosures related to collaborative arrangements where parties are active participants and exposed to significant risks and rewards dependent on the commercial success of the activity. The adoption of the new guidance did not have a material impact on our financial statements because our accounting for our collaborative agreement with Angiotech was consistent with the standard's provisions.

In June 2008, the FASB issued clarifying guidance (issued as EITF Issue No. 07-5) related to determining whether an instrument is indexed to an entity's own stock, codified in ASC 815, *Derivative and Hedging* . The new guidance was effective for us on January 1, 2009. The adoption of the new guidance had no impact on our financial statements.

In April 2009, the FASB issued guidance (issued as Staff Position FAS 115-2 and FAS 124-2) related to the recognition and presentation of other-than-temporary impairments, codified in ASC 320, *Investments-Debt and Equity Securities* . The guidance requires, among other things, that other-than-temporary impairments be separated into the amount recognized in earnings and the amount recognized in other comprehensive income. The guidance was effective for us on June 30, 2009. The adoption of the new guidance had no impact on our financial statements.

In April 2009, the FASB issued additional guidance (issued as FSP 157-4) related to determining fair value when the volume and level of activity for the asset or liability has significantly decreased in relation to normal market activity and required additional disclosures about fair value measurements in annual and interim reporting periods, which was codified in ASC 820, *Fair Value Measurements and Disclosures* . The standard also provides guidance on circumstances that may indicate that a transaction is not orderly. This additional guidance within ASC 820 was effective for us on June 30, 2009. The adoption of the additional guidance had no impact on our financial statements.

In May 2009, the FASB issued additional guidance (issued as SFAS No. 165), codified in ASC 855, *Subsequent Events*, related to subsequent events and provides authoritative guidance regarding subsequent events as this guidance was previously only addressed in auditing literature. The additional guidance was effective for us on June 30, 2009 and its adoption had no impact on our financial statements.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

B. Accounting Policies, continued

In May 2008, the FASB issued guidance (issued as Staff Position APB 14-1) related to accounting for convertible debt that may be settled in cash upon conversion, codified in ASC 470-20, *Debt with Conversion and Other Options* . The new guidance requires the issuer of certain convertible debt instruments that may be settled in cash on conversion to separately account for the liability and equity components in a manner that reflects the issuer's nonconvertible debt borrowing rate. We have no current convertible debt instruments, and concluded that all of our prior instruments were not within the scope of the new guidance; therefore, there was no retrospective effect from the adoption of the new guidance on our financial statements.

In September 2009, ASC 605-25, *Multiple-Element Arrangements* , was updated (ASU No. 2009-13) related to revenue recognition for arrangements with multiple elements. The new guidance is effective for our annual report on Form 10-K for the year ended December 31, 2010, however, early adoption is permitted provided that the new guidance is retroactively applied to the beginning of the year of adoption. We have not yet evaluated the potential effect of the future adoption of this new guidance.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentations.

C. Equipment

Equipment consists of (in thousands):	December 31, 2009	2008
Laboratory equipment	**$ 6,262**	$ 6,045
Office equipment and leasehold improvements	**3,639**	3,607
	9,901	9,652
Accumulated depreciation	**(9,052)**	(8,951)
	$ 849	$ 701

D. Financial Instruments

Investments in Available-for-Sale Securities

Our available-for-sale securities typically include U.S. government obligations, commercial paper and corporate debt securities. As of December 31, 2009, approximately 83% of our investments were in U.S. government obligations, which included government-backed agencies.

We classify the inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 Unobservable inputs for the asset or liability.

The following table provides a summary of the financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 (in thousands):

		Fair Value Measurements at December 31, 2009 Using		
Description	**Balance as of December 31, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-sale securities	$ 15,215	$ 15,215	$ —	$ —

Fair value is based upon quoted market prices in active markets. We had no Level 2 or Level 3 assets at December 31, 2009. We review and reassess the fair value hierarchy classifications on a quarterly basis. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification between hierarchy levels.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

D. Financial Instruments, continued

The following is a summary of available-for-sale securities (in thousands) at December 31, 2009 and 2008, respectively:

	Amortized Cost	Gross Unrealized Losses	Gross Unrealized Gains	Estimated Fair Value
December 31, 2009:				
U.S. government obligations, which included government-backed agencies	$ 12,613	$ (12)	$ 52	$ 12,653
Corporate debt securities	2,531	—	31	2,562
	$ 15,144	**$ (12)**	**$ 83**	**$ 15,215**
December 31, 2008:				
U.S. government obligations, which included government-backed agencies	$ 13,603	$ —	$ 125	$ 13,728
Corporate debt securities	5,338	(24)	19	5,333
	$ 18,941	$ (24)	$ 144	$ 19,061

We had no realized gains or losses on the sale of available-for-sale securities for any of the periods presented. Unrealized gains and losses on our available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity within accumulated other comprehensive income until realized. When available-for-sale securities are sold in the future, the cost of the securities will be specifically identified and used to determine any realized gain or loss. The net unrealized gain on available-for-sale securities was $71,000 and $120,000 as of December 31, 2009 and 2008, respectively.

The amortized cost of and estimated fair value of available-for-sale securities at December 31, 2009 by contractual maturity are shown below (in thousands). Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to repay the obligations without prepayment penalties. Although the investments are available-for-sale, it is our intention to hold the investments classified as long-term for more than a year from December 31, 2009.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

D. Financial Instruments, continued

	December 31, 2009	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 10,065	$ 10,135
Due after one year through two years	5,079	5,080
	$ 15,144	**$ 15,215**

Financing Arrangements

We lease office and laboratory space under an operating lease and have options to renew the lease in annual increments through March 2013 at the initial rental rate. We executed options to renew through March 2011. Also, we entered into a three-year lease agreement for office and laboratory space for our Belgian subsidiary through December 2010, which includes options to renew annually through December 2014. The annual rent is subject to adjustments based on an inflationary index, and the lease included an option to expand that was exercised in 2009.

Aggregate rent expense was approximately $337,000 in 2009, $314,000 in 2008, and $267,000 in 2007. The future annual minimum lease commitments at December 31, 2009 are approximately $359,000 for 2010 and $67,000 for 2011.

Our former lenders retain a right to receive a milestone payment of $2.25 million upon the occurrence of certain events as follows: (1) the entire amount upon (a) the merger with or into another entity where our stockholders do not hold at least a majority of the voting power of the surviving entity, (b) the sale of all or substantially all of our assets, or (c) our liquidation or dissolution; or (2) a portion of the amount from proceeds of equity financings not tied to specific research and development activities that are part of a research or development collaboration, in which case, the lenders will receive an amount equal to 10% of proceeds above $5.0 million in cumulative gross proceeds until the milestone amount is paid in full. The milestone payment is payable in cash, except that if the milestone event is (2) above, we may elect to pay 75% of the milestone in shares of common stock at the per-share offering price. No amounts have been recorded for the milestone in December 31, 2009, 2008 or 2007. We paid interest of $0, $76,000 and $456,000 during the years ended December 31, 2009, 2008 and 2007, respectively.

The former lenders also received warrants to purchase 149,026 shares of common stock with an exercise price of $5.00 per share and a seven-year term upon the closing of the Offering in June 2007 in accordance with the loan agreement. The value of the warrants was $492,000 based on the Black-Scholes valuation of the underlying security, of which $16,000 and $476,000 was recorded as interest expense in 2008 and 2007, respectively.

E. Collaborations

Pfizer

In December 2009, we entered into a collaboration with Pfizer to develop and commercialize MutiStem to treat inflammatory bowel disease ("IBD") for the worldwide market. Under the terms of the agreement, we received an up-front license and technology access payment of $6.0 million from Pfizer and will receive research funding and support during the initial phase of the collaboration, which began in December 2009 and is estimated to be completed in 2012. In addition, we are also eligible to receive milestone payments of up to $105 million upon the successful achievement of certain development, regulatory and commercial milestones, for which we evaluated the nature of the events triggering these contingent payments and concluded that these events constituted substantive milestones that will be recognized as revenue in the period in which the underlying triggering event occurs.

We will be responsible for manufacturing and Pfizer will pay us for manufacturing product for clinical development and commercialization purposes. Pfizer will have responsibility for development, regulatory and commercialization and will pay us tiered royalties on worldwide commercial sales of MultiStem IBD products. Alternatively, in lieu of royalties and certain commercialization milestones, we may elect to co-develop with Pfizer and the parties will share development and commercialization expenses and profits/losses on an agreed basis beginning at phase III clinical development.

We evaluated the facts and circumstances of the agreement to determine whether the Pfizer agreement had obligations constituting deliverables and concluded that it had multiple deliverables, including deliverables relating to the grant of a license and access to our technology, performance of research and development services, and performance of certain manufacturing services, and concluded that these deliverables should be combined into a single unit of accounting. We will recognize the license and technology access fee and research and development funding ratably on a straight-line basis over the estimated performance period, which began in December 2009 and is estimated to be completed in 2012, and will recognize manufacturing revenue as the services are performed. Prepaid license and technology access fee and prepaid research and development funding is recorded as deferred revenue and is amortized on a straight-line basis over the research period.

Angiotech

In 2006, we entered into a co-development collaboration with Angiotech. We issued convertible promissory notes to Angiotech in the principal amounts of $5.0 million in 2006 at inception and $5.0 million in 2007 upon the achievement of a milestone. Upon the closing of the Offering, the convertible notes were converted along with accrued interest into common stock at a conversion price of 110% of the price per share in the Offering, in accordance with the terms of the notes.

E. Collaborations, continued

We may receive equity investments and cash payments based on the successful achievement of specified clinical development and commercialization milestones. Under the terms of the collaboration, we bear all preclinical costs and the parties jointly fund clinical development activity. We have primary responsibility for preclinical and early clinical development and clinical manufacturing, and Angiotech will take the lead on pivotal and later clinical trials and commercialization. The parties will share net profits from the future sale of approved products.

Under the terms of the collaboration, the parties jointly fund clinical development activity, whereby costs for phase I and II studies are borne 50% by us and 50% by Angiotech, costs for the first phase III study will be borne 33% by us and 67% by Angiotech, and costs for any phase III studies subsequent to the first phase III study will be borne 25% by us and 75% by Angiotech. The parties began to share costs for phase I clinical development in 2007.

We determined that neither party is a principal party for clinical development costs, since both the costs and responsibilities are shared and neither party is in the business of conducting clinical development services for others. Therefore, we record clinical development costs net of Angiotech's 50% cost-share, which amounted to $847,000, $943,000, and $63,000 in 2009, 2008, and 2007, respectively. The amount due from Angiotech was $229,000 and $234,000 at December 31, 2009 and 2008, respectively, and is disclosed separately on the balance sheet.

F. Capitalization

At December 31, 2009, we had 100.0 million shares of common stock and 10.0 million shares of undesignated preferred stock authorized. No shares of preferred stock have been issued as of December 31, 2009.

We may issue shares of common stock to our former lenders and to Angiotech in connection with future milestones (see Notes D and E). Also, we entered into a license and sponsored research agreement in 2007 with an academic institution whereby, in addition to annual research funding, the institution may receive 1,345 shares of common stock on each of five anniversary dates.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

F. Capitalization, continued

The following shares of common stock were reserved for future issuance (in thousands):

	December 31	
	2009	**2008**
Stock option plans	**4,500**	4,500
Warrants to purchase common stock — 2007 Offering	**4,976**	4,976
Warrants to purchase common stock — Lenders	**149**	149
	9,625	9,625

G. Stock Option Plans

In 2007, we adopted two incentive plans that authorized an aggregate of 4,500,000 shares of common stock for awards to employees, directors and consultants. These equity incentive plans authorize the issuance of equity-based compensation in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units, and other stock-based awards to qualified employees, directors and consultants.

In 2007, the majority of Old Athersys' pre-Merger outstanding options were terminated. We accounted for the termination of these awards as a settlement and all previously unrecognized compensation expense ($385,000) was recognized on the termination date in 2007. New option awards to purchase 3,625,000 shares of common stock with an exercise price of $5.00 per share were granted to employees, directors and consultants in June 2007 upon the closing of the Merger. The options that were granted to employees generally vested 40% on the date of grant and vest ratably over three years. The options granted to non-employees and board members generally vest at varying percentages over three years.

Prior to the Merger in 2007, Old Athersys maintained equity incentive plans in which 277,000 shares were available for issuance. Upon the closing of the Merger, BTHC VI assumed 5,052 of these options, which will be governed by Old Athersys' original equity plans until the awards expire. As of December 31, 2009, 2,149 of these assumed awards remain outstanding. All of the remaining outstanding option awards under Old Athersys' former equity incentive plans were terminated prior to the Merger.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

G. Stock Option Plans, continued

As of December 31, 2009, a total of 501,000 shares were available for issuance under our equity compensation plans and options to purchase 4,001,149 shares of common stock were outstanding (including the assumed options covering 2,149 shares described above). We recognized $2,808,000, $1,856,000 and $5,139,000 of stock compensation expense in 2009, 2008 and 2007, respectively, which included approximately $264,000 in 2009 related to a change in estimate of our forfeiture rate. At December 31, 2009, total unrecognized estimated compensation cost related to unvested stock options was approximately $1,600,000, which is expected to be recognized by March 31, 2013 using the straight-line method.

The weighted average fair value of option shares granted in 2009, 2008 and 2007 was $2.04, $2.00 and $2.82 per share, respectively. The total fair value of option shares vested in 2009, 2008 and 2007 was $2,257,000, $2,337,000 and $4,742,000, respectively. There is no aggregate intrinsic value of fully vested option shares and option shares expected to vest as of December 31, 2009 since the market value was less than the exercise price of the options at the end of the year.

A summary of our stock option activity and related information is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding January 1, 2007	116,083	$ 80.62
Granted	3,738,000	5.06
Exercised	—	—
Forfeited / Terminated / Expired	(174,199)	51.21
Outstanding December 31, 2007	3,679,884	5.24
Granted	218,000	3.36
Exercised	—	—
Forfeited / Expired	(159,411)	6.64
Outstanding December 31, 2008	3,738,473	5.07
Granted	**272,000**	**3.17**
Exercised	**—**	**—**
Forfeited / Expired	**(9,324)**	**8.26**
Outstanding December 31, 2009	**4,001,149**	**$ 4.94**
Vested during 2009	**854,459**	**$ 4.81**
Vested and exercisable at December 31, 2009	**3,265,792**	**$ 5.09**

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

G. Stock Option Plans, continued

	December 31, 2009					
	Options Outstanding			Options Vested and Exercisable		
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$1.35 – 2.96	267,000	5.68	$ 2.03	87,377	4.40	$ 2.46
$4.00 – 4.99	137,000	7.89	$ 4.32	67,042	7.84	$ 4.36
$5.00 – 7.80	3,595,000	6.63	$ 5.07	3,109,224	6.54	$ 5.05
$90.66 – 278.95	2,149	1.86	$ 184.76	2,149	1.86	$ 184.76
	4,001,149			**3,265,792**		

The weighted average contractual life of unvested options at December 31, 2009 was 7.07 years.

H. Income Taxes

At December 31, 2009, we had net operating loss and research and development tax credit carryforwards of approximately $29,093,000 and $2,070,000, respectively, for income tax purposes. Such losses and credits may be used to reduce future taxable income and tax liabilities and will expire in 2029.

As a result of the change in ownership related to the capital restructuring and the June 2007 Offering, we lost the use of a significant portion of our pre-Merger net operating loss carryforwards. The remaining pre-merger net operating loss carryforward of approximately $8,090,000 (“Pre-Merger NOL”) is limited for use under Section 382 of the Internal Revenue Code to an annual net operating loss carryforward of $464,000. The Pre-Merger NOL may be used to reduce future taxable income and tax liabilities and will expire at various dates between 2011 and 2026.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

H. Income Taxes, continued

Significant components of our deferred tax assets are as follows (in thousands):

	December 31,	
	2009	**2008**
Net operating loss carryforwards	**$ 9,892**	$ 7,755
Net operating loss carryforwards — Pre-Merger NOL	**2,751**	2,908
Research and development credit carryforwards	**2,070**	1,404
License fee	**2,011**	
Compensation expense	**2,432**	1,700
Other	**506**	468
Total deferred tax assets	**19,662**	14,235
Valuation allowance for deferred tax assets	**(19,662)**	(14,235)
Net deferred tax assets	**$ —**	$ —

Because of our cumulative losses, the deferred tax assets have been fully offset by a valuation allowance. We have not paid income taxes for the three-year period ended December 31, 2009.

I. Profit Sharing Plan and 401(k) Plan

We have a profit sharing and 401(k) plan that covers substantially all employees and allows for discretionary contributions by us. We made no contributions to this plan for the three-year period ended December 31, 2009.

Athersys, Inc.

Notes to Consolidated Financial Statements (continued)

J. Quarterly Financial Data (unaudited)

The following table presents quarterly data for the years ended December 31, 2009 and 2008, in thousands, except per share data:

	2009				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues	**$ 370**	**$ 436**	**$ 484**	**$ 869**	**$ 2,159**
Net loss	**$ (3,625)**	**$ (3,347)**	**$ (3,380)**	**$ (5,014)**	**$ (15,366)**
Net loss attributable to common stockholders	**$ (3,625)**	**$ (3,347)**	**$ (3,380)**	**$ (5,014)**	**$ (15,366)**
Basic and diluted net loss per common share attributable to common stockholders	**$ (0.19)**	**$ (0.18)**	**$ (0.18)**	**$ (0.26)**	**$ (0.81)**

	2008				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Revenues	$ 792	$ 776	$ 1,278	$ 259	$ 3,105
Net loss	$ (4,664)	$ (4,122)	$ (4,493)	$ (4,713)	$ (17,992)
Net loss attributable to common stockholders	$ (4,664)	$ (4,122)	$ (4,493)	$ (4,713)	$ (17,992)
Basic and diluted net loss per common share attributable to common stockholders	$ (0.25)	$ (0.22)	$ (0.24)	$ (0.25)	$ (0.95)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A(T). CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures: An evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report. Based on that evaluation, these officers have concluded that as of December 31, 2009, our disclosure controls and procedures are effective.

Management's report on internal control over financial reporting: Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control — Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2009.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the SEC that permit Athersys to provide only management's report in this annual report.

Changes in internal control: During the fourth quarter of 2009, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 8, 2010, we entered into a Waiver and Amendment No. 4 to the Amended and Restated Registration Rights Agreement, dated April 28, 2000, as amended with holders of our common stock who are party to the agreement. The amendment provides for the waiver by the holders of any piggyback registration rights granted under the agreement to the holders in connection with the filing of the registration statement on Form S-3 by Athersys on January 14, 2010, including the holders' right to receive written notice of the filing. The amendment further provides that all piggyback registration rights granted under the agreement expire on January 1, 2010.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding Athersys' directors, including the identification of the audit committee and the audit committee financial expert, is incorporated by reference to the information contained in Athersys' Proxy Statement with respect to the 2010 Annual Meeting of Stockholders, or the 2010 Proxy Statement under the headings "Election of Directors" and "The Board of Directors and its Committees". Information concerning executive officers is contained in Item 3A of Part I of this annual report on Form 10-K under the heading "Executive Officers of the Registrant."

The information regarding Section 16(a) beneficial ownership reporting compliance is incorporated by reference to the material under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2010 Proxy Statement.

Athersys has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. Athersys' code of ethics is posted under the Investors tab of its website at www.athersys.com. Athersys will post any amendments to, or waivers of, its code of ethics that apply to its principal executive officer, principal financial officer and principal accounting officer on its website.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive officer and director compensation is incorporated by reference to the information contained in the 2010 Proxy Statement under the heading "Executive Compensation".

The compensation committee report is incorporated by reference to the information contained in the 2010 Proxy Statement under the heading "Compensation Committee Report".

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information contained in the 2010 Proxy Statement under the heading "Beneficial Ownership of Common Stock".

Equity Compensation Plan Information . The following table sets forth certain information regarding the Company's equity compensation plans as of December 31, 2009, unless otherwise indicated.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders	2,637,256	$ 4.82	397,744
Equity compensation plan not approved by security holders (1)	1,363,893	$ 5.07	103,256
Total	**4,001,149**		**501,000**

(1) Includes 2,149 of shares of common stock issuable upon exercise of stock options that were assumed by BTHC VI in the merger.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information regarding certain relationships and related transactions and director independence is incorporated by reference to the information contained in the 2010 Proxy Statement under the heading "The Board of Directors and its Committees".

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding fees paid to and services provided by our independent registered public accounting firm during the fiscal years ended December 31, 2009 and 2008 and the pre-approval policies and procedures of the audit committee is incorporated by reference to the information contained in the 2010 Proxy Statement under the heading "Ratification of the Appointment of Independent Auditors".

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements:

The following consolidated financial statements of Athersys, Inc. are included in Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statements of Operations for each of the years ended December 31, 2009, 2008 and 2007

Consolidated Statements of Stockholders' Equity (Deficit) for each of the years ended December 31, 2009, 2008 and 2007

Consolidated Statements of Cash Flow for each of the years ended December 31, 2009, 2008 and 2007

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules:

All schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable and, therefore, omitted.

(a)(3) Exhibits.

Exhibit No.	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of May 24, 2007, by and among Athersys, Inc., BTHC VI, Inc. and B-VI Acquisition Corp. (incorporated herein by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on May 24, 2007)
2.2	First Amendment to Agreement and Plan of Merger, dated as of June 8, 2007, by and among Athersys, Inc., BTHC VI, Inc. and B-VI Acquisition Corp. (incorporated herein by reference to Exhibit 2.2 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
3.1	Certificate of Incorporation of Athersys, Inc., as amended as of August 31, 2007 (incorporated herein by reference to Exhibit 3.1 to the registrant's Registration Statement on Form S-3/A (Registration No. 333-144433) filed with the Commission on October 10, 2007)
3.2	Bylaws of Athersys, Inc., as amended as of October 30, 2007 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on October 31, 2007)
10.1*	Research Collaboration and License Agreement, dated as of December 8, 2000, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.2*	Cell Line Collaboration and License Agreement, dated as of July 1, 2002, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K/A (Commission No. 000-52108) filed with the Commission on September 27, 2007)
10.3*	Extended Collaboration and License Agreement, dated as of January 1, 2006, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K/A (Commission No. 000-52108) filed with the Commission on September 27, 2007)
10.4	License Agreement, effective as of May 5, 2006, by and between Athersys, Inc. and Angiotech Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.5	Sublicense Agreement, effective as of May 5, 2006, by and between Athersys, Inc. and Angiotech Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.6	Amended and Restated Registration Rights Agreement, dated as of April 28, 2000, by and among Athersys, Inc. and the stockholders of Athersys, Inc. parties thereto (incorporated herein by reference to Exhibit 10.6 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.7	Amendment No. 1 to Athersys, Inc. Amended and Restated Registration Rights Agreement, dated as of January 29, 2002, by and among Athersys, Inc., the New Stockholders, the Investors, Biotech and the Stockholders (each as defined in the Amended and Restated Registration Rights Agreement, dated as April 28, 2000, by and among Athersys, Inc. and the stockholders of Athersys, Inc. parties thereto) (incorporated herein by reference to Exhibit 10.7 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.8	Amendment No. 2 to Athersys, Inc. Amended and Restated Registration Rights Agreement, dated as of November 19, 2002, by and among Athersys, Inc., the New Stockholders, the Investors, Biotech and the Stockholders (each as defined in the Amended and Restated Registration Rights Agreement, dated as April 28, 2000, as amended, by and among Athersys, Inc. and the stockholders of Athersys, Inc. parties thereto) (incorporated herein by reference to Exhibit 10.8 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.9	Amendment No. 3 to Amended and Restated Registration Rights Agreement, dated as of May 15, 2007, by and among Athersys, Inc. and the Existing Stockholders (as defined therein) (incorporated herein by reference to Exhibit 10.9 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)

Exhibit No.	Exhibit Description
10.10†	BTHC VI, Inc. Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.10 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.11†	BTHC VI, Inc. Equity Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.11 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.12	Loan and Security Agreement, and Supplement, dated as of November 2, 2004, by and among Athersys, Inc., Advanced Biotherapeutics, Inc., Venture Lending & Leasing IV, Inc., and Costella Kirsch IV, L.P. (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (Commission No. 000-52108) filed with the Commission on November 14, 2007)
10.13	Second Amendment to Loan and Security Agreement, dated as of October 30, 2007, by and among ABT Holding Company, Advanced Biotherapeutics, Inc., Venture Lending and Leasing IV, Inc., and Costella Kirsch IV, L.P. (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q (Commission No. 000-52108) filed with the Commission on November 14, 2007)
10.14	Amendment to Loan and Security Agreement, dated as of September 29, 2006, by and among Athersys, Inc., Advanced Biotherapeutics, Inc., Venture Lending & Leasing IV, Inc., and Costella Kirsch IV, L.P. (incorporated herein by reference to Exhibit 10.13 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.15†	Amended and Restated Employment Agreement, dated as of December 1, 1998 but effective as of April 1, 1998, by and between Athersys, Inc. and Dr. Gil Van Bokkelen (incorporated herein by reference to Exhibit 10.14 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.16†	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Gil Van Bokkelen (incorporated herein by reference to Exhibit 10.15 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.17†	Non-Competition and Confidentiality Agreement, dated as of December 1, 1998, by and between Athersys, Inc. and Dr. Gil Van Bokkelen (incorporated herein by reference to Exhibit 10.16 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.18†	Amended and Restated Employment Agreement, dated as of December 1, 1998 but effective as of April 1, 1998, by and between Athersys, Inc. and Dr. John J. Harrington (incorporated herein by reference to Exhibit 10.17 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.19†	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and John Harrington (incorporated herein by reference to Exhibit 10.18 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.20†	Non-Competition and Confidentiality Agreement, dated as of December 1, 1998, by and between Athersys, Inc. and Dr. John J. Harrington (incorporated herein by reference to Exhibit 10.19 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.21†	Employment Agreement, dated as of May 22, 1998, by and between Athersys, Inc. and Laura K. Campbell (incorporated herein by reference to Exhibit 10.20 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.22†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Laura Campbell (incorporated herein by reference to Exhibit 10.21 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.23†	Employment Agreement, dated as of September 25, 2000, by and between Advanced Biotherapeutics, Inc. and Kurt Brunden (incorporated herein by reference to Exhibit 10.22 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)

Exhibit No.	Exhibit Description
10.24†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Kurt Brunden (incorporated herein by reference to Exhibit 10.23 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.25†	Non-Competition and Confidentiality Agreement, dated as of September 25, 2000, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and Kurt Brunden (incorporated herein by reference to Exhibit 10.24 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.26†	Employment Agreement, dated as of October 3, 2003, by and between Advanced Biotherapeutics, Inc. and Robert Deans, Ph.D. (incorporated herein by reference to Exhibit 10.25 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.27†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Robert Deans (incorporated herein by reference to Exhibit 10.26 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.28†	Non-Competition and Confidentiality Agreement, dated as of October 3, 2003, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and Robert Deans (incorporated herein by reference to Exhibit 10.27 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.29†	Employment Agreement, dated as of January 1, 2004, by and between Advanced Biotherapeutics, Inc. and William Lehmann (incorporated herein by reference to Exhibit 10.28 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.30†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and William Lehmann (incorporated herein by reference to Exhibit 10.29 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.31†	Non-Competition and Confidentiality Agreement, dated as of September 10, 2001, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and William Lehmann (incorporated herein by reference to Exhibit 10.30 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.32†	Form Incentive Agreement by and between Advanced Biotherapeutics, Inc. and named executive officers, and acknowledged by Athersys, Inc. and ReGenesys, LLC (incorporated herein by reference to Exhibit 10.31 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.33†	Form Amendment No. 1 to Incentive Agreement by and between Advanced Biotherapeutics, Inc. and named executive officers, and acknowledged by Athersys, Inc. and ReGenesys, LLC (incorporated herein by reference to Exhibit 10.32 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.34	Securities Purchase Agreement, dated as of June 8, 2007, by and among Athersys, BTHC VI, Inc. and Investors (as defined therein) (incorporated herein by reference to Exhibit 10.33 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.35*	Exclusive License Agreement, dated as of May 17, 2002, by and between Regents of the University of Minnesota and MCL LLC, assumed by ReGenesys, LLC through operation of merger on November 4, 2003 (incorporated herein by reference to Exhibit 10.34 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.36*	Strategic Alliance Agreement, by and between Athersys, Inc. and Angiotech Pharmaceuticals, Inc., dated as of May 5, 2006 (incorporated herein by reference to Exhibit 10.35 to the registrant's Current Report on Form 8-K/A (Commission No. 000-52108) filed with the Commission on October 9, 2007)

Exhibit No.	Exhibit Description
10.37	Amendment No. 1 to Cell Line Collaboration and License Agreement, dated as of January 1, 2006, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.36 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.38†	Consulting Agreement, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and Dr. Kurt Brunden, dated as of July 23, 2007 (incorporated herein by reference to Exhibit 10.13 to the registrant's Quarterly Report on Form 10-Q (Commission No. 000-52108) filed with the Commission on August 17, 2007)
10.39†	Form Indemnification Agreement for Directors, Officers and Directors and Officers (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on August 6, 2007)
10.40	Advisory Agreement, dated as of May 24, 2007, by and between Halter Financial Group, L.P. and Athersys, Inc. (incorporated herein by reference to Exhibit 10.40 to the registrant's Registration Statement on Form S-1/A (Registration No. 333-144433) filed with the Commission on September 12, 2007)
10.41†	Summary of Athersys, Inc. 2008 Cash Bonus Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (Commission No. 001-33876) filed with the Commission on May 8, 2008)
10.42*	Collaboration and License Agreement, dated as of December 18, 2009, by and between Athersys, Inc., ABT Holding Company, and Pfizer Inc.
10.43*	Stand-by License Agreement, dated as of December 18, 2009, by and between Regents of the University of Minnesota, ABT Holding Company and Pfizer Inc.
10.44	Amendment dated as of March 31, 2009 to the Extended Collaboration and License Agreement, by and between Athersys, Inc. and Bristol-Myers Squibb Company effective January 1, 2006 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K (Commission No. 001-33876) filed with the Commission on April 9, 2009)
10.45	Amendment No. 4 to Amended and Restated Registration Rights Agreement, dated as of March 8, 2010, by and among Athersys, Inc. and the Existing Stockholders (as defined therein)
21	List of Subsidiaries
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney
24.2	Power of Attorney for Michael B. Sheffery and Jordan S. Davis
31.1	Certification of Gil Van Bokkelen, Chairman and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Laura Campbell, Vice President of Finance, pursuant to SEC Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Gil Van Bokkelen, Chairman and Chief Executive Officer, and Laura Campbell, Vice President of Finance, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Confidential treatment requested as to certain portions, which portions have been filed separately with the Securities and Exchange Commission.

† Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the registrant may be participants.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Cleveland, State of Ohio, on March 11, 2010.

ATHERSYS, INC.

By: /s/ Gil Van Bokkelen
Gil Van Bokkelen
Title: Chief Executive Officer

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

Signature	Title	Date
/s/ Gil Van Bokkelen Gil Van Bokkelen	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 11, 2010
/s/ Laura K. Campbell Laura K. Campbell	Vice President, Finance (Principal Financial Officer and Principal Accounting Officer)	March 11, 2010
* John J. Harrington	Executive Vice President, Chief Scientific Officer and Director	March 11, 2010
* William C. Mulligan	Director	March 11, 2010
* George M. Milne, Jr.	Director	March 11, 2010
* Jordan S. Davis	Director	March 11, 2010
* Floyd D. Loop	Director	March 11, 2010
* Michael Sheffery	Director	March 11, 2010
* Lorin J. Randall	Director	March 11, 2010

* Gil Van Bokkelen, by signing his name hereto, does hereby sign this Form 10-K on behalf of each of the above named and designated directors of the Company pursuant to Powers of Attorney executed by such persons and filed with the Securities and Exchange Commission.

By: /s/ Gil Van Bokkelen
Gil Van Bokkelen
Attorney-in-fact

EXHIBIT INDEX

Exhibit No.	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of May 24, 2007, by and among Athersys, Inc., BTHC VI, Inc. and B-VI Acquisition Corp. (incorporated herein by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on May 24, 2007)
2.2	First Amendment to Agreement and Plan of Merger, dated as of June 8, 2007, by and among Athersys, Inc., BTHC VI, Inc. and B-VI Acquisition Corp. (incorporated herein by reference to Exhibit 2.2 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
3.1	Certificate of Incorporation of Athersys, Inc., as amended as of August 31, 2007 (incorporated herein by reference to Exhibit 3.1 to the registrant's Registration Statement on Form S-3/A (Registration No. 333-144433) filed with the Commission on October 10, 2007)
3.2	Bylaws of Athersys, Inc., as amended as of October 30, 2007 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on October 31, 2007)
10.1*	Research Collaboration and License Agreement, dated as of December 8, 2000, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.2*	Cell Line Collaboration and License Agreement, dated as of July 1, 2002, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K/A (Commission No. 000-52108) filed with the Commission on September 27, 2007)
10.3*	Extended Collaboration and License Agreement, dated as of January 1, 2006, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K/A (Commission No. 000-52108) filed with the Commission on September 27, 2007)
10.4	License Agreement, effective as of May 5, 2006, by and between Athersys, Inc. and Angiotech Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.5	Sublicense Agreement, effective as of May 5, 2006, by and between Athersys, Inc. and Angiotech Pharmaceuticals, Inc. (incorporated herein by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.6	Amended and Restated Registration Rights Agreement, dated as of April 28, 2000, by and among Athersys, Inc. and the stockholders of Athersys, Inc. parties thereto (incorporated herein by reference to Exhibit 10.6 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.7	Amendment No. 1 to Athersys, Inc. Amended and Restated Registration Rights Agreement, dated as of January 29, 2002, by and among Athersys, Inc., the New Stockholders, the Investors, Biotech and the Stockholders (each as defined in the Amended and Restated Registration Rights Agreement, dated as April 28, 2000, by and among Athersys, Inc. and the stockholders of Athersys, Inc. parties thereto) (incorporated herein by reference to Exhibit 10.7 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.8	Amendment No. 2 to Athersys, Inc. Amended and Restated Registration Rights Agreement, dated as of November 19, 2002, by and among Athersys, Inc., the New Stockholders, the Investors, Biotech and the Stockholders (each as defined in the Amended and Restated Registration Rights Agreement, dated as April 28, 2000, as amended, by and among Athersys, Inc. and the stockholders of Athersys, Inc. parties thereto) (incorporated herein by reference to Exhibit 10.8 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.9	Amendment No. 3 to Amended and Restated Registration Rights Agreement, dated as of May 15, 2007, by and among Athersys, Inc. and the Existing Stockholders (as defined therein) (incorporated herein by reference to Exhibit 10.9 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)

Exhibit No.	Exhibit Description
10.10†	BTHC VI, Inc. Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.10 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.11†	BTHC VI, Inc. Equity Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.11 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.12	Loan and Security Agreement, and Supplement, dated as of November 2, 2004, by and among Athersys, Inc., Advanced Biotherapeutics, Inc., Venture Lending & Leasing IV, Inc., and Costella Kirsch IV, L.P. (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (Commission No. 000-52108) filed with the Commission on November 14, 2007)
10.13	Second Amendment to Loan and Security Agreement, dated as of October 30, 2007, by and among ABT Holding Company, Advanced Biotherapeutics, Inc., Venture Lending and Leasing IV, Inc., and Costella Kirsch IV, L.P. (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q (Commission No. 000-52108) filed with the Commission on November 14, 2007)
10.14	Amendment to Loan and Security Agreement, dated as of September 29, 2006, by and among Athersys, Inc., Advanced Biotherapeutics, Inc., Venture Lending & Leasing IV, Inc., and Costella Kirsch IV, L.P. (incorporated herein by reference to Exhibit 10.13 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.15†	Amended and Restated Employment Agreement, dated as of December 1, 1998 but effective as of April 1, 1998, by and between Athersys, Inc. and Dr. Gil Van Bokkelen (incorporated herein by reference to Exhibit 10.14 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.16†	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Gil Van Bokkelen (incorporated herein by reference to Exhibit 10.15 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.17†	Non-Competition and Confidentiality Agreement, dated as of December 1, 1998, by and between Athersys, Inc. and Dr. Gil Van Bokkelen (incorporated herein by reference to Exhibit 10.16 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.18†	Amended and Restated Employment Agreement, dated as of December 1, 1998 but effective as of April 1, 1998, by and between Athersys, Inc. and Dr. John J. Harrington (incorporated herein by reference to Exhibit 10.17 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.19†	Amendment No. 1 to Amended and Restated Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and John Harrington (incorporated herein by reference to Exhibit 10.18 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.20†	Non-Competition and Confidentiality Agreement, dated as of December 1, 1998, by and between Athersys, Inc. and Dr. John J. Harrington (incorporated herein by reference to Exhibit 10.19 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.21†	Employment Agreement, dated as of May 22, 1998, by and between Athersys, Inc. and Laura K. Campbell (incorporated herein by reference to Exhibit 10.20 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.22†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Laura Campbell (incorporated herein by reference to Exhibit 10.21 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.23†	Employment Agreement, dated as of September 25, 2000, by and between Advanced Biotherapeutics, Inc. and Kurt Brunden (incorporated herein by reference to Exhibit 10.22 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)

Exhibit No.	Exhibit Description
10.24†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Kurt Brunden (incorporated herein by reference to Exhibit 10.23 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.25†	Non-Competition and Confidentiality Agreement, dated as of September 25, 2000, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and Kurt Brunden (incorporated herein by reference to Exhibit 10.24 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.26†	Employment Agreement, dated as of October 3, 2003, by and between Advanced Biotherapeutics, Inc. and Robert Deans, Ph.D. (incorporated herein by reference to Exhibit 10.25 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.27†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and Robert Deans (incorporated herein by reference to Exhibit 10.26 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.28†	Non-Competition and Confidentiality Agreement, dated as of October 3, 2003, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and Robert Deans (incorporated herein by reference to Exhibit 10.27 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.29†	Employment Agreement, dated as of January 1, 2004, by and between Advanced Biotherapeutics, Inc. and William Lehmann (incorporated herein by reference to Exhibit 10.28 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.30†	Amendment No. 1 to Employment Agreement, dated as of May 31, 2007, by and between Advanced Biotherapeutics, Inc. and William Lehmann (incorporated herein by reference to Exhibit 10.29 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.31†	Non-Competition and Confidentiality Agreement, dated as of September 10, 2001, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and William Lehmann (incorporated herein by reference to Exhibit 10.30 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.32†	Form Incentive Agreement by and between Advanced Biotherapeutics, Inc. and named executive officers, and acknowledged by Athersys, Inc. and ReGenesys, LLC (incorporated herein by reference to Exhibit 10.31 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.33†	Form Amendment No. 1 to Incentive Agreement by and between Advanced Biotherapeutics, Inc. and named executive officers, and acknowledged by Athersys, Inc. and ReGenesys, LLC (incorporated herein by reference to Exhibit 10.32 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.34	Securities Purchase Agreement, dated as of June 8, 2007, by and among Athersys, BTHC VI, Inc. and Investors (as defined therein) (incorporated herein by reference to Exhibit 10.33 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.35*	Exclusive License Agreement, dated as of May 17, 2002, by and between Regents of the University of Minnesota and MCL LLC, assumed by ReGenesys, LLC through operation of merger on November 4, 2003 (incorporated herein by reference to Exhibit 10.34 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)
10.36*	Strategic Alliance Agreement, by and between Athersys, Inc. and Angiotech Pharmaceuticals, Inc., dated as of May 5, 2006 (incorporated herein by reference to Exhibit 10.35 to the registrant's Current Report on Form 8-K/A (Commission No. 000-52108) filed with the Commission on October 9, 2007)
10.37	Amendment No. 1 to Cell Line Collaboration and License Agreement, dated as of January 1, 2006, by and between Athersys, Inc. and Bristol-Myers Squibb Company (incorporated herein by reference to Exhibit 10.36 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on June 14, 2007)

Exhibit No.	Exhibit Description
10.38†	Consulting Agreement, by and among Athersys, Inc., Advanced Biotherapeutics, Inc. and Dr. Kurt Brunden, dated as of July 23, 2007 (incorporated herein by reference to Exhibit 10.13 to the registrant's Quarterly Report on Form 10-Q (Commission No. 000-52108) filed with the Commission on August 17, 2007)
10.39†	Form Indemnification Agreement for Directors, Officers and Directors and Officers (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K (Commission No. 000-52108) filed with the Commission on August 6, 2007)
10.40	Advisory Agreement, dated as of May 24, 2007, by and between Halter Financial Group, L.P. and Athersys, Inc. (incorporated herein by reference to Exhibit 10.40 to the registrant's Registration Statement on Form S-1/A (Registration No. 333-144433) filed with the Commission on September 12, 2007)
10.41†	Summary of Athersys, Inc. 2008 Cash Bonus Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (Commission No. 001-33876) filed with the Commission on May 8, 2008)
10.42*	Collaboration and License Agreement, dated as of December 18, 2009, by and between Athersys, Inc., ABT Holding Company, and Pfizer Inc.
10.43*	Stand-by License Agreement, dated as of December 18, 2009, by and between Regents of the University of Minnesota, ABT Holding Company and Pfizer Inc.
10.44	Amendment dated as of March 31, 2009 to the Extended Collaboration and License Agreement, by and between Athersys, Inc. and Bristol-Myers Squibb Company effective January 1, 2006 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K (Commission No. 001-33876) filed with the Commission on April 9, 2009)
10.45	Amendment No. 4 to Amended and Restated Registration Rights Agreement, dated as of March 8, 2010, by and among Athersys, Inc. and the Existing Stockholders (as defined therein)
21	List of Subsidiaries
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney
24.2	Power of Attorney for Michael B. Sheffery and Jordan S. Davis
31.1	Certification of Gil Van Bokkelen, Chairman and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Laura Campbell, Vice President of Finance, pursuant to SEC Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Gil Van Bokkelen, Chairman and Chief Executive Officer, and Laura Campbell, Vice President of Finance, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Confidential treatment requested as to certain portions, which portions have been filed separately with the Securities and Exchange Commission.

† Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the registrant may be participants.

EXHIBIT 10.42

CONFIDENTIAL

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE REDACTED PORTIONS OF THIS EXHIBIT, AND SUCH CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

COLLABORATION AND LICENSE AGREEMENT

BETWEEN
ATHERSYS INC.,
ABT HOLDING COMPANY
AND
PFIZER INC.
DATED AS OF

December 18 2009

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COLLABORATION AND LICENSE AGREEMENT

Collaboration and License Agreement (this " Agreement ") dated as of December 18, 2009 between ATHERSYS, INC., an Ohio corporation with offices located at 3201 Carnegie Avenue, Cleveland, Ohio 44115 (" AI "), ABT HOLDING COMPANY, a Delaware corporation and having a offices located at 3201 Carnegie Avenue, Cleveland, Ohio 44115 (" ABT "), together referred to in this Agreement as (" ATHERSYS ") and PFIZER INC., a Delaware corporation with offices located at 235 East 42nd Street, New York, New York, 10017, U.S.A. (" PFIZER ").

WHEREAS, ATHERSYS owns or otherwise controls certain patents, patent applications, technology, know-how and scientific and technical information relating to MultiStem ® stem cell technology;

WHEREAS, PFIZER has extensive experience and expertise in the development and commercialization of therapeutic agents and biological products and documented success in regulatory proceedings, and desires to collaborate with ATHERSYS in respect of the development of MultiStem Products (as defined below) for the Field (as defined below) and to acquire a license in the Territory (as defined below) to such patents, patent applications, technology, know-how and scientific and technical information on the terms of this Agreement; and

WHEREAS, ATHERSYS is a biopharmaceutical group that specialises in the development of stem cell technology for therapeutic products, including MultiStem ® stem cell technology, to treat diseases and disorders and desires to collaborate with PFIZER in relation to the development of MultiStem Products and to grant licenses to PFIZER on the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements provided herein, ATHERSYS and PFIZER hereby agree as follows:

Section 1 DEFINITIONS

For purposes of this Agreement, the following definitions shall be applicable:

1.1 " Affiliate " means any entity directly or indirectly controlled by, controlling, or under common control with, a party to this Agreement, but only for so long as such control shall continue. For purposes of this definition, "control" (including, with correlative meanings, "controlled by", "controlling" and "under common control with") means (a) possession, direct or indirect, of the power to direct or cause direction of the management or policies of an entity (whether through ownership of securities or other ownership interests, by contract or otherwise), or (b) beneficial ownership of at least 50% of the voting securities or other ownership interest (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests of an entity.

1.2 " Athersys Combination Product " means a MultiStem Product containing or co-administered (where the individual products/forms are intended for simultaneous or sequential administration) with an Athersys Compound(s).

1.3 " Athersys Combination Product IPRs " means rights in (i) issued patents and pending provisional and non-provisional applications for patents, including, without limitation, any continuations, continuations-in-part or divisions directed to inventions disclosed therein; (ii) any re-examinations, reissues, renewals, substitutions or extensions of any patents; (iii) foreign counterparts or equivalents of any of the foregoing rights, (iv) inventions, discoveries, data, information, trade secrets, processes, methods, techniques, materials, technology, results or other know-how, whether or not patentable, (v) methods, devices or improvements for delivery or maintenance of a cell-based product and (vi) copyrights, software, source code and copyrightable works, in each case (i) through (vi) that are created, devised or arise out of the parties (or their Affiliates) undertaking and performing activities under the Research Program and where such rights are directed to an Athersys Combination Product.

1.4 " Athersys Compound " means small molecules, biological molecules and drug candidates and/or other pharmaceutical agent in respect of which ATHERSYS has exclusive rights (e.g. by ownership or license from a Third Party) under relevant patents or patent applications at the time such Athersys Compound is introduced into the Research Program.

1.5 " Athersys Confidential Information " means all information about any element of Athersys Technology, Athersys Compounds or Athersys Combination Products, as well as any other information regarding the business and operations of ATHERSYS or any of its Affiliates, that is or has been disclosed (whether orally or in writing) by ATHERSYS to PFIZER or its Affiliates to the extent that such information is not (i) as of the date of disclosure to PFIZER, known to PFIZER or its Affiliates; or (ii) disclosed in published literature, or otherwise generally known to the public through no breach by PFIZER of this Agreement; or (iii) obtained by Pfizer or its Affiliates from a Third Party free from any obligation of confidentiality to ATHERSYS; or (iv) independently developed by PFIZER or its Affiliates without use of the Athersys Confidential Information.

1.6 " Athersys Device " means a device intended to assist the delivery, administration or release of a bio-pharmaceutical product in respect of which ATHERSYS has exclusive rights (e.g. by ownership or license from a Third Party) under relevant patents or patent applications at the time such Athersys Device is introduced into the Research Program.

1.7 " Athersys Exclusive Patent Rights " shall have the meaning assigned to it in Section 11.1 .

1.8 " Athersys Patent Rights " means all patents and patent applications, whether domestic or foreign, including all continuations, continuations-in-part, divisions, provisionals and renewals, and letters of patent granted with respect to any of the foregoing, patents of addition, supplementary protection certificates, registration or confirmation patents and all reissues, re-examination and extensions thereof, that are owned, co-owned by or licensed- to ATHERSYS or its Affiliates, with the right to licence or sub-licence, as of the Effective Date or at any time during the Term and that relate to MultiStem Products, including the Athersys Patent Rights listed in Schedule 1.8 , and any patents that may issue from, or claim priority to or through, the applications listed in Schedule 1.8 .

1.9 " Athersys Technology " means all materials, technology, data, technical and scientific information, standard operating procedures, specifications, know-how (including all know-how related to manufacturing of MultiStem Products), expertise and trade secrets that relate to or are used in connection with any MultiStem Products, Athersys Combination Products , including any intellectual property rights embodying any of the foregoing (other than Athersys Combination Product IPR) which are owned, co-owned by or licensed to ATHERSYS or its Affiliates, with the right to licence or sub-licence, as of the Effective Date or at any time during the Term, but excluding Athersys Patent Rights.

1.10 " BLA " means Biologics License Application filed with the FDA in accordance with the FDCA with respect to a bio-pharmaceutical product or an analogous application or filing with any Regulatory Authority outside of the United States (including any supra-national agency such as the European Union) for the purpose of obtaining approval to market and sell a bio-pharmaceutical product in such jurisdiction.

1.11 " Business Day " means a day other than a Saturday, Sunday, or bank or other public holiday in New York, New York.

1.12 " Change of Control " means that any of the following occurs in respect of AI or ABT: (i) any entity becoming the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of AI or ABT; (ii) the sale or other disposition of all or substantially all of the assets of AI or ABT; or (iii) a consolidation or merger of AI or ABT with any entity, other than a merger or consolidation which would result in the voting securities of AI or ABT outstanding immediately prior thereto continuing to represent at least fifty percent (50%) of the total voting power represented by the voting securities of AI or ABT outstanding immediately after such merger or consolidation.

1.13 " Clinical Development Candidate " means (a) a MultiStem Product or Combination Product that meets the criteria and has the characteristics that are necessary and desirable for the submission of an IND for use of such MultiStem Product(s) or Combination Product(s) for treatment, prevention or control of a Pilot or Major Indication, as advanced and recommended by the JSC or the Development & Regulatory Committee; or (b) a MultiStem Product or Combination Product that is or has been the subject of an IND for use of such MultiStem Product or Combination Product(s) in the treatment, prevention or control of a Pilot or Major Indication.

1.14 " Clinical Development Plan " means, for each Clinical Development Candidate, a detailed plan that sets forth the responsibilities of, and the activities to be conducted by, each of the parties in advancing each such Clinical Development Candidate to Regulatory Approval for a Pilot or Major Indication (including a detailed budget corresponding to each such plan). Each Clinical Development Plan shall be approved by the parties and upon such approval shall be subject to this Agreement.

1.15 " Clinical Development Program " means the clinical development activities conducted by (or to be conducted by) each party pursuant to a Clinical Development Plan.

1.16 " Combination Product " means a Pfizer Combination Product and/or an Athersys Combination Product.

1.17 " Commence " or " Commencement " when used with respect to a clinical study, means the first dosing of the first patient for such study.

1.18 " Commercially Reasonable Efforts " means those efforts and resources consistent with the usual practice of PFIZER in pursuing the development or commercialization of its own pharmaceutical products that are of similar market potential as the Licensed Products, taking into account all relevant factors including product labelling or anticipated labelling, present and future market potential, past performance of Licensed Products and PFIZER's own pharmaceutical products that are of similar market potential, financial return, medical and clinical considerations, present and future regulatory environment and competitive market conditions, all as measured by the facts and circumstances at the time such efforts are due. Without limitation to the generality and principles stated above, the following shall be treated as evidence that PFIZER has satisfied its obligations to use Commercially Reasonable Efforts: (i) receipt by ATHERSYS of applicable Event Milestone Payments, (ii) progressing development and commercialisation of Licensed Products in accordance with Research Plans, Clinical Development Plans (including regulatory plans) and plans for Launch; (iii) cooperation in relation to, funding or maintenance of Athersys Patent Rights pursuant to Section 11 , and (iv) maintaining meaningful dialogue with Regulatory Authorities to progress any clinical or regulatory issues which have delayed or may delay Clinical Development Plans and/or Launch.

1.19 " Committee " means each of the JSC, Research Committee, Development & Regulatory Committee and/or Manufacturing Committee.

1.20 " Compound " means a Pfizer Compound and/or an Athersys Compound.

1.21 " Development & Regulatory Committee " shall have the meaning assigned to it in Section 5.2(b) .

1.22 " Device " means an Athersys Device and/or a Pfizer Device.

1.23 " Effective Date " means December 18, 2009.

1.24 " Event Milestone Payments " means the amounts set forth in Section 9.1(a) opposite the respective Event Milestones.

1.25 " Extension " shall have the meaning assigned to it in Section 2.2 .

1.26 " FDA " means the United States Food and Drug Administration or any successor agency thereto.

1.27 " FDCA " means the U.S. Federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated thereunder.

1.28 " Field " means the Pilot Indication and the Major Indication.

1.29 " FTE Rate" means the amount per annum set out in Section 8.1 (or such other amount agreed by the parties), for the time of an employee to whom all required facilities, materials and equipment have been made available for performance of specific, technical or managerial work being a full time equivalent person (consisting of a total of not less than [*] per annum of work supporting the collaborative efforts and goals of the Research Plan); to be prorated on a daily basis if necessary (such per annum amount to be divided by [*] to produce the rate per whole day consisting of [*]).

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

1.30 " Governmental Authority " means any court, agency, department, authority or other instrumentality of any international, national, state, county, city or other political subdivision.

1.31 " IND " means an Investigational New Drug Application submitted under the FDCA; or an analogous application or filing with any analogous agency or Regulatory Authority outside of the United States under any analogous foreign Law for the purposes of obtaining permission to conduct human clinical studies.

1.32 " Indemnified Party " shall have the meaning assigned to it in Section 17.3.

1.33 " Indemnifying Party " shall have the meaning assigned to it in Section 17.3.

1.34 " Initial Research Term " shall have the meaning assigned to in Section 2.2.

1.35 " JSC " shall mean Joint Steering Committee and shall have the meaning given to it in Section 5.1 .

1.36 " Key Role " shall mean each of the following roles in connection with the Research Program: [*].

1.37 " Launch " means the first shipment of a Licensed Product in commercial quantities for commercial sale by PFIZER, its Affiliates or its sublicensees to a Third Party in a country in the Territory after receipt by PFIZER of the first Regulatory Approval (and, in any country in which Price Approval is necessary or relevant for a majority of the population to obtain access to pharmaceutical products, Price Approval) for such Licensed Product in such country.

1.38 " Laws " means all laws, statutes, rules, regulations, orders, judgments and/or ordinances of any Governmental Authority.

1.39 " Licensed Product " means any bio-pharmaceutical product in all dosage forms and formulations, for administration through any delivery platform or mechanism, in each case that contains a MultiStem Product (including any Athersys Combination Product and any Pfizer Combination Product), the manufacture, sale, offer for sale, importation, or use of which [*].

1.40 " Losses " shall have the meaning assigned to it in Section 17.2 .

1.41 " Major EU Countries " means the United Kingdom, Spain, Italy, France and Germany.

1.42 " Major Indication " means inflammatory bowel disease in humans, [*].

1.43 " Manufacturing Committee " shall have the meaning assigned to it in Section 5.2(c) .

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1.44 "Manufacturing Costs" means with respect to each Licensed Product, (a) if the Licensed Product is manufactured by a Third Party for ATHERSYS or PFIZER or their respective Affiliates, then the actual amount paid by ATHERSYS or PFIZER or their Affiliates) to such Third Party for the manufacture and supply of the Licensed Product and (b) if the Licensed Product is manufactured by ATHERSYS or PFIZER or their respective Affiliates, then all of the costs and expenses inclusive of any taxes (including applicable overhead costs and expenses, but excluding any clinical development costs) incurred or paid by ATHERSYS and its Affiliates (or PFIZER and its Affiliates if PFIZER has acquired manufacturing rights under this Agreement) with respect to the manufacturing of Licensed Products including, without limitation, the following costs to the extent such costs are actually incurred by the manufacturing party, accounted for in accordance with U.S. GAAP as consistently applied by the manufacturing party and attributable to the manufacture and supply of the Licensed Product : (i) all direct costs with respect to manufacturing and supply the Licensed Product, including all direct costs of raw materials, labor, license fees (if any), maintenance and repair of equipment used to manufacture the Licensed Product, storage and packaging and shipping costs and (ii) a reasonable allocation of indirect costs associated with such direct costs, not to exceed [*] percent ([*%]) thereof.

1.45 "Materials Transfer Agreement" means an agreement in the form set out in Schedule 1.45 pursuant to which the parties, or their Affiliates, shall or shall be deemed to have transferred biological materials or compounds (including MultiStem cells or Compounds) to each other pursuant to Section 2.9 .

1.46 " MultiStem " means multipotent adult progenitor cells derived from bone marrow and expanded more than twenty doublings, as covered by the Athersys Patent Rights.

1.47 " MultiStem Products " means the following cells identified, developed, and/or intended for use in treatment of a disease or conditions in humans, however delivered: (a) MultiStem; (b) progeny or components of MultiStem; (c) derivatives of any of the foregoing (a) or (b); and (d) genetically-modified MultiStem; and including, without limitation, cells or tissues that are derived from any of the foregoing, as any of the foregoing cells might be at the time of treatment (i) in their native, undifferentiated state, (ii) in a partially or fully pre-differentiated state, (iii) primed for differentiation or specific biological activity (for example, through the introduction of a protein, peptide, gene, polynucleotide, small molecule or other active pharmaceutical ingredient), or (iv) in a modified form.

