AmStem Corp
Form 10-Q
February 16, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the quarterly period ended December 31, 2009

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For the transition period from

Commission File Number

000-51931

AmStem Corporation

(Exact Name of Registrant as Specified in Charter)

Nevada	**88-0374180**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

13046 Racetrack Rd. #233, Tampa, Florida 33626

(Address of Principal Executive Offices)

(813) 283-2556

(Registrant s Telephone Number)

Stem Cell Therapy International, Inc.

(Former Name)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 x No ¨

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

Indicate by check mark 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	x

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

State the number of shares outstanding of each of the issuer s classes of common equity, as of the last practicable date: 62,446,080 as of February 15, 2010.

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(a development stage enterprise)

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine month periods ended December 31, 2009 are not necessarily indicative of the results that may be expected for the year ending March 31, 2010. For further information refer to the consolidated financial statements and footnotes thereto included in the Company s Form 10-K for the year ended March 31, 2009, as filed with the Securities and Exchange Commission on July 10, 2009.

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AmStem Corporation

(a development stage enterprise)

Consolidated Balance Sheets

	December 31, 2009 (unaudited)	March 31, 2009 (audited)
Assets		
Current assets:		
Cash	$ 48,130	$ 32,657
Deferred loan costs, net	270,000	33,326
Prepaid expenses	495,000	135,000
Total current assets	813,130	200,983
Deposits	8,000	5,000
Total assets	$ 821,130	$ 205,983
Liabilities and stockholders deficit		
Current liabilities:		
Accounts payable	$ 36,969	$ 163,521
Accrued expenses	251,883	151,191
Accrued compensation	300,000	749,096
Notes payable, net of unamortized discount of $52,699 and $84,437, respectively	9,801	103,063
Notes payable, related party	331,121	
Due to related party		231,121
Total current liabilities	929,774	1,397,992
Commitments and contingencies (Note 9)		
Stockholders deficit:		
Series A Preferred stock; $0.001 par value; 1,000 shares authorized and 0 issued and outstanding, respectively		
Preferred stock B; $0.001 par value; 10,000,000 shares authorized and 0 issued and outstanding, respectively		
Common stock; $0.001 par value; 500,000,000 shares authorized and 61,170,052 and 47,134,258 issued and outstanding, respectively	61,170	47,134
Additional paid-in capital	4,365,269	2,789,715
Stock subscription receivable	(200)	(200)
Deficit accumulated during development stage	(4,534,883)	(4,028,658)
Total stockholders deficit	(108,644)	(1,192,009)
Total liabilities and stockholders deficit	$ 821,130	$ 205,983

The accompanying notes are an integral part of the consolidated financial statements.

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AmStem Corporation

(a development stage enterprise)

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Nine Months Ended December 31, 2009	Nine Months Ended December 31, 2008	Period from December 2, 2004 (Date of Inception) through December 31, 2009
Revenue	$	$	$	$	$ 559,404
Cost of goods sold:					
General					278,361
Loss on firm purchase commitment					116,000
Gross margin					165,043
Operating expenses:					
Legal expenses	42,745	63,879	93,180	233,725	801,848
Consulting expenses	29,329	40,225	43,567	346,611	1,297,163
Accounting expenses	16,153	6,383	63,451	62,060	321,741
Compensation expenses	60,000	86,250	218,824	275,455	1,074,139
Stock based compensation	25,704	8,777	120,224	26,331	727,752
Settlement expense	111,000	(90,000)	111,000	98,850	209,850
Selling, general and administrative	26,716	921	33,287	16,999	432,243
	311,647	116,435	683,533	1,060,031	(4,864,736)
Loss from operations	(311,647)	(116,435)	(683,533)	(1,060,031)	(4,699,693)
Other income (expenses):					
Gain on settlement of liabilities	400,000		729,636		729,636
Interest expense, net	(183,428)	(353)	(552,328)	(1,545)	(564,826)
Net loss before taxes	(95,075)	(116,788)	(506,225)	(1,061,576)	(4,534,883)
Income tax expense					
Net loss	(95,075)	(116,788)	(506,225)	(1,061,576)	(4,534,883)
Less: Dividends on preferred stock					(10,000)
Loss attributable to common shareholders	$ (95,075)	$ (116,788)	$ (506,225)	$ (1,061,576)	$ (4,544,883)
Loss per share, basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.12)
Weighted average number of common shares outstanding, basic and diluted	64,452,888	47,134,258	54,471,687	44,293,179	37,353,893

The accompanying notes are an integral part of the consolidated financial statements.

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AmStem Corporation

(A Development Stage Enterprise)

Consolidated Statement of Changes in Stockholders Deficit

From December 2, 2004 (Date of Inception) through December 31, 2009 (unaudited)

	Common Stock		Preferred Stock				Deficit Accumulated	
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Stock Subscriptions Receivable	During Development Stage	Total
Issuance of common stock for cash (December 2004)	11,600,000	$ 11,600		$	$	$	$	$ 11,600
Exercise of stock options for services (December 2004)	500,000	500						500
Issuance of common stock and options for acquisition deposit (December 2004)	5,000,000	5,000			2,749			7,749
Stock options issued for services					906			906
Issuance of common stock for services (January 2005)	2,170,000	2,170						2,170
Issuance of common stock for cash (January 2005)	200,000	200						200
Issuance of common stock for cash (February 2005)	1,100,000	1,100						1,100
Issuance of common stock for cash (March 2005)	650,000	650						650
Net loss for the period							(26,241)	(26,241)
Balance, March 31, 2005	21,220,000	21,220			3,655		(26,241)	(1,366)
Cancellation of common stock issued and options awarded for services (May 2005)	(5,600,000)	(5,600)			(2,749)			(8,349)
Issuance of common stock for services (September 2005)	379,000	379						379
Issuance of common stock for intangible asset	5,000,000	5,000						5,000
Reverse acquisition, September 1, 2005	6,310,678	6,311			(906)			5,405
Issuance of common stock for a reduction in stockholder advances (September 2005)	3,000,000	3,000						3,000
Issuance of common stock for services (September 2005)	3,030,000	3,030						3,030
Issuance of preferred stock for cash (September 2005)			500,000	500	34,500			35,000
Dividend on preferred stock					(10,000)			(10,000)
Issuance of common stock for services (September 2005)	6,400	6			11,994			12,000
Issuance of common stock for services (October 2005)	11,882	12			11,988			12,000
Issuance of common stock for services (October 2005)	20,000	20			20,980			21,000
Issuance of common stock for services (October 2005)	10,000	10			17,490			17,500

Issuance of common stock for services (October 2005)	10,000	10	14,490	14,500
Issuance of common stock for services (November 2005)	13,953	14	11,986	12,000
Issuance of common stock for services (December 2005)	30,000	30	29,070	29,100
Issuance of common stock for services (December 2005)	12,000	12	11,988	12,000
Issuance of common stock for services (January 2006)	10,000	10	7,555	7,565

The accompanying notes are an integral part of the consolidated financial statements.