1.48 " NDA " means a New Drug Application filed with the FDA in accordance with the FDCA with respect to a pharmaceutical products or an analogous application or filing with any Regulatory Authority outside of the United States (including any supra-national agency such as the European Union) for the purpose of obtaining approval to market and sell a pharmaceutical product in such jurisdiction.

1.49 " Net Sales " means (a) with respect to a Licensed Product in the Field that is not a PFIZER Combination Product, the gross amount invoiced by PFIZER, its Affiliates and its sublicensees of such Licensed Product to Third Parties, less (i) bad debts related to such Licensed Product, (ii) sales returns and allowances actually paid, granted or accrued, including, trade, quantity and cash discounts and any other adjustments, including, those granted on account of price adjustments, billing errors, rejected goods, damaged or defective goods, recalls, returns, rebates, chargeback rebates, reimbursements or similar payments granted or given to wholesalers or other distributors, buying groups, health care insurance carriers or other institutions, adjustments arising

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from consumer discount programs or other similar programs, (iii) customs or excise duties, sales tax, consumption tax, value added tax, and other taxes (except income taxes) or duties relating to sales, any payment in respect of sales to the United States government, any state government or any foreign government, or to any other Governmental Authority, or with respect to any government-subsidized program or managed care organization actually collected, and (iv) freight and insurance (to the extent that PFIZER or the Affiliates bears the cost of freight and insurance for a Licensed Product); and (b) with respect to a Combination Product, such percentage of the Net Sales of such Combination Product, as determined in accordance with clause (a) hereof - as the parties agree in good faith taking into account the relative value of any Pfizer Compound, Pfizer Device, Athersys Compound, and Athersys Device included in the Combination Product. Net Sales shall be determined from books and records maintained in accordance with generally acceptable accounting principles in the United States, as consistently applied by PFIZER with respect to sales of all its pharmaceutical products .

1.50 " Pfizer Combination Product " means a MultiStem Product containing or co-administered (where the individual products/forms are intended for simultaneous or sequential administration) with a Pfizer Compound(s).

1.51 "Pfizer Combination Product IPRs" means rights in (i) issued patents and pending provisional and non-provisional applications for patents, including, without limitation, any continuations, continuations-in-part or divisions directed to inventions disclosed therein; (ii) any re-examinations, reissues, renewals, substitutions or extensions of any patents; (iii) foreign counterparts or equivalents of any of the foregoing rights, (iv) inventions, discoveries, data, information, trade secrets, processes, methods, techniques, materials, technology, results or other know-how, whether or not patentable, (v) methods, devices or improvements for delivery or maintenance of a cell-based product, and (vi) copyrights, software, source code and copyrightable works ; in each case of (i) through (vi) that are created, devised or arise out of the parties (or their Affiliates) undertaking and performing activities under the Research Program and where such rights are directed to a Pfizer Combination Product.

1.52 "Pfizer Compound " means a small molecule, biological molecule and/or drug candidate and/or other pharmaceutical agent in respect of which PFIZER has exclusive rights (e.g. by ownership or licence from a Third Party under relevant patents and patent applications at the time such Pfizer Compound is introduced into the Research Program.

1.53 " Pfizer Confidential Information " means all information relating to Compounds or Licensed Products (including Pfizer Combination Products), as well as any other information regarding the business and operations of PFIZER, that is or has been disclosed (whether orally or in writing) by PFIZER to ATHERSYS or its Affiliates to the extent that such information is not (i) as of the date of disclosure known to ATHERSYS or its Affiliates; or (ii) disclosed in published literature, or otherwise generally known to the public through no breach by or ATHERSYS; of this Agreement or (iii) obtained by ATHERSYS or its Affiliates from a Third Party free from any obligation of confidentiality to PFIZER; or (iv) independently developed by ATHERSYS or its Affiliates without use of the Pfizer Confidential Information; or (v) in the reasonable opinion of legal counsel, required to be disclosed under Law; provided that, in the case of (v), ATHERSYS provides PFIZER prior notice (to the extent practicable) of such disclosure and agrees to cooperate, at the request and sole expense of PFIZER, with PFIZER's efforts to preserve the confidentiality of such information.

1.54 "Pfizer Device" means a device intended to assist the delivery, administration or release of a bio-pharmaceutical product in respect of which PFIZER has exclusive rights (e.g. by ownership or by licence from a Third Party with the right to sublicense) under relevant patents and patent applications at the time such Pfizer Device is introduced into the Research Program.

1.55 " Pfizer Quarter " means each of the four (4) calendar quarters of any calendar year.

1.56 "Pfizer Technology" means all materials, technology, data, technical and scientific information, know-how, expertise and trade secrets that relate to or are used in connection with any MultiStem Products, Pfizer Combination Products, including any intellectual property rights embodying any of the foregoing (other than Pfizer Combination Product IPRs) which are owned, co-owned by or licensed to PFIZER or its Affiliates, with the right to licence or sub-license as of the Effective Date or at any time during the Term.

1.57 " Pfizer Year " means the twelve (12) month period commencing on January 1 of any calendar year.

1.58 " Phase I Clinical Study " means a clinical study that is the first introduction into humans of a Licensed Product that is intended initially to evaluate the tolerance, safety and/or pharmacological effects at a potentially therapeutic dose level of a Clinical Development Candidate and advance the Clinical Development Candidate to Phase II or subsequent clinical study.

1.59 " Phase II Clinical Study " means a clinical study, other than a Phase III Clinical Study, that is intended to test the effectiveness of a Clinical Development Candidate for a specific indication in patients with the disease or condition under study.

1.60 " Phase II(b) Clinical Study " means a Phase II Clinical Study that is intended to establish the dosing regimen for use in a Phase III Clinical Study of a Clinical Development Candidate for a specific indication.

1.61 " Phase III Clinical Study " means a clinical study intended to meet the requirements for approval of an NDA, BLA or equivalent, for a Licensed Product.

1.62 " Pilot Indication " means ulcerative colitis [*].

1.63 " Price Approval " means, in any country where a Governmental Authority authorizes reimbursement for, or approves or determines pricing for, pharmaceutical products, receipt (or, if required to make such authorization, approval or determination effective, publication) of such reimbursement authorization or pricing approval or determination (as the case may be).

1.64 " Redacted Agreement " shall have the meaning assigned to it in Section 12.4 .

1.65 " Regulatory Approval " means with respect to any jurisdiction, any and all approvals, or authorizations (other than Price Approvals) (e.g. BLA, INDs, NDAs) that are necessary for the commercial manufacture, distribution, use, marketing or sale of a bio-pharmaceutical product in such jurisdiction.

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1.66 " Regulatory Authority " means, with respect to any jurisdiction, the Governmental Authority having responsibility for granting Regulatory Approvals in such country or jurisdiction.

1.67 " Research Committe e" shall have the meaning assigned to it in Section 5.2(a) .

1.68 " Release Condition " shall have the meaning assigned to it in Schedule 2.7 .

1.69 "Representatives" means with respect to a party, such party's Affiliates, licensees, officers, directors, managers employees, consultants, contractors, sub-licensees and agents.

1.70 " Research Plan " means a detailed plan that sets forth the responsibilities of, and activities to be conducted by, ATHERSYS and PFIZER with respect to non-clinical research activities related to MultiStem and its potential usage in the clinic, and in advancing one or more MultiStem Products into one or more potential Clinical Development Candidates and Licensed Products (including a detailed budget corresponding to each such plan). [*].

1.71 "Research Program" means the research and non-clinical development activities conducted by (or to be conducted by) each party pursuant to the Research Plan.

1.72 " Research Program IPRs " means rights in (i) issued patents and pending provisional and non-provisional applications for patents, including, without limitation, any continuations, continuations-in-part or divisions directed to inventions disclosed therein; (ii) any re-examinations, reissues, renewals, substitutions or extensions of any patents; (iii) foreign counterparts or equivalents of any of the foregoing rights, (iv) inventions, discoveries, data, information, trade secrets, processes, methods, techniques, materials, technology, results or other know-how, whether or not patentable; (v) methods, devices or improvements for delivery or maintenance of a cell-based product and (vi) copyrights, software, source code and copyrightable works, in each case (i) through (vi) that which are created, devised or arise out of the parties (or their Affiliates) undertaking and performing the Research Program, other than Athersys Combination Product IPRs and Pfizer Combination IPRs.

1.73 " Research Term " means the Initial Research Term and, at PFIZER's sole discretion, the Extension.

1.74 " Royalty Term " means, on a country-by-country and Licensed Product-by-Licensed Product basis, the period commencing upon Launch of the Licensed Product in the Field in the country and ending upon [*]: (i) the date on which such Licensed Product is no longer covered by a Valid Claim in such country; or (ii) [*] ([*]) years from the date of Launch of the first Licensed Product in such country provided that the Regulatory Approval for such Licensed Product in such country continues to provide data or market exclusivity in respect of such Licensed Product.

1.75 " Sales Milestone Payments " means the amounts set forth in Section 9.2 .

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1.76 " Stand-By License " means each license entered into pursuant to Section 7.5 between PFIZER, ATHERSYS and the corresponding Third Party to a Third Party License.

1.77 " Suitably Qualified Person " means a person with the qualifications and/or experience ordinarily required in connection with the relevant Key Role, which in relation to: (i) ATHERSYS' Co-Chair to the JSC shall mean a person with at least [*] ([*]) years experience working in human cell based therapy research in an industrial environment; (ii) ATHERSYS' Co-Chair to the Manufacturing Committee shall mean a person with at least [*] ([*]) years experience in the manufacture of human cell based products and (iii) ATHERSYS' Research Program planning lead shall mean a person with at least [*] ([*]) years experience managing human cell based research projects.

1.78 " Term " shall have the meaning assigned to it in Section 15 .

1.79 " Territory " means the entire world.

1.80 " Third Party " means any person or entity other than PFIZER, ATHERSYS, or any of their respective Affiliates.

1.81 " Third Party Claim " shall have the meaning assigned to it in Section 17.3 .

1.82 " Third Party Licenses " means the Third Party licence agreements listed in Schedule 1.82 as such Schedule may be amended during the Term by agreement of the parties to include any relevant future Third Party licenses.

1.83 " Valid Claim " means [*]

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Section 2 RESEARCH PROGRAM

2.1 Purpose.

During the Research Term, ATHERSYS and PFIZER will conduct the Research Program and Clinical Development Program and any other agreed upon activities by the parties. The goal of the collaboration is to discover and develop Licensed Products and in particular to: (i) advance one or more Licensed Products in the Field to "proof of concept" in human; (ii) further advance Licensed Products in the Field to preclinical testing as defined in the Research Plan; (iii) evaluate the potential to advance one or more Licensed Products in the Field and give ATHERSYS an opportunity to participate in co-development with PFIZER; (iv) advance research in the potential for formulation, pre-treatment, concurrent treatment, or follow-on treatment with one or more pharmaceutical agents for improvement of cell-based therapy in the Field; and (v) to assure continuity of MultiStem clinical supply and manufacturing capability to support development and commercialisation of Licensed Products in the Field.

2.2 Research Term.

The initial Term of the Research Program will be for [*] from the Effective Date (the " Initial Research Term "). Pfizer may elect, in its sole discretion, to extend the Research Term for an additional [*] (" Extension "), subject to the parties agreeing to any applicable changes to the Research Plan and/or Clinical Development Plan(s) and to PFIZER providing the additional research funding pursuant to Section 8.1 .

2.3 Exclusivity.

During the Research Term and thereafter for as long as PFIZER is using Commercially Reasonable Efforts to develop or commercialise a Licensed Product in the Field in the Territory, ATHERSYS and its Affiliates shall work exclusively with Pfizer in the development and commercialisation of Licensed Products for the Field in the Territory.

2.4 Research Reports

(a) Quarterly Reports. After each Pfizer Quarter each party will submit to the Research Committee a written report summarizing its activities under the Research Program. Each research report shall include summary results and material data and findings for all Research Program studies ongoing or completed during the Pfizer Quarter. The report must be submitted within 30 days of the end of the Pfizer Quarter.

(b) Annual Reports. After each Pfizer Year each party will submit to the JSC a written report detailing the work it completed during the Pfizer Year and evaluating the results of its work. The report must be submitted within 30 days of the end of the Pfizer Year.

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2.5 Sharing of Research and Certain Information.

ATHERSYS shall share with PFIZER in good faith, as completely as possible, promptly, but in any event in accordance with any requirements as to time for submission/notification of any Regulatory Authorities [*], prior to the Effective Date and which are set out in writing, certain research findings from studies conducted using MultiStem Products or research materials outside this Agreement (by example and without limitation[*]) which ATHERSYS reasonably deems to be relevant to patient safety, the safe research use of MultiStem and the research, development, regulatory requirements, and/or commercialization of a Clinical Development Candidate. All information provided pursuant to this Section 2.5 shall be considered Athersys Confidential Information.

2.6 Introduction of Technology.

If a party identifies technology or compounds independent of the Research Program that it believes might have utility in the Research Program, it may notify the Research Committee and the Research Committee shall discuss and agree upon the nature and scope of incorporation of such technology or compound into the Research Program, including such party's patent rights with respect to such technology, and designate such technology as Athersys Compounds or Devices or Pfizer Compounds or Devices, as the case may be. If the Research Committee cannot agree on introduction of such technology, the party proposing to introduce the technology can withdraw its proposal and such technology will be excluded from the Research Program.

2.7 Cell Repository.

By the date set out in the Research Plan, ATHERSYS hereby agrees to: (i) transfer to PFIZER, on the terms of the Materials Transfer Agreement, sufficient numbers of vials containing stored cells from each of: (a) the then current MultiStem master cell banks, (b) each of the MultiStem working cell banks which have been derived from a MultiStem master cell bank, and (c) the then current media used by ATHERSYS to initiate cell expansion and a complete list of the growth factors and media components required, in each case (a), (b) and (c) as are capable of producing the MultiStem cells needed to (x) enable PFIZER to serve as a repository for MultiStem cells and (y) manufacture Clinical Development Candidates and Licensed Products for use in the Field in accordance with Schedule 2.7 ; and (ii) a certified (to the extent required) copy of all licenses, permits and authorisations granted by Regulatory Authorities and such supporting documentation and donor consents required to demonstrate compliance with all Laws relating to the isolation, purification, derivation, production and traceability of the MultiStem cells, such other information as is required to support the CMC sections of a regulatory dossier for a Licensed Product in the Field and access to all electronic regulatory submissions made by or on behalf of ATHERSYS (together referred to as the " MultiStem Regulatory File ").

2.8 Laboratory Facility and Personnel.

Each party will provide suitable laboratory facilities, materials, equipment and personnel for the work to be done by it in the Research Program. ATHERSYS may subcontract any of its obligations in respect of a Research Plan to its Affiliates or to other Third Party providers as agreed under the applicable Research Plan and subject to the terms of Section 19.8 .

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2.9 Materials Transfer.

All biological materials and compounds for research and laboratory use(i.e., excluding clinical or commercial supply of Clinical Development Candidates and other Licensed Products), transferred by ATHERSYS and PFIZER to the other party shall be transferred pursuant to the Materials Transfer Agreement.

2.10 Commercially Reasonable Efforts.

PFIZER will use Commercially Reasonable Efforts and ATHERSYS will in good faith apply those efforts and resources consistent with and in kind to PFIZER'S Commercially Reasonable Efforts in pursing the development or commercialization of the Licensed Products to achieve the goals of the Research Program.

2.11 Changes to Ongoing Research.

With respect to studies and activities of the Research Program, the party responsible for a particular study or activity under the Research Program may modify the study or its activities, but only after consultation with and approval of the JSC (or applicable subcommittee) for material modifications and changes, such approval to by given by email exchange of the applicable Committee Co-Chairs.

2.12 New Research. During the Term, the parties anticipate undertaking additional non-clinical research, and the parties acknowledge that either party may assume certain responsibilities, and may conduct certain activities, in connection with such research. The JSC (or a subcommittee designated with responsibility therefore) shall have oversight for the parties' responsibilities and activities (if any) related to new research, and shall incorporate such research, activities and studies into the Research Plan as appropriate.

2.13 Disclosure of Technology.

Within thirty (30) days after the Effective Date, and from time-to-time throughout the Term, and at any time during the Term at PFIZER's request, ATHERSYS will disclose to PFIZER or its designated Affiliate all Athersys Technology that may be necessary or useful to PFIZER to develop, manufacture, register, or market Clinical Development Candidates or Licensed Products in the Field and efficiently practice the licenses granted to PFIZER under this Agreement (including all regulatory materials, permissions and consents relating to MultiStem as may be required by any Regulatory Authority).

Section 3 CLINICAL DEVELOPMENT PROGRAM

3.1 Clinical Development Program. The parties shall conduct the Clinical Development Program in accordance with the Clinical Development Plan(s). The Development & Regulatory Committee shall oversee the Clinical Development Program. PFIZER shall have the exclusive right and responsibility for preparing any Clinical Development Plans, conducting clinical development and executing clinical trials thereunder, and obtaining all Regulatory Approvals for Licensed Products in the Field. ATHERSYS, at its cost and without delay to the progression of or interference with Regulatory Approvals, shall have the right to participate as a direct observer in all aspects of development of a Clinical Development Candidate through Phase II(b) Clinical Studies and, for so long as ATHERSYS continues to fund Phase III Clinical Studies pursuant to Section 3.2(c) , Phase III Clinical Studies. PFIZER shall be solely responsible for the costs of executing any clinical study of any Clinical Development Candidate, except the costs of ATHERSYS' own participation in the clinical study in accordance with the Clinical Development Plan(s), certain Manufacturing Costs pursuant to Section 4.1 , and as provided in Section 3.2 .

3.2 Opt-In Rights. Prior to the initiation of the first Phase III Clinical Study in any Pilot Indication or Major Indication, ATHERSYS may elect to participate in the development, and related funding, of the Phase III Clinical Study for such Indication as follows:

(a) At least six (6) months prior to the initiation of the first Phase III Clinical Study for a in any Pilot Indication or Major Indication, PFIZER shall provide to ATHERSYS a written Clinical Development Plan, including a description of the studies to be completed (including trial design(s)), the plan for seeking any Regulatory Approval(s), any other requirements for obtaining Regulatory Approval, the then current commercialization plan, and a budget describing PFIZER'S good faith estimates of the costs of all of these activities.

(b) IF ATHERSYS wishes to participate in the co-development of the Licensed Product pursuant to the Clinical Development Plan provided under Section 3.2(a) it shall notify PFIZER in writing ("Opt-In Notice") by no later than thirty (30) days prior to Commencement of the corresponding Phase III Clinical Study. If ATHERSYS does not provide an Opt-In Notice, then it forgoes its right to participate in co-development of such Licensed Product. If ATHERSYS does provide PFIZER with an Opt-In Notice, then it shall provide PFIZER within thirty (30) days of the date of the Opt-In Notice a written commitment to fund its share of costs. If ATHERSYS fails to provide such written commitment, then it shall forgo its right to participate in the co-development of such Licensed Product.

(c) If ATHERSYS provides to PFIZER the Opt-In Notice and a corresponding written commitment, then (i) ATHERSYS shall make payment to PFIZER of its share of costs on a quarterly basis as described in Schedule 3.2(c) and (ii) if ATHERSYS funds all its share of the Clinical Development Costs for that Clinical Development Candidate, ATHERSYS shall be entitled to (A) participate in any Development and Regulatory Committee(s) and as a direct observer in all aspects of the Phase III Clinical Study and the Clinical Development Plan for such Clinical Development Candidate (subject to Pfizer's rights in Section 3.1) and (B) share Profits from the commercialization of such Licensed Product in accordance with Schedule 3.2(c) .

(d) If ATHERSYS is unable or elects not to pay any or all of its portion of costs pursuant to Section 3.2(c) then, as the sole remedy for such failure, it shall lose the benefits of Section 3.2 (c)(ii)(B) above with respect to the Licensed Product and shall, subject to its obligations pursuant to Section 3.1, have no further obligations to fund its share of costs.

3.3 Clinical Development Program Reports.

(a) Quarterly Reports . After each Pfizer Quarter following the Commencement of a Clinical Development Plan and during the Research Term each party will submit to the Development & Regulatory Committee a written report summarizing its activities under that Clinical Development Program. Each report shall include summary results and material data and findings, if available, for all Research Program studies ongoing or completed during the Pfizer Quarter. The report must be submitted within thirty (30) days of the end of the Pfizer Quarter.

(b) Annual Reports or Clinical Summary Report. Following the Commencement of a Clinical Development Plan and ending with the first Launch of the applicable Licensed Product, PFIZER shall provide annually following the end of the Pfizer Year, or at the end of a clinical study when the clinical report is issued, written reports to the JSC or Development & Regulatory Committee regarding the development of the Licensed Product. PFIZER shall use Commercially Reasonable Efforts to provide the annual report within thirty (30) days of the end of each Pfizer Year and the clinical summary report when completed and approved. If PFIZER is preparing a clinical summary report for any clinical study that is completed or terminated prior to completion, PFIZER will not have to prepare a separate annual report if the clinical summary report is anticipated within the following Pfizer Quarter.

(c) All information provided by PFIZER to ATHERSYS pursuant to this Section 3.3 shall be considered Pfizer Confidential Information.

3.4 Commercially Reasonable Efforts.

PFIZER will use Commercially Reasonable Efforts and ATHERSYS shall in good faith apply those efforts and resources consistent with and in kind to PFIZER's Commercially Reasonably Efforts to achieve the goals of the Clinical Development Program. PFIZER will use Commercially Reasonable Efforts to develop, seek Regulatory Approval for and commercialize a Licensed Product for the Pilot Indication and for the Major Indication following approval pursuant to this Agreement of an applicable Clinical Development Plan for a Licensed Product for the Pilot Indication or Major Indication.

3.5 Records.

During the Term, PFIZER will prepare and maintain accurate records and books relating to the progress and status of its activities under a Clinical Development Plan and otherwise in relation to the development of Licensed Products. As reasonably requested by ATHERSYS from time-to-time throughout the Term, PFIZER will disclose to or permit direct access, during PFIZER regular business hours with appropriate notice from and good faith justification from ATHERSYS, to ATHERSYS to material records, books and data related to the development of any Licensed Product, including any regulatory filings and communications; investigator's brochures; study records, reports and related data; and related information.

3.6 Regulatory Affairs.

(a) PFIZER shall determine all regulatory plans and strategies for the Licensed Products (including Clinical Development Candidates) in the Field, and will own and be responsible for preparing, seeking, submitting and maintaining the investigator's brochure and all regulatory filings and Regulatory Approvals for all Licensed Products in the Field, including preparing all reports necessary as part of a regulatory filing or Regulatory Approval and for all communications with Regulatory Authorities for such Licensed Products in the Field. ATHERSYS shall have the right, at its cost and without delay to the progression of Regulatory Approvals, to participate as a direct observer in significant regulatory activities, including interactions with Regulatory Authorities. Without limiting ATHERSYS' obligations pursuant to Section 2.7 and Schedule 2.7 , ATHERSYS agrees to cooperate and assist Pfizer in the provision of any documentation required for any regulatory filings for Regulatory Approvals for Licensed Products in the Field.

(b) ATHERSYS shall keep PFIZER regularly and promptly informed of all material regulatory filings, Regulatory Approvals and all material communications, interfaces and other actions to, with or from Regulatory Authorities relating to MultiStem Products outside the Field and shall ensure that all such filings, Regulatory Approvals, communications, interfaces and actions are materially made by ATHERSYS in accordance with the global clinical and regulatory strategy approved by the Development & Regulatory Committee from time to time for the Licensed Products in the Field. Additionally, ATHERSYS shall take in to account in good faith any concerns or input raised by PFIZER in relation to such regulatory filings, Regulatory Approvals, communications, interfaces and actions.

(c) Without limiting the provisions of Section 3.6(a) and Section 2.5 , the safety reporting units from each of the parties shall meet and agree upon a written agreement for exchanging adverse event and other safety and other pharmacovigilance information relating to MultiStem Products prior to initiation of any clinical activity in the Field implicating pharmacovigilance obligations for the MultiStem Products in the Territory (the " Pharmacovigilance Agreement "). Such Pharmacovigilance Agreement shall ensure that adverse events and other safety information is exchanged upon terms that will permit each party to comply with Laws and requirements of Regulatory Authorities.

(d) Any regulatory affairs matter relating to any Athersys Device to be used for MultiStem Products in the Field shall be discussed initially by the JSC, Development & Regulatory Committee, with appropriate regulatory experts from the parties present at that meeting, for the purposes of determining the appropriate regulatory strategy for use of such Device in the Field.

3.7 Regulatory Exclusivity

PFIZER shall have the sole right to apply for and secure exclusivity rights for the Licensed Products in the Territory in the Field that may be available under the Law of countries in the Territory, including any data or market exclusivity periods such as those periods listed in the FDA's Orange Book or periods under national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 (including any paediatric exclusivity extensions or other forms of regulatory exclusivity that may be available), and all international equivalents. ATHERSYS shall in good faith apply those efforts and resources consistent with and in kind to PFIZER's Commercially Reasonable Efforts to cooperate with PFIZER and to take such reasonable actions to assist PFIZER, in obtaining such exclusivity rights in each country, as PFIZER may reasonably request from time to time.

3.8 Commercialization/Pricing.

PFIZER shall be solely responsible for marketing, promoting, selling, distributing and determining pricing and other terms of sale for all Licensed Products in the Territory in the Field. After each Pfizer Quarter, and once annually, Pfizer will submit to ATHERSYS a written report summarizing its commercialization activities during the applicable period. All information provided by PFIZER to ATHERSYS pursuant to this Section 3.8 shall be considered Confidential Information (as defined in Section 12.1) of PFIZER.

Section 4 MANUFACTURING OF LICENSED PRODUCT

4.1 Clinical Manufacture and Supply of Licensed Product during Research Term.

(a) Pre-Clinical Supply . ATHERSYS shall be responsible for the supply and manufacture, itself or through ATHERSYS' Third Party manufacturer as of the Effective Date and any other Third Party manufacturer approved by PFIZER (such approval not to be unreasonably withheld), of such quantities of the Clinical Development Candidate material required for non-clinical research and studies pursuant to a Research Plan at no cost to Pfizer during the Research Term.

(b) Certain Clinical Supply . ATHERSYS shall be responsible for the supply and

manufacture, itself or through an agreed Third Party manufacturer, of such quantities of Clinical Development Candidate material required for clinical studies pursuant to a Clinical Development Plan approved and underway during the Research Term at a cost to PFIZER of [*] percent ([*%]) of the reasonable Manufacturing Costs for that Clinical Development Candidate material based on the following assumptions: (i) the estimated Manufacturing Costs per dose being [$*]; and (ii) the anticipated amount of Clinical Development Candidate material required being the amount required for [*] patients. If these assumptions are materially incorrect, the Manufacturing Committee shall review the costs sharing basis and agree to any revised cost sharing arrangement. The cost estimates are for initial planning purposes and are not intended to describe a total cost obligation from PFIZER. ATHERSYS shall use its commercially reasonable endeavours to reduce Manufacturing Costs.

(c) Other Clinical Study Supply . Except as provided in Sections 4.1(a) and (b) and subject to any Release Condition occurring, ATHERSYS shall be responsible for the supply and manufacture, itself or through an agreed Third Party manufacturer, of such quantities of the Clinical Development Candidate required for clinical studies pursuant to an approved Clinical Development Plan at a cost to Pfizer of [*] percent ([*%]) of the reasonable Manufacturing Costs in respect of the manufacture and supply of Clinical Development Candidate material.

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4.2 Commercial Supply **.**

Subject to any Release Condition occurring, ATHERSYS shall be responsible for the supply and manufacture, itself or through an agreed Third Party manufacturer, of such quantities of the Licensed Product to the extent reasonably required by PFIZER to commercialize the Licensed Products in the Territory and in the Field. ATHERSYS shall supply such quantities of Licensed Product at a price to PFIZER of [*] percent ([*%]) of the reasonable Manufacturing Costs of such Licensed Products, unless ATHERSYS is sharing Profits with respect to a Licensed Product pursuant to Section 3.2(c) , in which case the price to PFIZER shall be [*] percent ([*%]) of the reasonable Manufacturing Costs. The terms and procedures by and upon which ATHERSYS shall supply Licensed Products to PFIZER hereunder shall be reasonably mutually determined by the parties in good faith based upon commercially reasonable and customary terms, and shall be set forth in a separate manufacturing and supply agreement not less than [*] months prior to the anticipated first Launch of a Licensed Product.

4.3 Manufacturing Cost Records.

ATHERSYS shall keep, and shall require all Third Party manufacturers of Licensed Products to keep, accurate records in sufficient detail concerning the Manufacturing Costs. PFIZER shall be entitled, upon reasonable notice, to audit the Manufacturing Costs. For this purpose, ATHERSYS itself shall keep, and to the extent that ATHERSYS has obtained records or documents from its Third Party manufacturers shall keep, such account books and related records or documents for a period of at least seven (7) years after the end of the fiscal year to which the Manufacturing Costs relate.

4.4 Manufacturing Compliance.

All Licensed Products supplied hereunder shall be manufactured by or on behalf of ATHERSYS in compliance with current good manufacturing practices, other applicable requirements of relevant regulatory authorities including but not limited to the transportation, storage, use, handling and disposal of waste materials and hazardous materials used to manufacture Licensed Products, all product specifications and testing methods. ATHERSYS, at its expense, shall obtain and maintain, and/or shall require that its Third Party manufacturers obtain and maintain, for so long as ATHERSYS is supplying Licensed Products hereunder, all facility licenses and government permits necessary to manufacture and supply the Licensed Products.

4.5 Inspection.

With respect to the manufacture of the Licensed Products, PFIZER may, at its expense, upon reasonable notice and during normal business hours, conduct appropriate review and inspection of the Licensed Products manufacturing facilities, procedures and related documentation to verify ATHERSYS and/or its Third Party manufacturer's (as applicable) compliance with current good manufacturing practices, other applicable requirements of relevant Regulatory Authorities, and other applicable Laws , and conformity of Licensed Products with the applicable specifications and testing methods.

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Section 5 JOINT STEERING COMMITTEE

5.1 Joint Steering Committee. Promptly following the Effective Date, the parties shall establish a Joint Steering Committee (" JSC ") to oversee and coordinate the parties' responsibilities and activities in accordance with and in furtherance of the Research Plan(s), Clinical Development Plan(s) and this Agreement. The JSC shall be composed of three (3) senior, qualified representatives from each of AI and PFIZER (or from their Affiliates). The total number of JSC members will initially be six (6), but the number may be increased or decreased from time-to-time by written agreement of the parties; provided that the number of representatives from PFIZER shall always be equal to the number of representatives from ATHERSYS. Each of PFIZER and AI may replace any of its representatives on the JSC at will by giving written notice thereof to the other party.

5.2 Subcommittees. The JSC shall be empowered to create one or more subcommittees, project teams or working groups, as it may deem appropriate or necessary. Each such subcommittee, project team and working group shall report to the JSC, which shall have authority to approve or reject recommendations or actions proposed thereby, subject to the terms of this Agreement. In general, the parties contemplate that all JSC subcommittees shall have an equal number of members appointed by each party.

(a) Within sixty (60) days of the Effective Date, the JSC shall establish a research committee to oversee the non-clinical research activities of the collaboration (" Research Committee "). The Research Committee shall be responsible for the development, management, and performance of the Research Plan and Research Program, and any other non-clinical activities as determined by the JSC. The Research Committee shall be composed of three (3) senior, qualified representatives from each of AI and PFIZER (or their Affiliates), and a representative from each of AI and PFIZER shall jointly chair the Research Committee. Decisions shall be made by consensus, and in the event a consensus is not reached within ten (10) Business Days after it is first presented to the joint chairs of the Research Committee, then such decisions shall be submitted as soon as possible to the JSC for decision.

(b) Within ninety (90) days of the Effective Date, the JSC shall establish a Development & Regulatory Committee responsible for overall strategic and business guidance with respect to the development, management and performance of the Clinical Development Program and Clinical Development Plan(s), the coordination and alignment of the global clinical development and regulatory strategies for MultiStem Products and Licensed Products and Combination Products both inside and outside the Field (" Development & Regulatory Committee "). The Development & Regulatory Committee shall be composed of an equal number of senior, qualified representatives from each of AI and PFIZER (or their Affiliates), and a representative from each of AI and PFIZER shall jointly chair the Development & Regulatory Committee. Decisions shall be made by consensus, and in the event a consensus is not reached within ten (10) Business Days after it is first presented to the joint chairs of the Development & Regulatory Committee, then such decisions shall be submitted as soon as possible to the JSC for decision. In the event ATHERSYS fails to perform any material obligation or activity assigned to it under a Clinical Development Plan for a Clinical Development Candidate and does not cure such failure promptly after notice thereof, PFIZER may elect to suspend or terminate all responsibilities of the JSC and the Development & Regulatory Committee in respect of that Licensed Product.

(c) As soon as the JSC determines, but not later than the end of the Research Term, the JSC shall establish a manufacturing committee to oversee the supply of Licensed Product for the Field, and ensure cooperation regarding the then cGMP manufacturing standards and regulatory requirements, product specifications and testing methods (" Manufacturing Committee "). The Manufacturing Committee shall be responsible for ensuring the supply of Licensed Product for the Field in accordance with regulatory requirements and industry standards, including forecasting supply requirements and contingency planning and actions for back-up supply and supply disruptions, and any other activities as determined by the JSC. The Manufacturing Committee shall be composed of three (3) senior, qualified representatives from each of AI and PFIZER (or their Affiliates), and a representative from each of AI and PFIZER shall jointly chair the Manufacturing Committee. Decisions shall be made by consensus, and in the event a consensus is not reached within ten (10) Business Days after it is first presented to the joint chairs of the Manufacturing Committee, then such decisions shall be submitted as soon as possible to the JSC for decision.

5.3 Chairperson. AI and PFIZER shall each appoint one of its representatives on each of the Committees as a co-chair of that Committee (each, a " Co-Chair "), and may change its Co-Chair from time to time by written notice to the other. Each party's Co-Chair shall serve as a co-chair of the applicable Committee meetings, unless the Co-Chairs jointly determine that they shall alternate responsibility for chairing Committee meetings (whether on a meeting-by-meeting, calendar quarter-by-calendar quarter or calendar year-by-calendar year basis).

5.4 Committee Meetings.

(a) The JSC and Research Committee shall each meet at least once every Pfizer Quarter during the Research Term, either in person, by video conference or by telephone conference, as appropriate, as reasonably arranged by the Co-Chairs; provided that at least one (1) JSC and Research Committee meeting per calendar year shall be held in person.

(b) The Development & Regulatory Committee shall meet at least once every six months up to first Launch of a Licensed Product in the Field where ATHERSYS elects to co-develop a Licensed Product pursuant to Section 3.2 or (ii) once every Pfizer Year where ATHERSYS does not so elect, either in person, by video conference or by telephone conference, as appropriate, as reasonably arranged by the Co-Chairs; provided that at least one (1) Development & Regulatory Committee meeting per calendar year shall be held in person.

(c) The Manufacturing Committee shall meet at least once every six months for so long as ATHERSYS manufactures or controls manufacture and supply by an agreed Third Party of Clinical Development Candidates or Licensed Products for the Field, either in person, by video conference or by telephone conference, as appropriate, as reasonably arranged by the Co-Chairs; provided that at least one (1) Manufacturing Committee meeting per calendar year shall be held in person.

(d) Meetings of Committees shall be effective only if at least one (1) Committee representative of each of ATHERSYS and PFIZER participates in the meeting (in person or by telephone or videoconference). The Co-Chairs (or the responsible Committee chairperson, if applicable) shall be responsible for scheduling Committee meetings, preparing meeting agendas. Notices of all regular Committee meetings shall be sent at least thirty (30) days before such meetings. Agendas for such meetings shall be sent at least ten (10) days before such meetings.

(e) In addition, either Co-Chair of a Committee may from time to time request a special Committee meeting by contacting the other Co-Chair and providing a proposed agenda for such meeting. The Co-Chairs shall arrange a mutually acceptable time for such special Committee meeting as promptly thereafter as reasonably possible, and shall prepare and circulate an agenda for such special Committee meeting as far in advance of such meeting as reasonably possible.

(f) Each Committee will keep accurate minutes of its deliberations. The minutes will record all decisions and proposed actions. A draft of the minutes must be delivered to all Committee members within ten (10) Business Days after each meeting. The party hosting the meeting will prepare and circulate the draft minutes. The Co-chairs will edit, approve and distribute the minutes to all Committee members at least ten (10) Business Days before the next Committee meeting.

(g) Each party shall be responsible for its own expenses incurred by its Committee representatives in attending or otherwise participating in Committee meetings.

5.5 Responsibilities of the Joint Steering Committee.

In addition to its general responsibility to oversee and coordinate the activities of the parties in connection with the Research Plans, Clinical Development Plans and this Agreement, the JSC shall (itself or by delegation to a subcommittee) in particular be responsible for the matters described in Schedule 5.5 , but the JSC shall have no authority to amend the terms of this Agreement.

5.6 Voting; Decision-Making. Regardless of the number of Committee representatives from any party, PFIZER shall present one consolidated view and have one vote on any issue before a Committee, to be cast by PFIZER'S Co-Chair or his/her designee, and ATHERSYS shall present one consolidated view and have one vote on any issue before a Committee, to be cast by AI Co-Chair or his/her designee. Committees may only act by unanimous written agreement. In making decisions on the JSC, each party shall duly consider in good faith any suggestions, opinions and proposals made by the other party, and shall use good faith efforts to reach consensus with the other party. If the JSC fails to reach unanimous agreement on any matter within the scope of its responsibilities, the dispute shall be resolved as set forth in Section 5.7 .

5.7 JSC Disputes.

If the JSC fails to reach unanimous agreement on any matter or issue within its power to decide within ten (10) Business Days after the date of referral to the JSC, the matter or issue shall be referred for resolution by [*]. If they are unable to reach consensus and resolve the JSC Dispute within twenty (20) Business Days after the date of referral to them, then the JSC Dispute shall be referred for resolution [*], provided that [*] on any referred matter if no consensus decision is reached within ten (10) Business Days of its referral to the CEO of AI [*], and further provided that no such decision by [*] may require ATHERSYS to spend money or devote resources beyond those it is required pursuant to this Agreement or amend the terms of this Agreement.

Section 6 RIGHTS TO RESEARCH PROGRAM AND COMBINATION PRODUCT IPRs

6.1 Background Intellectual Property Rights Retained.

Nothing in this Agreement shall be construed to transfer ownership of any intellectual property rights existing as of the Effective Date, or in the case of Compounds or Devices as of the date any such Compound or Device is introduced in to the Research Program, from one party to another party.

6.2 Ownership Of New Intellectual Property.

(a) Subject to Section 11.3 , ATHERSYS shall be the owner of the Research Program IPRs, which shall be deemed to form part of the Athersys Patent Rights, the Athersys Technology and/or the Athersys Confidential Information, as applicable, and of the Athersys Combination Product IPRs.

(b) PFIZER shall be the owner of the Pfizer Combination Product IPRs.

Section 7 LICENSES

7.1 Exclusive Licenses to PFIZER

In consideration of the License and Technology Access Fee Event Milestone Payment and subject to the terms and conditions of this Agreement ATHERSYS hereby grants to PFIZER, and PFIZER hereby accepts:

(a) an exclusive license (even as to ATHERSYS and its Affiliates, but subject to any rights granted or reserved for non-commercial research purposes only to Third Parties pursuant to a Third Party License existing as at the Effective Date), including the right to sublicense, under the Athersys Patent Rights to research, develop, make or have made, use, sell, offer for sale, supply, cause to be supplied, and import Licensed Products, in each case in the Field and in the Territory, and

(b) an exclusive license (even as to ATHERSYS and its Affiliates, but subject to any rights granted or reserved for non-commercial research purposes only to Third Parties pursuant to a Third Party License existing as at the Effective Date), including the right to sublicense, to use Athersys Technology and Athersys Confidential Information in connection with the research, development, manufacture, use, sale, offer for sale, supply and importation of the Licensed Products, in each case in the Field and in the Territory.

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7.2 Non-Exclusive Licenses to PFIZER

Without limiting any of the licenses granted in Section 7.1 , subject to the terms and conditions of this Agreement, ATHERSYS hereby grants to PFIZER, and PFIZER hereby accepts:

(a) a non-exclusive, irrevocable, royalty-free, perpetual license, with the right to sub licence to Affiliates, under the Athersys Combination Product IPRs to develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import any pharmaceutical or bio-pharmaceutical products (other than Licensed Products) at PFIZER'S own risk;

(b) a non-exclusive, royalty-free license in the Territory, with the right to sublicense to Affiliates and to service providers under contract to PFIZER or its Affiliates, to use for research conducted pursuant to the Research Plan or a Clinical Development Plan, the Athersys Patent Rights, the Athersys Technology, the Athersys Confidential Information and the Athersys Combination Product IPRs disclosed during the Term to PFIZER by ATHERSYS or its Affiliates; and

(c) a non-exclusive, irrevocable, royalty-free, perpetual license in the Territory, with the right to sublicense to Affiliates and to service providers under contract to PFIZER or its Affiliates, to use for all research purposes, the Athersys Technology, Athersys Patent Rights, Athersys Combination Product IPRs, Athersys Confidential Information and Research Program IPRs provided that this Section 7.2(c) does not grant to PFIZER or its Affiliates any right to use MultiStem cells outside of conducting activities under a Research Plan or Clinical Development Plan.

7.3 Restriction on Exercise of Manufacturing Rights

Except through ATHERSYS, PFIZER agrees not to exercise its rights to make, have made or manufacture under Sections 7.1 in respect of any Clinical Development Candidates or other Licensed Products in the Field or disclose or transfer any Athersys Technology or Athersys Confidential Information in respect of such activities to any Affiliate or Third Party (other than Regulatory Authorities) until the occurrence of a Release Condition.

7.4 Non-Exclusive Licenses to ABT

Subject to the terms and conditions of this Agreement, PFIZER hereby grants to ATHERSYS, and ATHERSYS hereby accepts:

(a) a non-exclusive, irrevocable, royalty-free, license in the Territory and in the Field, with the right to sublicense to Affiliates and such Third Parties (for which the JSC has obtained management approval pursuant to Section 5 and Schedule 5.5), under the Athersys Patent Rights, Athersys Technology, Athersys Confidential Information and Pfizer Combination Products IPRs: (i) for ATHERSYS' research purposes in perpetuity and provided that , if ATHERSYS will not be the owner of any intellectual property rights created by such agreed Third Party sublicense, ATHERSYS shall procure that each such agreed Third Party sublicensee shall grant directly to PFIZER a non-exclusive, irrevocable, royalty free, perpetual license in the Territory, with right to sublicense to its Affiliates, in respect of any intellectual property rights created by such agreed Third Party sublicensee, (ii) to develop during the Research Term and for so long as ATHERSYS continues to exercise its rights to co-develop pursuant to Section 3.2 , Clinical Development Candidates and (iii) make or have made, Clinical Development Candidates and Licensed Products in the Field pursuant to Section 4 and any manufacturing agreement entered pursuant thereto.

(b) a non-exclusive, irrevocable, royalty-free, perpetual license in the Territory and outside the Field, with the right to sub license to Affiliates, under the Pfizer Combination Product IPRs to develop, make or have made, use, sell, offer for sale, supply, cause to be supplied and import biopharmaceutical products which are combined with MultiStem Products at ABT's own risk.

(c) a non-exclusive, irrevocable, royalty-free, perpetual license in the Territory, with the right to sublicense to Affiliates and to service providers under contract to ATHERSYS or its Affiliates, to use for all research purposes Pfizer Technology disclosed to ATHERSYS by PFIZER or its Affiliates during the Research Term: (i) for all research purposes during the Research Term and (ii) following expiry of the Research Term, for all research purposes outside the Field.

7.5 Stand-By Licences.

With effect from the Effective Date, PFIZER and ATHERSYS (or its applicable Affiliate) shall enter in to the stand-by licences with the Third Party Licensors listed in Schedule 7.5 on the agreed terms. ATHERSYS undertakes to procure in a timely manner and on substantially similar terms, any additional stand-by licences from other Third Party licensors of any ATHERSYS Patent Rights or ATHERSYS Technology which PFIZER, acting reasonably, may request.

7.6 Restriction on Sublicensing by PFIZER.

PFIZER shall notify ATHERSYS, not less than thirty (30) days, prior to granting a sublicense pursuant to Section 7.1 to a Third Party (other than any service provider or contract manufacturing organization) in respect of any right to develop or commercialize a Licensed Product in the Field. Such notice shall set out: (a) the identity of the proposed sublicensee, and (b) the terms and conditions in the proposed sublicense governing the access to, use and protection of Athersys Technology and Athersys Confidential Information (the "Sublicense Restrictions "). If ATHERSYS reasonably and in good faith considers that (i) the proposed sublicensee is a direct competitor of the MultiStem cell therapy business of ATHERSYS existing at the Effective Date and as developed therefrom internally (or together with licensees) by ATHERSYS (the " MultiStem Business ") and (ii) the Sublicense Restrictions will not provide adequate and reasonable protection against significant harm to the MultiStem Business, ATHERSYS shall notify PFIZER in writing, within five (5) Business Days of receipt of PFIZER's notification, including the facts upon which such belief is based and the reasons why the Sublicense Restrictions are inadequate. Promptly, following receipt of such notice from ATHERSYS, the parties shall discuss ATHERSYS' concerns, including any additional, reasonable Sublicense Restrictions which would satisfy those concerns. If the parties cannot resolve those concerns, acting reasonably and in good faith, within thirty (30) days, PFIZER shall not grant the sublicense to the proposed sublicensee and ATHERSYS accepts that PFIZER shall not be held in breach of its obligations under Section 2.10 or Section 3.4 in respect of any consequential delays or impact on the development or commercialization of the Licensed Product in the Field resulting from such inability to sublicense.

7.7 Reservation of Rights.

Except as expressly stated in this Section 7 , no rights or licenses are granted under this Agreement by either party or its Affiliates under any intellectual property of such party or its Affiliates to the other party or its Affiliates, whether by implication, estoppel or otherwise, and all such rights not expressly stated are hereby reserved by each party and its Affiliates.

Section 8 RESEARCH FUNDING.

8.1 During the Research Term, PFIZER will fund ATHERSYS (or its Affiliates) on an FTE basis at the FTE Rate to perform the work required for the Research Program and for progressing any Clinical Development Candidates in Phase I Clinical Studies through to Phase II(b) Clinical Studies. Such work may include work performed by ATHERSYS or on ATHERSYS' behalf by Third Parties (for which the JSC has obtained management approval pursuant to Section 5 and Schedule 5.5) and may not represent [*] ([*]) specific ATHERSYS employees. The number of FTEs to be funded by PFIZER and the FTE Rate per annum during the Research Term are set out below in United States Dollars.

Period	FTEs	FTE Rate/annum	Total Funding	Quarterly Payment
Initial Research Term	[*]	[*]	[*]	[*]
Extension	[*] or such greater number of FTEs agreed by PFIZER based on the Research Plan	[*]	[*] or such higher amount linked to any agreed additional number of FTEs	[*%] of the amount of the Total Funding for the Extension

Except as set out in this Section 8.1 or in Section 4.1 , all costs and expenses related to the performance of the Research Plan or a Clinical Development Plan during the Research Term incurred by a party shall be borne by the respective party undertaking the activity and incurring the related costs and expenses.

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8.2 Research Funding Payment.

All payments will be made in U.S. currency by electronic funds transfer within forty five (45) days after receipt and acceptance by PFIZER of an invoice from ATHERSYS. ATHERSYS may invoice PFIZER in quarterly advance instalments provided however that ATHERSYS may not invoice PFIZER more than thirty (30) days in advance of a Pfizer Quarter. FTE funding for the first PFIZER Quarter of the term of this Research Agreement will be paid to ATHERSYS within [*] Business Days after the Effective Date.

Section 9 FEES AND ROYALTIES.

9.1 Event Milestone Payments.

(a) In consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, PFIZER shall pay to ATHERSYS the amount set forth in the table below opposite the corresponding event Milestone (each an " Event Milestone ") within thirty (30) days after the occurrence of such Event Milestone, after providing prompt notice of such achievement to ATHERSYS (no more than ten (10) days after achievement) provided however that the License and Technology Access Fee Event Milestone shall be payable by PFIZER within ten (10) Business Days after the Effective Date:

No.	Event Milestone	Event Milestone Payment
1	[*]	USD six million ($6,000,000)
2	[*]	[$*]
3	[*]	[$*]
4	[*]	[$*]
5	[*]	[$*]
6	[*]	[$*]
7	[*]	[$*]

(b) With respect to each milestone (i) each Event Milestone Payment shall be payable only on the first occurrence of the corresponding Event Milestone; (ii) none of the Event Milestone Payments shall be payable more than once; (iii) should the first Licensed Product be replaced or succeeded by another Licensed Product or advancement of the Licensed Product in another indication or with additional regulatory guidance no additional Event Milestone Payments shall be due for Event Milestones already met with respect to any other Licensed Product; and (iv) the maximum amount payable by PFIZER in respect of Event Milestone Payments if all Event Milestones occur shall be USD [*][$*]).

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9.2 Sales Milestone Payments.

In addition to the Event Milestone Payments, in consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, PFIZER shall pay to ATHERSYS the following one-time payments (each, a " Sales Milestone Payment ") when aggregate Net Sales of all Licensed Products in the Field, but excluding any Net Sales relating to Licensed Products in the Field in respect of which ATHERSYS has elected to share Profits pursuant to Section 3.2(c) and Schedule 3.2 (c) , over a period of four (4) consecutive Pfizer Quarters in the Territory first reach the respective thresholds indicated below in United States Dollars:

Net Sales in the Territory	**Sales Milestone Payment**
Net Sales in [*] consecutive PFIZER Quarters exceed [$*]	[$*]
Net Sales in [*] consecutive PFIZER Quarters exceed [$*]	[$*]
Net Sales in [$*] consecutive PFIZER Quarters exceed [$*]	[$*]
Net Sales in [*] consecutive PFIZER Quarters exceed [$*]	[$*]

PFIZER shall make any Sales Milestone Payment within sixty (60) days of that Sales Milestone Payment falling due and such payment shall be accompanied by a report identifying the Licensed Products, the relevant countries, Net Sales of each Licensed Product for each such country, and the amount payable to ATHERSYS. All such reports shall be kept confidential by ATHERSYS and not disclosed to any other party, other than ATHERSYS' accountants which shall be obligated to keep such information confidential, and such information and reports shall only be used for purposes of this Agreement.

9.3 Royalty Payments.

In consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, unless and to the extent ATHERSYS is participating in a Profit share in respect of any Licensed Product in the Field pursuant to Section 3.2 and Schedule 3.2(c) , PFIZER shall pay to ATHERSYS, with respect to the Licensed Products in the Field, an amount equal to:

(a) [*] percent ([*%]) of Net Sales for the portion of Net Sales of such Licensed Products in a Pfizer Year in the Territory below or equal to [*] ([$*]); plus

(b) [*] percent ([*%]) of Net Sales for the portion of Net Sales of such Licensed Products in a Pfizer Year in the Territory greater than [*] ([$*]) and less than or equal to [*] ([$*]); plus

(c) [*] percent ([*%]) Net Sales for the portion of Net Sales of such Licensed Products in a Pfizer Year in the Territory in excess of [*] ([$*]).

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Notwithstanding the foregoing and subject to Section 9.5 , any payments owed with respect to sales of Licensed Products in a country in the Territory pursuant to this Section 9.3 shall be reduced by [*] percent ([*%]), such reduction to be prorated appropriately for the then-current Pfizer Quarter, for Net Sales occurring during any time there is either no Valid Claim or no right of data or market exclusivity covering such Licensed Product in the Field in such country in the Territory. The parties agree and acknowledge that the payment of royalties by PFIZER to ATHERSYS for sales in a country in which there is no Valid Claim or no right of data or market exclusivity covering the applicable Licensed Product in the Field shall represent consideration for the license to Athersys Technology, Athersys Combination Product IPRs, and Athersys Confidential Information granted by ATHERSYS to PFIZER in Sections 7.1 .

9.4 Sales Milestone Payments Credit against Royalty Payments.

[*] percent ([*%]) of each Sales Milestone Payment (each a " Sales Milestone Credit ") shall be credited against future payments under Section 9.3. PFIZER shall reduce the royalty payments due in respect of the next Pfizer Quarter by the amount of the applicable Sales Milestone Credit. To the extent any Sales Milestone Credit cannot be fully credited by reducing the amount of the royalty payments due in respect of that next Pfizer Quarter, the royalty payments due in respect of subsequent Pfizer Quarters shall be reduced by any remaining amount until the applicable Sales Milestone Credit has been fully credited.

9.5 Duration of Royalty Payments.

Payments under Section 9.3 in respect of Net Sales for a Licensed Product in the Field in a country in the Territory shall continue until the expiration of the Royalty Term in that country for such Licensed Product in the Field; thereafter, the licenses granted under Section 7.1 with respect to such Licensed Product in such country shall be royalty-free and fully paid up, perpetual and irrevocable.

Section 10 ACCOUNTING AND PROCEDURES FOR PAYMENT.

10.1 Inter-Company Sales.

Sales between or among PFIZER, its Affiliates or sub-licensees shall not be subject to royalties under Section 9 . Instead, only the first sale by PFIZER or its Affiliates or sublicensees to a Third Party shall be used to calculate the Net Sales upon which the royalty calculation is based. PFIZER shall be responsible for the payment of royalties on Net Sales by its Affiliates or sublicensees to Third Parties.

10.2 Currency.

All royalty payments shall be computed and paid in United States dollars. For the purposes of determining the amount of any Sales Milestone Payments or royalties due for the relevant Pfizer Quarter, the amount of Net Sales in any foreign currency shall be converted into United States dollars in a manner consistent with PFIZER'S normal practices used to prepare its audited financial reports; provided that such practices use a widely accepted source of published exchange rates.

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10.3 Royalty Payments.

(a) PFIZER shall make royalty payments to ATHERSYS with respect to each Pfizer Quarter, within sixty (60) days after the end of each calendar quarter, and each payment shall be accompanied by a report identifying the applicable Pfizer Quarter for each Licensed Product in the Field: (i) each applicable country or, for those countries where PFIZER does not typically produce a country-specific report, the applicable region in which Net Sales occurred; (ii) the gross sales for the Licensed Product in each such country or such region; (iii) the Net Sales for the Licensed Product for each such country or such region; (iv) the applicable royalty rate for the Net Sales for the Licensed Product in each such country or such region; and (v) the amount of royalties payable to ATHERSYS for the Licensed Product in each such country or such region, as well as the computation thereof. Said reports shall be kept confidential by ATHERSYS and not disclosed to any other party, other than ATHERSYS's accountants which shall be obligated to keep such information confidential, and such information and reports shall only be used for purposes of this Agreement.

(b) If Net Sales in any Pfizer Quarter during a given Pfizer Year are less than zero (as a result of returns or recalls of Licensed Product in the Field or any other circumstance), then PFIZER will not be obligated to pay ATHERSYS any royalties for such Pfizer Quarter, and for purposes of calculating royalty payments with respect to the fourth Pfizer Quarter of such Pfizer Year, Net Sales for such fourth Pfizer Quarter shall be reduced by the aggregate amount of negative Net Sales in each Pfizer Quarter of such Pfizer Year in which Net Sales are less than zero. If, as a result of such reduction, the aggregate Net Sales with respect to such fourth Pfizer Quarter are less than zero, then, for purposes of calculating royalty payments with respect to the first or subsequent Pfizer Quarters of the next succeeding Pfizer Year, Net Sales for such first Pfizer Quarter and until any negative Net Sales have been fully exhausted any subsequent Pfizer Quarters shall be reduced by the amount of negative Net Sales in the fourth Pfizer Quarter of the immediately preceding Pfizer Year.

10.4 Method of Payments.

Each payment hereunder shall be made by electronic transfer in immediately available funds via either a bank wire transfer, an ACH (automated clearing house) mechanism, or any other means of electronic funds transfer, at PFIZER's election, to such bank account as ATHERSYS shall designate in writing to PFIZER at least five (5) Business Days before the payment is due.