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AmStem Corporation

(A Development Stage Enterprise)

Consolidated Statement of Changes in Stockholders Deficit (continued)

From December 2, 2004 (Date of Inception) through December 31, 2009 (unaudited)

	Common Stock		Preferred Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Stock Subscriptions Receivable	Deficit Accumulated During Development Stage	Total
Issuance of common stock for services (January 2006)	10,000	10			7,555			7,565
Issuance of common stock for services (January 2006)	14,118	14			11,986			12,000
Issuance of common stock for services (January 2006)	20,000	20			16,980			17,000
Issuance of common stock for services (February 2006)	14,118	14			11,986			12,000
Issuance of common stock for services (February 2006)	24,000	24			20,376			20,400
Issuance of common stock for services (February 2006)	48,000	48			40,752			40,800
Issuance of common stock for services (February 2006)	48,000	48			40,752			40,800
Issuance of common stock for services (March 2006)	30,361	30			11,970			12,000
Net loss for the year ended March 31, 2006							(506,161)	(506,161)
Balance, March 31, 2006	33,672,510	33,672	500,000	500	324,398		(532,402)	(173,832)
Issuance of common stock for services (April 2006)	25,276	26			21,974			22,000
Issuance of common stock for services (May 2006)	16,484	16			11,984			12,000
Issuance of common stock for services (June 2006)	422,599	423			167,577			168,000
Issuance of common stock for services (July 2006)	330,265	330			122,670			123,000
Issuance of common stock for services (August 2006)	28,235	28			11,972			12,000
Net loss for the year ended March 31, 2007							(657,046)	(657,046)
Balance, March 31, 2007	34,495,369	34,495	500,000	500	660,575		(1,189,448)	(493,878)

The accompanying notes are an integral part of the consolidated financial statements.

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(A Development Stage Enterprise)

Consolidated Statement of Changes in Stockholders Deficit (continued)

From December 2, 2004 (Date of Inception) through December 31, 2009 (unaudited)

	Common Stock		Preferred Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Stock Subscriptions Receivable	Deficit Accumulated During Development Stage	Total
Issuance of common stock for services (May 2007)	250,000	250			44,750			45,000
Issuance of common stock for services (June 2007)	300,000	300			116,700			117,000
Issuance of common stock for cash, net of offering costs (July 2007)	2,000,000	2,000			204,024			206,024
Issuance of warrants for consulting services (September 2007)					23,750			23,750
Exercise of warrants (September 2007)	125,000	125			(125)	(125)		(125)
Share-based compensation to employees					505,716			505,716
Issuance of warrants for consulting services (October 2007)					419,864			419,864
Issuance of warrants for consulting services (December 2007)					10,000			10,000
Exercise of warrants (December 2007)	125,000	125			(125)	(125)		(125)
Exercise of options (January 2008)	2,000,000	2,000						2,000
Issuance of common stock for services (February 2008)	500,000	500			62,000			62,500
Issuance of common stock for services (March 2008)	750,000	750			176,750			177,500
Share-based compensation to employees (March 2008)	250,000	250			54,750			55,000
Issuance of warrants for consulting services (March 2008)					28,700			28,700
Exercise of warrants (March 2008)	125,000	125			(125)	(125)		(125)
Share-based compensation to employees (March 2008)					2,926			2,926
Net loss for the year ended March 31, 2008							(1,579,717)	(1,579,717)
Balance, March 31, 2008	40,920,369	40,920	500,000	500	2,310,130	(375)	(2,769,165)	(417,990)
	1,200,000	1,200			123,800	(200)		124,800

Issuance of common stock for services (April 2008)							
Amortization of options issued to employees (June 2008)					8,777		8,777
Issuance of common stock for exercise of warrants (June 2008)	125,000	125			14,340	(4,625)	9,840
Issuance of common stock for cash (June 2008)	388,889	389			34,611		35,000
Conversion of preferred stock (June 2008)	500,000	500	(500,000)	(500)			
Amortization of options issued to employees (August 2008)					8,778		8,778
Issuance of common stock for cash (August 2008)	500,000	500			24,500		25,000
Issuance of common stock for legal settlement (August 2008)	500,000	500			38,350		38,850
Issuance of common stock for legal settlement (June 2008)	3,000,000	3,000			87,000		90,000

The accompanying notes are an integral part of the consolidated financial statements.

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AmStem Corporation

(A Development Stage Enterprise)

Consolidated Statement of Changes in Stockholders Deficit (continued)

From December 2, 2004 (Date of Inception) through December 31, 2009 (unaudited)

	Common Stock		Preferred Stock				Deficit Accumulated During Development Stage	
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Stock Subscriptions Receivable		Total
Issuance of common stock for services (December 2008)	1,000,000	1,000			39,000			40,000
Reduction of accounts payable in lieu of cash payment on subscription (December 2008)						5,000		5,000
Amortization of options issued to employees (December 2008)					8,777			8,777
Issuance of common stock for services (December 2008)	2,000,000	2,000			78,000			80,000
Cancellation of common stock for legal settlement (December 2008)	(3,000,000)	(3,000)			(87,000)			(90,000)
Issuance of warrants with convertible notes payable					63,750			63,750
Amortization of options issued to employees (March 2009)					8,777			8,777
Value of the beneficial conversion feature related to the issuance of convertible notes payable					28,125			28,125
Net loss for year ended March 31, 2009							(1,259,493)	(1,259,493)
Balance, March 31, 2009	47,134,258	47,134			2,789,715	(200)	(4,028,658)	(1,192,009)
Issuance of common stock in settlement of liabilities (June 2009) (unaudited)	500,000	500			29,000			29,500
Issuance of common stock for accrued payroll liabilities (June 2009) (unaudited)	2,250,000	2,250			130,500			132,750
Issuance of common stock for services (June 2009) (unaudited)	200,000	200			11,600			11,800
Amortization of options issued to employees (June 2009) (unaudited)					8,778			8,778
Issuance of common stock for convertible notes payable (September 2009) (unaudited)	8,937,500	8,938			437,937			446,875
Exercise of warrants (September 2009) (unaudited)	233,334	233			(233)			
Issuance of common stock for merger costs (September 2009) (unaudited)	2,000,000	2,000			488,000			490,000
Discount on convertible notes payable (September 2009)					207,318			207,318

(unaudited)							
Amortization of options issued to employees (September 2009) (unaudited)				8,777			8,777
Issuance of warrant for legal services (September 2009) (unaudited)				17,494			17,494
Share-based compensation to employees (September 2009) (unaudited)				76,965			76,965
Issuance of common stock for convertible notes payable (October 2009) (unaudited)	3,764,960	3,765		184,483			188,248
Discount on convertible notes payable (October 2009) (unaudited)				170,131			170,131
Cancellation of common stock issued for license agreement (December 2009) (unaudited)	(5,000,000)	(5,000)		(395,000)			(400,000)
Issuance of common stock for services (November 2009) (unaudited)	150,000	150		14,100			14,250
Issuance of common stock in settlement of lawsuit (October 2009) (unaudited)	1,000,000	1,000		160,000			161,000
Share-based compensation to employees (December 2009) (unaudited)				25,704			25,704
Net loss for the nine months ended December 31, 2009 (unaudited)						(506,225)	(506,225)
Balance, December 31, 2009 (unaudited)	61,170,052	$ 61,170	$	$ 4,365,269	$ (200)	$ (4,534,883)	$ (108,644)

The accompanying notes are an integral part of the consolidated financial statements.