10.5 Inspection of Records.

PFIZER shall, and shall cause its Affiliates and sublicensees to, keep accurate books and records setting forth the, gross sales of each Licensed Product in the Field, Net Sales of each such Licensed Product, amounts payable hereunder to ATHERSYS for each such Licensed Product and other information reasonably required to verify the calculation of payments made under Section 10.3 and Schedule 3.2(c), provided that nothing in this Section 10.5 shall require PFIZER to keep or create books, records or reports solely for the purpose for this Section 10.5 or which PFIZER would not typically keep for the purpose

of determining and reporting royalties or profit sharing arrangements. PFIZER shall permit ATHERSYS, by independent certified public accountants employed by ATHERSYS and reasonably acceptable to PFIZER, to examine such books and records at any reasonable time, upon reasonable notice, but not later than two (2) years following the rendering of the corresponding reports pursuant to Section 10.3 and Schedule 3.2(c) . The foregoing right of examination may be exercised only once during each twelve (12)-month period of the Term and once during the two (2) year period after the Term. PFIZER may require such accountants to enter into a reasonably acceptable confidentiality agreement, and in no event shall such accountants disclose to ATHERSYS any information, other than such as relates to the accuracy of the corresponding reports pursuant to Section 10.3 and Schedule 3.2(c) . The opinion of said independent accountants regarding such reports and related payments shall be binding on the parties, other than in the case of manifest error. ATHERSYS shall bear the cost of any such examination and review; provided that if the examination shows an underpayment of royalties of more than five percent (5%) of the amount due for the applicable period, then PFIZER shall promptly reimburse ATHERSYS for all costs incurred in connection with such examination. PFIZER shall promptly pay to ATHERSYS the amount of any underpayment of royalties revealed by an examination. Any overpayment of royalties by PFIZER revealed by an examination shall be fully-creditable against future royalty payments under Section 9.3 .

Upon the expiration of the two (2) year period following the rendering of a royalty report pursuant to Section 10.3 , such report shall be binding on the parties, and PFIZER and its Affiliates shall be released from any liability or accountability with respect to royalties for the period covered by such report.

10.6 Tax Matters.

It is understood and agreed between the parties that any payments made by PFIZER under this Agreement are inclusive of any value added or similar tax imposed upon such payments. In addition, in the event any payments made by PFIZER pursuant to this Agreement become subject to withholding taxes under the laws or regulation of any jurisdiction, PFIZER shall deduct and withhold the amount of such taxes for the account of ATHERSYS to the extent required by applicable Law or regulations; such amounts payable to ATHERSYS shall be reduced by the amount of taxes deducted and withheld; and PFIZER shall pay the amounts of such taxes to the proper Governmental Authority in a timely manner and promptly transmit to ATHERSYS an official tax certificate or other evidence of such tax obligations together with proof of payment from the relevant Governmental Authority of all amounts deducted and withheld sufficient to enable ATHERSYS to claim such payment of taxes. Any such withholding taxes required under applicable Law or regulations to be paid or withheld shall be an expense of, and borne solely by ATHERSYS . PFIZER will provide ATHERSYS with reasonable assistance to enable ATHERSYS to recover such taxes as permitted by applicable Law or regulations.

Section 11 PATENTS AND INFRINGEMENT.

11.1 Prosecution.

ATHERSYS will be responsible for filing, prosecuting and maintaining the Athersys Patent Rights, at its own cost and expense. ATHERSYS shall consult and reasonably cooperate with PFIZER with respect to any potentially patentable inventions within the Research Program IPRs and Athersys Combination Product IPRs, including with respect to the content and timing of filing any draft patent applications thereon. ATHERSYS shall consult with PFIZER regarding countries in which to file any Athersys Patent Rights that (i) are based upon Research Program IPRs or Athersys Combination Product IPRs, or (ii) are other Athersys Patent Rights that are, at the relevant time, licensable or sublicensable for commercial purposes exclusively by ATHERSYS or its Affiliates, and that claim, or are reasonably likely to claim, inventions applicable to Licensed Products for use in the Field (such Athersys Patent Rights under (i) and (ii) collectively, " Athersys Exclusive Patent Rights "), and that are to be filed subsequent to the Effective Date. ATHERSYS shall promptly notify PFIZER of any new Athersys Patent Rights that are, or any Athersys Patent Rights existing as of the Effective Date that become, Athersys Exclusive Patent Rights under subsection (ii) of the preceding sentence.

11.2 Updates and Cooperation.

ATHERSYS will keep PFIZER informed of the status of the Athersys Patent Rights from time to time and in any event promptly on PFIZER's reasonable request, and will provide PFIZER with copies of all substantive documentation submitted to, or received from, the patent offices in connection with the Athersys Exclusive Patent Rights. With respect to any substantive submissions that ATHERSYS is required to, or otherwise intends to, submit to a patent office, or any material decision relating to prosecution of the Athersys Exclusive Patent Rights, ATHERSYS shall provide a draft of such submission to PFIZER or inform PFIZER of such intended decision, reasonably in advance of the deadline or of the intended filing date of such submission or such decision effective date, for submission of such documentation. PFIZER shall have the right to review and comment upon any such submission by ATHERSYS, or any intended decision, to a patent office and will provide such comments, if any, reasonably in advance of the applicable deadline, intended filing date or decision effective date. ATHERSYS shall reasonably consider all comments provided by PFIZER and shall incorporate such comments unless ATHERSYS provides to PFIZER reasonable justification for not doing so.

11.3 Maintenance.

ATHERSYS shall maintain, for the full life thereof, all patents under the Athersys Patent Rights unless ATHERSYS, in its reasonable discretion decides otherwise for commercial reasons. ATHERSYS will notify PFIZER of any decision not to file applications or any decision (i) not to file applications for, or not to enter the national phase for a PCT patent application, or validate a patent in a particular country, or (ii) to cease prosecution and/or maintenance of, or cease to pay the expenses of prosecution or maintenance of, any Athersys Exclusive Patent Rights in any country. ATHERSYS will provide such notice as soon as reasonably possible after its decision with respect to any of the foregoing, and sufficiently before (a) any date on which it must offer the right to prosecute to Angiotech, any licensor or any other party, and (b) any filing or payment due date or any other due date that requires action to avoid abandonment of or loss of right to file the patent or application, to enable PFIZER to consult with ATHERSYS regarding such decision and to undertake any action it may be entitled to take hereunder, in connection with such Athersys Exclusive Patent Rights. In such event, PFIZER shall, subject only to any rights granted to Angiotech prior to the Effective Date, and any limitations in any relevant in-licenses, have the right to make the filing, or to continue the prosecution and maintenance of such Athersys Exclusive Patent Rights at its expense, provided that (x) with respect to Athersys Exclusive Patent Rights which are Research Program IPRs, ATHERSYS shall assign, free of charge, such Athersys Exclusive Patent Rights to PFIZER and (y) with respect to any Athersys Exclusive Patent Rights included in Schedule 1.83 such Athersys Exclusive Patent Rights shall no longer be part of that Schedule.

11.4 Notices.

ATHERSYS agrees that it will, and will cause its Affiliates to, (i) execute and file those notices and other filings as PFIZER shall request be made to record the existence of the rights granted hereunder, from time to time with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory, to the extent such filings are permitted in accordance with applicable Laws.

11.5 Patent Term Extensions.

PFIZER, subject to any rights granted to Angiotech prior to the Effective Date, shall have the exclusive right, but not the obligation, to seek, in ABT's name if so required, patent term extensions, and supplemental protection certificates and the like available under Law, including 35 U.S.C. § 156 and applicable foreign counterparts, in any country in the Territory in relation to the Athersys Exclusive Patent Rights. ATHERSYS and PFIZER shall cooperate in connection with all such activities, and PFIZER, its agents and attorneys will give due consideration to all suggestions and comments of ATHERSYS regarding any such activities, but in the event of a disagreement between the parties, PFIZER will have final the final decision-making authority.

11.6 Third Party Royalty Obligations.

If PFIZER (a) reasonably determines in good faith that, in order to avoid infringement of any patent not licensed hereunder, it is reasonably necessary to obtain a license from a Third Party in order to make, use, sell, offer for sale, supply, cause to be supplied, or import a Licensed Product in the Field in a country in the Territory and to pay a royalty or other consideration under such license (including in connection with the settlement of a patent infringement claim), or (b) shall be subject to a final court or other binding order or ruling requiring any payments, including the payment of a royalty to a Third Party patent holder in respect of sales of any Licensed Product in the Field in a country in the Territory, then, without limiting ATHERSYS' obligations under Section 17.1(a) (if any) , the amount of PFIZER's royalty payments under Section 9.3 with respect to Net Sales for such Licensed Product in such country shall be reduced by the amount payable by PFIZER to such Third Party, provided, however, that in no event will a deduction, or deductions, under this Section 11.6 , in the aggregate, reduce any royalty payment made by PFIZER in respect of Net Sales of such Licensed Product pursuant to Section 9.3 in any Pfizer Year to less than [*] percent ([*%]) of Net Sales of such Licensed Product for that Pfizer Year.

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

11.7 Third Party Infringement.

(a) Each party will promptly notify the other in the event of any actual, potential or suspected infringement of a patent under the Athersys Patent Rights by any Third Party. Except as provided in Section 11.7(b) and 11.9 , PFIZER shall have the sole right, but not the obligation, to institute litigation in connection with any infringement of the Athersys Exclusive Patent Rights in the Field, and any such litigation shall be at PFIZER's expense, subject to ATHERSYS' obligation to indemnify PFIZER for such expenses pursuant to Section 17 (if any) ; provided that any recoveries resulting from such action relating to a claim of a Third Party infringement, after deducting PFIZER's out of pocket expenses (including counsel fees and expenses) in pursuing such claim, will be deemed Net Sales. If required in order to establish standing, ATHERSYS, upon request of PFIZER, agrees to timely commence or join in any such litigation, at PFIZER's expense, and in any event to cooperate with PFIZER at PFIZER's expense. The parties shall consult with respect to potential strategies for terminating such alleged or threatened infringement without litigation and PFIZER may not enter into settlements, stipulated judgments or other arrangements respecting such infringement without the prior written consent of ATHERSYS. No settlement, stipulated judgment or other voluntary final disposition of a suit under this Section 11.7 may be undertaken by PFIZER without the consent of ATHERSYS if such settlement, stipulated judgment or other voluntary final disposition would require ATHERSYS to be subject to an injunction, admit wrong-doing, make a monetary payment or would otherwise materially adversely affect ATHERSYS' rights under this Agreement or any of the Athersys Exclusive Patent Rights.

(b) If PFIZER fails, pursuant to Section 11.7(a) to bring an action with respect to, or to terminate, the Third Party infringement prior to the earlier of (i) one hundred and eighty (180) days following the notice of alleged infringement; and (ii) ten (10) days before the time limit, if any, set forth in the applicable Laws for the filing of such actions, then ATHERSYS shall have the right, but not the obligation, to defend or institute litigation in connection therewith, and any such litigation shall be at ATHERSYS' expense; provided that any recoveries resulting from such action relating to a claim of a Third Party infringement will be retained by ATHERSYS. PFIZER, upon request of ATHERSYS, shall cooperate with ATHERSYS at ATHERSYS' expense, but shall be under no obligation to join in any such litigation. If PFIZER joins in such litigation, the parties shall consult with respect to potential strategies for terminating such alleged or threatened infringement without litigation. ATHERSYS may not enter into settlements, stipulated judgments or other arrangements respecting such infringement without the prior written consent of PFIZER if such settlement, stipulated judgment or other arrangement would require PFIZER to be subject to an injunction, admit wrong-doing, make a monetary payment or would otherwise conflict with the exclusive rights granted to PFIZER under this Agreement.

11.8 ANDA Filings.

If either party receives a notice under 21 U.S.C. §355(b)(2)(A)(iv) or 355(j)(2)(A)(vii)(IV) (" Paragraph IV Notice ") or any supplements or comparable provisions relating to biologic products (" ANDA Filing ") that are alleged to be equivalent to a Licensed Product in the Field and for which an Athersys Exclusive Patent Right is listed in the FDA's Orange Book, then it shall provide a copy of such notice to the other party within two (2) Business Days after its receipt thereof. PFIZER shall have the only right, but no obligation, to initiate patent infringement litigation based on any ANDA Filing concerning any Athersys Exclusive Patent Rights in connection with the Field, at its own expense. In order to establish standing, ATHERSYS shall reasonably cooperate with PFIZER in any such litigation and shall timely commence or join in any such litigations, at PFIZER's request and expense.

11.9 Validity and Enforceability Challenges Concerning Athersys Exclusive Patent Rights.

Each party shall promptly notify the other in the event of any legal or administrative action by any Third Party involving an Athersys Exclusive Patent Right of which a party becomes aware, including any nullity, revocation, re-examination or compulsory license proceeding. In the event of an assertion of invalidity or unenforceability of Athersys Exclusive Patent Rights licensed hereunder, ATHERSYS shall promptly advise PFIZER in writing of such assertion and of all relevant facts and circumstances known to ATHERSYS pertaining to such assertion. Where such validity or enforceability assertion is made in connection with a litigation under Section 11.7 or 11.8 , or in a declaratory judgment action where a counterclaim for infringement is subsequently made by PFIZER or ATHERSYS pursuant to Section 11.7 , the party controlling such litigation under Sections 11.7 or 11.8 shall have the right to control the defense of such assertion. In all other instances, both parties shall thereafter consult and cooperate fully to determine an appropriate course of action.

11.10 Compensation to Inventors/Third Party Licensing Athersys Patent Rights or Technology.

As between ATHERSYS and PFIZER, only ATHERSYS shall be responsible for any compensation and any other payments due to the inventors or Third Party Licensors of Athersys Patent Rights, Athersys Technology or to the ATHERSYS inventors of any Research Program IPRs or Athersys Combination Product IPRs. As between ATHERSYS and PFIZER only PFIZER shall be responsible for any compensation,and any other payments due to the inventors or PFIZER's licensors, of any Pfizer Technology or to the PFIZER inventors of any Research Program IPRs or Pfizer Combination Product IPRs.

11.11 Trademarks.

The Licensed Product shall be sold in the Territory under trademark(s) selected solely by PFIZER and marketed using logos, slogans, trade dress, domain names and other intellectual property selected and owned by PFIZER (hereinafter collectively " Trademarks "). All Trademarks filed in the Territory shall be owned by PFIZER and applications for registration of such Trademarks shall be filed and prosecuted by PFIZER with reasonable assistance from ATHERSYS if necessary. All costs of the filing of applications for registration of Trademarks in the Territory shall be borne solely by PFIZER.

Section 12 CONFIDENTIALITY; PUBLICATION

12.1 Confidential Information.

(a) PFIZER and ATHERSYS each agree that during the Term and for seven (7) years thereafter, it will keep confidential, and will cause its Affiliates to keep confidential, all of the other party's Confidential Information that is disclosed to it (including, in the case of ATHERSYS, disclosed pursuant to ATHERSYS exercising its observation rights under this Agreement), or to any of its Affiliates. PFIZER and ATHERSYS each agree to take such action, and to cause its Affiliates to take such action, to preserve the confidentiality of Athersys Confidential Information and Pfizer Confidential Information, respectively, as it would customarily take to preserve the confidentiality of its own similar types of confidential information.

(b) Each of PFIZER, ATHERSYS and their respective Affiliates agree (i) to use ATHERSYS Confidential Information and Pfizer Confidential Information, respectively, only as expressly permitted in this Agreement and (ii) not to disclose ATHERSYS Confidential Information and Pfizer Confidential Information, respectively, to any Third Parties under any circumstance without the prior consent of the other party, except as expressly permitted in this Agreement.

(c) Notwithstanding anything to the contrary in this Section 12 , PFIZER may disclose ATHERSYS Confidential Information (i) to Governmental Authorities (A) to the extent desirable to obtain or maintain INDs or Regulatory Approvals for any Licensed Product in the Field or Combination Product in the Field within the Territory, and (B) in order to respond to inquiries, requests or investigations relating to this Agreement; (ii) to outside consultants, contractors, advisory boards, managed care organizations, and non-clinical and clinical investigators, in each case to the extent desirable to develop, register, market or otherwise commercialise any Licensed Product in the Field or exercise its rights under Sections 7.1 and/or 7.2; provided that PFIZER shall obtain the same confidentiality obligations from such Third Parties as it obtains with respect to its own similar types of confidential information; (iii) in connection with filing or prosecuting Patent Rights as permitted by this Agreement; (iv) in connection with prosecuting or defending litigation as permitted by this Agreement, provided that PFIZER shall use reasonable efforts to limit the dissemination of such Confidential Information, including by use of protective orders and the like, as PFIZER would use for its own similar types of confidential information; (v) in connection with or included in scientific presentations and publications relating to Licensed Products in the Field, including abstracts, posters, journal articles and the like, and posting of results of, and other information about, clinical trials to clincialtrials.gov or PhRMA websites, and (vi) to the extent necessary or desirable in order to enforce its rights under this Agreement, provided that PFIZER shall use reasonable efforts to limit the dissemination of such Confidential Information, including by use of protective orders and the like, as PFIZER would use for its own similar types of confidential information.

(d) Notwithstanding anything to the contrary in this Section 12 , ATHERSYS may disclose Pfizer Confidential Information to: (i) Governmental Authorities in order to respond to inquiries, requests or investigations relating to this Agreement; (ii) to outside consultants, contractors, advisory boards, managed care organizations, and non-clinical and clinical investigators, in each case to the extent required for ATHERSYS to fulfil any of its obligations under the Research Plan or a Clinical Development Plan or desirable to exercise its rights under Section 7.4 provided that ATHERSYS shall obtain the same confidentiality obligations from such Third Parties as it obtains with respect to its own similar types of confidential information; (iii) in connection with prosecuting or defending litigation as permitted by this Agreement; provided that ATHERSYS shall use reasonable efforts to limit the dissemination of such Confidential Information, including by use of protective orders and the like, as ATHERSYS would use for its own similar types of confidential information; (iv) to the extent necessary or desirable in order to enforce its rights under this Agreement, provided that ATHERSYS shall use reasonable efforts to limit the dissemination of such Confidential Information, including by use of protective orders and the like, as ATHERSYS would use for its own similar types of confidential information; and (v) in connection with filings required by security regulations and the rules and regulations of any securities exchanges upon which ATHERSYS' securities are traded (e.g., Nasdaq); provided that ATHERSYS shall use reasonable efforts to limit the dissemination of such Confidential Information, including by use of protective orders and the like, as ATHERSYS would use for its own similar types of confidential information.

(e) If ATHERSYS is subject to a Change of Control, ATHERSYS will, and it will cause its Representatives to, ensure that no Pfizer Confidential Information is released to (i) any Affiliate of ATHERSYS that becomes an Affiliate as a result of the Change of Control or (ii) any Representatives of ATHERSYS (or of the relevant surviving entity of such Change of Control) who become Representatives as a result of the Change of Control, unless such Representatives have signed individual confidentiality agreements which include equivalent obligations to those set out in this Section 12 . If any Change of Control of ATHERSYS occurs, ATHERSYS shall promptly notify PFIZER, share with PFIZER the policies and procedures it plans to implement in order to protect the confidentiality of Pfizer Confidential Information prior to such implementation and make any adjustments to such policies and procedures that are reasonably requested by PFIZER.

12.2 Publication.

ATHERSYS shall not, and shall cause, its Affiliate and its Affiliates' employees, consultants, contractors, licensees and agents not to publish or present any information with respect to any Licensed Product in the Field or Combination Product in the Field without PFIZER's prior written consent (which may be withheld in its sole and final discretion), except as may be required by Law or legal proceedings.

Notwithstanding the foregoing, ATHERSYS shall have the right to publish information generated by ATHERSYS prior to the Effective Date with respect to any Licensed Product in the Field or Combination Product in the Field subject to the following procedure. ATHERSYS shall provide to PFIZER drafts of any proposed abstracts, manuscripts or presentations that cover such Licensed Product or Combination Product at least thirty (30) days prior to ATHERSYS's submission of such proposed abstract, manuscript or summary for publication or presentation. PFIZER shall be permitted to review and comment on such drafts, and shall designate a person who shall be responsible for approving such publications. Such designated person shall respond promptly, and in no event later than twenty (20) days after receipt of the proposed material, with either approval of the proposed material or a specific statement of concern. If a statement of concern is submitted, ATHERSYS agrees not to submit such publication or to make such presentation that contains such information until PFIZER is able to resolve any issues (not to exceed forty-five (45) days following such statement of concern). With respect to any proposed abstracts, manuscripts or summaries for publication or presentation by independent investigators or other Third Parties, such materials shall be subject to review under the principles of this Section 12.2 to the extent reasonable practicable.

12.3 Publicity.

The form of public announcement of the execution of this Agreement is set forth on in Schedule 12.3 attached hereto and shall be promptly disseminated following the execution of this Agreement by both parties. Except as set forth in Section 12.2 , neither Party may make any public statement (written or oral), including in analyst meetings, concerning the terms of, or events related to, this Agreement or concerning any Licensed Product in the Field including any Combination Product in the Field, except where such statement: (a) is required by Law, the rules and regulations of any securities exchange upon which a party's securities are traded, or legal proceedings, (b) is required to be contained in a party's financial statements prepared in accordance with generally acceptable accounting principles in the United States, (c) has been announced previously in accordance with this Section 12.3 , or (d) has been announced previously by a party, so long as, in the case of (c) or (d), such public statement is consistent with such previously announced statement. In the case of any public statement (written or oral) that is required by Law or legal proceedings, the disclosing party shall (i) use commercially reasonable efforts to obtain confidential treatment of financial and trade secret information, and (ii) if reasonably practicable under the circumstances, give the other party sufficient advance notice of the text so that such other party will have the opportunity to comment upon the statement, and give due consideration to any such comments in the final statement. The parties will work together to establish a mutually agreed plan for publicizing activities and developments under this Agreement.

12.4 Filing, Registration or Notification of the Agreement.

The parties shall promptly following the Effective Date and in any event within forty five (45) days of the Effective Date agree a redacted form of this Agreement (the " Redacted Agreement ") which will then be deemed included in this Agreement at Schedule 12.4 . If a party determines that it is required by Law to publicly file, register or notify this Agreement with a Governmental Authority, such party shall (i) initially file the Redacted Agreement, (ii) request, and use commercially reasonable efforts to obtain, confidential treatment of all terms redacted from this Agreement, as reflected in the Redacted Agreement, for the maximum period permitted by such Governmental Authority, (iii) permit the other party to review and approve such request for confidential treatment and any subsequent correspondence with respect thereto at least five (5) Business Days prior to its submission to such Governmental Authority, (iv) promptly deliver to the other party any written correspondence received by it or its representatives from such Governmental Authority with respect to such confidential treatment request and promptly advise the other party of any other communications between it or its representatives with such Governmental Authority with respect to such confidential treatment request, (v) upon the written request of the other party, request an appropriate extension of the term of the confidential treatment period, and (vi) if such Governmental Authority requests any changes to the redactions set forth in the Redacted Agreement, use commercially reasonable efforts to support the redactions in the Redacted Agreement as originally filed and shall not agree to any changes to the Redacted Agreement without first discussing such changes with the other party and taking the other party's comments into consideration when deciding whether to agree to such changes. Each party shall be responsible for its own legal and other external costs in connection with any such filing, registration or notification.

Section 13 REPRESENTATIONS AND WARRANTIES

13.1 ATHERSYS Representations and Warranties.

As of the date hereof and as of the Effective Date of this Agreement, AI and ABT each jointly and severally hereby represents and warrants to PFIZER as follows:

(a) ATHERSYS has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by ATHERSYS have been duly and validly authorized and approved by proper corporate action on the part of ATHERSYS, and ATHERSYS has taken all other action required by Law, its certificate of incorporation, by-laws or other organizational documents or any agreement to which it is a party, or to which it may be subject, required to authorize such execution, delivery and performance. Assuming due authorization, execution and delivery on the part of PFIZER, this Agreement constitutes a legal, valid and binding obligation of ATHERSYS, enforceable against ATHERSYS in accordance with its terms.

(b) The execution and delivery of this Agreement by ATHERSYS and the performance by ATHERSYS contemplated hereunder does not and will not violate any Laws or any order of any court or Governmental Authority applicable to or binding upon ATHERSYS.

(c) To the knowledge of ATHERSYS, the patents and patent applications encompassed within the Athersys Exclusive Patent Rights, are, or, upon issuance, will be, valid and enforceable patents and no Third Party (i) is infringing any such patents relating to any MultiStem Product as of the Effective Date or (ii) other than a Government Authority in the course of patent prosecution, is challenging the patentability, validity or enforceability of any claims of any such patents or patent applications (including by way of example through the institution or written threat of institution of interference, nullity or similar invalidity proceedings before the United States Patent and Trademark Office or any analogous foreign entity).

(d) To the knowledge of ATHERSYS, the manufacture, use, sale, offer for sale, supply or importation by ATHERSYS or PFIZER (or their respective Affiliates) of any MultiStem Product or Licensed Products existing, or any Clinical Development Candidate and Licensed Products in the Field contemplated, at the Effective Date does not and will not infringe any issued valid claims of any patent of any Third Party.

(e) Schedule 1.8 contains a complete and correct list of all patents and patent applications owned or co-owned by or licensed to ATHERSYS (and indicating which entity owns or co-owns each patent and patent application and under which Third Party License any such patents or patent applications are licensed to ATHERSYS) relating to the Licensed Products.

(f) Except as otherwise set out in Schedule 1.8 , ATHERSYS is the sole legal and beneficial owner of all the ATHERSYS Patent Rights and ATHERSYS Technology, free of any lien, encumbrance, charge, security interest, mortgage or other similar restriction and no person, firm, corporation or other entity (including any Affiliate of ATHERSYS) has any right, interest or claim in or to, and neither ATHERSYS nor any of its Affiliates has entered into any agreement granting any right, interest or claim in or to, any ATHERSYS Patent Rights or ATHERSYS Technology to any Third Party (including any academic organization or agency) that conflicts with or limits the rights licensed to PFIZER under Sections 7.1 and 7.2 .

(g) ATHERSYS has complied in all material respects with all applicable Laws, including any disclosure requirements, in connection with the filing, prosecution and maintenance of the Athersys Exclusive Patent Rights in the Territory.

(h) Except as set out in Schedule 1.8 and to the best of ATHERSYS' knowledge and belief, none of the Athersys Patent Rights or Athersys Technology were developed with federal funding from the United States government or any other Governmental Authority.

(i) ATHERSYS or, as applicable ATHERSYS' licensor, has obtained or procured assignments, or an obligation to assign, by contract, university policies or otherwise, from the inventors of all inventorship rights relating to the Athersys Patent Rights, and all such assignments of inventorship rights relating to the Athersys Patent Rights are valid and enforceable.

(j) The agreements listed in Schedule 1.8 as heretofore delivered by ATHERSYS to PFIZER represent the complete agreement and understanding between the respective Third Parties and ATHERSYS relating to the Athersys Patent Rights and Athersys Technology which are the subject of those agreements. The agreements listed in Schedule 1.8 have not been modified, supplemented or amended, other than by amendments thereto provided to PFIZER prior to the execution date of this Agreement or as required in writing by ATHERSYS, PFIZER and the relevant Third Party in connection with the transactions contemplated by this Agreement. Except for the agreements listed in Schedule 1.8 , there are no agreements to which ATHERSYS or any of its Affiliates is a party pursuant to which ATHERSYS or any of its Affiliates has a license, or an option to obtain a license, or holds an immunity from suit, with respect to patents which (x) are pending, applied for, granted or registered, and (y) but for ATHERSYS's rights under such agreements, could be asserted by third parties to be infringed by the development manufacture, distribution, use, or sale of Licensed Products in the Field. ATHERSYS has previously delivered to PFIZER all of its agreements with any Third Parties regarding supply and manufacture of all goods and services relating to MultiStem Products none of which have been modified, supplemented or amended; (ii) the Third Party Licenses are in full force and effect, all payments to date required to be made thereunder by ATHERSYS have been made, and ATHERSYS is in compliance in all respects with its respective obligations thereunder and (iii) ATHERSYS is not aware of any breach by other parties to any Third Party License **.**

(k) Except pursuant to the Third Party Licenses and as otherwise set out in Schedule 1.8 none of the ATHERSYS Patent Rights or ATHERSYS Technology have been licensed or otherwise made available (including pursuant to any immunity from suit arrangement) to ATHERSYS or any of its Affiliates from a Third Party.

(l) ATHERSYS has heretofore disclosed to PFIZER all material scientific and technical information and all information relating to safety and efficacy known to it, or its Affiliates, with respect to the MultiStem Products and Licensed Products.

(m) ATHERSYS has heretofore disclosed to PFIZER all material correspondence and contact information between ATHERSYS and the FDA and any other Governmental Authorities regarding the MultiStem Products and Licensed Products.

(n) Neither the execution and delivery of this Agreement nor the performance hereof by ATHERSYS or any of the Affiliates requires ATHERSYS to obtain any permits, authorizations or consents from any Governmental Authority or from any other person, firm or corporation, and such execution, delivery and performance will not result in the breach of or give rise to any right of termination, rescission, renegotiation or acceleration under, or trigger any other rights under, any agreement or contract to which ATHERSYS is a party or to which it may be subject that relates to the ATHERSYS Patent Rights, the ATHERSYS Technology, the MultiStem Products, Licensed Products or ATHERSYS' obligations under this Agreement.