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AmStem Corporation

(a development stage enterprise)

Consolidated Statements of Cash Flows

(unaudited)

	Nine Months Ended December 31, 2009	2008	Period from December 2, 2004 (Date of Inception) through December 31, 2009
Operating activities:			
Net loss	$ (506,225)	$ (1,061,576)	$ (4,534,883)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Share-based compensation to non-employees	60,471	517,495	1,864,160
Share-based compensation to employees			563,642
Amortization of options	26,332	26,332	61,441
Amortization of warrants issued with notes payable	509,187		517,373
Settlement of lawsuit with common stock	161,000	38,850	289,850
Cancellation of common stock issued for license agreement and settlement of liabilities	(400,000)		(490,000)
Gain on settlement of accrued payroll and assumption of liabilities	(329,636)		(329,636)
Issuance of common stock and warrants in relief of accrued payroll	154,549		154,549
Amortization of deferred loan costs	33,326		37,620
Investment income reinvested			(2,943)
Amortization			667
Write off of intangible asset			4,333
(Increase) decrease in:			
Deferred loan costs	(20,000)		(20,000)
Prepaid expenses	40,000	6,300	(86,090)
Deposits	(3,000)	2,169	(8,000)
Increase (decrease) in:			
Accounts payable	(81,586)	39,586	63,935
Accrued payroll	31,240	274,005	780,336
Accrued expenses	(60,185)	50,824	90,258
Net cash used by operating activities	(384,527)	(106,015)	(1,043,388)
Investing activities:			
Proceeds from certificate of deposit, restricted			2,943
Net cash provided by investing activities			2,943
Financing activities:			
Proceeds from advances from stockholder			52,528
Repayment of stockholder advances			(49,528)
Proceeds from issuance of notes payable	400,000	45,000	594,880
Repayment of notes payable		(25,000)	(45,000)
Advances from related party			284,521

Repayment from related party		23,940	(53,400)
Payment of stock offering costs			(43,976)
Proceeds from sale of stock		60,000	348,550
Net cash provided by financing activities	400,000	103,940	1,088,575
Net increase (decrease) in cash	**15,473**	**(2,075)**	**48,130**
Cash at beginning of period	32,657	2,387	
Cash at end of period	$ 48,130	$ 312	$ 48,130
Supplemental disclosure of cash flow information and non-cash financing activities:			
Cash paid for income taxes	$	$	$
Cash paid for interest	$	$	$ 3,308
Issuance of convertible notes payable with a discount equivalent to the relative fair value of the accompanying warrants	$ 157,296	$	$ 221,046
Issuance of convertible notes payable with a beneficial conversion feature	$ 159,404	$	$ 187,529
Issuance of common stock for conversion of notes payable and related accrued interest	$ 635,123	$	$ 635,123
Issuance of common stock for exercise of warrants	$ 233	$	$ 233
Reduction in stock subscription receivable in exchange for a reduction in accounts payable	$	$ 5,000	$ 5,000
Common stock issued for a reduction in advance from stockholder	$	$	$ 3,000
Common stock issued for a reduction in accounts payable	$	$	$ 2,000
Common stock issued for purchase of intangible asset	$	$	$ 5,000
Common stock and note payable issued for accrued payroll and assumption of liabilities	$ 659,312	$	$ 659,312

The accompanying notes are an integral part of the consolidated financial statements.

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AmStem Corporation

(a development stage enterprise)

Notes to Consolidated Financial Statements

1. Background Information and Basis of Presentation

Company Background:

The Company was originally incorporated in Nevada on December 28, 1992 as Arklow Associates, Inc. On September 1, 2005, R Capital, Stem Cell Florida, and the Company (then Altadyne, Inc.) entered into a Reorganization and Stock Purchase Agreement. At that point, the Company had no assets, liabilities or ongoing operations. Pursuant to the agreement, Altadyne acquired 100% of the issued and outstanding shares of common stock of Stem Cell Florida in a non-cash transaction and Stem Cell Florida became a wholly-owned subsidiary of Altadyne, and the shareholders of Stem Cell Florida became shareholders of the Company. The Company assumed operation of the business of Stem Cell Florida, which was to establish stem cell therapy clinics and stem cell marketing. On October 5, 2005, the Company changed its name to Stem Cell Therapy International, Inc. to reflect the new business of the Company. On November 2, 2009, the Company changed its name to AmStem Corporation in order to reflect the subsequent merged operations with Histostem Co., Ltd.

Merger with Histostem:

The Company entered into a Reorganization and Stock Purchase Agreement with Histostem Co., Ltd., a Korean company (Histostem) on March 10, 2008, as amended on September 23, 2009 (the SPA), pursuant to which we have agreed to acquire 90% of the issued and outstanding shares of Histostem in consideration for the issuance of 60% of our issued and outstanding stock. The closing of the transaction was subject to a number of conditions, including, but not limited to, (i) increasing the size of the Board of Directors to seven members; (ii) effectuating an increase in the Company s authorized shares of common stock from 100 million shares to 500 million shares and to change the Company s name to AmStem Corporation. The Company received a majority of the shareholder s consent for number i and ii); and (iii) the Company will also issue a total of 4,000,000 shares to certain parties that have assisted with the completion of the SPA. The Company has filed a Form 14C with the SEC as notice of the name change and increase to the authorized number of shares. The Company closed the merger in the fourth quarter of fiscal year end March 31, 2010, with the Company issuing 102,597,040 shares of common stock to Histostem.

Since the Company entered into the Stock Purchase Agreement with Histostem our substantive business operations have focused primarily on positioning the Company to leverage Histostem s platform throughout the United States and the world and to obtain the necessary financing to complete the transaction. We have incorporated a wholly owned subsidiary, AmStem International, Inc., a Nevada Corporation, to use for distribution of stem cell related products.

Basis of Presentation:

In the opinion of management, the accompanying consolidated financial statements include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with generally accepted accounting principles. The results of operations for the three and nine months ended December 31, 2009 are not necessarily indicative of the results for a full year.

The consolidated financial statements for the three and nine month periods ended December 31, 2009 and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto for the year ended March 31, 2009 as filed in the Form 10-K, filed with the Securities and Exchange Commission on July 10, 2009.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of AmStem Corporation and its wholly-owned subsidiaries, Stem Cell Therapy International Corp and AmStem International, Inc. All intercompany accounts and transactions have been eliminated.

2. Liquidity and Management s Plans

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. For the nine months ended December 31, 2009 and the period since December 2, 2004 (date of inception) through December 31, 2009, the Company has had net losses of $506,225 and $4,534,883, respectively, and cash used in operations of $384,527 and $1,043,388, respectively, and has negative working capital of $116,644 at December 31, 2009. As of December 31, 2009, the Company has not emerged from the development stage. In view of these matters, the ability of the Company to continue as a going concern raises substantial doubt and is dependent upon the Company s ability to generate additional financing and ultimately increase operations and to achieve a level of profitability. Since inception, the Company has financed its activities principally from the use of equity securities to pay for services and related party advances. The Company intends on financing its future development activities and its working capital needs largely from the sale of equity securities and debt financing, until such time that funds provided by operations are sufficient to fund working capital requirements. There can be no assurance that the Company will be successful at achieving its financing goals at reasonably commercial terms, if at all.

On November 2, 2009, the Company entered into a Preferred Stock Purchase Agreement (the Agreement) with Socius Capital Group, LLC, a Delaware limited liability company (the Investor). Pursuant to the terms of the Agreement, the Company has the right, over a term of two years, subject to certain conditions, to demand through one or more tranche notices that the Investor purchase up to a total $5 million of the Company s Series A Preferred Stock (Preferred Stock) at $10,000 per share. The Preferred Stock pays a dividend of 10% per annum, payable in additional shares of Preferred Stock, and is redeemable at the Company s option at any time after the one year anniversary of initial issuance.

At closing, the Company issued the Investor a warrant to purchase up to approximately 42 million shares of the Company s common stock at an exercise price of $0.159 per share. The warrant vests with each tranche closing, with respect to an amount of shares equal to 135% of the dollar amount of the tranche in question, and the exercise price with respect to the shares vested adjusts to the closing price the trading day before the tranche notice date. The Company cannot draw on the facility until a registration statement covering the resale of the warrant shares is effective and certain other conditions are satisfied. On December 17, 2009, the Company filed a Form S-1 with the Securities and Exchange Commission registering 10,560,000 shares of common stock, which became effective on January 12, 2010.

In addition, the Company paid the Investor $20,000 at closing to cover the Investor s legal fees and will pay a commitment fee in the amount of $250,000, in cash or shares of the Company s common stock, at the closing of the first tranche. As of the date of this filing, the Company has not closed on the first tranche of funding.