(o) There is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the knowledge of ATHERSYS, threatened against ATHERSYS, any of its Affiliates or any Third Party, in each case in connection with the ATHERSYS Patent Rights, the ATHERSYS Technology or the MultiStem Products and Licensed Products which would have a negative impact on the Research Program, any Clinical Development Plan or any other obligation of ATHERSYS under this Agreement.

(p) ATHERSYS, its Affiliates or, to the best of ATHERSYS' knowledge and belief, its Third Party Licensors, have complied materially with all Laws, codes of practice, directions, guidance, required licenses, permits and authorisations concerning health and safety, human tissue, clinical trials and environmental procedures, protocols and systems applicable to the isolation, purification, derivation, production, traceability, research, development and manufacture of the MultiStem Products and Licensed Products and all such licenses, permits or authorisations in relation to such Law are valid and subsisting and there are no circumstances or grounds that would lead a Governmental or Regulatory Authority to revoke, suspend or cancel such licenses, permits or authorisations, or impose a penalty or that would result in any permit, license authorisation being revoked, suspended, cancelled or not renewed.

(q) The MultiStem Products are not derived from embryonic sources.

(r) ATHERSYS is financially solvent, that is has sufficient funds on hand as of the Effective Date, and sufficient capacity to obtain additional funds for the Initial Research Term, (including pursuant to Section 8.1) to satisfy all of its obligations under this Agreement and to meet any other payment obligations as they become due in the ordinary course of business.

13.2 PFIZER Representations and Warranties.

As of the date hereof and as of the Effective Date of this Agreement, PFIZER hereby represents and warrants to ATHERSYS as follows:

(a) PFIZER has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by PFIZER have been duly and validly authorized and approved by proper corporate action on the part of PFIZER, and PFIZER has taken all other action required by Law, its certificate of incorporation or by-laws, or any agreement to which it is a party or to which it may be subject, required to authorize such execution, delivery and performance. Assuming due authorization, execution and delivery on the part of ATHERSYS, this Agreement constitutes a legal, valid and binding obligation of PFIZER, enforceable against PFIZER in accordance with its terms.

(b) The execution and delivery of this Agreement by PFIZER and the performance by PFIZER contemplated hereunder does not and will not violate any Laws or any order of any court or Governmental Authority, except for such violations that would not have an adverse effect on the ability of PFIZER to perform its obligation under this Agreement.

(c) Neither the execution and delivery of this Agreement nor the performance hereof by PFIZER requires PFIZER to obtain any permits, authorizations or consents from any Governmental Authority (other than any regulatory approvals relating to the manufacture, use, importation or sale of any Licensed Product) or from any other person, firm or corporation, and such execution, delivery and performance will not result in the breach of or give rise to any right of termination under any agreement or contract to which PFIZER is a party or to which it may be subject, except for those breaches or rights that would not adversely affect the ability of PFIZER to perform its obligations under this Agreement.

(d) There is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the knowledge of PFIZER, threatened against PFIZER or any of its Affiliates relating to the transactions contemplated by this Agreement.

13.3 Disclaimer of Warranty.

EXCEPT AS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO COMPOUNDS, DEVICES, LICENSED PRODUCTS, ATHERSYS PATENT RIGHTS, OR ATHERSYS TECHNOLOGY, PFIZER TECHNOLOGY OR COMBINATION PRODUCT IPRS OR ANY OTHER SUBJECT MATTER UNDER THIS AGREEMENT. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 13 , EACH PARTY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

Section 14 ADDITIONAL COVENANTS.

14.1 ATHERSYS shall not (and shall cause its Affiliates not to) license, sell, assign or otherwise transfer to any person any ATHERSYS Patent Rights or any ATHERSYS Technology (or agree to do any of the foregoing) in a manner that would conflict with the rights granted to PFIZER under Sections 7.1 and 7.2 . In addition, ATHERSYS hereby covenants and agrees that ATHERSYS shall not incur or permit to exist (and shall cause each of its Affiliates not to incur or permit to exist), with respect to any ATHERSYS Patent Rights and/or Athersys Technology, any lien, encumbrance (other than grants of licenses to Third Parties), charge, security interest, mortgage, liability, or other restriction (including in connection with any indebtedness) without the prior written agreement of PFIZER, such agreement not to be unreasonably withheld or delayed. ATHERSYS shall notify PFIZER not less than thirty (30) days prior to granting any license to a Third Party of its intention to grant that license, giving PFIZER sufficient information as to the nature and scope of any proposed license to be granted reasonably related to diseases or conditions in the area of immune system dysfunction and modulation. ATHERSYS shall reasonably consider any comments provided by PFIZER regarding such proposed license to a Third Party.

14.2 ATHERSYS shall take all necessary steps to record the transfer in all relevant patent offices of patent rights for [*] within thirty (30) days of the Effective Date.

14.3 ATHERSYS shall promptly following the Effective Date obtain or procure assignments from the inventors of all inventorship rights relating to the Athersys Exclusive Patent Rights and shall promptly obtain or procure any outstanding assignments from all inventors of all inventorship rights relating to any other Athersys Patent Rights on PFIZER's request.

14.4 ATHERSYS, without the prior written consent of PFIZER such agreement not to be unreasonably withheld or delayed,(a) shall not execute or otherwise permit, and shall cause its Affiliates to refrain from executing or otherwise permitting, any amendment, modification or waiver to any of the Third Party Licenses, (b) shall not make any election or exercise any right or option (or omit to take any action) which would, and shall cause its Affiliates to refrain from making any election or exercising any right or option (or omitting to take any action) which would, terminate or relinquish in whole or in part any right under a Third Party License, or (c) shall comply, and shall cause its Affiliates to comply in all respects, with all of its, and its Affiliates', obligations under the Third Party Licenses. ATHERSYS shall take, and shall cause its Affiliates to take, such actions as shall be necessary to keep in full force and effect the Third Party Licenses and shall give prompt notice to PFIZER, together with a detailed summary of outstanding issues if PFIZER so requests, of any notice received from the Third Party to the Third Party License, of any actual or alleged defaults, breaches, or violations, proposed exercise of any Third Party rights or of any proposed amendments or proposed modifications of, or any proposed waivers under, any of the Third Party Licenses by any of the parties thereto that ATHERSYS is willing to accept.

14.5 Each of ATHERSYS and PFIZER shall conduct, and shall use reasonable efforts to cause its Affiliates to conduct, all its activities contemplated under this Agreement in accordance with all applicable Laws of the country in which such activities are conducted.

14.6 Without limiting the generality of Section 14.5 , each party and its Representatives shall comply materially with all Laws, codes of practice, directions, guidance, permits, licenses and authorisations concerning health and safety, human tissue, clinical trials and environmental procedures, protocols and systems applicable to the isolation, purification, derivation, production, traceability, research, development and manufacture of the Licensed Products and shall not take any action or omit to take any action which would lead a Governmental or Regulatory Authority to revoke, suspend or cancel any licences, permits or authorisations in relation to such Law or to impose a penalty or that would result in any permit, license or authorisation, being revoked, suspended, cancelled or not renewed.

14.7 From and after the date hereof, ATHERSYS shall, upon reasonable notice from PFIZER, provide PFIZER and its Representatives with reasonable access, during regular business hours, to (a) all information concerning Licensed Products in the Field, ATHERSYS Patent Rights and/or Athersys Technology and (b) all employees of ATHERSYS or its Affiliates who possess any information described in clause (a) of this Section 14.7; in each case (a) and (b), to the extent reasonably necessary for PFIZER to exercise the rights granted to it under this Agreement.

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

14.8 ATHERSYS shall promptly provide to PFIZER, and keep PFIZER up-to-date in respect of, all information relating to MultiStem Products outside the Field, planned interactions with Regulatory Authorities (or correspondence received) that will or may affect the material quality or safety profile for Licensed Products. PFIZER shall have the right to review and comment upon such information and ATHERSYS shall reasonably consider all comments provided by PFIZER and any differences of opinion shall be submitted to the Co-Chairs of the Development & Regulatory Committee for further discussion provided that this covenant shall not apply as regards any such information in respect of which ATHERSYS requires consent to disclose from Angiotech, until such consent has been obtained. ATHERSYS shall promptly following the Effective Date, and using commercially reasonable efforts, procure the consent of Angiotech to disclosure by ATHERSYS to PFIZER of information pursuant to this Section 14.8 .

14.9 Without prejudice to the obligations in Section 3.6 (c) PFIZER shall promptly provide to ATHERSYS, and keep ATHERSYS up-to-date in respect of, all information relating to Licensed Products inside the Field, planned interactions with Regulatory Authorities (or correspondence received) that will or may affect the material quality or safety profile for Licensed Products. ATHERSYS shall have the right to review and comment upon such information and PFIZER shall reasonably consider all comments provided by ATHERSYS and any differences of opinion shall be submitted to the Co-Chairs of the Development & Regulatory Committee for further discussion.

Section 15 TERM

This Agreement shall be effective as of the Effective Date and shall, unless earlier terminated in accordance with Section 16 , remain in effect until the expiration of the last-to-expire Royalty Term.

Section 16 TERMINATION

16.1 Termination Rights.

This Agreement may be terminated as follows:

(a) If either PFIZER or ATHERSYS materially breaches or materially defaults in the performance or observance of any of its respective obligations under this Agreement, and such breach or default is not cured within ninety (90) days after the giving of written notice by the other party specifying such breach or default, then such other party shall have the right to terminate this Agreement by providing the breaching party written notice within ten (10) days following the expiration of such ninety (90)-day period (such termination to be effective upon receipt of such termination notice). For the purpose of this Section 16.1(a) , a material breach or material default shall include a material inaccuracy in any warranty or representation contained herein.

(b) PFIZER may terminate this Agreement within thirty (30) days of giving written notice to ATHERSYS if: (i) ATHERSYS is unable at any time during the Research Term to appoint a Suitably Qualified Person to a Key Role following the resignation or other departure of the person to whom that Key Role was previously assigned and that Key Role remains unassigned to a Suitably Qualified Person for [*] or longer; or (ii) [*] or more of the employees of ATHERSYS or its Affiliates performing work under a Research Plan during the Initial Research Term cease within any [*] period to work on the Research Program performing the activities assigned to them under a Research Plan or a Clinical Development Plan or (iii) a Stand-By Licence between PFIZER, the University of Minnesota and ATHERSYS comes in to force due to a termination by the University of Minnesota of its license with ATHERSYS (or its Affiliates).

(c) PFIZER may terminate this Agreement immediately on written notice to ATHERSYS in the event of a Change of Control of AI or ABT that results in AI or ABT being controlled by any entity which has a market capitalization of between [*] to [*] US dollars or the equivalent value of cash in hand; provided , that any such notice must be given by PFIZER within forty five (45) days of PFIZER being notified by ATHERSYS in writing after the Change of Control of AI or ABT.

(d) At any time and for any reason, PFIZER, upon sixty (60) days' written notice to ATHERSYS, shall have the right, at PFIZER's sole discretion, to terminate this Agreement, such termination to be effective upon the expiration of such sixty (60)-day period.

(e) ATHERSYS shall have the right to terminate this Agreement if Milestone Event 3 has not occurred within the later of (i) [*] following the end of the Research Term and (ii) [*] following completion of a successful 'proof of concept' clinical study, being a clinical study initiated during the Research Term which sufficiently establishes the effectiveness of a Licensed Product for the Pilot or Major Indication in patients to set a dosing regimen for use in a Phase III Clinical Study.

(f) If ATHERSYS reasonably believes that PFIZER has failed to satisfy its obligations to use Commercially Reasonable Efforts to progress, pursuant to the Research Plan and applicable Clinical Development Plan, a Licensed Product to Launch in the Territory (" Diligence Requirement "), ATHERSYS shall so notify PFIZER in writing and PFIZER shall then have one hundred and twenty (120) days to reasonably demonstrate it has satisfied its Diligence Requirement, failing which ATHERSYS may terminate this Agreement on giving PFIZER not less than one hundred and eighty (180) days notice.

16.2 Accrued Obligations.

Expiration or termination of this Agreement for any reason (x) shall be without prejudice to ATHERSYS's right to receive all payments accrued prior to the effective date of such termination in accordance with the provisions of Sections 8, 9 and 10, as applicable, and to any other remedies that either party may otherwise have and (y) shall not release a party hereto from any indebtedness, liability or other obligation incurred hereunder by such party prior to the date of termination or expiration.

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

16.3 Effects of Termination.

(a) Upon any termination of this Agreement by ATHERSYS pursuant to Section 16.1 all licenses and rights granted herein to PFIZER shall terminate, other than the license granted to PFIZER in Section 7.2 (a) and (c), licenses for a Licensed Product in a country that become perpetual pursuant to Section 9.5, and otherwise as specifically provided below.

(b) In addition, if ATHERSYS terminates this Agreement under Section 16.1 or if PFIZER terminates this Agreement under Section 16.1(d), PFIZER shall, promptly after such termination, (i) transfer to ATHERSYS ownership of all investigator's brochures, regulatory filings and Regulatory Approvals that relate solely to Licensed Products, (ii) deliver to ATHERSYS all pre-clinical and clinical data and information in PFIZER's possession or control relating solely to Licensed Products, including for clarity manufacturing data, if any (subject to the last sentence of this Section 16.3), in the same form in which PFIZER maintains such data; and (iii) deliver to ATHERSYS, in the same form in which PFIZER maintains such items, copies of all reports, records, regulatory correspondence and other materials in PFIZER's possession or control relating solely to the pre-clinical and clinical development of Licensed Products, including, if applicable, any information contained in the global safety database established and maintained by PFIZER; provided that the parties agree that any good faith failure by PFIZER to provide immaterial data, information, reports, records, correspondence or other materials to ATHERSYS shall not be a breach of PFIZER's obligations under this Section 16.3 .

(c) Following termination of this Agreement pursuant to Section 16.1 : (i) each of PFIZER and ATHERSYS shall, upon request of the other party, return or destroy all ATHERSYS Confidential Information and Pfizer Confidential Information, respectively, disclosed to it pursuant to this Agreement, including all copies and extracts of documents, as promptly as practicable following receipt of such request, except that one (1) copy may be kept for the purpose of complying with continuing obligations under this Agreement and ATHERSYS shall not be required to destroy any information transferred or delivered to ATHERSYS by PFIZER pursuant to Section 16.3(b) .

(d) Upon termination of this Agreement by PFIZER pursuant to Sections 16.1(a), (b) or (c) the licenses granted by ATHERSYS to PFIZER pursuant to Sections 7.1 and 7.2 will remain in full force and effect in accordance with their respective terms, and any amounts payable by PFIZER to ATHERSYS pursuant to Section 3.2(c) and Schedule 3.2(c) or Sections 9.1, 9.2 or 9.3 shall remain in effect in accordance with and subject to the provisions of Sections 9 and 10 (along with such other Sections as applicable) provided , however, that where PFIZER terminates this Agreement pursuant to Sections 16.1(a) or (b) , any amounts payable by PFIZER to ATHERSYS pursuant to Section 3.2(c) and Schedule 3.2(c) or Sections 9.1, 9.2 or 9.3 shall each be reduced to [*] percent ([*%]) of the amount that would otherwise have been payable under the terms of the Agreement during the Term.

(e) If this Agreement is terminated by PFIZER pursuant to Section 16.1(d) during the Research Term, PFIZER shall remain under an obligation to provide the research funding set out in Section 8 until the expiry of the Research Term.

16.4 Survival

The provisions of Sections 3.2(c), 6, 7.4, 9.5, 10, 11 (so long as any of PFIZER's licenses survive termination in accordance with Section 16.3) , 12, 16.2, 16.3, 16.4, 17, 18, and 19 and Schedules 1.45, 2.7 and 3.2(c) , as applicable, (as well as any other Sections and Schedules or defined terms referred to in such Sections and Schedules are necessary to give them effect) shall survive termination or expiration of this Agreement and remain in force until discharged in full. Furthermore, any other provisions required to interpret and enforce the parties' rights and obligations or to wind up their outstanding obligations under this Agreement shall survive to the extent required.

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

16.5 Bankruptcy.

All rights and licenses granted under or pursuant to this Agreement by ATHERSYS are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The parties agree that PFIZER, as licensee of intellectual property under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The parties further agree that in the event of a rejection of this Agreement by either AI or ABT in any bankruptcy proceeding by or against AI or ABT under the U.S. Bankruptcy Code, (i) PFIZER shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in Pfizer's possession, shall be promptly delivered to it upon Pfizer's written request therefore, and (ii) neither AI or ABT shall interfere with PFIZER's rights to intellectual property and all embodiments of intellectual property, and shall assist and not interfere with PFIZER in obtaining intellectual property and all embodiments of intellectual property from another entity. The term "embodiments" of intellectual property includes all tangible, intangible, electronic or other embodiments of rights and licenses hereunder, including all compounds and products embodying intellectual property, Licensed Products, filings with Regulatory Authorities and related rights, and technology.

Section 17 INDEMNIFICATION

17.1 Indemnification.

(a) ATHERSYS will indemnify, defend and hold PFIZER and PFIZER's Representative, harmless from any and all Losses (as defined below) incurred by any of them as a result of:

i. the breach of any covenant, warranty or representation made by ATHERSYS under this Agreement;

ii. the negligence, recklessness, or wilful misconduct of ATHERSYS or any of its Representatives; or

iii. any acts or omissions of ATHERSYS or any of its Representatives in connection with the research, development or commercialization of Licensed Products prior to or after the Effective Date or following termination in whole or in part of this Agreement and the reversion of the applicable rights hereunder to ATHERSYS in accordance with Section 16.3 .

ATHERSYS shall only be obligated to so indemnify, defend and hold PFIZER and PFIZER's Representatives harmless to the extent that such Losses do not arise from (i) the breach of any covenant, warranty, or representation made by PFIZER under this Agreement, or (ii) the negligence, recklessness or wilful misconduct of PFIZER or any of its Representatives.

(b) PFIZER will indemnify, defend and hold ATHERSYS and ATHERSYS' Representatives, harmless from any and all Losses incurred by any of them as a result of:

i. the breach of any covenant, warranty or representation made by PFIZER under this Agreement;

ii. the negligence, recklessness, or wilful misconduct of PFIZER or any of its Representatives; or

iii. any acts or omissions of PFIZER or any of its Representatives in connection with the research, development or commercialization of Licensed Products during the Term.

PFIZER shall only be obligated to so indemnify, defend and hold ATHERSYS and ATHERSYS' Representatives harmless to the extent that such Losses do not arise from (i) the breach of any covenant, warranty or representation made by ATHERSYS under this Agreement or (ii) the negligence, recklessness or wilful misconduct of ATHERSYS or any of its Representatives.

17.2 Losses.

For purposes of this Agreement, " Losses " shall mean any and all costs, expenses, claims, losses, liabilities, damages, fines, royalties, governmental penalties or punitive damages, deficiencies, interest, settlement amounts, awards, and judgments, including any and all reasonable, out-of-pocket costs and expenses properly incurred as a result of a claim (including reasonable, out-of-pocket attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened), in each case, net of any tax benefit or insurance recovery received in connection with any of the foregoing.

17.3 Defense Procedures; Procedures for Third Party Claims.

In the event that any Third Party (in no event to include any Affiliate of any of the parties) asserts a claim with respect to any matter for which a party (the " Indemnified Party ") is entitled to indemnification hereunder (a " Third Party Claim "), then the Indemnified Party shall promptly notify the party obligated to indemnify the Indemnified Party (the " Indemnifying Party ") thereof; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then only to the extent that) the Indemnifying Party is prejudiced thereby.

(a) Subject to PFIZER's right to control the defense of actions described in Sections 11.7, 11.8 and 11.9 (even where ATHERSYS is the Indemnifying Party), the Indemnifying Party shall have the right, exercisable by notice to the Indemnified Party within ten (10) Business Days after receipt of notice from the Indemnified Party of the commencement of or assertion of any Third Party Claim, to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the Third Party Claim (including the right to settle the claim solely for monetary consideration) with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party; provided that (i) the Indemnifying Party has sufficient financial resources, in the reasonable judgment of the Indemnified Party, to satisfy the amount of any adverse monetary judgment that is sought, (ii) the Third Party Claim seeks solely monetary damages and (iii) the Indemnifying Party expressly agrees in writing that as between the Indemnifying Party and the Indemnified Party, the Indemnifying Party shall be solely obligated to satisfy and discharge the Third Party Claim in full (the conditions set forth in clauses (i), (ii) and (iii) above are collectively referred to as the "Litigation Conditions").

(d) Within ten (10) Business Days after the Indemnifying Party has given notice to the Indemnified Party of its exercise of its right to defend a Third Party Claim, the Indemnified Party shall give notice to the Indemnifying Party of any objection thereto based upon the Litigation Conditions. If the Indemnified Party reasonably so objects, the Indemnified Party shall continue to defend the Third Party Claim, at the expense of the Indemnifying Party, until such time as such objection is withdrawn. If no such notice is given, or if any such objection is withdrawn, the Indemnifying Party shall be entitled, at its sole cost and expense, to assume direction and control of such defense, with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party. During such time as the Indemnifying Party is controlling the defense of such Third Party Claim, the Indemnified Party shall cooperate, and shall cause its Representatives to cooperate upon request of the Indemnifying Party, in the defense or prosecution of the Third Party Claim, including by furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials or appeals as may reasonably be requested by the Indemnifying Party. In the event that the Indemnifying Party does not satisfy the Litigation Conditions or does not notify the Indemnified Party of the Indemnifying Party's intent to defend any Third Party Claim within ten (10) Business Days after notice thereof, the Indemnified Party may (without further notice to the Indemnifying Party) undertake the defense thereof with counsel of its choice and at the Indemnifying Party's expense (including reasonable, out-of-pocket attorneys' fees and costs and expenses of enforcement or defense). The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to join in (including the right to conduct discovery, interview and examine witnesses and participate in all settlement conferences), but not control, at its own expense, the defense of any Third Party Claim that the other Party is defending as provided in this Agreement.

(e) The Indemnifying Party shall not, without the prior consent of the Indemnified Party, enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action. The Indemnified Party shall have the sole and exclusive right to settle any Third Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third Party Claim involves equitable or other non-monetary relief, but shall not have the right to settle such Third Party Claim to the extent such Third Party Claim involves monetary damages without the prior written consent of the Indemnifying Party. Each of the Indemnifying Party and the Indemnified Party shall not make any admission of liability in respect of any Third Party Claim without the prior consent of the other party, and the Indemnified Party shall use reasonable efforts to mitigate losses arising from the Third Party Claim.

17.4 Disclaimer of Liability for Consequential Damages.

IN NO EVENT SHALL ANY PARTY OR ANY OF ITS RESPECTIVE AFFILIATES BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, INCLUDING LOSS OF PROFITS OR REVENUE, SUFFERED BY PFIZER, ATHERSYS OR ANY OF THEIR RESPECTIVE REPRESENTATIVES, EXCEPT (A) TO THE EXTENT OF ANY SUCH DAMAGES PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM, AND (B) FOR PURPOSES OF INDEMNIFICATION PURSUANT TO THIS SECTION 17 , IN THE EVENT OF AN INTENTIONAL AND WILFUL BREACH IN BAD FAITH OF ANY REPRESENTATION, WARRANTY, COVENANT OR AGREEMENT BY ATHERSYS OR PFIZER (AS THE CASE MAY BE) CONTAINED IN THIS AGREEMENT; PROVIDED THAT THIS SECTION SHALL NOT RELIEVE EITHER PARTY FROM ITS PAYMENT OBLIGATIONS UNDER THIS AGREEMENT. ADDITIONALLY, THE PARTIES ACKNOWLEDGE AND AGREE THAT, NOTWITHSTANDING THE DILIGENT EFFORTS OF THE PARTIES, THE ACTIVITIES TO BE CONDUCTED UNDER THE RESEARCH PROGRAM AND THE CLINICAL DEVELOPMENT PROGRAM ARE INHERENTLY UNCERTAIN, AND THAT THERE ARE NO ASSURANCES THAT A LICENSED PRODUCT WILL BE SUCCESSFULLY DEVELOPED AND COMMERCIALIZED.

17.5 SOLE REMEDY.

EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND EXCEPT FOR ANY EQUITABLE REMEDIES THAT MAY BE AVAILABLE TO A PARTY, INDEMNIFICATION PURSUANT TO THIS SECTION 17 SHALL BE THE SOLE AND EXCLUSIVE REMEDY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER LEGAL THEORY) AVAILABLE TO ATHERSYS OR PFIZER FOR THE MATTERS COVERED THEREIN.

Section 18 GOVERNING LAW AND JURISDICTION

18.1 Governing Law.

This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to conflicts of law rules.

18.2 Jurisdiction.

With the exception of those matters referred for resolution by independent accountants under Section 10.5 , in the event of any controversy, claim or counterclaim arising out of or relating to this Agreement, the parties shall first attempt to resolve such controversy or claim through good faith negotiations for a period of not less than thirty (30) days following notification of such controversy or claim to the other party. If such controversy or claim cannot be resolved by means of such negotiations during such period, then such controversy or claim shall be resolved by the United States District Court for the Southern District of New York or a local court sitting in New York, New York (collectively, the " Courts "). Each party (a) irrevocably submits to the exclusive jurisdiction in the Courts for purposes of any action, suit or other proceeding relating to or arising out of this Agreement and (b) agrees not to raise any objection at any time to the laying or maintaining of the venue of any such action, suit or proceeding in any of the Courts, irrevocably waives any claim that such action, suit or other proceeding has been brought in an inconvenient forum and further irrevocably waives the right to object, with respect to such action, suit or other proceeding, that such Court does not have any jurisdiction over such party.

ATHERSYS hereby irrevocably designates, appoints and empowers its designated agent for service of process as registered with the State of Delaware, as its true and lawful agent and attorney-in-fact in its name, place and stead to receive and accept on its behalf service of process in any action, suit or proceeding in the Courts with respect to any matters as to which it has submitted to jurisdiction as set forth in the immediately preceding sentence.

Section 19 MISCELLANEOUS.

19.1 Force Majeure.

Neither party hereto shall be liable to the other party for any losses or damages attributable to a default in or breach of this Agreement that is the result of war (whether declared or undeclared), acts of God, revolution, acts of terror, fire, earthquake, flood, pestilence, riot, enactment or change of Law (following the Effective Date), accident(s), labor trouble, or shortage of or inability to obtain material equipment or transport or any other cause beyond the reasonable control of such party; provided that if such a cause occurs, then the party affected will promptly notify the other party of the nature and likely result and duration (if known) of such cause and use commercially reasonable efforts to reduce the effect. If the event lasts for a period of longer than three (3) months, the parties shall meet and discuss appropriate remedial measures.

19.2 Severability.

If and solely to the extent that any provision of this Agreement shall be invalid or unenforceable, or shall render this entire Agreement to be unenforceable or invalid, such offending provision shall be of no effect and shall not affect the validity of the remainder of this Agreement or any of its provisions; provided, however, the parties shall use their respective reasonable efforts to replace the invalid provisions in a manner that best accomplishes the original intentions of the parties.

19.3 Waivers.

Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party or parties waiving such term or condition. Neither the waiver by any party of any term or condition of this Agreement nor the failure on the part of any party, in one or more instances, to enforce any of the provisions of this Agreement or to exercise any right or privilege, shall be deemed or construed to be a waiver of such term or condition for any similar instance in the future or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement shall be cumulative and none of them shall be a limitation of any other remedy, right, undertaking, obligation or agreement.

19.4 Entire Agreements; Amendments.

This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and supersedes all agreements or understandings, verbal or written, made between ATHERSYS and PFIZER before the date hereof with respect to the subject matter hereof, including the confidentiality agreement between the parties, dated [*]. All ATHERSYS Confidential Information disclosed to PFIZER prior to the Effective Date will be deemed to have been disclosed pursuant to this Agreement. None of the terms of this Agreement shall be amended, supplemented or modified except in writing signed by the parties.

19.5 Construction

Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement: (i) "include", "includes" and "including" are not limiting and mean include, includes and including, without limitation; (ii) definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (iii) references to an agreement, statute or instrument mean such agreement, statute or instrument as from time to time amended, modified or supplemented; (iv) references to a person are also to its permitted successors and assigns; (v) references to an "Article", "Section", "Exhibit" or "Schedule" refer to an Article or Section of, or any Exhibit or Schedule to, this Agreement unless otherwise indicated; (vi) the word "will" shall be construed to have the same meaning and effect as the word "shall"; and (vii) the word "any" shall mean "any and all" unless otherwise indicated by context.