The Company intends on financing its future development activities and its working capital needs largely from the sale of equity securities, debt financing and loans, until such time that funds provided by operations are sufficient to fund working capital requirements. There can be no assurance that the Company will be successful at achieving its financing goals at reasonably commercial terms, if at all.

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AmStem Corporation

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Notes to Consolidated Financial Statements (Continued)

3. Significant Accounting Policies

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk:

Cash balances are maintained with a major financial institution in the United States. Deposits with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk.

Impairment of long-lived assets:

The Company evaluates the recoverability of its long-lived assets or asset groups whenever adverse events or changes in business climate indicate that the expected undiscounted future cash flows from the related assets may be less than previously anticipated. If the net book value of the related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the present value of their expected future cash flows and an impairment loss would be recognized.

Income taxes:

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that included the enactment date. Due to the Company s continued losses, the Company has placed a full valuation allowance against the deferred tax asset.

Loss per common share:

Basic and diluted loss per share are computed based on the weighted average number of common shares outstanding during the period. Common stock equivalents are not considered in the calculation of diluted earnings per share for the periods presented if their effect would be anti-dilutive.

Stock-based compensation:

The Company uses the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants and options).

Reclassifications:

Certain reclassifications have been made to the accompanying December 31, 2008 consolidated statements of operations to conform to the December 31, 2009 presentation. Such reclassifications had no impact on net loss as previously reported.

New Accounting Guidance:

In October 2009, the Financial Accounting Standards Board (FASB) issued, *Multiple Deliverable Revenue Arrangements*, which modifies accounting for multiple element arrangements by requiring that the separation of the arrangements be based on estimated selling prices based on entity specific assumptions rather than fair value, eliminating the residual method of allocation and requiring additional disclosures related to such arrangements. The standard is effective prospectively for arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company has not yet evaluated the impact the adoption of the standard will have on its consolidated financial statements.

On September 30, 2009, the Company adopted changes issued by the FASB to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards Codification™ (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the financial statements.

In August 2009, the FASB issued changes to fair value accounting for liabilities. These changes clarify existing guidance that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using either a valuation technique that uses a quoted price of either a similar liability or a quoted price of an identical or similar liability when traded as an asset, or another valuation technique that is consistent with the principles of fair value measurements, such as an income approach (e.g., present value technique). This guidance also states that both a quoted price in an active market for the identical liability and a quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. These changes became effective for the Company on October 1, 2009. Management has determined that the adoption of these changes did not have an impact on the financial statements.

In June 2009, the FASB issued changes to the accounting for variable interest entities. These changes require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity s economic performance; and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. These changes become effective on April 1, 2010. Management does not believe that these changes will have a material impact on the financial statements.

On June 30, 2009, the Company adopted changes issued by the FASB to accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, otherwise known as subsequent events. Specifically, these changes set forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company evaluated for subsequent events through February 16, 2010, the issuance date of the Company s financial statements.

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Notes to Consolidated Financial Statements (Continued)

4. Notes Payable

During the nine months ended December 31, 2009, the Company negotiated a settlement with a related party of $292,420 of accrued payroll and the assumption of $77,000 of liabilities in exchange for 500,000 shares of common stock valued at $29,500 and a non-interest bearing $100,000 note payable. The note is due at the earlier of demand by the holder, the closing of any subsequent funding received by the Company with minimum gross proceeds of 3 million dollars or February 1, 2011. In the event the Company is unable to repay the note on or before the maturity date, the Company will pay to the note holder 1.5% simple monthly interest on all amounts outstanding. As a result of this transaction, the Company has recorded a gain on the settlement of liabilities of $239,920 in the accompanying Consolidated Statements of Operations.

During the nine months ended December 31, 2009, the Company issued a promissory note to a related party, which effectively converted the total amount of $231,121 included in Due to Related Party into a formalized debt agreement. The promissory note is non-interest bearing and is due the earlier of demand by the holder, the closing of any subsequent funding received by the Company with minimum gross proceeds of 3 million dollars, or January 1, 2011. In the event the Company is unable to repay the note on or before the maturity date, the Company will pay to the note holder 1.5% simple monthly interest on all amounts outstanding.

During the nine months ended December 31, 2009, the Company issued 2,625,000 shares of common stock for the conversion of a $125,000 note payable and related accrued interest of $6,250.

During the nine months ended December 31, 2009, the Company received $400,000 and agreed to repay to the lenders $500,000 (Convertible Notes) at the earlier of either six months or when the Company is able to obtain subsequent financing with minimum gross proceeds of $1,000,000. The interest rate is a simple 10% per annum. At the holders choice the note can be converted into common shares at a rate of $0.04 per common share. The holder of the note can also convert the note, pursuant to the terms of the subsequent financing at a rate of 125% of the amount due at the closing of subsequent financing.

The Convertible Notes contain an embedded conversion feature. The difference between the conversion price and the Company s estimated fair market value of its stock price on the commitment date of the notes was calculated to be $193,064 for notes issued during the nine months ended December 31, 2009. The Company amortized the beneficial conversion feature over the life of the convertible debt.

The Company also issued 6,000,000 warrants in connection with the Convertible Notes. The warrants are exercisable at $0.04 per share, vest immediately and expire in August and September 2014. The Company valued the warrants at their relative fair value of $184,384 and recorded a discount on the Convertible Notes. The discount is amortized as interest expense over the term of the Convertible Notes. During the three and nine months ended December 31, 2009, the Company recognized interest expense of $150,730 and $358,048 from the amortization of the discount and the beneficial conversion feature.

During the nine months ended December 31, 2009, the note holders converted the Convertible Notes into 12,702,460 shares of common stock for $635,123 of convertible debt and related accrued interest.

5. Equity

During the nine months ended December 31, 2009, the Company issued 200,000 shares of common stock valued at $11,800 for consulting services.

During the nine months ended December 31, 2009, the Company issued 2,250,000 shares of common stock valued at $132,750 in exchange for a portion of accrued compensation.

During the nine months ended December 31, 2009, the Company issued 500,000 shares of common stock valued at $29,500 in settlement of payroll obligations and other liabilities as more fully described in Note 4.

During the nine months ended December 31, 2009, the Company issued 2,000,000 shares of common stock valued at $490,000 to a consultant as part of the costs of the merger, as more fully discussed in Note 10.

During the nine months ended December 31, 2009, the Company issued 233,334 shares of common stock for the exercise of 400,000 warrants.

During the nine months ended December 31, 2009, the Company issued 150,000 shares of common stock valued at $14,250 to a consultant for investor relation services.

During the nine months ended December 31, 2009, the Company issued 1,000,000 shares of common stock valued at $161,000 in settlement of a lawsuit.

On November 2, 2009, the Company entered into a Preferred Stock Purchase Agreement (the Agreement) with Socius Capital Group, LLC, a Delaware limited liability company (the Investor). Pursuant to the terms of the Agreement, the Company has the right, over a term of two years, subject to certain conditions, to demand through one or more tranche notices that the Investor purchase up to a total $5 million of the Company s Series A Preferred Stock (Preferred Stock) at $10,000 per share. The Preferred Stock pays a dividend of 10% per annum, payable in additional shares of Preferred Stock, and is redeemable at the Company s option at any time after the one year anniversary of initial issuance.

At closing, the Company issued the Investor a warrant to purchase up to approximately 42 million shares of the Company s common stock at an exercise price of $0.159 per share. The warrant vests with each tranche closing, with respect to an amount of shares equal to 135% of the dollar amount of the tranche in question, and the exercise price with respect to the shares vested adjusts to the closing price the trading day before the tranche notice date. The Company cannot draw on the facility until a registration statement covering the resale of the warrant shares is effective and certain other conditions are satisfied.