19.6 Assignment.

Neither this Agreement nor any rights or obligations of either party to this Agreement may be assigned or otherwise transferred by either party without the consent of the other party; provided, however, either party may, without such consent, assign or otherwise transfer this Agreement, in whole or in part: (i) to any of its respective Affiliates, subject to Section 19.6(a) in the case of ATHERSYS; provided that such assigning or transferring party shall remain jointly and severally liable with such Affiliate in respect of all obligations so assigned; or (ii) to a Third Party where a party or its Affiliate is required, or makes a good faith determination based on advice of counsel, to divest any of the Licensed Products in order to comply with Law or the order of any Governmental Authority as a result of a merger or acquisition; or (iii) in connection with a Change of Control of ABT and/or AI (subject to Sections 12.1(e) and 16.1(c) thereafter).

(a) ATHERSYS and any Affiliate of ATHERSYS may sell, assign or otherwise transfer Athersys Patent Rights and/or Athersys Technology applicable to Licensed Products in the Field solely to any wholly-owned direct or indirect subsidiary of AI that (x) is and continues to be at all times incorporated and domiciled (including with respect to principal headquarters) in any state of the United States of America and (y) prior to any such sale, assignment or transfer to such person described in clause (x), has acknowledged and confirmed in writing to PFIZER, all in a manner reasonably acceptable to PFIZER, that, effective as of such sale, assignment or other transfer, such transferee shall be bound by this Agreement as if it were a party to it as and to the identical extent applicable to the transferor with respect to Athersys Patent Rights and Athersys Technology.

(b) Any purported assignment in violation of this Section 19.6 shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

19.7 Independent Contractor.

The relationship between ATHERSYS and PFIZER is that of independent contractors. ATHERSYS and PFIZER are not joint venturers, partners, principal and agent, employer and employee, and have no other relationship other than independent contracting parties. The parties' obligations and rights in connection with the subject matter of this Agreement are solely and specifically as set forth in this Agreement, and the parties acknowledge and agree that neither party owes the other any fiduciary or similar duties or obligations by virtue of the relationship created by Agreement. Without limiting the foregoing, the parties also acknowledge and agree that if a court of competent jurisdiction or an arbitrator should determine that, notwithstanding the terms of this Section 19.7 , that such fiduciary or similar duties or obligations exist, the parties hereby waive such duties and obligations and agree not to assert or rely upon such duties or obligations in connection with any dispute arising out of or relating to this Agreement.

19.8 Subcontracting.

ATHERSYS may subcontract any of its obligations under this Agreement, provided that it furnishes the JSC with advance written notice thereof specifying the work to be subcontracted, and with an opportunity to object to such subcontract for sound business reasons. Any dispute regarding ATHERSYS's use of a subcontractor shall be referred to the JSC, and any corresponding JSC Dispute shall be resolved in accordance with Section 4.7 . In any subcontract agreement with a Third Party, ATHERSYS shall ensure that (i) that Third Party subcontractor is bound by obligations of confidentiality no less stringent than those imposed on the parties under this Agreement, (ii) all inventions, copyrightable subject matter, discoveries or materials created, identified, conceived, reduced to practice or developed by the Third Party subcontractor in the scope of its, his or her engagement with a party in connection with the subcontract agreement, and in furtherance of the Research Program or the Clinical Development Program, are appropriately documented and disclosed promptly to ATHERSYS, (iii) all such inventions, copyrightable subject matter, discoveries or materials directly related to the Licensed Products shall be owned by ATHERSYS unless otherwise approved by the JSC, (iv) shall (w) grant to ATHERSYS or its representative a right to inspect the subcontractor's relevant records and facilities; (x) require the subcontractor to be in good standing with all applicable Regulatory Authorities; (y) require the subcontractor to comply (as appropriate) with current good laboratory practices, current good manufacturing laboratory practices and applicable Laws; and (z) require that the subcontractor has no outstanding violations or citations that would or may impair the services or deliverables to be provided to ATHERSYS by such subcontractor.

19.9 Notices.

Each communication and document made or delivered by one party to another under this Agreement shall be made in the English language. All notices, consents, approvals, requests or other communications required hereunder given by one party to the other hereunder shall be in writing and made by registered or certified air mail, facsimile, express overnight courier or delivered personally to the following addresses of the respective parties:

If to ATHERSYS: Athersys Inc.
3201 Carnegie Avenue
Cleveland, Ohio 44115
Attention: President
Facsimile: +1-216-361-9495

with a copy to:

Thomas A Briggs
Jones Day
12265 El Camino Real, Suite 200
San Diego, CA 92130
Facsimile: +1 858-314-1200

If to Pfizer:

Pfizer Global R&D Headquarters
50 Pequot Avenue
New London, CT 06320
Attn: Head of Research, PGRD

Copy to: General Counsel, Pharma Therapeutics (PhTx)
Pfizer Inc.
235 East 42nd Street
New York NY USA 10017
Facsimile [*]

Invoices should be sent to the attention of [*] (or the Finance Lead, Pfizer Regenerative Medicine) at the following address:

[*] (or her designate)
Pfizer Ltd Finance
Ramsgate Road
Sandwich
Kent
CT13 9NJ
Great Britain
And electronically to:
[*]

Notices hereunder shall be deemed to be effective (a) upon receipt if personally delivered, (b) on the tenth (10th) Business Day following the date of mailing if sent by registered or certified air mail; (c) on the second (2nd) Business Day following the date of transmission or delivery to the overnight courier if sent by facsimile or overnight courier. A party may change its address listed above by sending notice to the other party in accordance with this Section 19.9 .

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19.10 Third Party Beneficiaries

None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including any creditor of either party. No Third Party shall obtain any right under any provision of this Agreement or shall by reason of any such provision make any claim in respect of any debt, liability or obligation (or otherwise) against either party.

19.11 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

19.12 Counterparts.

This Agreement may be executed in any two or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

19.13 Headings.

Headings in this Agreement are included herein for ease of reference only and shall have no legal effect. References to the parties, Sections, Schedules, and Exhibits are to the parties, Sections, Schedules and Exhibits to and of this Agreement unless otherwise specified.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their duly authorized officers upon the date set out below.

ATHERSYS

ATHERSYS INC

By: /s/ Gil Van Bokkelen
Name: Gil Van Bokkelen
Title: Chairman & CEO

ABT HOLDING COMPANY

By: /s/ William O. Lehmann
Name: William O. Lehmann
Title: President

PFIZER

PFIZER INC.

By: /s/ Polly A. Murphy
Name: Polly A. Murphy
Title: Vice President
Worldwide Business Development

Schedule 1.8

ATHERSYS PATENT RIGHTS

[*]

* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

Schedule 1.14

CLINICAL DEVELOPMENT PLAN(S)

[*]

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Schedule 1.45

MATERIAL TRANSFER AGREEMENT FOR CONDUCT
OF THE RESEARCH PLAN

Whereas , **PFIZER INC** , a Delaware corporation, having an office at 235 East 42 nd Street, New York, New York 10017 ("Pfizer"), and ATHERSYS INC, a Ohio corporation with offices located at 3201 Carnegie Avenue, Cleveland, Ohio 44115 ("AI"), ABT HOLDING COMPANY, a Delaware corporation and having a offices located at 3201 Carnegie Avenue, Cleveland, Ohio 44115 ("ABT"), together referred to in this Agreement as ("Athersys") have entered into a COLLABORATION AND LICENSE AGREEMENT as of December 18, 2009 (the "Agreement"); and

Whereas, Pfizer and Athersys have agreed, in accordance with the provisions of the Agreement, including Section 2.9 thereto, to exchange and provide to one another samples of biochemical, biological or synthetic chemical materials, other than clinical materials, and any documents and information relating to the same for the purposes of progressing the Research Plan ("Materials").

Now, in consideration of the foregoing and the covenants and promises contained in the Agreement, and in this Material Transfer Agreement (the "MTA"), the parties agree to the following terms and conditions for the disclosure, control, use and protection of the Materials:

1. This MTA is effective of even date with the Agreement between the parties.

2. If there is any conflict between the terms of this MTA and the Agreement, the terms of the Agreement will dominate. Unless specifically defined otherwise herein, any defined term used in this MTA will have the meaning defined within the Agreement.

3. Either Athersys or Pfizer (a "Provider") may deliver or have delivered to the other party (a "Recipient") Materials.

4. The Provider warrants to Recipient that Provider has the right to deliver to Recipient the Materials. Provider hereby grants to Recipient and its Affiliates a license in accordance with Section 7 of the Agreement to use the Materials, in each case solely for the purpose of performing the Recipient's obligations under the Research Plan.

5. Recipient accepts that Provider will have no responsibility for any injury (including injury resulting in death, damage or loss related to the handling, use, making, manufacturing, storage or disposal of the Materials. Recipient will hold harmless, indemnify and defend the Provider, its Affiliates, licensees, officers, directors, employees, consultants, contractors, sub-licensees and agents from and against any and all liabilities, claims, demands, damages, losses and expenses, including reasonable attorneys' fees and witness fees and costs, arising from or relating to the use, storage or disposal of the Materials by, through or on behalf of Recipient except to the extent caused by the negligence, recklessness or wilful misconduct of the Recipient.

6. Recipient will only allow those trained in handling similar materials in their assigned job functions to handle Materials. Recipient assumes all responsibilities and risks in connection with the handling, use, making, manufacturing, storage or disposal of Materials, and Recipient shall comply with all applicable Laws, codes of practice, directions, guidance, permits, licenses and authorisations concerning health and safety, human tissue, clinical trials and environmental procedures, protocols and systems in connection with such activities.

7. Recipient understands and accepts that Materials have not been approved for human use and agrees that Materials will not be administered to humans in any manner or form.

8. MATERIALS ARE EXPERIMENTAL IN NATURE AND ARE PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTY OF MERCHANTABILITY, FITNESS FOR PURPOSE AND WARRANTY OF NON-INFRINGEMENT OF ANY PROPRIETARY RIGHT OF A THIRD PARTY. PROVIDED THAT NOTHING IN THIS SECTION 8 REMOVES, QUALIFIES OR ALTERS ANY WARRANTIES GIVEN IN THE AGREEMENT.

9. Recipient will fully and promptly disclose any improvements and inventions arising from the use of the Materials in accordance with the Agreement. Inventions made from the Materials will be handled in accordance with the Agreement.

10. The results, and the rights and use of any intellectual property rights and any ownership rights from use of results obtained with Materials will be governed by the Agreement.

11. The provision of any Materials will not alter any ownership or licensed rights Provider may have obtained in or for the Materials or rights Provider has obtained to control the Materials. Recipient undertakes that Materials will not be sold, transferred or otherwise distributed to any third party or any employee or agent of Recipient who is not under Recipient's or its Affiliate's direct supervision or subject to a written contract with Recipient or its Affiliate.

12. Recipient undertakes that it will not attempt to reverse engineer, characterize, or ascertain the chemical structure, genomic structure or other make-up of Materials, and agrees not to make derivatives of, or perform experiments to determine the identity of, any of Materials except as agreed to by the parties under the Research Plan.

13. Within thirty (30) days of written notice by Provider, Recipient will as directed by Provider (a) return to Provider any remaining portion of Material or (b) destroy and properly dispose of any remaining portion of Material in accordance with all applicable laws, regulations, codes of practice and guidelines and certify in writing that it has done so.

14. If any part of this MTA is found by a court to be invalid or unenforceable, it will be deemed modified to the extent necessary to allow enforcement, and all other portions of this MTA not so modified will remain in full force and effect.

15. This MTA shall b governed by and construed in accordance with the substantive laws of the State of New York, without regard to conflicts of law rules.

16. This MTA may be executed in any two or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

17. In the event of any controversy, claim or counterclaim arising out of or relating to this MTA, the parties shall first attempt to resolve such controversy or claim through good faith negotiations for a period of not less than thirty (30) days following notification of such controversy or claim to the other party. If such controversy or claim cannot be resolved by means of such negotiations during such period, then such controversy or claim shall be resolved by the United States District Court for the Southern District of New York or a local court sitting in New York, New York (collectively, the " Courts "). Each party (a) irrevocably submits to the exclusive jurisdiction in the Courts for purposes of any action, suit or other proceeding relating to or arising out of this Agreement and (b) agrees not to raise any objection at any time to the laying or maintaining of the venue of any such action, suit or proceeding in any of the Courts, irrevocably waives any claim that such action, suit or other proceeding has been brought in an inconvenient forum and further irrevocably waives the right to object, with respect to such action, suit or other proceeding, that such Court does not have any jurisdiction over such party. Athersys hereby irrevocably designates, appoints and empowers its designated agent for service of process as registered with the State of Delaware, as its true and lawful agent and attorney-in-fact in its name, place and stead to receive and accept on its behalf service of process in any action, suit or proceeding in the Courts with respect to any matters as to which it has submitted to jurisdiction as set forth in the immediately preceding sentence.

IN WITNESS WHEREOF, and intending to be bound, the parties have caused this Agreement to be executed personally or by their duly authorized representatives, to be effective as of the Effective Date:

PFIZER INC .:

By: _____
Name:
Title:

ABT HOLDING COMPANY

By: _____
Name:
Title:

ATHERSYS INC.

By: _____
Name:
Title:

Schedule 1.70

RESEARCH PLAN(S)

[*]

* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

Schedule 1.82

THIRD PARTY LICENSES APPLICABLE TO ENTIRE AGREEMENT

[*]

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Schedule 1.83

ATHERSYS PATENT RIGHTS FOR THE PURPOSES OF THE ROAYLTY TERM

[*]

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Schedule 2.7

MULTISTEM CELLS REPOSITORY AND RELEASE CONDITIONS

1. CELL REPOSITORY OBLIGATIONS

1.1 ATHERSYS shall provide or procure that its Third Party manufacturer shall provide, to PFIZER or its designated Third Party manufacturer and keep up to date a complete manufacturing dossier, including all specifications, SOPs, testing reports, and other information and materials which PFIZER would require to manufacture Clinical Development Candidates and Licensed Products in the Field to the required manufacturing standards.

1.2 PFIZER shall or procure that its Affiliates or Third Party contractor shall maintain the MultiStem cells transferred to it pursuant to Section 2.7 and all related information and documentation, including the manufacturing dossier referred to in paragraph 1.1 above, in accordance with all specifications notified to it by ATHERSYS and in a secure and suitably controlled environment, using security measures at least comparable to those PFIZER uses for its own similar highly confidential biological and pharmaceutical materials and otherwise reasonably under the circumstances.

1.3 In the event that the MultiStem cell repository held by or on behalf of PFIZER is lost, damaged or destroyed, ATHERSYS shall provide promptly to PFIZER, at PFIZER's cost, replacement MultiStem cells of the type described in Section 2.7 of this Agreement.

1.4 ATHERSYS shall keep up to date the MultiStem Regulatory File provided to PFIZER pursuant to Section 2.7 of this Agreement.

2. RELEASE CONDITIONS

2.1 [*]

2.2 Following the occurrence of a Release Condition:

[*]; and

[*]; and

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2.2.3 ATHERSYS shall, and shall procure that its Third Party manufacturer shall, co-operate with and assist, at PFIZER's expense, PFIZER (pursuant to which PFIZER shall be entitled to contact such Third Party manufacturer directly and share Athersys Confidential Information with such Third Party) in exercising its rights to manufacture or have made the applicable Clinical Development Candidate or Licensed Product to ensure a smooth transition of the manufacture of such Clinical Development Candidate or Licensed Product.

2.3 If at any time after PFIZER has exercised its right to manufacture or have made in accordance with this Schedule, [*].

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Schedule 3.2 (c)

CO-DEVELOPMENT COSTS AND PROFITS SHARING

1. " Clinical Development Costs " means, with respect to any Pfizer Quarter, the aggregate of all costs incurred in performing the activities under a Clinical Development Plan (including clinical Manufacturing Costs) for a Licensed Product, excluding corporate overhead.

(a) out-of-pocket costs and expenses incurred internally or to a Third Party in connection with all development activities performed in accordance with a Clinical Development Plan, including personnel costs, study costs, clinical supply costs, costs in connection with regulatory submissions, and costs for process development of the manufacturing process for the Licensed Product;

(b) Manufacturing Costs of products for clinical trials;

(c) such other out-of-pocket costs and expenses as the parties may agree upon in writing from time to time; and

(d) a reasonable allocation of indirect costs associated with such direct costs not to exceed [*] per cent ([*%]) thereof.

2. In the event that ATHERSYS elects to co-develop a Licensed Product pursuant to Section 3.2 , Clinical Development Costs will be split [*%] for ATHERSYS and [*%] for PFIZER according to the following procedure:

(a) Within fifteen (15) days following the end of each PFIZER Quarter, ATHERSYS shall submit to PFIZER a written report setting forth in reasonable detail all Clinical Development Costs incurred by ATHERSYS, if any, for the immediately preceding Pfizer Quarter.

(b) Within thirty (30) days following the end of each PFIZER Quarter, PFIZER shall submit to ATHERSYS a written report setting forth in reasonable detail its estimate of all Clinical Development Costs incurred by PFIZER, if any, for the immediately preceding Pfizer Quarter.

(c) Within forty five (45) days following the end of each PFIZER Quarter, PFIZER shall submit to ATHERSYS a written report setting forth the final calculation of the total Clinical Development Costs for that Pfizer Quarter and the net amount to be paid by ATHERSYS and PFIZER.

The net amount payable by a party shall be paid by PFIZER or ATHERSYS, as the case may be, to the other party within fifteen (15) Business Days after receipt of such written report, without regard to any dispute as to the amount to be paid thereunder.

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3. If clinical development of the Licensed Product for the Field is successful, then ATHERSYS and PFIZER shall split the Manufacturing and Commercialization Costs and Profits from commercialization of the Licensed Product, [* %] for Athersys and [*%] for PFIZER as follows:

(a) " Profits " shall mean an amount calculated as follows:

Profits = Net Sales minus (Clinical Development Costs plus Manufacturing Costs plus Commercialization Costs).

(b) " Commercialization Costs " means, with respect to the Licensed Product for the Field, the following costs to the extent such costs are actually incurred, accounted for in accordance with U.S. GAAP as consistently applied by the entity incurring such costs, attributable to the marketing or sales of Licensed Product:

(i) direct costs that are exclusively incurred for (as opposed to allocated to) obtaining and maintaining Regulatory Approvals, marketing, promotion, sales and distribution of Licensed Product, including advertising and promotion expenses, such as for example, promotional material and goods, print production/reprints, advertising agency fees, costs of key opinion leaders, advertising space, direct mail, trade show expenses and free samples, conduct of Phase IV clinical studies, conduct of primary and secondary market research, sales commissions and salaries, and distribution costs;

(ii) costs relating to the packaging, labelling and release of the Licensed Product (to the extent not included in Manufacturing Costs), warehouse, distribution and delivery of the Licensed Product and conduct of recalls of the Licensed Product;

(iii) the amounts payable (if any) pursuant to Section 11.6;

(iv) any litigation costs incurred in respect of Third Party infringement of the Licensed Product in the Field or any other legal or administrative action in connection with the Field involving an Athersys Patent Right, Athersys Technology or Pfizer Combination Product IPR or Trademark;

(v) such other out-of-pocket costs and expenses as the parties may agree upon in writing from time to time; and

(vi) a reasonable allocation of indirect costs associated with the foregoing direct costs, not to exceed [*] per cent ([*%]) of such direct costs.

(c) The parties' respective Clinical Development Costs, Manufacturing and Commercialization Costs will be covered with proceeds from Net Sales. Profits from Net Sales shall be shared by the parties, based on the [*:*] Athersys: Pfizer split, adjusted for disproportionate cost sharing, as illustrated with the following conceptual example, which assumes that all Clinical Development Costs have been fully recovered by that Pfizer Quarter:

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Actual Net Sales in a Pfizer Quarter 100

	Athersys	Pfizer	Total
Actual Costs			
Manufacturing	[*]	[*]	[*]
Commercialization	[*]	[*]	[*]
Total Costs	[*]	[*]	[*]
Allocation %	[*%]	[*%]	[*%]
Allocated Costs	[*]	[*]	[*]
Allocated Profit Share	[*]	[*]	[*]
Adjustment to Profit Share	[*]	[*]	[*]
Actual Profit Share	[*]	[*]	[*]

(d) Within fifteen (15) days following the end of each Pfizer Quarter, ATHERSYS shall submit to PFIZER a written report setting forth in reasonable detail all Clinical Development Costs, Manufacturing Costs and Commercialization Costs incurred by ATHERSYS, if any, for the immediately preceding Pfizer Quarter.

(e) Within thirty (30) days following the end of each Pfizer Quarter, PFIZER shall submit to ATHERSYS a written report setting forth in reasonable detail its estimate of ATHERSYS' share of Profits (if any), separately for each Licensed Product that is the subject of Profit sharing hereunder, the following information on a country by country basis for the immediately preceding Pfizer Quarter:

(i) Gross Sales;

(ii) Net Sales;

(iii) Clinical Development Costs;

(iv) Manufacturing Costs;

(v) Commercialization Costs;

(vi) Profits;

(vii) The share of Profits earned by ATHERSYS for such quarter (including applicable adjustments for cost sharing) provided that if Profits are negative for such quarter, then ATHERSYS' share of such negative amount shall be accrued and applied by PFIZER as an offset against future ATHERSYS Profits for a Pfizer Quarter in which Profits are positive until such negative amount has been fully recovered;

(viii) Any offset being applied due to one or more previous Pfizer Quarters with negative Profits; and

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(ix) The amount being paid to ATHERSYS or, if ATHERSYS' running balance of Profits remains negative after the foregoing calculations, the current value of such negative amount.

(f) Within forty five (45) days following the end of each Pfizer Quarter, PFIZER shall submit to ATHERSYS a written report setting forth the final calculation of the amounts in paragraph 3(e) of this Schedule 3.2(c) and the Profits or negative amounts to be paid or allocated (as applicable) to ATHERSYS. The net amount payable to ATHERSYS shall be paid by PFIZER within fifteen (15) Business Days after delivery of such written report, without regard to any dispute as to the amount to be paid thereunder.

Schedule 5.5

JSC RESPONSIBILITIES

In addition to its general responsibility to oversee and coordinate the activities of the parties in connection with the Research Plans, Clinical Development Plans and this Agreement, the JSC shall in particular:

(a) monitor the progress made by the parties in connection with the Research Program(s) in a manner consistent with the corresponding Research Plans and this Agreement, including reports prepared for the committee, the activities and resource and personnel commitments of the parties;

(b) seeking management approval of each party for any subcontracts or sublicenses to Third Parties for the conduct of any material activities under a Research Plan or Clinical Development Plan and monitoring the performance of such Third Parties, including monitoring compliance, reviewing reports prepared by or for a party, evaluating and reporting to management any intellectual property resulting from such Third Party agreements and ensuring that the appropriate party obtains rights to any such intellectual property pursuant to Section 11 ;

(c) monitoring and seeking management approval for the grant of material transfer agreements between ATHERSYS and Third Parties in respect of the conduct of any research in the Field;

(d) designate Clinical Development Candidate(s) in accordance with criteria determined by the JSC;

(e) monitor the progress made, and direct the activities to be undertaken, by the parties in connection with the Clinical Development Programs in a manner consistent with the corresponding Clinical Development Plans and this Agreement;

(f) review, modify as it deems appropriate, and recommend, as necessary from time-to-time, the Clinical Development Plan(s);

(g) review, and recommended for both parties' management approval, publications emanating from the Research Plan activities;

(h) oversee and, whenever practicable, expedite the implementation of each Research Plan and each Clinical Development Plan,;

(i) create and update a risk analysis plan (where appropriate);

(j) designate a head of the Manufacturing Committee;

(1) assure the manufacturing dossier referred to in Schedule 2.7 is kept up to date and in particular the availability of appropriate SOPs and knowhow to allow transfer of manufacturing, if required, to maintain Pfizer's Commercially Reasonable diligence in maintaining clinical or product supply;

(2) assure review and update requisite master cell bank(s) and feeder cell lines needed to allow maintenance of manufacturing and transfer of manufacturing, if needed;

(3) monitor third party supply arrangements and as appropriate, observe third party manufacturing and monitoring;

(k) clarify or adjust the tasks of the respective parties under the Research Plans and Clinical Development Plans, in a manner consistent with this Agreement;

(l) ensure adequate resources are assigned by each party for research planning, project management and personnel and other resource management related to the Research and Clinical Development Plans in a manner consistent with this Agreement;

(m) create, review, modify as it deems appropriate, and recommend an annual budget corresponding to each Clinical Development Plan, in a manner consistent with this Agreement;

(n) reasonably determine or adjust milestones and progress related to the Clinical Development Plans;

(o) recommend whether or not, and to what extent, research or development studies, beyond those identified in an existing Research Plan or Clinical Development Plan, should be conducted;

(p) recommend whether a Clinical Development Candidate should either be advanced to the next phase of development or commercialization, as applicable, or be terminated by the parties;

(q) seek management approval in respect of all public announcements;

(r) evaluation, review and comment on draft publications, abstracts, manuscripts and presentations relevant to the Field; and

(s) such other responsibilities as are expressly set forth elsewhere in the Agreement or as are assigned to it as mutually agreed upon by the parties.

Schedule 7.5

LIST OF STAND-BY LICENCES

1. Stand-By License Agreement, by and among Regents of the University of Minnesota, ABT Holding Company, and Pfizer Inc., dated as of December 18, 2009.

Schedule 12.3

FORM OF PRESS RELEASE

Athersys Enters into Global Agreement with Pfizer to Develop and Market MultiStem ® for the Treatment of Inflammatory Bowel Disease

—Athersys to Host Conference Call Today at 11:00 AM EST to Discuss Stem Cell Partnership—

CLEVELAND OH December 21, 2009 (BUSINESS WIRE) —Athersys, Inc. (NASDAQ: ATHX) announced today that it has entered into an agreement with Pfizer Inc. (PFE) to develop and commercialize MultiStem ® for the treatment of Inflammatory Bowel Disease ("IBD"). MultiStem is an investigational stem cell therapy currently in development by Athersys for several other conditions, including acute myocardial infarction, bone marrow transplant support, and ischemic stroke.

Under the terms of the agreement, Athersys will receive an up-front cash payment of $6 million from Pfizer, as well as research funding and support during the initial phase of the collaboration. In addition, Athersys is also eligible to receive milestone payments of up to $105 million upon the successful achievement of certain development, regulatory and commercial milestones. Pfizer will have responsibility for development, regulatory and commercialization and will pay Athersys tiered royalties on worldwide commercial sales of MultiStem IBD products. Alternatively, in lieu of royalties and certain commercialization milestones, Athersys may elect to co-develop with Pfizer and the parties will share development and commercialization expenses and profits/losses on an agreed basis beginning at phase III clinical development.

Inflammatory Bowel Disease is a group of inflammatory and autoimmune conditions that affect the colon and small intestine, typically resulting in severe abdominal pain, weight loss, vomiting and diarrhea. The most common forms of the disease include Ulcerative Colitis and Crohn's disease, which are estimated to affect more than two million people in the U.S., major European countries and Japan. Chronic IBD can be a severely debilitating condition, and advanced cases may require surgery to remove the affected region of the bowel, and may also require temporary or permanent colostomy or iliostomy. In many cases, surgery does not achieve a permanent cure, and patients suffer a return of the disease.

"Pfizer is committed to the development of new medicines that have the potential to fundamentally improve the quality of clinical care in areas of need. We are delighted to work with Athersys to develop MultiStem for inflammatory bowel disease," said Dr. Ruth McKernan, Head of Pfizer Regenerative Medicine. "This is an innovative new area and our collaboration with Athersys represents a cornerstone of Pfizer's stem cell and regenerative medicine strategy."

"We have been systematically evaluating potential partnering opportunities in multiple areas, and we believe that Pfizer represents the ideal partner for this program," said Dr. Gil Van Bokkelen, Chairman and Chief Executive Officer at Athersys. "Their longstanding global leadership in development and commercialization of new medicines, focus on best-in-class therapies, and their growing commitment to regenerative medicine provide a great foundation for working together."