In addition, the Company paid the Investor $20,000 at closing to cover the Investor s legal fees and will pay a commitment fee in the amount of $250,000, in cash or shares of the Company s common stock, at the closing of the first tranche. As of the date of this filing, the Company has not closed on the first tranche of funding.

On November 2, 2009, the Company filed an Amended and Restated Certificate of Designations of Preferences, Rights and Limitations of Series A Preferred Stock (the Designation), with the Nevada Secretary of State.

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Notes to Consolidated Financial Statements (Continued)

6. Stock Options and Warrants

During the nine months ended December 31, 2009, the Company did not issue any stock options.

	Shares	Exercise Prices	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding and Exercisable				
Outstanding at March 31, 2009	3,650,000	$ 0.19 - 0.25	$ 0.20	
Options granted				
Options exercised				
Options cancelled or expired				
Outstanding at December 31, 2009	3,650,000	$ 0.19 - 0.25	$ 0.20	
Exercisable at December 31, 2009	3,587,500	$ 0.19 - 0.25	$ 0.20	

The following table summarizes information about options outstanding and exercisable as of December 31, 2009:

	Outstanding Options				Exercisable Options	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life	Weighted Average Price	Weighted Average Remaining Life	Number Exercisable	Weighted Average Price
$ 0.19 - $ 0.25	3,650,000	6.62 Years	$ 0.20	6.69 Years	3,587,500	$ 0.20

The aggregate intrinsic value of options outstanding at December 31, 2009, was $0 based on the Company s closing stock price of $0.13. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the options.

The fair value of each warrant was estimated on the date of grant using the Black Scholes model that uses assumptions noted in the following table. Expected volatility is based on the weekly trading of two similar company s underlying common stock (as the Company does not have an adequate trading history for an accurate calculation) and other factors.

Expected volatility	88% - 163.2%
Expected dividends	0
Expected term	1 - 10 years
Risk-free interest rate	1.99% - 4.71%

The following table summarizes information about warrants outstanding and exercisable as of December 31, 2009:

	Shares	Exercise Prices	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
<u>Outstanding and Exercisable</u>				
Outstanding at March 31, 2009	1,525,000	$ 0.03 - $0.15	$ 0.06	
Warrants granted	8,750,000	$ 0.04 - $0.15	$ 0.08	$ 0.05
Warrants exercised	(400,000)	$ 0.15	$ 0.15	
Warrants cancelled or expired				
Outstanding at December 31, 2009	9,875,000	$ 0.03 - $0.15	$ 0.07	
Exercisable at December 31, 2009	9,875,000	$ 0.03 - $0.15	$ 0.07	

	Outstanding Warrants			Exercisable Warrants		
Range of Exercise Price	**Number Outstanding**	**Weighted Average Remaining Life**	**Weighted Average Price**	**Weighted Average Remaining Life**	**Number Exercisable**	**Weighted Average Price**
$ 0.03 - $0.15	9,875,000	5.93 Years	$ 0.07	5.93 Years	9,875,000	$ 0.07

The aggregate intrinsic value of warrants outstanding at December 31, 2009, was $660,500, based on the Company s closing stock price of $0.13. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the warrants.

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Notes to Consolidated Financial Statements (Continued)

7. Earnings per Share

Basic earnings per common share amounts are computed by dividing earnings, after the deduction of preferred stock dividends and undistributed earnings allocated to participating securities, by the average number of common shares outstanding. Diluted earnings per share amounts assume the issuance of common stock for all potentially dilutive share equivalents outstanding. The basic and diluted weighted average number of shares was 64,452,888, 54,471,687, 47,134,258, 44,293,179 and 37,353,893 for the three and nine months ended December 31, 2009 and 2008 and the period from December 2, 2004 (Date of Inception) through December 31, 2009, respectively.

Common stock equivalents for the nine months ended December 31, 2009 was anti-dilutive due to the net losses sustained by the Company during that period. Therefore, the diluted weighted average common shares outstanding for the dilutive weighted average share calculation in the nine month period ended December 31, 2009 excludes approximately 1,645,700 shares that could dilute earnings per share in future periods, respectively.

8. Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the differences between the book values and the tax bases of particular assets and liabilities and the tax effects of net operating loss and capital loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized as income or expense in the period that included the enactment date.

The Company has incurred operating losses since its inception and, therefore, no tax liabilities have been incurred for the periods presented. The amount of unused tax losses available to carry forward and apply against taxable income in future years totaled approximately $3,750,000 at December 31, 2009. The loss carry forwards expire beginning in 2025. Internal Revenue Code Sec. 382 places limitations on the utilization of net operating losses. Due to the limitation and the Company s historical losses, the Company has placed a full valuation allowance against that asset of approximately $1,412,000.

9. Commitments and Contingencies

Consulting Agreements:

The Company has entered into several consulting agreements with other companies and individuals to provide consulting and advisory services to the Company. The agreements provide for terms ranging from one to three years. Additionally, the consulting agreements required the issuance of 5,989,000 shares of the Company s common stock valued at $669,209 on the date of the agreement as the shares are non-forfeitable and non-cancelable. As of December 31, 2009, the Company has issued these shares of common stock.

Employment Agreements:

In September 2007, the Company entered into employment agreements with the Chief Financial Officer and Chief Operating Officer. The Chief Financial Officer and Chief Operating Officer each have employment agreements for a term of two years, with an annual base salary of $60,000. Additional performance-based bonuses are provided for, and the employees were granted options to purchase 900,000 shares of Company stock. Benefits under the agreement are accelerated on a change of control, and the employee is subject to certain non-competition covenants. The Chief Operating Officer s employment agreement was not renewed at December 2009.

In March 2008, the Company entered into an employment agreement with the Company s President. The employment agreement is for a term of one year and provides for payments of $8,500 per month for the first 90 days, and subsequently, an annual base salary of $225,000. Additional performance-based bonuses are provided for, and the employee was granted options to purchase 750,000 shares of the Company s common stock at $0.25 per share. Benefits under the agreement are accelerated on a change of control, and the

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Notes to Consolidated Financial Statements (Continued)

employee is subject to certain non-competition covenants. Upon execution of the employment agreement, the Company issued 250,000 shares of the Company s common stock valued at $55,000.

In June 2009, the officers agreed to reduce their overall compensation by approximately $242,750 for the issuance of common stock and the agreement to pay a cash portion upon the Company obtaining the necessary financing or cash flow from operations. The Board of Director s also agreed to make a one-time payment of $25,000 to each the President and the Chief Financial Officer for services rendered in December 2009. It was also agreed that the President and Chief Financial Officer were each to be paid $10,000 per month beginning in October 2009 until new employment agreements are executed.

In November 2009, the Company entered into employment agreements with the Chief Executive Officer and Chief Financial Officer for a term of four years beginning January 1, 2010, with an annual base salary of $225,000. Additional performance-based bonuses are provided for, and the employees will each be granted options to purchase 500,000 shares of the Company s common stock subsequent to December 31, 2009. Benefits under the agreements are accelerated on a change of control and the employees are subject to certain non-compete covenants.

Contingencies:

On August 22, 2008, the Company entered into a Settlement and Release Agreement (the Agreement) with Princeton Healthcare, Inc. Princeton Healthcare, Inc. and the Company agreed to release and discharge each other, their successors, assigns, directors, officers, employees, shareholders, former directors and officers, from any and all claims, demands, causes of action, fees, costs, interest, attorney s fees and damages that each ever had against the other for a payment of $60,000 and the issuance of 500,000 shares of common stock. As of September 30, 2009, the Company has paid $10,000 and issued 500,000 shares of common stock valued at $38,850. During the three months ended December 31, 2009, the Company and Princeton Healthcare, Inc. agreed to a full release of all liabilities in exchange for the issuance of 1,000,000 shares of the Company s common stock.

On September 10, 2009, the Company agreed to be a party to the settlement between Histostem, Inc., a Delaware Corporation (Histostem USA) and Histostem Corporation, a Korean Corporation (Histostem Korea). The agreement is contingent upon the close of the SPA and that at the close of the merger, the Company will acquire no less than 90% of the total fully diluted equity of Histostem Korea.

For the consideration provided by Histostem USA, including, but not limited to, a waiver of claims and a general release, Histostem Korea and the Company have agreed to the following considerations:

a. $100,000 in cash, which will be divided into three equal payments over a two year period; and

b. Seven and one-half percent (7.50%) of the fully diluted total outstanding shares of the Company s common stock following the close of the merger between Histostem Korea and the Company.

Subsequent to December 31, 2009, the Company closed the merger with Histostem Korea and therefore is now obligated to issue a cashless warrant to purchase 13,903,943 shares of common stock at $0.001per share for five years.

10. Merger and Reorganization Agreement

The Company entered into a Reorganization and Stock Purchase Agreement with Histostem Co., Ltd., a Korean company (Histostem) on March 10, 2008, as amended on September 23, 2009 (the SPA), pursuant to which we have agreed to acquire 90% of the issued and outstanding shares of Histostem in consideration for the issuance of 60% of our issued and outstanding stock. The closing of the transaction was subject to a number of conditions, including, but not limited to, (i) increasing the size of the Board of Directors to seven members; (ii) effectuating an increase in the Company s authorized shares of common stock from 100 million shares to 500 million shares and to change the Company s name to AmStem Corporation. The Company received a majority of the shareholder s consent for number i and ii); and (iii) the Company will also issue a total of 4,000,000 shares to certain parties that have assisted with the completion of the SPA. The Company has filed a Form 14C with the SEC as notice of the name change and increase to the authorized number of shares. The Company closed the merger in the fourth quarter of fiscal year end March 31, 2010, with the Company issuing 102,597,040 shares of common stock to Histostem.

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Notes to Consolidated Financial Statements (Continued)

Since the Company entered into the Stock Purchase Agreement with Histostem our substantive business operations have focused primarily on positioning the Company to leverage Histostem s platform throughout the United States and the world and to obtain the necessary financing to complete the transaction. We have incorporated a wholly owned subsidiary, AmStem International, Inc., a Nevada Corporation, to use for distribution of stem cell related products.

11. Related Party Transactions

At March 31, 2009, the due to related party account of $231,121 is made up of advances from the majority stockholder to assist the Company with its financial obligations. During the nine months ended December 31, 2009, the Company converted the total amount of $231,121 into a formalized debt agreement. The promissory note is non-interest bearing and is due the earlier of the closing of any subsequent funding received by the Company with minimum gross proceeds of 3 million dollars or January 1, 2011. In the event the Company is unable to repay the note on or before the maturity date, the Company will pay to the note holder 1.5% simple monthly interest on all amounts outstanding.

The Company contracted with Norco Accounting and Consulting Inc. (Norco) to provide accounting and consulting services. The Company spent approximately $12,800 and $11,900 during the nine months ended December 31, 2009 and 2008, respectively. As of December 31, 2009, the Company owes Norco $977. Norco is 50% owned by Andrew J. Norstrud, who joined the Company in September of 2007, as the Company s Chief Financial Officer. The Company continues to use Norco for accounting staffing needs under the contract signed prior to Andrew J. Norstrud joining the Company.

The above amounts are not necessarily indicative of the amounts that would have been incurred had a comparable transaction been entered into with independent parties.

12. Gain on Settlement of Liabilities

During the nine months ended December 31, 2009, the Company recorded a gain of $286,670 related to the settlement of several liabilities and accrued expenses. The Company also renegotiated the legal expenses related to the attorney that is assisting with the completion of the merger documents, which resulted in a net gain of $42,966.

During the nine months ended December 31, 2009, the Company recorded a gain of $400,000 related to the return of 5,000,000 shares of common stock that were previously issued for services which were never received.

13. Subsequent Events

Subsequent to December 31, 2009, a note holder converted Convertible Notes into 1,276,027 shares of common stock for $63,801 of convertible debt and related accrued interest.

Subsequent to December 31, 2009, the Company completed the closing of the Reorganization and Stock Purchase Agreement with Histostem Co., Ltd.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

THIS FILING CONTAINS FORWARD-LOOKING STATEMENTS. THE WORDS ANTICIPATED, BELIEVE, EXPECT, PLAN, INTEN SEEK, ESTIMATE, PROJECT, WILL, COULD, MAY, AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS INCLUDE, AMONG OTHERS, INFORMATION REGARDING FUTURE OPERATIONS, FUTURE CAPITAL EXPENDITURES, AND FUTURE NET CASH FLOW. SUCH STATEMENTS REFLECT THE COMPANY S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL PERFORMANCE AND INVOLVE RISKS

AND UNCERTAINTIES, INCLUDING, WITHOUT LIMITATION, GENERAL ECONOMIC AND BUSINESS CONDITIONS, CHANGES IN FOREIGN, POLITICAL, SOCIAL, AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE

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WITH GOVERNMENTAL REGULATIONS, THE ABILITY TO ACHIEVE FURTHER MARKET PENETRATION AND ADDITIONAL CUSTOMERS, AND VARIOUS OTHER MATTERS, MANY OF WHICH ARE BEYOND THE COMPANY S CONTROL. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES OCCUR, OR SHOULD UNDERLYING ASSUMPTIONS PROVE TO BE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY AND ADVERSELY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, OR OTHERWISE INDICATED. CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS FILING ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE OF THE ACTUAL RESULTS OR DEVELOPMENTS.

The following discussion and analysis of our financial condition and plan of operations should be read in conjunction with our financial statements and related notes appearing elsewhere herein. This discussion and analysis contains forward-looking statements including information about possible or assumed results of our financial conditions, operations, plans, objectives and performance that involve risk, uncertainties and assumptions. The actual results may differ materially from those anticipated in such forward-looking statements. The words expect, anticipate, estimate or similar expressions are also used to indicate forward-looking statements. The following discussions should be read in conjunction with our financial statements and the notes thereto presented in Item 1 Financial Statements and our audited financial statements and the related Management s Discussion and Analysis of Financial Condition and Results of Operations included in our report on Form 10-K for the year ended March 31, 2009.

General Overview

The Company was originally incorporated in Nevada on December 28, 1992 as Arklow Associates, Inc. On September 1, 2005, R Capital, Stem Cell Florida, and the Company (then Altadyne, Inc.) entered into a Reorganization and Stock Purchase Agreement. At that point, the Company had no assets, liabilities or ongoing operations. Pursuant to the agreement, Altadyne acquired 100% of the issued and outstanding shares of common stock of Stem Cell Florida in a non-cash transaction and Stem Cell Florida became a wholly-owned subsidiary of Altadyne, and the shareholders of Stem Cell Florida became shareholders of the Company. The Company assumed operation of the business of Stem Cell Florida, which was to establish stem cell therapy clinics and stem cell marketing. On October 5, 2005, the Company changed its name to Stem Cell Therapy International, Inc. to reflect the new business of the Company. On November 2, 2009, the Company changed its name to AmStem Corporation in order to reflect the subsequent merged operations with Histostem Co., Ltd.