About MultiStem

MultiStem is a patented and proprietary cell therapy product consisting of a special class of stem cells that are obtained from the bone marrow of healthy, consenting adult donors, and which have the demonstrated ability to produce a range of factors, as well as form multiple cell types. MultiStem appears to promote tissue repair and healing in multiple ways, such as through the production of multiple therapeutic factors produced in response to signals of inflammation and tissue damage. Athersys believes that MultiStem represents a unique "off-the-shelf" stem cell product based on the apparent ability to deliver multiple mechanisms of therapeutic benefit, administration of the product without tissue matching or immunosuppression, and its capacity for large scale production. Athersys maintain rights to develop and commercialize MultiStem for areas outside of the Pfizer collaboration. In 2008 Athersys was awarded the Frost & Sullivan North American Product Innovation of the Year Award for MultiStem, which cited the product as having best-in-class potential among stem cell and regenerative medicine technologies.

Conference Call Information

Athersys will hold a conference call today at 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time) to discuss this announcement. To participate in the conference call, please call [Insert Dial-up information]. In addition, this call is being Webcast and can be accessed at Athersys's website at www.Athersys.com .

About Athersys, Inc.

Athersys is a clinical stage biopharmaceutical company engaged in the discovery and development of therapeutic product candidates designed to extend and enhance the quality of human life. The company is developing MultiStem, a patented, adult-derived "off-the-shelf" stem cell product platform for multiple disease indications, including damage caused by myocardial infarction, bone marrow transplantation and oncology treatment support, ischemic stroke and other indications. The company is also developing a portfolio of other therapeutic programs, including orally active pharmaceutical product candidates for the treatment of metabolic and central nervous system disorders, utilizing proprietary technologies, including Random Activation of Gene Expression (RAGE ®).

Forward Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. We have attempted to identify forward-looking statements by using such words as "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "should," "will," or other similar expressions. These forward-looking statements are only predictions and are largely based on our current expectations. A number of known and unknown risks, uncertainties, and other factors could affect the accuracy of these statements. Some of the more significant known risks that we face are the risks and uncertainties inherent in the process of discovering, developing, and commercializing products that are safe and effective for use as human therapeutics, including the uncertainty regarding market acceptance of our product candidates and our ability to generate revenues, including MultiStem for the treatment of Inflammatory Bowel Disease or other indications. These risks may cause our actual results, levels of activity, performance, or achievements to differ materially from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements contained in this press release, and we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Schedule 12.4

REDACTED AGREEMENT

The Redacted Agreement approved by the parties in accordance with this Agreement shall be attached hereto

Schedule 14.2

[*]

* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT 10.43

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE REDACTED PORTIONS OF THIS EXHIBIT, AND SUCH CONFIDENTIAL PORTIONS HAVE BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

STAND-BY LICENSE AGREEMENT

STAND-BY LICENSE AGREEMENT (this "Stand-by License Agreement") dated December 18, 2009 by and among **REGENTS OF THE UNIVERSITY OF MINNESOTA,** a constitutional educational corporation under the laws of the state of Minnesota, having an office at 1000 Westgate Drive, Suite 160, St. Paul, Minnesota 55114, (" **University** "); **ABT HOLDING COMPANY** , a Delaware corporation formerly called Athersys, Inc. and which is now a wholly-owned subsidiary of Athersys, Inc., having an office at 3201 Carnegie Avenue, Cleveland, Ohio 44115, (" **ABT** ") **;** and **PFIZER INC.** , a Delaware corporation having an office at 235 East 42 nd Street, New York, New York 10017 (" **Pfizer** ").

WHEREAS , MCL LLC and the University entered into an Exclusive License Agreement dated May 17, 2002 (the " **License Agreement** ") and an Ownership Agreement dated May 17, 2002 (" **Ownership Agreement** ");

WHEREAS , MCL LLC was merged into ReGenesys LLC, a wholly-owned subsidiary of ABT, on November 4, 2003 and as a result thereof, ReGenesys LLC became the owner of the "Company Technology" and "Company Patents" and the licensee of the "University Technology" and "University Patents", each as defined in the License Agreement and the Ownership Agreement;

WHEREAS , by a Technology and Contract Assignment and Assumption Agreement of May 5, 2006 ReGenesys assigned to Athersys, Inc. (now ABT) all rights, title and interest granted to MCL LLC / ReGenesys LLC by the Ownership Agreement and licensed to it by the License Agreement;

WHEREAS , in connection with its activities to develop and commercialize the Technology (as defined in the License Agreement and the Ownership Agreement) in the Pfizer Field (as defined below), ABT proposes to sublicense its rights under the License Agreement, and license its rights under the Ownership Agreement, to Pfizer in the Pfizer Field under a Collaboration and License Agreement to be entered by and among Pfizer, ABT and Athersys, Inc. on or around December 18, 2009 (" **Pfizer-Athersys Collaboration Agreement** ") and Pfizer has asked the University to provide Pfizer with certain assurances regarding Pfizer's rights under certain circumstances.

WHEREAS , the University has agreed to provide such assurances to the extent set forth below.

NOW THEREFORE in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, agreeing to be legally bound, agree as follows.

1. Definitions.

Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Pfizer- Athersys Collaboration License Agreement, unless otherwise indicated. For the purposes of this Stand-by License Agreement:

1.1 " **Affiliate** " means any company which (directly or indirectly) controls, is controlled by or is under common control with, that party.

1.2 " **Effective Time** " means the effective date on or by which the License Agreement is terminated by the University for any reason including for breach thereof by ABT, to the extent ABT's breach is not caused by Pfizer's breach of the Pfizer-Athersys Collaboration Agreement.

1.3 " **Pfizer Field** " means the Pilot Indication and, if applicable, the Major Indication, each as may be revised from time to time pursuant to the terms and conditions of the Pfizer-Athersys Collaboration Agreement **.**

2. Acknowledgement of rights under License Agreement. The University acknowledges and confirms to the best of its knowledge:

(a) the accuracy of the recitals above in relation to the transfer of rights in the Technology under the License Agreement and the Ownership Agreement and fully acknowledges and confirms that, as between the University and ABT, ABT is the sole and rightful licensee under the License Agreement and holds all rights, title and interest granted to it in accordance with the License Agreement. The University further acknowledges and confirms that as far as it is aware any and all requirements specified, for the transfer and/or assignment of all rights, interest and title granted under the License Agreement from the original licensee (MCL, LLC) to ABT, have been observed, and to the extent that any such requirement(s) has not been observed, the University hereby waives all and every such requirement;

(b) that the federal government has made no claims to any rights in the Technology and that it is not aware of such federal rights or claims to such rights for the Athersys Patent Rights to which the University has an ownership interest, listed in Schedule 1.83 of the Athersys-Pfizer Collaboration Agreement as of the Effective Date of that Agreement (excepting PCT/US09/65128 for which the existence and extent of federal rights has not yet been evaluated). The University further acknowledges and confirms to the best of its knowledge and subject to article 3.2 of the License Agreement, the University owns or has acquired the exclusive rights (including all patents and other intellectual property) to the Technology which is the subject of the License Agreement;

(c) that ABT has met the obligations imposed under article 4.1(a), (b), (c) and (e) of the License Agreement. To the extent that any such obligations have not been met by ABT in regard to the Field, the University hereby waives all and every such obligation;

(d) that all Institutions which are a party to a Material Transfer Agreement (as provided at Exhibit C to the License Agreement) are listed in Schedule 1 of this Stand-by License Agreement and that the University has not been notified of, and is not otherwise aware of, any Biological Material Inventions in accordance with a Material Transfer Agreement (as provided at Exhibit C to the License Agreement), except those set out in Schedule 2;

(e) as of the date of this Stand-by License Agreement, the License Agreement remains in full force and effect and the University has not given any notice to ABT of any default by ABT or any of its Affiliates under the License Agreement, or to terminate the License Agreement; and

(f) the Pfizer-Athersys Collaboration Agreement fulfills all of the requirements for sublicenses as set forth in Section 3.1(c) of the License Agreement **)** .

3. Amendments to the License Agreement.

(a) With effect from the date of this Stand-by License Agreement, the License Agreement shall be deemed amended as follows:

(i) article 1.1: shall read "'University Technology' shall mean that part of the Technology that is owned by the University pursuant to that certain Ownership Agreement dated as of the Effective Date , and including any Biological Material Inventions to the extent that the University has acquired any such rights under article 3.3 or will acquire any such rights under article 3.4 (if a license agreement is executed pursuant to such article) of a Material Transfer Agreement."

(ii) sub-article 4.1(d) shall be deleted in its entirety;

(iii) article 4.2 (second sentence): shall read "The Company shall, and it shall require and cause any assignees or Sublicensees to, substantially manufacture Licensed Products, or any portion thereof that embodies or is produced through use of an invention which is subject to the rights of the Federal Government of the United States of America, in the United States if the Licensed Product or portion thereof that embodies or is produced through use of an invention which is subject to the rights of the Federal Government of the United States of America, is to be sold in the United States unless the Company is granted a waiver of these restrictions by the United States of America".

(iv) article 3.4 (addition after article 3.3): shall read "I n respect of a Biological Material Invention, the University shall within ten (10) days, following disclosure by an Institution, determine whether or not it will exercise its Option as defined under the Material Transfer Agreement. If it decides not to exercise the Option it shall notify the Company and at the request of the Company will assign the Option free of charge before expiry of the Option Period "

(v) article 3.5 (addition after article 3.4): shall read " If neither the University nor the Company decide to exercise the Option in respect of a Biological Material Invention and the University, having been notified by the Institution of its intention to grant a third party license, will within ten (10) days notify the Company if it elects not to exercise its right of refusal and will immediately assign the right free of charge to the Company within the notice period. "

(vi) article 5.1.6 (addition after article 5.1.5): shall read " Minimum Royalties . Commencing in 2010, the Company shall pay to the University annual minimum royalties of [$ *] per calendar year payable upon invoice from the University."

(b) University and ABT agree not to amend the License Agreement in any way that would materially affect the rights that would be granted to Pfizer if the Pfizer License Agreement (as defined below) were entered as of the effective date of the Pfizer-Athersys Collaboration Agreement.

4. Grant of Stand-By License to Pfizer.

(a) University grants to Pfizer and Pfizer's Affiliates all rights and licenses granted by the University under the License Agreement effective as of the Effective Time, on the same terms and conditions such rights and licenses were granted under the License Agreement immediately prior to the Effective Time without any need for further action by Pfizer, the University or ABT (or by any Affiliate of ABT) (such grant by the University to Pfizer, the " **Pfizer License Agreement** "), provided however that the "Field of Use" in the Pfizer License Agreement will be limited to the Pfizer Field.

(b) Following the Effective Time, (i) notwithstanding the scope of the Pfizer Field, Pfizer's payment obligations under the Pfizer License Agreement shall be the same as what ABT's payment obligations would have been under the License Agreement if the License Agreement had remained in effect; and (ii) Pfizer's activities under the Pfizer License Agreement shall be the same as those of ABT under the License Agreement, accepting that Pfizer only has rights to develop and commercialize Licensed Products in the Field.

(c) University agrees that if the University assigns its rights under the License Agreement or any of the intellectual property thereunder to a third party assignee, the University shall cause such assignee to be bound in writing by the terms of this Stand-by License Agreement that are applicable to the University.

5. Termination.

(a) This Stand-By License Agreement shall terminate upon written notice by ABT, which notice can be provided upon termination of the Pfizer-Athersys Collaboration Agreement by Athersys pursuant to Section 16.1 (a), (e) and (f) of Pfizer-Athersys Collaboration Agreement or by Pfizer pursuant to Section 16.1(d) of Pfizer-Athersys Collaboration Agreement; or

(b) The provisions of Section 3(a) shall survive termination or expiration of this Stand-by License Agreement.

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

6. U.S. Bankruptcy Code. All **r** ights and licenses granted under or pursuant to this Stand-by License Agreement by ABT are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The parties agree that Pfizer, as licensee of intellectual property under this Stand-by License Agreement or the Pfizer License Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The parties further agree that in the event of a rejection of this Stand-by License Agreement or the Pfizer License Agreement by ABT in any bankruptcy proceeding by or against ABT under the U.S. Bankruptcy Code, (i) Pfizer shall be entitled to receive from the University, to the extent in its possession or control, or otherwise from ABT a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in Pfizer's possession, shall be promptly delivered to it upon Pfizer's written request therefore, and (ii) ABT shall not interfere with Pfizer's rights to intellectual property and all embodiments of intellectual property, and ABT shall assist and not interfere with Pfizer in obtaining intellectual property and all embodiments of intellectual property from the University. The term "embodiments" of intellectual property includes all tangible, intangible, electronic or other embodiments of rights and licenses hereunder, including all compounds and products embodying intellectual property, Licensed Products, filings with Regulatory Authorities and related rights and technology.

7. Notices. Any notice required or permitted hereunder shall be sent by registered or certified mail or by an equivalent delivery service capable of verification to the relevant addresses stated below, or by telefacsimile to the relevant fax numbers below, or to such other addresses or fax numbers that the relevant receiving parties may provide in the future by notice in writing in accordance with this Section 7.

If to University:	Office for Technology Commercialization Regents of the University of Minnesota 1000 Westgate Drive, Suite 160 St. Paul, MN 55114 Facsimile No. (612) 624 6554
If to ABT:	ABT 3201 Carnegie Avenue Cleveland, Ohio 44115 Attn: President Fax: 216-361-9495
If to Pfizer:	Pfizer Inc. 235 East 42 nd Street New York, New York 10017-5755 Attn: [*] Fax: [*****]

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

8. Miscellaneous.

(a) This Agreement may not be assigned without the prior written consent of each party hereto except assignment by Pfizer to any of its Affiliates or by any party in connection with the successors of the entire business and assets of the respective party hereto. This Agreement shall not constitute any party as the joint venturer, legal representative or agent of any other party hereto and no party hereto shall have the right or authority to assume or create any obligation on the part of any among the parties with respect to their collective subject matter.

(b) The parties agree that if any of the terms and conditions of this Agreement were not performed in accordance with the terms and conditions herein and, accordingly, each party may be entitled to obtain an injunction to prevent any breaches and to obtain specific performance of the terms and conditions herein in addition to any other remedy available at law or in equity.

(c) This Agreement will be governed by and construed in accordance with the laws of the State of Minnesota, without giving effect to its conflicts of law principles. The parties shall bring any action arising under this Agreement in Hennepin County District Court.

(d) This Agreement and the License Agreement together supersede all prior agreements or understanding between the parties with respect to such subject matter. In the event of any conflict between this Agreement and the License Agreement, the terms and conditions of this Agreement shall prevail.

(e) The University is not liable for any indirect, consequential, special damages of any kind, including lost profits or lost business opportunities for any claim or cause of action arising out of this Stand-By License Agreement.

(f) This Agreement may be executed in any two or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

REGENTS OF THE UNIVERSITY OF MINNESOTA

/s/ James D. Hines

By: James D. Hines
Title: Contracts Manager, Office
for Technology Commercialization

ABT HOLDING COMPANY

/s/ William O. Lehmann

By: William O. Lehmann
Title: President

PFIZER INC.

/s/ Polly A. Murphy

By: Polly A. Murphy
Title: Vice President
Worldwide Business Development

SCHEDULE 1

LIST OF MATERIAL TRANSFER AGREEMENTS

#	Institution / Investigator	Scope	Effective Date	Status	Standard Template
	[*]	[*]	[*]	[*]	[*]

* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

SCHEDULE 2

NOTIFIED BIOLOGICAL MATERIAL INVENTIONS

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* Confidential treatment has been requested for the redacted portions of this exhibit, and such confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

EXHIBIT 10.45

ATHERSYS, INC.

WAIVER AND AMENDMENT NO. 4
TO
AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This Waiver and Amendment No. 4, dated as of March 8, 2010 (this " ***Amendment*** "), to the Amended and Restated Registration Rights Agreement (the " ***Agreement*** ") dated as of April 28, 2000, as amended, is by and among ABT Holding Company, a Delaware corporation formerly known as Athersys, Inc. (the " ***Company*** "), Athersys, Inc., a Delaware corporation formerly known as BTHC VI, Inc. and the parent of the Company (" ***Parent*** "), and the holders of shares of common stock of Parent who previously held shares of capital stock of the Company and from time to time have executed counterparts to the Agreement (collectively, the " ***Existing Stockholders*** ").

RECITALS:

WHEREAS, the Company effected a transaction pursuant to which a wholly owned subsidiary of Parent merged with and into the Company, with the Company becoming a wholly owned subsidiary of Parent (the " ***Merger*** ");

WHEREAS, pursuant to Section 13(e) of the Agreement, the covenants and the agreements of the Company became the covenants and agreements of Parent in connection with the Merger;

WHEREAS, Parent has filed a registration statement on Form S-3 under the Securities Act of 1933 (the " ***Securities Act*** ") registering the offer and sale by Parent of its equity securities, including its common stock, on a continuous or delayed basis pursuant to Rule 415 promulgated under the Securities Act (the " ***Shelf Registration Statement*** "); and

WHEREAS, under Section 13(d) of the Agreement, the Agreement may be amended and the Existing Stockholders may waive any rights granted to them under the Agreement.

AGREEMENTS:

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Effective as of the date of this Amendment, the Existing Stockholders hereby waive any rights to Piggyback Registration granted under Section 2 of the Agreement to Biotech, the Investors and the Stockholders in connection with the filing of the Shelf Registration Statement by Parent, including, without limitation, any right to receive written notice pursuant to Section 2(a) of the Registration Statement.

2. Effective as of the date of this Amendment, Section 2(c) of Agreement is hereby amended and restated in its entirety as follows:

"(c) Expiration of Piggyback Registration Rights . The " ***piggyback*** " registration rights granted under this **Section 2** shall expire on January 1, 2010."

3. All covenants and agreements in this Amendment by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

4. This Amendment may be executed in two or more counterparts, each of which constitutes an original, and all of which taken together shall constitute one and the same Amendment. It is understood that all parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by email delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. The execution of this Amendment by each of the Existing Stockholders shall constitute the written consent of such Existing Stockholder to the amendment of the Agreement by operation of this Amendment.

5. This Amendment shall be governed by the laws of the State of Delaware, without reference to its conflict of law principles.

6. Where necessary or appropriate to the meaning hereof, the singular, plural, masculine, feminine and neuter shall be deemed to include each other.

7. Whenever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Amendment.

8. This Amendment and the Agreement constitute the entire agreement of the parties and there are no other agreements, written or oral, between the parties related to the subject matter of this Amendment and the Agreement.

9. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Agreement.

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Waiver and Amendment No. 4 to the Amended and Restated Registration Rights Agreement of Athersys, Inc. as of the day and year first above written.

ATHERSYS, INC.

By: /s/ Gil Van Bokkelen
Name: Gil Van Bokkelen
Title: Chief Executive Officer

ABT HOLDING COMPANY

By: /s/ William Lehmann
Name: William Lehmann
Title: President

[STOCKHOLDER SIGNATURES BEGIN ON FOLLOWING PAGE]
***Note: conformed signatures of the stockholders intentionally omitted from this filing**

EXHIBIT 21

SUBSIDIARIES OF ATHERSYS, INC.

Name of Subsidiary	Jurisdiction
ABT Holding Company (formerly Athersys, Inc.)	Delaware
Advanced Biotherapeutics, Inc.	Delaware
Athersys Limited	United Kingdom
ReGenesys LLC	Delaware
ReGenesys BVBA	Belgium
Oculus Pharmaceuticals, Inc. (50% ownership)	Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3, No. 333-164336) dated January 14, 2010,

(2) Registration Statement (Form S-8, No. 333-147379) dated November 14, 2007 pertaining to the Athersys, Inc. Equity Incentive Compensation Plan,

(3) Registration Statement (Form S-8, No. 333-147380) dated November 14, 2007 pertaining to the Athersys, Inc. Long-Term Incentive Plan, and

(4) Registration Statement (Form S-3/A, No. 333-144433) dated October 10, 2007;

of our report dated March 11, 2010, with respect to the consolidated financial statements of Athersys, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2009.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
March 11, 2010

EXHIBIT 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned officers and directors of Athersys, Inc., a Delaware corporation, hereby constitutes and appoints of Gil Van Bokkelen, William Lehmann, Jr., and Laura K. Campbell, and each of them, as his true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for each of the undersigned and in the name, place, and stead of each of the undersigned, to sign on behalf of each of the undersigned an Annual Report on Form 10-K for the fiscal year ended December 31, 2009 pursuant to Section 13 of the Securities Exchange Act of 1934 and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith including, without limitation, a Form 12b-25 with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue thereof.

This power of attorney may be executed in multiple counterparts, each of which shall be deemed an original with respect to the person executing it.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the 3rd day of March 2010.

Signature	Title
/s/ Gil Van Bokkelen Gil Van Bokkelen	Chief Executive Officer and Chairman of the Board of Directors
/s/ Laura K. Campbell Laura K. Campbell	Vice President, Finance
/s/ John J. Harrington John J. Harrington	Executive Vice President, Chief Scientific Officer and Director
/s/ William C. Mulligan William C. Mulligan	Director
/s/ George M. Milne, Jr. George M. Milne, Jr.	Director
/s/ Floyd D. Loop Floyd D. Loop	Director
/s/ Lorin J. Randall Lorin J. Randall	Director

EXHIBIT 24.2

ATHERSYS, INC.
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of Athersys, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Gil Van Bokkelen, William Lehmann, Jr. and Laura K. Campbell, or any of them, his or her true and lawful attorney or attorneys-in-fact, with full power of substitution and resubstitution, to do any and all acts and things and execute any and all instruments or documents which said attorney or attorneys-in-fact, or any of them, may deem necessary or advisable or which may be required in connection with the filing with the Securities and Exchange Commission (the "SEC") of an Annual Report on Form 10-K for the fiscal year ended December 31, 2009 pursuant to Section 13 of the Securities Exchange Act of 1934 and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith including, without limitation, a Form 12b-25, with the SEC, granting unto said attorney or attorneys-in-fact, or each of them with or without the others, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to accomplish the foregoing, as fully to all intents and purposes as he or she might or could in person, hereby ratifying and confirming all that said attorneys-in-fact, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be executed in counterparts and all such duly executed counterparts shall together constitute the same instrument. Except as otherwise specifically provided herein, the power of attorney granted herein shall not in any manner revoke in whole or in part any power of attorney that each of the undersigned has previously executed. This power of attorney shall not be revoked by any subsequent power of attorney any of the undersigned may execute, unless such subsequent power specifically refers to this power of attorney or specifically states that the instrument is intended to revoke all prior general powers of attorney or all prior powers of attorney.

The "CAUTION TO THE PRINCIPAL" and "IMPORTANT INFORMATION FOR THE AGENT" statements below are required under the New York General Obligations Law. Notwithstanding anything to the contrary contained therein, this Power of Attorney is limited to the powers granted as described above and DOES NOT grant the attorneys-in-fact and agents the authority to spend the undersigned's money or sell or dispose of the undersigned's property.

CAUTION TO THE PRINCIPAL:

Your Power of Attorney is an important document. As the "principal," you give the person whom you choose (your "agent") powers to spend your money and sell or dispose of your property during your lifetime without telling you. You do not lose your authority to act even though you have given your agent similar powers. When your agent exercises these powers, he or she must act according to any instructions you have provided, or, where there are no specific instructions, in your best interest. "Important Information for the Agent" near the end of this document describes your agent's responsibilities. Your agent can act on your behalf only after signing the Power of Attorney before a notary public. You can request information from your agent at any time. You can revoke or terminate your Power of Attorney at any time for any reason as long as you are of sound mind. If you are no longer of sound mind, a court can remove an agent for acting improperly. Your agent cannot make health care decisions for you. You may execute a "Health Care Proxy" to do this. The law governing Powers of Attorney is contained in the New York General Obligations Law, Article 5, Title 15. This law is available at a law library, or online through the New York State Senate or Assembly websites, www.senate.state.ny.us or www.assembly.state.ny.us. If there is anything about this document that you do not understand, you should ask a lawyer of your own choosing to explain it to you.

IMPORTANT INFORMATION FOR THE AGENT:

When you accept the authority granted under this power of attorney, a special legal relationship is created between you and the principal. This relationship imposes on you legal responsibilities that continue until you resign or the power of attorney is terminated or revoked. You must: (1) act according to any instructions from the principal, or, where there are no instructions, in the principal's best interest; (2) avoid conflicts that would impair your ability to act in the principal's best interest; (3) keep the principal's property separate and distinct from any assets you own or control, unless otherwise permitted by law; (4) keep a record of all receipts, payments, and transactions conducted for the principal; and (5) disclose your identity as an agent whenever you act for the principal by writing or printing the principal's name and signing your own name as "agent" in the following manner: (Principal's Name) by (Your Signature) as Agent.

You may not use the principal's assets to benefit yourself or give gifts to yourself or anyone else unless there is a Statutory Major Gifts Rider attached to this Power of Attorney that specifically gives you that authority. If you have that authority, you must act according to any instructions of the principal, or, where there are no such instructions, in the principal's best interest. You may resign by giving written notice to the principal and to any co-agent, successor agent, monitor if one has been named in this document, or the principal's guardian if one has been appointed. If there is anything about this document or your responsibilities that you do not understand, you should seek legal advice.

The meaning of the authority given to you is defined in New York's General Obligations Law, Article 5, Title 15. If it is found that you have violated the law or acted outside the authority granted to you in the Power of Attorney, you may be liable under the law for your violation.

IN WITNESS WHEREOF, I, the undersigned, have executed this Power of Attorney as of this 19th day of February, 2010.

/s/ Michael Sheffery
Michael Sheffery
Director

State of New York)

County of New York) ss.:

On the 19th day of February in the year before me, the undersigned, personally appeared Michael Sheffery, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he or she executed the same in his or her capacity, and that by his or her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Laura Neill Schuessler
Signature and Office of individual taking acknowledgment

IN WITNESS WHEREOF, I, the undersigned, have executed this Power of Attorney as of this 1st day of March, 2010.

/s/ Jordan S. Davis
Jordan S. Davis
Director

State of New York)

County of New York) ss.:

On the 1st day of March in the year before me, the undersigned, personally appeared Jordan S. Davis, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he or she executed the same in his or her capacity, and that by his or her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Rose M. Small
Signature and Office of individual taking acknowledgment

I, Gil Van Bokkelen, have read the foregoing Power of Attorney. I am a person identified therein as an agent for the principals named therein. I acknowledge my legal responsibilities to the principals.

Agent signs here: ==> /s/ Gil Van Bokkelen

State of Ohio)

County of Cuyahoga) ss.:

On the 8th day of March in the year before me, the undersigned, personally appeared Gil Van Bokkelen, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he or she executed the same in his or her capacity, and that by his or her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Matthew T. Celesnik

Signature and Office of individual taking acknowledgment

I, William Lehmann, Jr., have read the foregoing Power of Attorney. I am a person identified therein as an agent for the principals named therein. I acknowledge my legal responsibilities to the principals.

Agent signs here: ==> /s/ William Lehmann, Jr.

State of Ohio)

County of Cuyahoga) ss.:

On the 8 th day of March in the year before me, the undersigned, personally appeared William Lehmann, Jr., personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he or she executed the same in his or her capacity, and that by his or her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Matthew T. Celesnik

Signature and Office of individual taking acknowledgment

I, Laura K. Campbell, have read the foregoing Power of Attorney. I am a person identified therein as an agent for the principals named therein. I acknowledge my legal responsibilities to the principals.

Agent signs here: ==> /s/ Laura K. Campbell

State of Ohio)

County of Cuyahoga) ss.:

On the 8 th day of March in the year before me, the undersigned, personally appeared Laura K. Campbell, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he or she executed the same in his or her capacity, and that by his or her signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Matthew T. Celesnik

Signature and Office of individual taking acknowledgment

EXHIBIT 31.1

CERTIFICATIONS

I, Gil Van Bokkelen, certify that:

1. I have reviewed this annual report on Form 10-K of Athersys, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

March 11, 2010

/s/ Gil Van Bokkelen

Gil Van Bokkelen
Chief Executive Officer and Chairman of the Board of Directors

EXHIBIT 31.2

CERTIFICATIONS

I, Laura K. Campbell, certify that:

1. I have reviewed this annual report on Form 10-K of Athersys, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

March 11, 2010

/s/ Laura K. Campbell

Laura K. Campbell
Vice President, Finance

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Athersys, Inc. (the "Company") on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

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

Date: March 11, 2010

/s/ Gil Van Bokkelen
Name: Gil Van Bokkelen
Title: Chairman and Chief Executive Officer

/s/ Laura K. Campbell
Name: Laura K. Campbell
Title: Vice President, Finance

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.