Merger with Histostem:

The Company entered into a Reorganization and Stock Purchase Agreement with Histostem Co., Ltd., a Korean company (Histostem) on March 10, 2008, as amended on September 23, 2009 (the SPA), pursuant to which we have agreed to acquire 90% of the issued and outstanding shares of Histostem in consideration for the issuance of 60% of our issued and outstanding stock. The closing of the transaction was subject to a number of conditions, including, but not limited to, (i) increasing the size of the Board of Directors to seven members; (ii) effectuating an increase in the Company s authorized shares of common stock from 100 million shares to 500 million shares and to change the Company s name to AmStem International Corp. (subsequent to September 30, 2009, the Company received a majority of the shareholder s consent for number i and ii); and (iii) the Company will also issue a total of 4,000,000 shares to certain parties that have assisted with the completion of the SPA. The Company has filed a Form 14C with the SEC as notice of the name change and increase to the authorized number of shares. The Company closed the merger in the fourth quarter of fiscal year end March 31, 2010, with the Company issuing 102,597,040 shares of common stock to Histostem.

Since the Company entered into the Stock Purchase Agreement with Histostem our substantive business operations have focused primarily on positioning the Company to leverage Histostem s platform throughout the United States and the world and to obtain the necessary financing to complete the transaction.

In April 2009, the Company formed AmStem International, Inc., a wholly owned subsidiary of the Company. AmStem International, Inc. is a new biotechnology company which provides biotherapeutic and cosmetic stem cell products, stem cell collection and storage know-how, and access to nanotechnology vital to the cutting edge stem cell research. For the nine months ended December 31, 2009, there was no activity in this Company.

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Critical Accounting Policies

The accounting policies of the Company are in accordance with generally accepted accounting principles of the United States of America, and their basis of application is consistent. Outlined below are those policies considered particularly significant:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Common stock transactions for services are recorded at either the fair value of the stock issued or the fair value of the services rendered, whichever is more evident on the day that the transactions are executed. The certificates must be issued subsequent to the transaction date.

Research and development costs are charged to operations when incurred and are included in operating expenses.

Results of Operations

As of December 31, 2009 and for the three months ended December 31, 2009 and 2008

We had no revenue during the three months ended December 31, 2009 or 2008. This is primarily due to the fact that management has been concentrating most of its efforts on finalizing the Histostem transaction. The Company is in the process of negotiating new revenue contracts.

Legal expenses decreased $21,134 to $42,745 for the three months ended December 31, 2009 as compared to $63,879 for the three month period ended December 31, 2008. The decrease in legal expense is primarily due to the initial legal fees paid in 2008 in relation to the merger. For the three months ended December 31, 2009, the Company had some minor litigation and merger costs, in addition to the legal fees in conjunction with the Securities and Exchange Commission filings.

Consulting expenses decreased $10,896 to $29,329 for the three months ended December 31, 2009 as compared to $40,225 for the three month period ended December 31, 2008. The decrease in consulting expense is primarily due to the decrease in consulting agreements while the Company concentrated on completing the merger agreement.

Accounting expenses increased $9,770 to $16,153 for the three months ended December 31, 2009 as compared to $6,383 for the three month period ended December 31, 2008. The increase in accounting expense is primarily due to the additional audit fees related to the review of the Form S-1 and an overall increase in accounting and audit fees during 2009.

Compensation expense decreased $26,250 to $60,000 for the three months ended December 31, 2009 as compared to $86,250 for the three month period ended December 31, 2008. The decrease in compensation expense is due to the expiration of the employment agreements with the Chief Financial Officer and the Chief Operating Officer. The Company s Board of Director s agreed to pay both the President and Chief Financial Officer $10,000 per month beginning in October 2009.

Stock based compensation increased to $25,704 for the three months ended December 31, 2009 as compared to $8,777 for the three month period ended December 31, 2008. The increase in stock based compensation is due to grants of options to a Board member for services.

Settlement expenses increased to $111,000 for the three months ended December 31, 2009 as compared to ($90,000) for the three month period ended December 31, 2008. Settlement expense is primarily the result of the settlement of the Princeton Healthcare lawsuit.

Selling, general and administrative expenses increased $25,795 to $26,716 for the three months ended December 31, 2009 as compared to $921 for the three months ended December 31, 2008. The increase in selling, general and administrative expenses is due to an increase in travel and entertainment expenses for additional trips to Korea in coordinating the completion of the merger and the additional costs to establish the Company s website.

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Gain on settlement of liabilities increased $400,000 for the three months ended December 31, 2009 as compared to $0 for the three months ended December 31, 2008. The increase in gain on settlement of liabilities is mainly due to the cancellation of 5,000,000 shares of common stock in connection with the nonperformance of a services agreement.

Interest expense, net, increased $183,075 to $183,428 for the three months ended December 31, 2009 as compared $353 for the three month period ended December 31, 2008. The increase in interest expense is due to the increase in notes payable and the related amortization of the discount, beneficial conversion feature and the discount related to the value of the underlying warrants issued in connection with the debt.

Our net loss for the three months ended December 31, 2009 was $95,075 as compared to $116,788 during the same period in 2008. The loss primarily reflects the increase in settlement expense and interest expense, net of the gain on the settlement of liabilities.

As of December 31, 2009 and for the nine months ended December 31, 2009 and 2008

We had no revenue during the nine months ended December 31, 2009 or 2008. This is primarily due to the fact that management has been concentrating most of its efforts on finalizing the Histostem transaction. The Company is in the process of negotiating new revenue contracts.

Legal expenses decreased $140,545 to $93,180 for the nine months ended December 31, 2009 as compared to $233,725 for the nine month period ended December 31, 2008. The decrease in legal expense is primarily due to the initial legal fees paid in 2008 in relation to the merger. For the nine months ended December 31, 2009, the Company had some minor litigation and merger costs, in addition to the legal fees in conjunction with the Securities and Exchange Commission filings as well as the overall decrease in Company activity while concentrating on the completion of the merger agreement.

Consulting expenses decreased $303,044 to $43,567 for the nine months ended December 31, 2009 as compared to $346,611 for the nine month period ended December 31, 2008. The decrease in consulting expense is primarily due to the decrease in consulting agreements while the Company concentrated on completing the merger agreement.

Accounting expenses increased $1,391 to $63,451 for the nine months ended December 31, 2009 as compared to $62,060 for the nine month period ended December 31, 2008. The increase in accounting expense is primarily due to additional audit fees related to the review of the Form S-1 and an overall increase in accounting and audit fees during 2009.

Compensation expense decreased $56,631 to $218,824 for the nine months ended December 31, 2009 as compared to $275,455 for the nine month period ended December 31, 2008. The decrease in compensation expense is due to the expiration of the employment agreements with the Chief Financial Officer and the Chief Operating Officer. In September 2009, the Company agreed to pay the Company s President and Chief Financial Officer each $25,000. The Company s Board of Director s agreed to pay both the President and Chief Financial Officer $10,000 per month beginning in October 2009.

Stock based compensation increased to $120,224 for the nine months ended December 31, 2009 as compared to $26,331 for the nine month period ended December 31, 2008. The increase in stock based compensation is due to grants of options for the Officers and Directors.

Settlement expenses increased to $111,000 for the nine months ended December 31, 2009 as compared to $98,850 for the nine month period ended December 31, 2008. Settlement expense is primarily the result of the Company settling several lawsuits.

Selling, general and administrative expenses increased $16,288 to $33,287 for the nine months ended December 31, 2009 as compared to $16,999 for the nine months ended December 31, 2008. The increase in selling, general and administrative expenses is due an increase in travel and entertainment expenses for additional trips to Korea in coordinating the completion of the merger and the additional costs to establish the Company s website.

Gain on settlement of liabilities increased to $729,636 for the nine months ended December 31, 2009 from $0 for the nine months ended December 31, 2008. The increase in gain on settlement of liabilities is mainly due to the cancellation of 5,000,000 shares of common stock in connection with the nonperformance of a services agreement.

Interest expense, net, increased $550,783 to $552,328 for the nine months ended December 31, 2009 as compared to $1,545 for the nine month period ended December 31, 2008. The increase in interest expense is due to the increase in notes payable and the related amortization of the discount.

Our net loss for the nine months ended December 31, 2009 was $506,225 as compared to $1,061,576 during the same period in 2008. The loss primarily reflects the decrease in legal expenses, consulting expenses and compensation expenses, net of the gain on the settlement of some accrued expenses.

Liquidity and Capital Resources

The Company s financial statements have been prepared assuming that the Company will continue as a going concern. For the nine months ended December 31, 2009 and the period since December 2, 2004 (date of inception) through December 31, 2009, the Company has had a net loss of $506,225 and $4,534,883, respectively and cash used by operations of $384,527 and $1,043,388, respectively, and negative working capital of $116,644 at December 31, 2009.

As of December 31, 2009, the Company has not emerged from the development stage. In view of these matters, recoverability of recorded asset amounts shown in the accompanying financial statements is dependent upon the Company s ability to begin significant operations and to achieve a level of profitability. Since inception, the Company has financed its activities principally from shareholder advances and some relatively minor sales of equity securities (as set forth below). The Company intends on financing its future development activities and its working capital needs largely from the sale of equity securities, debt financing and loans from the Company s Chief Executive Officer, until such time that funds provided by operations are sufficient to fund working capital requirements. There can be no assurance that the Company will be successful at achieving its financing goals at reasonably commercial terms, if at all.

During the nine months ended December 31, 2009, the Company issued 2,625,000 shares of common stock for the conversion of a $125,000 note payable and related accrued interest of $6,250.

During the nine months ended December 31, 2009, the Company received $400,000 and agreed to repay to the lenders $500,000 (Convertible Notes) at the earlier of either six months or when the Company is able to obtain subsequent financing with minimum gross proceeds of $1,000,000. The interest rate is a simple 10% per annum. At the holders choice the note can be converted into common shares at a rate of $0.04 per common share. The holder of the note can also convert the note, pursuant to the terms of the subsequent financing at a rate of 125% of the amount due at the closing of subsequent financing.

The Convertible Notes contain an embedded conversion feature. The difference between the conversion price and the Company s estimated fair market value of its stock price on the commitment date of the notes was calculated to be $193,064 for notes issued during the nine months ended December 31, 2009. The Company amortized the beneficial conversion feature over the life of the convertible debt.

The Company also issued 6,000,000 warrants in connection with the Convertible Notes. The warrants are exercisable at $0.04 per share, vest immediately and expire in August and September 2014. The Company valued the warrants at their relative fair value of $184,384 and recorded a discount on the Convertible Notes. The discount is amortized as interest expense over the term of the Convertible Notes. During the three and nine months ended December 31, 2009, the Company recognized interest expense of $150,730 and $358,048 from the amortization of the discount and the beneficial conversion feature.

During the nine months ended December 31, 2009, the note holders converted the Convertible Notes into 12,702,460 shares of common stock for $635,123 of convertible debt and related accrued interest.

Effective June 27, 2007, the Company entered into an agreement with Newbridge Securities, Corp. (Newbridge) to assist the Company on a best efforts basis in raising approximately $250,000 in a private offering of up to 2 million shares of restricted common stock at a price of $0.125 per share. As of December 31, 2009, the Company has received $206,024 of proceeds, which represents $250,000 gross proceeds less $43,976 of offering costs.

On November 2, 2009, the Company entered into a Preferred Stock Purchase Agreement (the Agreement) with Socius Capital Group, LLC, a Delaware limited liability company (the Investor). Pursuant to the terms of the Agreement, the Company has the right, over a term of two years, subject to certain conditions, to demand through one or more tranche notices that the Investor purchase up to a total $5 million of the Company s Series A Preferred

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Stock (Preferred Stock) at $10,000 per share. The Preferred Stock pays a dividend of 10% per annum, payable in additional shares of Preferred Stock, and is redeemable at the Company s option at any time after the one year anniversary of initial issuance.

At closing, the Company issued the Investor a warrant to purchase up to approximately 42 million shares of the Company s common stock at an exercise price of $0.159 per share. The warrant vests with each tranche closing, with respect to an amount of shares equal to 135% of the dollar amount of the tranche in question, and the exercise price with respect to the shares vested adjusts to the closing price the trading day before the tranche notice date. The Company cannot draw on the facility until a registration statement covering the resale of the warrant shares is effective and certain other conditions are satisfied.

In addition, the Company paid the Investor $20,000 at closing to cover the Investor s legal fees and will pay a commitment fee in the amount of $250,000, in cash or shares of the Company s common stock, at the closing of the first tranche. As of the date of this filing, the Company has not closed on the first tranche of funding.

Unpredictability of future revenues; Potential fluctuations in quarterly operating results; Seasonality:

As a result of our limited operating history and the emerging nature of the biotechnological markets in which we compete, we are unable to accurately forecast future revenues. Our current and future expense levels are based largely on our investment plans and future revenues and are to a large extent fixed and expected to increase.

Sales and operating results generally depend on the volume of, timing of and ability to fulfill the number of orders received for the biological solution and the number of patients treated which are difficult to forecast. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to our planned expenditures would have an immediate adverse effect on our business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service or marketing decisions which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We expect to experience significant fluctuations in our future quarterly operating results due to a variety of factors, many of which are outside our control.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4T. CONTROLS AND PROCEDURES

The Company s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10- Q. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures were not effective.

Changes in Internal Control Over Financial Reporting

No change in the Company s internal control over financial reporting occurred during the three months ended December 31, 2009, that materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See disclosure of legal proceeds in the Company s March 31, 2009 Form 10K as filed with the Securities and Exchange Commission on July 10, 2009.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended December 31, 2009, the Company issued 3,764,960 shares of common stock in conversion of $188,248 of notes payable and accrued expenses. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the three months ended December 31, 2009, the Company issued 150,000 shares of common stock for services valued at $14,250. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the three months ended December 31, 2009, the Company issued 1,000,000 shares of common stock to a Company in settlement of a lawsuit valued at $161,000. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit Index. The following exhibits are filed with or incorporated by reference into this quarterly report:

3(i)	Amendment to the Articles of Incorporation incorporated herein by reference to the Current Report on Form 8-K filed on November 3, 2009
10.1	Restated Reorganization and Stock Purchase Agreement between Stem Cell Therapy International, Inc., and Histostem Co., Ltd., incorporated herein by reference to the Current Report on Form 8-K filed September 25, 2009.
10.40	Employee Agreement between Stem Cell Therapy International, Inc. and David Stark incorporated herein by reference to Form 10-Q filed on November 16, 2009
10.41	Employee Agreement between Stem Cell Therapy International, Inc. and Andrew J. Norstrud incorporated herein by reference to Form 10-Q filed on November 16, 2009

31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.)
32.2	Certification of the Chief Financial Officer (Pursuant to 18 U.S.C. Section 1350.)
99.1	Preferred Stock Purchase Agreement, dated November 2, 2009, incorporated herein by reference to the Current Report on Form 8-K filed on November 3, 2009
99.2	Warrant to Purchase Common Stock, dated November 2, 2009, incorporated herein by reference to the Current Report on Form 8-K filed on November 3, 2009

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 16, 2010

By: /s/ DAVID STARK
Name: **David Stark**
Title: **Chairman of the Board of Directors, President and Chief Executive Officer**

Date: February 16, 2010

By: /s/ ANDREW J. NORSTRUD
Name: **Andrew J. Norstrud**
Title: **Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer**