

Stem Cell Therapy International, Inc.

Form 10-K

July 10, 2009

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

**FORM 10-K**

**x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**  
For the fiscal year ended March 31, 2009

**“ 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

0-17232

**Stem Cell Therapy International, Inc.**

(Exact Name of Registrant as Specified in Charter)

Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

**Nevada**  
(State or Other Jurisdiction of

**88-0374180**  
(I.R.S. Employer

**Incorporation or Organization)**

**Identification Number)**

**2203 N. Lois Avenue, 9th Floor, Tampa, FL 33607**

(Address of Principal Executive Offices)

**(813) 283-2556**

(Registrant's Telephone Number, Including Area Code)

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 15(d) of the Act.  YES  NO

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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 Exchange Act)  YES  NO

Aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant at June 23, 2009, was \$1,776,713.

There were 47,134,258 shares of the Registrant's \$0.001 par value common stock outstanding as of March 31, 2009.

**Table of Contents**

**STEM CELL THERAPY INTERNATIONAL, INC.**

**ANNUAL REPORT ON FORM 10-K**

**FOR THE YEAR ENDED**

**MARCH 31, 2009**

**TABLE OF CONTENTS**

<b><u>PART I</u></b>		3
Item 1.	<u>Description of Business</u>	3
Item 1A.	<u>Risks Particular to the Company's Business</u>	7
Item 2.	<u>Description of Properties</u>	10
Item 3.	<u>Legal Proceedings</u>	10
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	10
<b><u>PART II</u></b>		11
Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	11
Item 6.	<u>Selected Financial Data</u>	12
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
Item 8.	<u>Consolidated Financial Statements and Supplementary Data</u>	18
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	39
Item 9AT.	<u>Controls and Procedures</u>	39
Item 9B.	<u>Other Information</u>	39
<b><u>PART III</u></b>		40
Item 10.	<u>Directors and Executive Officers of the Registrant</u>	40
Item 11.	<u>Executive Compensation</u>	41
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	43
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	44
Item 14.	<u>Principal Accountants Fees and Services</u>	44
<b>PART IV</b>		
Item 15.	<u>Exhibits</u>	44
<b><u>SIGNATURES</u></b>		47

## **Table of Contents**

### **STEM CELL THERAPY INTERNATIONAL, INC.**

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about Stem Cell Therapy International, Inc.'s industry, management beliefs, and assumptions made by management. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements.

### **PART I**

#### **ITEM 1. DESCRIPTION OF BUSINESS**

##### **COMPANY HISTORY**

Stem Cell Therapy International, Inc. (the Company) has been engaged in the licensing of stem cell technology, the sale of stem cell products, and the referral of patients to affiliated stem cell clinics through its wholly-owned subsidiary Stem Cell Therapy International Corp (Stem Cell Florida), which the Company acquired in 2005. The complete history of the Company and its operating subsidiary is as follows:

The Company's operating subsidiary is Stem Cell Florida. Stem Cell Florida was incorporated in Nevada on December 2, 2004, with the primary purpose of establishing stem cell transplantation clinics and stem cell marketing. Prior to the reverse acquisition, as discussed below, and since inception, Stem Cell Florida was a development stage company whose activities had been limited to raising capital, organizational matters, and the structuring of its business plan. Stem Cell Florida remains in a developmental stage, as the Company continues to focus primarily on developing its business strategy and financing the Company.

The Company was originally incorporated in Nevada on December 28, 1992 as Arklow Associates, Inc. On March 20, 1997, the Company changed its name to The Ultimate Cigar Company, Inc. On July 22, 1999, the Company changed its name to Ultimate Direct, Inc. On January 11, 2005, the Company changed its name to Altadyne, Inc.

On March 20, 2005, R Capital Partners, Inc., a Nevada Corporation (R Capital), acquired the Company (then Altadyne, Inc., a shell company).

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. As consideration for 100% of the shares of Stem Cell Florida, the shareholders of Stem Cell Florida acquired (1) shares newly issued by the Company (then Altadyne, Inc.), and (2) certain shares transferred by R Capital. Of the 22,500,000 shares originally held by R Capital, R Capital retained 4,349,196 shares and transferred 4,000,000 shares to finders unaffiliated with R Capital. R Capital transferred the remaining 14,150,804 shares held by it to the shareholders of Stem Cell Florida and others. In addition, the Company issued 11,030,000 new shares to the shareholders of Stem Cell Florida and others. The recipients of these 25,180,804 shares include the shareholders of Stem Cell Florida, unaffiliated consultants in exchange for services, and members of the President's family in exchange for a reduction in debt owed to the President.

As a result of this transaction, Stem Cell Florida became a wholly owned subsidiary of the Company (then Altadyne, Inc.), 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.

Since entering 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. We have incorporated a wholly owned subsidiary, Amstem International Inc., a Nevada Corporation, to use for distribution of stem cell related products.



## **Table of Contents**

### **COMPANY AND BUSINESS OVERVIEW**

The Company's executive management team are: David Stark, President; Andrew J. Norstrud, Chief Financial Officer; and Lixian Jiang, Chief Operating Officer and Patent Trademark Counsel.

The Company's business operations to date have consisted of referring patients to stem cell treatment facilities in other countries, and to sell to those treatment facilities the stem cell biological solutions (containing adult stem cells or stem cells extracted from umbilical cord blood) they use in their treatments. We do not directly collect, culture or clone stem cell lines. We do not directly offer any medical advice, diagnosis or treatment, and we do not create stem cells. The medical products that we sell are purchased by us from third party product suppliers.

To date, we have referred patients for treatment to facilities in Kiev, Ukraine, Tijuana, Mexico and Shenzhen, China. The clinics are independently owned and operated, and receive patient referrals from various sources. We have no involvement or control over how the clinics are staffed or operated. Since September 2006, all of our patient referrals have been to treatment facilities located in Mexico and China.

### **Proposed 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 (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 72,518,053 shares of our common stock. The closing of the transaction is subject to a number of conditions, including, but not limited to, (i) the satisfactory resolution of a lawsuit pending against Histostem (the judgment issued at the trial court level has been appealed by the opposing party); (ii) the conversion of Histostem's financial statements to English and U.S. GAAP and the completion of an audit with respect to said financial statements; and (iii) either the effectuation by the Company of a 3 to 1 reverse stock split, or the increase in the Company's authorized shares of common stock from 100 million shares to 500 million shares (which will require the approval of the Company's shareholders). Shareholder approval is required to effectuate a reverse stock split and to increase the Company's authorized shares of common stock. Provided the other conditions to closing are satisfied, the Company will prepare and file a joint registration statement - proxy statement with the SEC on Form S-4. The joint filing, upon approval by the SEC, will permit the holding of a meeting at which the Company's shareholders will vote on the proposal to either reverse split the Company's common stock or to increase the Company's authorized shares of common stock. The joint filing will also serve to register the shares to be issued in connection with the closing of the transaction.

### **The Combined Company**

Since entering into the SPA our substantive business operations have focused primarily on positioning Stem Cell to leverage Histostem's platform throughout the United States and the world. Our focus post closing will be on the following objectives:

Establishing accreditation with AABB, NBMD, and NCBI, to facilitate access to Histostem's stem cell inventories by research companies throughout the world;

Expanding clinical stem cell trials in Korea, thereby compiling the preliminary data necessary to submit applications to the U.S. FDA for the approval of Histostem's products;

Expanding Histostem's facilities in Seoul transforming it into the premier cord blood bank and therapy clinic in the world;

Establishing additional stem cell therapy clinics in the U.S. and Europe; and

Commencing an international marketing campaign to expand awareness of stem cell storage, products, technologies, and therapies, and to encourage medical tourism.

### **RESEARCH AND DEVELOPMENT**

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

We do not directly engage in research and development. Instead, we rely on the technology that results from research and development activities performed through contractual arrangements and possibly the technology that results from such arrangements in the future.

**Table of Contents****STEM CELL INDUSTRY CONSIDERATIONS**

In the nascent, but rapidly growing field of stem cell therapies, products are a long way from being commercialized. However, the market potential for stem cell therapies products is very large. See generally Cell Therapy Commercialization: Applying Stem Cell and Related Strategies, Drug and Market Development Publishing, January, 2006. President Obama's Executive Order to rescind the ban on federal funding for stem cell research is the first step in moving stem cell research forward in the U.S. President Obama is a supporter and co-sponsor of the Stem Cell Research Enhancement Act of 2007. The Stem Cell Research Enhancement Act would reach yet another compromise by allowing researchers in the U.S. to expand embryonic stem cell research while prohibiting scientists from creating or cloning embryos for research purposes. Under the current administration, scientists may finally have the chance to dissolve the controversy with breakthroughs in treatments using stem cells.

According to an abundant and diverse body of clinical studies, scientists believe stem cells, which can grow and assimilate into any type of body tissue, could eventually provide a unique way to repair damaged or diseased tissue and treat or cure ailments including Parkinson's disease, Alzheimer's, diabetes and even spinal cord injuries. Supporters say the laboratory creation and study of these lines, which could number in the hundreds, is crucial to the advancement of the research. The likelihood of an autologous transplant using your own stem cells is 1 in 435, the likelihood of an allogeneic transplant from a matched donor (such as a sibling) is 1 in 400, and the net likelihood of any type of stem cell transplant is 1 in 217.

According to an editorial published in RED HERRING (Feb 2003), stem cell therapies are poised to capture what could be the biggest new market to hit biotech in a decade, nearly equal to the whole biotech industry at present. This estimate doesn't even address the market for stem cells capable of repairing damaged vital organs like the brain, heart, and kidneys. California's Proposition 71 currently allocates \$3 billion funding for stem cell research and development. Other states are rapidly following suit. On April 7, 2006, for example, the governor of Maryland signed a new bill into law setting aside \$15 million for stem cell research.

Dr. Steven Devine, Director of Blood & Marrow Transplant Program at The Ohio State University Comprehensive Cancer Center - James Cancer Hospital and Solove Research Institute, will testify on behalf of the Umbilical Cord Blood legislation at 10:15 a.m. Wednesday (6/24/09) in the South Hearing Room at the Ohio Statehouse. House Bill 102, sponsored by Rep. Todd Book (D-McDermott), is pending in the Senate Health Committee after passing in the House. The bill requires the Department of Health to make available on its Web site printable publications containing standardized, objective information about umbilical-cord-blood banking. It also requires the department to encourage healthcare professionals to provide the publications to pregnant women prior to the third trimester. If passed this legislation will promote cord blood banking on a national level; making more people aware of the benefits of cord blood repositories.

**PRICING**

The National Marrow Donor Program estimates that by the year 2015, there will be 10,000 cord blood transplants world-wide per year using publicly banked cord blood. It is therefore vitally important to build public repositories of cord blood donations throughout the world. In the United States, the Health Resources and Services Administration (HRSA) of the US Dept. of Health and Human Services is responsible for funding national programs to register marrow donors and bank cord blood donations. The typical cost to consumer (patient) to access a sample from a donor bank is \$25,000 to \$35,000+.

**COMPETITION**

Company	Year Started	Laboratory	# Transplants	Blood Or MNC?	Bags Or Vials?	Accreditation	Collection Fee	Annual Storage
Cord Blood America	2003	Progenitor Cell Therapy	97	MNC	Bags	AABB / FACT	\$ 1,800	\$ 125
AlphaCord	Varies by Lab	Choice of 5 Labs	Varies by Lab	MNC	Bags	Varies by Lab	\$ 775	\$ 115
CordBancUSA	2008	Own	0	MNC	Bags	CA Biologics	\$ 1245	\$ 150
Cord Blood Registry	1995	Own	93	MNC	Vials/Bags	AABB	\$ 1875	\$ 125
Cord Blood Solutions	2005	Community Blood Services	150	MNC	Bags	AABB	\$ 1495	\$ 100





**Table of Contents**

Cryobanks Intl.	1994	Own	14	MNC	Bags	AABB	\$	1749	\$	120
Cryo-Cell Intl.	1992	Own	16	MNC	Bags	AABB	\$	1595	\$	125
DomaniCell	2006	Progenitor Cell Therapy	92	MNC	Bags	AABB / FACT	\$	varies	\$	varies
Elie Katz	1996	Community Blood Services	150	MNC	Bags	AABB	\$	1350	\$	120
Family CB Services	1997	Own	2	MNC	Bags	AABB	\$	1530	\$	120
Family Link	2004	Own	2	Blood	Bags	AABB	\$	1600	\$	115
Genesis Bank	2005	Own	0	MNC	Bags	AABB	\$	1150	\$	100
HemaStem	2004	Community Blood Services	150	MNC	Bags	AABB	\$	499	\$	149
LifebankUSA	1998	Own	17	MNC	Bags	AABB	\$	1750	\$	115
LifeLine	2001	Own	0	MNC	Bags	AABB	\$	1200	\$	90
LifeSource	2007	Own	0	MNC	Bags	No	\$	unknown	\$	unknown
MAZE Labs	2004	NY Blood Center	0	MNC	Bags	AABB	\$	2010	\$	included
Neocells	2005	Reproductive Genetics Institute	0	MNC	Vials	No	\$	845	\$	95
Newborn Blood Banking	1997	Own	0	Blood	Bags	No	\$	946	\$	149
New England CB Bank	1995	Own	6	MNC	Bags	No	\$	1800	\$	124
RMI	2005	Community Blood Services	150	MNC	Bags	AABB	\$	unknown	\$	unknown
Safetycord	2005	Community Blood Services	150	MNC	Bags	AABB	\$	2100	\$	135
Securacell	2001	Unknown	0	MNC	Vials	No	\$	1495	\$	115
StemCyte	2004	Own	522	Blood	Bags	AABB / FACT	\$	1925	\$	125
Stork Medical	2006	Community Blood Services	150	MNC	Bags	AABB	\$	1700	\$	108
Utah Cord Bank	2007	Own	0	MNC	Vials	No	\$	940	\$	85
Viacord	1995	Own	39	MNC	Bags	AABB	\$	2050	\$	125
Vista Cord	2006	Own	0	MNC	Vials	No	\$	999	\$	99
Zytex	2008	Own	0	MNC	Bags	ISO	\$	1375	\$	100
REGULATION										

As the technological milestones for stem cell transplantation have been announced, governments have begun to impose regulation. Many developed countries have now drawn up legislation or codes, or signed up to Conventions, regulating the creation and use of embryonic stem cells. Some regimes have already been shown to be lagging behind the technology.

From a regulatory viewpoint stem cell transplant represents a very unique product, which is not really a product at all, because it does not fulfill the legal definition of a medicinal product. The FDA's regulations label live cell transplants as products, while under German law they are classified neither as drugs nor as medications, because:

they are individually prepared for each patient,

they are for one time use only, by implantation on a pre-determined date,

the implantation is carried out by a physician who wrote a prescription for the stem cell transplants used,

stem cell transplants have no shelf-life, and

they are not distributed through the usual channels.

## **Table of Contents**

The response of many governments to reproductive cloning is a complete ban, but approaches to therapeutic cloning vary quite widely. The United States presidency and various European bodies and institutions are taking a restrictive approach to embryonic stem cells, while the United Kingdom has passed relatively permissive legislation.

### The United States

The United States regulation falls into two main areas: control of federal funds for research, and the broader question of regulation of the activities themselves. Following an announcement by President Bush on August 9, 2001, United States federal funds became available only for stem cell research on embryonic cell lines already in existence. Before that, more liberal National Institutes of Health ( NIH ) Guidelines had recommended that funds were to be available for the creation and use of stem cells from spare IVF embryos. The 64 embryonic cell lines identified by US officials as already being in existence, and therefore a suitable subject for federally funded research, were generated by various institutes in the United States, Sweden, Australia, India, and Israel. We currently plan to seek research funding from the NIH, and will consider seeking research funding from other government health agencies in the future.

Separately from the funding issue, the regulation of embryonic stem cell research is being actively considered by the US Government. On July 31, 2001, the House of Representatives voted for a broad ban on human cloning that would prohibit cloning for research purposes as well as for reproduction. The resulting law imposes heavy financial penalties and terms of imprisonment on those who generate cloned embryos, and thus affects both privately funded and NIH-supported research. Fortunately, the Company's lines of allo transplants are outside of this regulation, both because we do not engage in any cloning activities, and because we do not engage in any stem cell production, research, or development in the United States. Further, since all of our stem cell activities are performed in jurisdictions where such activities are legal, we do not currently have any obligation to obtain government approval for our activities, and do not currently have any compliance costs. However, there is no assurance that we will not face costs or the need for government approval with regard to future regulations or the regulations of any country into which we may expand our operations in the future.

### Germany and the Rest of Europe

Germany's highest court re-affirmed its approval of therapeutic use of cell allo transplantation on February 16, 2000, by its decision in the case number 1 BvR 420/97. Germany had previously approved of this use in the early fifties.

This German decision had serious implication for the remainder of the European Community ( EC ) as well. Under the European Community Council Directives, all Member States of EC are obliged to accept laws and regulations of other member States of European Community dealing with medical therapeutics for human use, and that includes stem cell transplantation.

All applicable regulations of the Public Health Service, and EU Directives, were incorporated in our manufacturing technology, and that was of enormous importance in order to attain the heretofore unknown state-of-art level of safety of stem cell transplantation.

The European Community Council's Directives are in harmony with this German legal concept, and thus European Community Member States do not classify stem cell allo and/or xeno-transplants as products either.

## EMPLOYEES

As of March 31, 2009, the Company employed 2 full-time employees and one part-time employee. The Company also engages independent contractors and other temporary employees in its operations and finance and administration departments. None of the Company's employees is represented by a labor union, and the Company considers its employee relations to be good. Competition for qualified personnel in the Company's industry is intense, particularly among Doctors and other technical staff. The Company believes that its future success will depend in part on its continued ability to attract, hire and retain qualified personnel.

## **ITEM 1A. RISK PARTICULAR TO THE COMPANY'S BUSINESS**

THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN EVALUATING THE COMPANY, ITS BUSINESS, CONDITION AND PROSPECTS (FINANCIAL AND OTHERWISE). THESE RISK FACTORS ARE NOT NECESSARILY EXHAUSTIVE.

USE OF FORWARD-LOOKING LANGUAGE; FORECASTS UNRELIABLE: All statements, trend analysis and other information contained in this document relative to markets for the Company's products and trends in net sales, gross



## Table of Contents

margin and anticipated expense levels, as well as other statements including words such as anticipate, believe, plan, estimate, expect and in and other similar expressions, constitute forward-looking statements. These forward-looking statements are subject to business and economic risks, and the Company's actual results of operations may differ materially from those contained in the forward-looking statements.

**LIMITED OPERATING HISTORY; ACCUMULATED DEFICIT; ANTICIPATED LOSSES:** The Company has a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Nonetheless, there is no assurance that the Company will be successful in addressing such risks, and the failure to do so could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**UNPREDICTABILITY OF FUTURE REVENUES; POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS:** As a result of the Company's limited operating history and the emerging nature of the biotechnological markets in which it competes, the Company is unable to accurately forecast its revenues. The Company's current and future expense levels are based largely on its investment plans and estimates of 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. The Company 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 the Company's planned expenditures would have an immediate adverse effect on the Company's business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service or marketing decisions which could have a material adverse effect on its business, prospects, financial condition and results of operations.

The Company expects to experience significant fluctuations in its future quarterly operating results due to a variety of factors, many of which are outside the Company's control. Factors that may adversely affect the Company's quarterly operating results include (i) the Company's ability to retain existing patients, attract new patients at a steady rate and maintain patient satisfaction, (ii) the Company's ability to manage its production facility and maintain gross margins, (iii) the announcement or introduction of new treatments and/or patents by the Company and its competitors, (iv) price competition or higher prices in the industry, (v) the level of use of the Internet and on-line patient services, (vi) the Company's ability to upgrade and develop its systems and infrastructure and attract new personnel in a timely and effective manner, (vii) the level of traffic on the Company's website, (viii) technical difficulties, system downtime, (ix) the amount and timing of operating costs and capital expenditures relating to expansion of the Company's business, operations and infrastructure, (x) governmental regulation, and (xi) general economic conditions.

**MANAGEMENT OF POTENTIAL GROWTH; LIMITED SENIOR MANAGEMENT RESOURCES:** While we cannot be sure we will be successful in growing the Company's operations, our goal is to rapidly and significantly expand our operations to address potential growth and market opportunities. We intend to seek to accomplish this by adding additional affiliate clinics, and by our marketing efforts. By adding affiliates, our intention is to seek to not only increase the number of patients that can be treated, but increase the visibility of stem cell therapy in general. We believe that the combination of word of mouth and our marketing efforts may lead to a significant growth in demand for our products and services.

This expansion if successful could place a significant strain on the Company's management, operational and financial resources. The Company will be required to hire new employees including senior management, key managerial, technical and operations personnel who would have to be fully integrated into the Company, operational and financial systems, procedures and controls, and to expand, train and manage its already growing employee base.

The Company also would be required to add finance, administrative and operations staff. Further, the Company's management would be required to maintain and expand its relationships with Affiliate Treatment Clinics and Medical Facilities, University Labs, Private Labs and Treating Physicians globally.

If we grow rapidly, there is no assurance that the Company's planned personnel, systems, procedures and controls would be adequate to support the Company's future operations, that the management would be able to hire, train, retain, motivate and manage required personnel or that Company management would be able to successfully identify, manage and exploit existing and potential market opportunities. If the Company is unable to manage growth effectively, its business, prospects, financial condition and results of operations will be materially adversely affected.

## **Table of Contents**

**DEPENDENCE ON KEY PERSONNEL; NEED FOR ADDITIONAL PERSONNEL:** The Company's performance is substantially dependent on the continued services and on the performance of its senior management and other key personnel, particularly the Company's President, David Stark and Chief Financial Officer, Andrew Norstrud. The Company's performance also depends on the Company's ability to employ, retain and motivate its other officers and key employees. The loss of the services of any of its executive officers or future key employees could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. The Company is currently negotiating long-term employment agreements with its executive officers and intends to obtain key person life insurance policies. The Company's future success also depends on its ability to identify, attract, hire, train, retain and motivate other highly skilled doctors, scientists, qualified PhD's, technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there is no assurance that the Company will be able to successfully attract, assimilate or retain sufficiently qualified personnel. The failure to retain and attract the necessary doctors, scientists, qualified PhD's, technical, managerial, marketing and customer service personnel could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**TRADEMARKS AND PROPRIETARY RIGHTS:** The Company regards its copyrights, service marks, trademarks, trade dress, trade secrets and similar intellectual property as important, and critical to its success. In addition, certain aspects of trademark and copyright law, trade secret protection and confidentiality and/or license agreements with its employees may be relied upon to protect its proprietary rights. The Company is pursuing the registration of its trademarks and service marks in the U.S. and internationally, and has applied for the registration of certain of its trademarks and service marks. Effective trademark, service mark, copyright and trade secret protection may not be available in every country. The Company expects that it may license in the future certain parts of its proprietary rights, such as trademarks or copyrighted material, to third parties.

There is no assurance that the steps taken by the Company to protect its proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks, trade dress and similar proprietary rights. In addition, there is no assurance that other parties will not assert infringement claims against the Company. The Company is not currently aware of any legal proceedings related to infringement or misappropriation of the Company's copyrights, trademarks, trade dress and similar proprietary rights pending against it.

**GOVERNMENTAL REGULATION AND LEGAL UNCERTAINTIES:** The Company is subject to regulation by domestic and foreign governmental agencies with respect to many aspects of stem cell transplantation. In addition, new legislation or regulation could occur. Any such new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to the Company's business, or the application of existing laws and regulations to stem cell transplantation technology could have a material adverse effect on the Company's business, prospects, financial condition and results or operations.

**NO ASSURANCE OF PUBLIC MARKET FOR COMMON STOCK, POSSIBLE LACK OF MARKET MAKERS; VOLATILITY.** Although the Company's stock is currently quoted on the Over-the-Counter Bulletin Board, there is no assurance that a public trading market will continue or develop for the Common Stock. There is also no assurance that the existing trading or any such future market will be characterized as active.

Development of an active trading market for the Company's Common Stock may depend upon the interest of securities market makers and the investing public which may depend in turn on the Company's revenues and profits. The prices of securities of companies which are in limited supply in the public securities markets, which could describe the Company, are typically volatile.

**POSSIBLE NEGATIVE EFFECT OF COMMON STOCK AVAILABLE FOR FUTURE SALE:** A substantial component of the Common Stock issued by the Company is restricted stock as defined in SEC Rule 144, promulgated under the Securities Act of 1933. The offer of a significant number of restricted shares of Common Stock in the future in the public market, at or about the same time pursuant to Rule 144 or pursuant to a subsequent registration statement under the Securities Act of 1933 could have a depressive effect on the public market price of the Company's common stock.

**TRADING LIMITATIONS ON STOCK AT A MARKET PRICE OF LESS THAN \$5.00 PER SHARE:** Management cannot predict the market price of the Common Stock in the public market. At any time that the market price is less than \$5.00 per share, certain larger stock brokerage firms may prohibit purchase or sale of the Shares within their clients' accounts.

All securities brokerage firms effecting purchase orders for clients in the Company's common stock at a time when the common stock has a market bid price of less than \$5.00 per share are required by federal law to send a standardized notice

## **Table of Contents**

to such clients regarding the risks of investing in penny stocks, to provide additional bid, ask and broker compensation and other information to the stockholders and to make a written determination that the Company's common stock is a suitable investment for the client and receive the client's written agreement to the transaction, unless the client is an established client of the firm, prior to effecting a transaction for the client. These business practices may inhibit the development of a public trading market for the Company's common stock during periods that the price of the common stock in the public market is less than \$5.00 by both limiting the number of brokerage firms which may participate in the market and increasing the difficulty in selling the Company's common stock.

**NEED FOR FINANCING.** In order to continue as a going concern, the Company will require significant additional financing or a merger partner with substantial resources. We cannot guarantee that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. Even if we are able to expand our business, we cannot provide certainty that we will be successful or that investors will derive a profit from an investment in our equity. Subsequent to year end, the Company entered into a merger agreement to acquire another Company that should positively impact the Company's liquidity, however, as of the date of this filing, the agreement has not yet closed, while management believes the transaction will be consummated, there can be no assurance in that regard.

## **NOTICE REGARDING CONSENT OF AIDMAN, PISER & COMPANY, P.A.**

Aidman, Piser & Company, P.A. was formerly our independent auditor. Representatives of Aidman, Piser & Company, P.A. are not available to consent to the incorporation of their report contained in this Annual Report, and we have dispensed with the requirement to file their consent in reliance upon Rule 437a of the Securities Act of 1933. Because Aidman, Piser & Company, P.A. has not consented to the incorporation of their report into this Annual Report, investors may not be able to recover against Aidman, Piser & Company, P.A. under Section 11 of the Securities Act of 1933 for any untrue statements of a material fact contained in the financial statements audited by Aidman, Piser & Company, P.A. that are incorporated or any omissions of material fact required to be stated therein.

## **ITEM 2. DESCRIPTION OF PROPERTIES**

We leased the executive office suite from Wilder Corporation for approximately \$800. Our office is located at 2203 N. Lois Avenue, Suite #901, Tampa, FL 33607. The lease has expired, however, as the space continues to be used by a majority stockholder, the Company continues to use the address for all Company related correspondence.

## **ITEM 3. LEGAL PROCEEDINGS**

On August 22, 2008, the Company entered into a Settlement and Release Agreement (the Agreement) with Princeton Healthcare, Inc. Princeton Healthcare, Inc. 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 March 31, 2009, the Company has paid \$10,000 and issued 500,000 shares of common stock valued at \$38,850. The Company was scheduled to pay the remaining \$50,000 by October 31, 2008; however, as of the date of this filing, no such payment has been made.

The Company was involved in a legal dispute over the payment and performance of a consulting agreement. The Company contended that the contract never became effective, and therefore the consultant was not entitled to receive compensation. The consultant contended that the Company and its representatives induced them to begin performance of the services early, based on certain promises. The original contract called for the consultant to be awarded the compensation of 3,000,000 shares of the Company's common stock valued at \$90,000. During the year ended March 31, 2009, the Company and the consultant agreed to terminate the legal dispute and the consultant has provided a release of liability, therefore, the Company has canceled the 3,000,000 shares of common stock.

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

During the year ended March 31, 2009, the Company's did not submit any matters to a vote of security holders.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**  
**MARKET INFORMATION**

Stem Cell Therapy International, Inc. common stock is quoted in United States markets on the Over the Counter Bulletin Board ( OTCBB ).

Currently there are 1,525,000 warrants and 3,650,000 outstanding options to purchase stock.

**PENNY STOCK REGULATIONS:**

Our common stock is quoted on the OTCBB, under the symbol SCII . On June 26, 2009 the last reported sale price of our common stock was \$0.05 per share. The Company's common stock is subject to provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the Exchange Act ), commonly referred to as the penny stock rule. Section 15(g) sets forth certain requirements for transactions in penny stocks, and Rule 15g-9(d) incorporates the definition of penny stock that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. As long as the Company's common stock is deemed to be a penny stock, trading in the shares will be subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors.

The following table shows the high and low per share price quotations of Stem Cell Therapy International, Inc. common stock as reported in the OTCBB for the periods presented. High and low bid quotations reflect inter-dealer prices without adjustment for retail mark-ups, markdowns or commissions and may not necessarily represent actual transactions. We completed our acquisition of Stem Cell Therapy Corp. ( Stem Cell Florida ) in the third calendar quarter of 2005. Our stock has been thinly traded.

	HIGH	LOW
<b>(Calendar Quarters)</b>		
Fiscal year ended March 31, 2009:		
January 1, 2009 – March 31, 2009	\$ 0.12	\$ 0.05
October 1, 2008 – December 31, 2008	\$ 0.09	\$ 0.01
July 1, 2008 – September 30, 2008	\$ 0.09	\$ 0.01
April 1 2008 – June 30, 2008	\$ 0.16	\$ 0.06
Fiscal year ended March 31, 2008		
January 1, 2008 – March 31, 2008	\$ 0.27	\$ 0.08
October 1, 2007 – December 31, 2007	\$ 0.21	\$ 0.05
July 1, 2007 – September 30, 2007	\$ 0.40	\$ 0.15
April 1, 2007 – June 30, 2007	\$ 0.43	\$ 0.07

As of March 31, 2009 there were approximately 289 holders of record of Stem Cell Therapy International, Inc. common stock. Many of these shares are held in street name, and consequently we have numerous additional beneficial owners.

**DIVIDENDS**

The Company has never declared or paid a dividend on its Common Stock, and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. The Company expects to retain, if any, its future earnings for expansion or development of the Company's business. The decision to pay dividends, if any, in the future is within the discretion of the Board of Directors and will depend upon the Company's earnings, capital requirements, financial condition and other relevant factors such as contractual obligations. There can be no assurance that dividends can or will ever be paid.

**RECENT SALES OF UNREGISTERED SECURITIES**



## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

Effective June 16, 2008, the Company issued 388,889 shares of common stock to an accredited investor for \$35,000 cash. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the year ended March 31, 2009, the Company issued 200,000 shares of common stock to Mirador Consulting in connection with consulting services to be provided to the Company. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the year ended March 31, 2009, the Company issued 1,000,000 shares of common stock to an attorney for legal services to be provided. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

## **Table of Contents**

Effective August 12, 2008, the Company issued 500,000 shares of common stock to an accredited investor for \$25,000 cash. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended. In connection with this sale, the Company issued 645,000 warrants, which can be exercised to purchase 645,000 shares of common stock, with a purchase price of \$0.07 per common share. The warrants have expired and the proceeds from the sale of common stock are being used for working capital.

During the year ended March 31, 2009, the Company issued 500,000 shares of common stock valued at \$38,850, to a consultant in settlement of a legal dispute. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the year ended March 31, 2009, the Company issued 1,000,000 shares of common stock valued at \$40,000, to a consultant for services rendered. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the year ended March 31, 2009, the Company issued 2,000,000 shares of common stock valued at \$80,000, to an attorney for services rendered. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended.

During the year ended March 31, 2009, the Company issued 1,125,000 warrants, in conjunction with convertible debt, which can be exercised to purchase 1,125,000 shares of common stock, with a purchase price of \$0.03 per common share.

## **ITEM 6. SELECTED FINANCIAL DATA**

Not required.

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

THE FOLLOWING INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS OF STEM CELL THERAPY INTERNATIONAL, INC. AND THE NOTES THERETO APPEARING ELSEWHERE IN THIS FILING. STATEMENTS IN THIS MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND ELSEWHERE IN THIS ANNUAL REPORT THAT ARE NOT STATEMENTS OF HISTORICAL OR CURRENT FACT CONSTITUTES FORWARD-LOOKING STATEMENTS.

The following management discussion should be read together with the Stem Cell Therapy International, Inc. consolidated financial statements included in this annual report. See Index to Consolidated Financial Statements at page F-1. Those financial statements have been prepared in accordance with generally accepted accounting principles of the United States of America.

## **GENERAL OVERVIEW**

Stem Cell Therapy International, Inc. (the Company) was originally incorporated in Nevada on December 28, 1992 as Arklow Associates, Inc., and after several name changes was renamed Altadyne, Inc. By March, 2005, the Company (then Altadyne, Inc.) had no assets, liabilities, or ongoing business. On March 20, 2005, R Capital Partners (R Capital) acquired the Company (then Altadyne, Inc.), and on September 1, 2005, the Company (then Altadyne), acquired Stem Cell Therapy International Corp., a Nevada corporation (Stem Cell Florida) in what was effectively a reverse acquisition. Following the transaction, Stem Cell Florida became a wholly owned subsidiary of the Company, and Stem Cell Florida's shareholders became shareholders of the Company. On October 5, 2005, the Company changed its name to Stem Cell Therapy International, Inc. to reflect the new business of the Company. This transaction is accounted for as a reverse merger, with Stem Cell Florida treated as the accounting acquirer for financial statement purposes.

Stem Cell Florida was incorporated in Nevada on December 2, 2004. Following the reverse acquisition, the Company assumed and is continuing the operations of Stem Cell Florida. The Company's executive management team are: Calvin C. Cao, Chairman and Chief Executive Officer (subsequent to year end, submitted his resignation), David Stark, President, Andrew J. Norstrud, Chief Financial Officer, and Lixian Jiang, Chief Operating Officer and Patent Trademark Counsel.

---

## **Table of Contents**

We are indirectly involved, as a middle man, in research and development and practical application within the field of regenerative medicine. We provide allo (human) stem cell biological solutions that are currently being used in the treatment of patients suffering from degenerative disorders of the human body. We have established agreements with highly specialized, professional medical treatment facilities around the world in locations where Stem Cell Transplantation therapy is approved by the appropriate local government agencies.

We initially devoted most of our efforts toward organization and fund raising for planned clinics and patient operations and limited revenues have been generated from any such operations. The Company has experienced recurring losses from operations since its inception and at March 31, 2009, we had a working capital deficit of \$1,197,009 and an accumulated deficit from operations of \$4,028,658. As noted in the independent audit report for the audited Stem Cell Therapy International, Inc. financial statements for the period from inception to March 31, 2009, these factors raise doubt about the ability of the Company to continue as a going concern. Realization of the Company's business plan is dependent upon the Company's ability to meet its future financing requirements, and the success of future operations. This is because we have not generated substantial revenues since inception. Our only other source for cash at this time is through investments or loans from management. We must raise cash to implement our project and stay in business.

On March 10, 2008, the Company entered into a Reorganization and Stock Purchase Agreement (the Agreement) with Histostem Co., Ltd., a Korean company (Histostem). Pursuant to the Agreement (as subsequently amended), the Company will acquire 90% of the issued and outstanding stock of Histostem from Histostem's shareholders, and Histostem's shareholders will acquire a controlling interest in the Company. The original definitive agreement called for closing of the acquisition by April 30, 2008. Subsequent to the closing, the Company will be held approximately 60% by Histostem and 40% by the existing shareholders of the Company. Upon completion of the acquisition, the Company will be renamed AmStem International Corp., increase the number of authorized shares of common stock and will seek a new symbol on the over-the-counter bulletin board.

On April 22, 2008, the Company amended the Agreement to state that Histostem shall have received funding at the date of the actual closing at a minimum of 2 million dollars towards the initial round of funding of at least 10 million dollars. Subsequent to that amendment, the actual closing deadline of April 30, 2008 was no longer in effect.

On June 19, 2008, the Company entered into a second Amendment to the Reorganization and Stock Purchase Agreement. In accordance with the terms of this second Amendment, Histostem issued and delivered shares reflecting the acquisition of Histostem into Escrow pending resolution of outstanding litigation between Histostem Korea and Histostem, Inc. (a United States corporation unrelated to Histostem) (Histostem USA). In the Amendment the parties also agreed to complete a one for three reverse stock split of the Company's common stock. That reverse stock split will be completed after filing, mailing and completion of a 14C Information Statement to the Company's shareholders and appropriate notice and filings with the NASD.

### **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.

We apply Staff Accounting Bulletin No. 104 Revenue Recognition (SAB No. 104) to our revenue arrangements. Currently, our only revenue transactions derive from the licensing of stem cell technology, the sale of stem cell products, and providing informational and referral services; we have no plans to enter into any other revenue transaction in the near future. In accordance with SAB No. 104, we recognize revenue related to these licenses, sales and services upon delivering the license or product, or rendering the services, respectively, as long as (1) there is persuasive evidence of an arrangement, (2) the sales price is fixed or determinable, and (3) collection of the related receivable is reasonably assured. Any payments received prior to delivery of the products or services are included in deferred revenue and recognized once the products are delivered or the services are performed.



## Table of Contents

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

### RESULTS OF OPERATIONS

*As of March 31, 2009 and for the years March 31, 2009 and 2008*

We had no revenue during the year ended March 31, 2009 as compared to \$132,960 of revenue for the comparable period in 2008. Revenues during 2008 reflected the referral of four patients and in 2009 the Company was focusing on the completion of the merger, and therefore, did not provide referral services to any patients.

Our cost of goods sold for the stem cell biological material delivered during the year ended March 31, 2009 was \$0 as compared to \$52,268 for the same period ended 2008. The decrease in cost of goods sold is due to the Company not providing any treatments during the year ended March 31, 2009.

Gross margin for the year ended March 31, 2009 was \$0 as compared to \$80,692 for the year ended March 31, 2008. Gross margin as a percentage of revenue for the year ended March 31, 2009 was 0% as compared to 61% for the year ended March 31, 2008. The decrease in gross margin is primarily due to the lack of sales and the Company focusing on completing the merger during the fiscal year ended March 31, 2009.

Total operating expenses decreased \$333,234 or 21% to \$1,244,849 for the year ended March 31, 2009 as compared to \$1,578,083 for the year ended March 31, 2008. Operating expenses for the year ended March 31, 2009 and 2008 primarily consisted of the following items:

Legal expense was \$247,336 for the year ended March 31, 2009, as compared to \$399,609 for the year ended March 31, 2008, which is a decrease of \$152,272. This decrease is primarily due to the expiration of two legal consulting agreements during the year ended March 31, 2008.

Consulting expense was \$352,851 for the year ended March 31, 2009 compared to \$313,536 for the year ended March 31, 2008. The increase from March 31, 2008 of \$39,315 was primarily due to the Company entering a new consulting agreement during the year ended March 31, 2009 and writing off the balance of prepaid services for other consulting agreements that were no longer being used

Payroll expense was \$416,715 for the year ended March 31, 2009, which is an increase of \$189,419 over the prior year balance of \$227,296. The increase in payroll expenses is due to the Company having a full year of salary for the Chief Executive Officer and the Chief Financial Officer, the Company has also accrued the employer's portion of payroll taxes.

Stock based compensation decreased \$528,532 to \$35,1110 for the year ended March 31, 2009 as compared to \$563,642 for the year ended March 31, 2008. The decrease was due to the Company awarding its officers options valued at \$505,716 during 2008, whereas there was no such award during 2009.

Settlement expense increased \$98,850 for the year ended March 31, 2009 as compared to \$0 for the year ended March 31, 2008. The increase in settlement expense is primarily due to the settlement of two legal matters during the 2009.

Selling, general and administrative expenses decreased \$61,963 to \$20,744 for the year ended March 31, 2009 as compared to \$82,707 for the year ended March 31, 2008. The decrease in selling, general and administrative expenses for the year ended March 31, 2009 is due to an overall decrease in expenses as the Company negotiates the merger agreement.

Interest (expense) income, net increased \$13,010 to (\$14,644) during the year ended March 31, 2009, as compared to (\$1,634) during the year ended March 31, 2008. The increase is due to an increase in notes payable of \$232,500 during 2009 and amortization of the related discount and loan costs, as opposed to none of these amounts in 2008.

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

The net loss for the year ended March 31, 2009 was \$1,259,493 as compared to \$1,579,717 during the same period in 2008. The loss primarily reflects the decrease in revenue and stock based compensation offset by the increases in payroll expenses and professional service fees.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's financial statements have been prepared assuming that the Company will continue as a going concern. For the year ended March 31, 2009 and the period since December 2, 2004 (date of inception) through March 31, 2009, the Company has had a net loss of \$1,259,493 and \$4,028,658, respectively and cash used by operations of \$203,531 and \$649,311, respectively, and negative working capital of \$1,197,009 at March 31, 2009.

## **Table of Contents**

As of March 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, 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.

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, 2008, the Company received \$206,024 of proceeds, which represents \$250,000 gross proceeds less \$43,976 of offering costs. This offering is now closed.

In April 2008, the Company entered into a consulting agreement with Mirador Consulting, Inc. to provide management consulting services for three months. The Company has agreed to issue 200,000 shares of common stock valued at \$25,000.

In April 2008, the Company entered into a consulting agreement with Hunden Consulting Group to provide investor relations services for one year. Fees shall be paid to the consultant only if the consultant introduces the Company, in writing, to a third party investor or merger candidate, then the fees shall equal 10% of the total investment or loan to the Company and if a merger transaction occurs between the Company and a party introduced by the consultant, the consultant would be entitled to receive a 5% commission. To date, the Company has not received any services under this agreement.

On May 28, 2008, the Company entered into a consulting agreement with Shea Financial, LLC to provide fund raising services for a term of three months in exchange for the right to purchase 500,000 shares of common stock at \$0.05 per share upon a funding commitment to the Company of at least \$10 million from consultant funding and \$2,500,000 at the closing. To date, the Company has not received any funding under this agreement.

In June 2008, the Company entered into an agreement with Ventana Group to extend a Credit Facility of up to \$2,500,000 in bridge financing. The loan will mature the sooner of 180 days from the date of funding with interest accruing at a rate of 1.25% and principal and interest due at maturity. Ventana has the option to convert all or any portion of the loan to equity, with the conversion terms to be determined at a later date. The Company has agreed to pay Ventana a 5% loan fee based on the amount of the draw down on the credit facility and to issue a warrant to purchase shares of common stock equal to 25% of the loan commitment (\$2,500,000). The number of warrants and strike price shall be determined using the 45 day average trading price per share of the stock at the time of execution, less a 10% discount. The warrant will be exercisable for 3 years from the date of issuance. The agreement and warrant were terminated in August 2008.

On August 12, 2008, the Company issued 500,000 shares of common stock to an accredited investor for \$25,000 cash. These shares were issued without any public offering in accordance with Section 4(2) of the Securities Act of 1933, as amended. In connection with this sale, the Company issued 645,000 warrants, which can be exercised to purchase 645,000 shares of common stock, with a purchase price of \$0.07 per common share. The warrants have expired and the proceeds from the sale of common stock are being used for working capital.

During March 2009, the Company received \$150,000 and agreed to repay to the lenders \$187,500 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 either \$0.10 per common share or the greater of \$.05 or the 30 Day volume weighted average price of the common stock. 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. In addition, the holders of the note were granted warrants to purchase a total of 1,125,000 common shares at a strike price of \$0.03 per share. The warrants have a life of five years.

The proceeds received under the Convertible Notes were net of \$37,620 of deferred loan costs. The loan costs are being amortized over the six month life of the Convertible Notes, which resulted in an additional \$4,294 of interest expense.

The Company also issued 1,125,000 warrants in connection with the Convertible Notes. The warrants are exercisable at \$0.03 per share, vest immediately and expire in March 2014. The Company valued the warrants at their relative fair value of \$63,750 and recorded a discount on the Convertible Notes. The discount is amortized as interest expense over the term of the Convertible Notes. During the year ended March 31, 2009, the Company recognized interest expense of \$7,437 from the amortization of the discount.





## **Table of Contents**

### *Seasonality*

As a result of the Company's limited operating history and the emerging nature of the biotechnological markets in which it competes, the Company is unable to accurately forecast its revenues. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues and are to a large extent fixed and expected to increase.

### **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.

### **New Accounting Pronouncements**

In December 2007, the FASB issued SFAS 141(R), *Business Combinations*, effective for fiscal years beginning after December 15, 2008. SFAS 141(R) changed the accounting treatment for business combinations on a prospective basis. SFAS 141(R) requires that all assets, liabilities, contingent considerations and contingencies of an acquired business be recorded at fair value at the acquisition date. SFAS 141(R) also requires that acquisition costs be expensed as incurred and restructuring costs be expensed in periods after the acquisition date. SFAS 141(R) will only affect the Company's financial condition or results of operations to the extent it has business combinations after the effective date.

On December 4, 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards 160, *Non-controlling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51 ( SFAS 160 ). This new standard will significantly change the accounting for and reporting of non-controlling (minority) interests in consolidated financial statements. SFAS 160 became effective for the Company for the year ended March 31, 2009. The impact of adopting SFAS 160 on the consolidated financial statements will only apply to the extent we have business combinations in the future.

In May 2008, the FASB released SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that presented in conformity with generally accepted accounting principles in the United States of America. SFAS No. 162 will be effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The FASB has stated that it does not expect SFAS No. 162 will result in a change in current practice. The Company does not believe the application of SFAS 162 will have a significant impact, if any, on the Company's financial statements.

On May 28, 2009, FASB issued SFAS No. 165, *Subsequent Events*. The objective of this statement is to establish general standards of 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. SFAS No. 165 is not expected to have a material impact on the financial reporting of the Company.

In December 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110 ( SAB 110 ) which allows companies that do not have sufficient historical experience for estimating the expected term of plain vanilla share option grants to provide a reasonable estimate and to continue use of the simplified method after December 31, 2007. SAB 110 extends the opportunity to use the simplified method beyond December 31, 2007, as was allowed by Staff Accounting Bulletin No. 107 ( SAB 107 ). Adoption of SAB 110 will not impact our financial statements as we did not use the simplified method to estimate lives of share-based awards.

In April 2009, the FASB issued three FSP's intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities, all of which are effective for interim and annual periods ending after June 15, 2009. FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157 when the volume and level of activity of an asset or liability have significantly decreased from normal market activity. FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, requires interim reporting of fair value disclosures. FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, provides additional guidance in determining whether a debt security is other-than-temporarily impaired and expands the disclosures of other-than-temporarily impaired debt and equity securities. The adoption of each of these FSPs is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.



**Table of Contents**

Other recent accounting pronouncements issued by the FASB (including its EITF), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**Table of Contents**

**ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Table of Contents:**

<u>Report of Independent Registered Certified Public Accounting Firm</u>	F-1
<u>Report of Independent Registered Certified Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets as of March 31, 2009 and 2008</u>	F-3
<u>Consolidated Statements of Operations for the years ended March 31, 2009 and 2008 and for the period from December 2, 2004 (Date of Inception) through March 31, 2009</u>	F-4
<u>Consolidated Statement of Changes in Stockholders (Deficit) for the period from December 2, 2004 (Date of Inception) through March 31, 2009</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended March 31, 2009 and 2008 and for the period from December 2, 2004 (Date of Inception) through March 31, 2009</u>	F-9
<u>Notes to Consolidated Financial Statements</u>	F-10

**Table of Contents**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Stem Cell Therapy International, Inc. and Subsidiary

We have audited the consolidated balance sheet of Stem Cell Therapy International, Inc. (a Nevada corporation) as of March 31, 2009, and the related statements of operations-development stage, stockholders' deficits, and cash flows from December 2, 2004 (Date of Inception) through March 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Stem Cell Therapy International, Inc. as of March 31, 2008 and from December 2, 2004 (Date of Inception) through March 31, 2008 were audited by other auditors who have ceased operations and whose report dated July 14, 2008, included an unqualified opinion with an explanatory paragraph regarding substantial doubt about the Company continuing as a going concern.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the March 31, 2009 financial statements referred to above present fairly, in all material respects, the financial position of Stem Cell Therapy International, Inc. as of March 31, 2009, and the results of its operations and its cash flows from December 2, 2004 (Date of Inception) through March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has experienced significant losses and has a deficit working capital at March 31, 2009. Those conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Brimmer, Burek & Keelan, LLP

Tampa, Florida

July 9, 2009

F-1

**Table of Contents**

THE FOLLOWING REPORT IS A COPY OF A PREVIOUSLY ISSUED REPORT BY AIDMAN, PISER & COMPANY, P.A. AND IT HAS NOT BEEN REISSUED BY AIDMAN, PISER & COMPANY, P.A. AND AIDMAN, PISER & COMPANY, P.A. HAS NOT CONSENTED TO ITS INCLUSION; THEREFORE, AN INVESTOR'S ABILITY TO RECOVER ANY POTENTIAL DAMAGE MAY BE LIMITED.

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Stem Cell Therapy International, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of Stem Cell Therapy International, Inc and Subsidiary as of March 31, 2008 and 2007 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and for the period from December 2, 2004 (date of inception) through March 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stem Cell Therapy International, Inc. and Subsidiary as of March 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for the years then ended and for the period from December 2, 2004 (date of inception) through March 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Stem Cell Therapy International, Inc. and Subsidiary will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company incurred significant losses and used cash in operating activities during the year ended March 31, 2008, and had a deficit in working capital at March 31, 2008. These factors, among others as discussed in Note 2 to the consolidated financial statements, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Aidman, Piser & Company, P.A.

Tampa, Florida

July 14, 2008

**Table of Contents**

## Stem Cell Therapy International, Inc. and Subsidiary

(a development stage enterprise)

**Consolidated Balance Sheets**

	March 31,	
	2009	2008
<b>Assets</b>		
Current assets:		
Cash	\$ 32,657	\$ 2,387
Deferred loan costs, net	33,326	
Prepaid expenses	135,000	358,363
 Total current assets	 200,983	 360,750
Deposits	5,000	2,169
Prepaid expenses		10,792
 Total assets	 \$ 205,983	 \$ 373,711
<b>Liabilities and stockholders deficit</b>		
Current liabilities:		
Accounts payable	\$ 163,521	\$ 126,670
Accrued expenses	151,191	99,000
Accrued payroll and payroll related expenses	749,096	358,831
Notes payable, net of unamortized discount of \$84,437	103,063	
Due to related party	231,121	207,200
 Total current liabilities	 1,397,992	 791,701
Commitments and contingencies (Note 9)		
Stockholders deficit:		
Preferred stock; \$.001 par value; 10,000,000 shares authorized and 0 and 500,000 issued and outstanding, respectively		500
Common stock; \$.001 par value; 100,000,000 shares authorized and 47,134,258 and 40,920,369 issued and outstanding, respectively	47,134	40,920
Additional paid-in capital	2,789,715	2,310,130
Stock subscription receivable	(200)	(375)
Deficit accumulated during development stage	(4,028,658)	(2,769,165)
 Total stockholders deficit	 (1,192,009)	 (417,990)
 Total liabilities and stockholders deficit	 \$ 205,983	 \$ 373,711

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

**Table of Contents**

## Stem Cell Therapy International, Inc. and Subsidiary

(a development stage enterprise)

**Consolidated Statements of Operations**

	Years Ended March 31,		Period from December 2, 2004 (Date of Inception) through March 31, 2009
	2009	2008	
Revenue	\$	\$ 132,960	\$ 559,404
Cost of goods sold:			
General		52,268	278,361
Loss on firm purchase commitment			116,000
<b>Gross margin</b>		<b>80,692</b>	<b>165,043</b>
Operating expenses:			
Legal expense	247,336	399,608	708,668
Consulting expense	352,851	313,536	1,253,596
Accounting expense	73,245	71,986	258,290
Payroll expense	416,715	227,296	855,315
Stock based compensation	35,108	563,642	607,528
Settlement expense	98,850		98,850
Selling, general & administrative expenses	20,744	82,707	398,956
<b>Loss from operations</b>	<b>(1,244,849)</b>	<b>(1,578,083)</b>	<b>(4,016,160)</b>
Interest (expense) income, net	(14,644)	(1,634)	(12,498)
<b>Net loss before taxes</b>	<b>(1,259,493)</b>	<b>(1,579,717)</b>	<b>(4,028,658)</b>
Income tax expense			
<b>Net loss</b>	<b>(1,259,493)</b>	<b>(1,579,717)</b>	<b>(4,028,658)</b>
Less dividends on preferred stock			(10,000)
<b>Loss attributable to common shareholders</b>	<b>\$ (1,259,493)</b>	<b>\$ (1,579,717)</b>	<b>\$ (4,038,658)</b>
<b>Net loss per share, basic &amp; diluted</b>	<b>\$ (.03)</b>	<b>\$ (.04)</b>	<b>\$ (.12)</b>
<b>Weighted average number of common shares, basic &amp; diluted</b>	<b>44,995,644</b>	<b>36,950,506</b>	<b>34,372,643</b>

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



**Table of Contents****Stem Cell Therapy International, Inc. and Subsidiary****(A Development Stage Enterprise)****Consolidated Statement of Changes in Stockholders Deficit****For the period from December 2, 2004 (Date of Inception) through March 31, 2009**

	Common Stock		Preferred Stock		Additional Paid-In Capital	Stock Subscriptions receivable	Deficit Accumulated During Development Stage	Total
	Shares	Amount	Shares	Amount				
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
	10,000	10			14,490			14,500

Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

Issuance of common stock for services (October 2005)				
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.*

F-5

**Table of Contents****Stem Cell Therapy International, Inc.****(A Development Stage Enterprise)****Statements of Changes in Stockholders Deficit (Continued)****For the period from December 2, 2004 (Date of Inception) through March 31, 2009**

	Common Stock		Preferred Stock		Additional Paid-In Capital	Stock Subscriptions receivable	Deficit Accumulated During Development Stage	Total
	Shares	Amount	Shares	Amount				
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.*

**Table of Contents****Stem Cell Therapy International, Inc.****(A Development Stage Enterprise)****Statements of Changes in Stockholders Deficit (Continued)****For the period from December 2, 2004 (Date of Inception) through March 31, 2009**

	Common Stock		Preferred Stock		Additional Paid-In Capital	Stock Subscriptions receivable	Deficit Accumulated During Development Stage	Total
	Shares	Amount	Shares	Amount				
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)
Issuance of common stock for services (April 2008)	1,200,000	1,200			123,800	(200)		124,800

Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

Amortization of options issued to employees (June 2008)				8,777	8,777
Increase in stock subscription receivable for change in agreement (June 2008)				(4,500)	(4,500)
Issuance of common stock for exercise of warrants (June 2008)	125,000	125		14,340	14,340
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.*

F-7

**Table of Contents****Stem Cell Therapy International, Inc.****(A Development Stage Enterprise)****Statements of Changes in Stockholders Deficit (Continued)****For the period from December 2, 2004 (Date of Inception) through March 31, 2009**

	Common Stock		Preferred Stock		Additional	Stock	Deficit	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Subscriptions receivable	Accumulated During Development Stage	
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 (June 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)

**Table of Contents**

## Stem Cell Therapy International, Inc. and Subsidiary

(a development stage enterprise)

## Consolidated Statements of Cash Flows

	Years Ended March 31,		Period from December 2, 2004 (Date of Inception) through March 31, 2008
	2009	2008	
<b>Operating activities:</b>			
Net loss	\$ (1,259,493)	\$ (1,579,717)	\$ (4,028,658)
Adjustments to reconcile net loss to net cash used by operating activities:			
Share-based compensation to non-employees	513,795	601,366	1,803,689
Share-based compensation to employees		563,642	563,642
Amortization of options	35,109		35,109
Amortization of warrants issued with notes payable	7,438		7,438
Settlement of lawsuit with common stock	38,850		38,850
Amortization of deferred loan costs	4,294		4,294
Investment income reinvested			(2,943)
Amortization			667
Write off of intangible asset			4,333
(Increase) decrease in:			
Inventory		5,988	
Prepaid expenses		11,943	(126,090)
Deposits	(2,831)		(5,000)
Increase in:			
Accounts payable	16,851	65,795	145,521
Accrued payroll	390,265	188,275	749,096
Accrued expenses	52,191	24,000	151,191
Deferred revenue		(50,000)	
Net cash used by operating activities	(203,531)	(168,708)	(658,861)
<b>Investing activities:</b>			
Proceeds from certificate of deposit, restricted		3,919	2,943
Net cash provided (used) by investing activities		3,919	2,943
<b>Financing activities:</b>			
Proceeds from advances from stockholder			52,528
Repayment of stockholder advances		(48,753)	(49,528)
Proceeds from issuance of notes payable	194,880		194,880
Repayment of notes payable	(45,000)		(45,000)
Advances from related party	42,321	17,000	284,521
Repayment from related party	(18,400)	(35,000)	(53,400)
Payment of stock offering costs		(43,976)	(43,976)
Proceeds from sale of stock	60,000	250,000	348,550
Net cash provided by financing activities	233,801	139,271	688,575
Net (decrease) increase in cash	30,270	(25,518)	32,657

Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

Cash at beginning of period	2,387	27,905		
Cash at end of period	\$ 32,657	\$ 2,387	\$	32,657
<b>Supplemental disclosure of cash flow information and non-cash financing activities:</b>				
Cash paid for income taxes	\$	\$	\$	
Cash paid for interest	\$	\$ 1,645	\$	3,308
Issuance of convertible notes payable with a discount equivalent to the relative fair value of the accompanying warrants	\$ 63,750	\$	\$	63,750
Issuance of convertible notes payable with a beneficial conversion feature	\$ 28,125	\$	\$	28,125
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	\$	2,000
Common stock issued for purchase of intangible asset	\$	\$	\$	5,000

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



**Table of Contents**

Stem Cell Therapy International, Inc.

(a development stage enterprise)

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

and for the period from December 2, 2004 (Date of Inception)

through March 31, 2009

**1. BACKGROUND INFORMATION, BASIS OF PRESENTATION AND BUSINESS REORGANIZATION**

*Company background:*

Stem Cell Therapy International, Inc. (the Company), was originally incorporated in the state of Nevada on December 28, 1992 as Arklow Associates, Inc. The Company's operating business is Stem Cell Therapy International Corp. (Stem Cell Florida) a wholly owned subsidiary, which is a development stage enterprise, and was incorporated in the state of Nevada on December 2, 2004. To date, the Company's activities have been limited to raising capital, organizational matters and the structuring of its business plan. The corporate headquarters is located in Tampa, Florida.

Previously, the Company has been engaged in the licensing of stem cell technology, the sale of stem cell products, and information, education, and referral services relating to potential stem cell therapy patients. The Company purchases allo stem cell biological solutions that are currently being used in the treatment of patients suffering from degenerative disorders of the human body such as Alzheimer's, Parkinson's Disease, ALS, leukemia, muscular dystrophy, multiple sclerosis, arthritis, spinal cord injuries, brain injury, stroke, heart disease, liver and retinal disease, diabetes as well as certain types of cancer.

*Business reorganization:*

Effective September 1, 2005, Stem Cell Florida entered into a Reorganization and Stock Purchase Agreement (the Agreement) with the Company, then named Altadyne, Inc., a company quoted on the Pink Sheets, which had no assets, liabilities or ongoing operations. Under the terms of the agreement, the Company, (then 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 the Company. Subsequent to the merger, Altadyne changed its name to Stem Cell Therapy International Inc. This transaction is accounted for as a reverse merger, with Stem Cell Florida treated as the accounting acquirer for financial statement purposes.

The results of operations for Stem Cell Florida, the accounting acquirer, for the period from December 2, 2004 (Date of Inception) have been included in the consolidated statements of operations of the Company.

Since entering into the Agreement our substantive business operations have focused primarily on positioning the Company to leverage Histostem's platform throughout the United States and the world. We have incorporated a wholly owned subsidiary to, Amstem International Inc., a Nevada Corporation, to use for distribution of stem cell related products.

*Principles of consolidation:*

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

**2. LIQUIDITY AND MANAGEMENT'S PLANS**

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. For the year ended March 31, 2009 and the period since December 2, 2004 (date of inception) through March 31, 2009, the Company has had net losses of \$1,259,493 and \$4,028,658, respectively, and cash used in operations of \$203,531 and \$649,311, respectively, and has negative working capital of \$1,197,009 at March 31, 2009. As of March 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 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, 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.

F-10

**Table of Contents**

Stem Cell Therapy International, Inc.  
(a development stage enterprise)  
Notes to Consolidated Financial Statements  
For the Years Ended March 31, 2009 and 2008  
and for the period from December 2, 2004 (Date of Inception)  
through March 31, 2009

**2. LIQUIDITY AND MANAGEMENT S PLANS (CONTINUED)**

On March 10, 2008, the Company entered into a Reorganization and Stock Purchase Agreement (the Agreement) with Histostem Co., Ltd., a Korean company (Histostem). Pursuant to the Agreement (as subsequently amended), the Company will acquire 90% of the issued and outstanding stock of Histostem from Histostem's shareholders, and Histostem's shareholders will acquire a controlling interest in the Company. The original definitive agreement called for closing of the acquisition by April 30, 2008. Subsequent to the closing, the Company will be held approximately 60% by Histostem and 40% by the existing shareholders of the Company. Upon completion of the acquisition, the Company will be renamed AmStem International Corp., increase the number of authorized shares of common stock and will seek a new symbol on the over-the-counter bulletin board.

On April 22, 2008, the Company amended the Agreement to state that Histostem shall have received funding at the date of the actual closing at a minimum of 2 million dollars towards the initial round of funding of at least 10 million dollars. Subsequent to that amendment, the actual closing deadline of April 30, 2008 was no longer in effect.

On June 19, 2008, the Company entered into a second Amendment to the Reorganization and Stock Purchase Agreement. In accordance with the terms of this second Amendment, Histostem issued and delivered shares reflecting the acquisition of Histostem into Escrow pending resolution of outstanding litigation between Histostem Korea and Histostem, Inc. (a United States corporation unrelated to Histostem) (Histostem USA). In the Amendment the parties also agreed to complete a one for three reverse stock split of the Company's common stock. That reverse stock split will be completed after filing, mailing and completion of a 14C Information Statement to the Company's shareholders and appropriate notice and filings with the NASD.

**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

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

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.

### *Revenue recognition:*

Revenue is derived from the sale of stem cell products, and providing informational and referral services. Revenue related to these licenses, sales and services is recognized upon delivering the license or product, or rendering the services, respectively. Any payments received prior to delivery of the products or services are included in deferred revenue and recognized once the products are delivered or the services are performed.

### *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

**Table of Contents**

Stem Cell Therapy International, Inc.

(a development stage enterprise)

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

and for the period from December 2, 2004 (Date of Inception)

through March 31, 2009

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. The Company had no common stock equivalents outstanding at March 31, 2009 or 2008.

*Stock-based compensation:*

In April 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123R Share-based Payments ( FAS 123R ) replacing Accounting for Stock-Based Compensation ( FAS 123 ), which are similar and require the use of 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). The adoption of SFAS 123R had no significant impact on the Company's results of operations.

*Reclassifications:*

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

*Recently issued accounting pronouncements:*

In December 2007, the FASB issued SFAS 141(R), Business Combinations, effective for fiscal years beginning after December 15, 2008. SFAS 141(R) changed the accounting treatment for business combinations on a prospective basis. SFAS 141(R) requires that all assets, liabilities, contingent considerations and contingencies of an acquired business be recorded at fair value at the acquisition date. SFAS 141(R) also requires that acquisition costs be expensed as incurred and restructuring costs be expensed in periods after the acquisition date. SFAS 141(R) will only affect the Company's financial condition or results of operations to the extent it has business combinations after the effective date.

On December 4, 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards 160, Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ( SFAS 160 ). This new standard will significantly change the accounting for and reporting of non-controlling (minority) interests in consolidated financial statements. SFAS 160 became effective for the Company for the year ended March 31, 2009. The impact of adopting SFAS 160 on the consolidated financial statements will only apply to the extent we have business combinations in the future.

In May 2008, the FASB released SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

nongovernmental entities that presented in conformity with generally accepted accounting principles in the United States of America. SFAS No. 162 will be effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". The FASB has stated that it does not expect SFAS No. 162 will result in a change in current practice. The Company does not believe the application of SFAS 162 will have a significant impact, if any, on the Company's financial statements.

On May 28, 2009, FASB issued SFAS No. 165, "Subsequent Events". The objective of this statement is to establish general standards of 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. SFAS No. 165 is not expected to have a material impact on the financial reporting of the Company.

F-12

**Table of Contents**

Stem Cell Therapy International, Inc.

(a development stage enterprise)

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

and for the period from December 2, 2004 (Date of Inception)

through March 31, 2009

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In December 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110 ( SAB 110 ) which allows companies that do not have sufficient historical experience for estimating the expected term of plain vanilla share option grants to provide a reasonable estimate and to continue use of the simplified method after December 31, 2007. SAB 110 extends the opportunity to use the simplified method beyond December 31, 2007, as was allowed by Staff Accounting Bulletin No. 107 ( SAB 107 ). Adoption of SAB 110 has not impacted our financial statements.

In April 2009, the FASB issued three FSP s intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities, all of which are effective for interim and annual periods ending after June 15, 2009. FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157 when the volume and level of activity of an asset or liability have significantly decreased from normal market activity. FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, requires interim reporting of fair value disclosures. FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, provides additional guidance in determining whether a debt security is other-than-temporarily impaired and expands the disclosures of other-than-temporarily impaired debt and equity securities. The adoption of each of these FSPs is not expected to have a material effect on the Company s financial condition, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB (including its EITF), the AICPA, and the SEC did not or are not believed by management to have a material impact on the Company s present or future financial statements.

**4. RELATED PARTY TRANSACTIONS**

Due to related party of \$231,121, represents advances from the majority stockholder to assist the Company with its financial obligations. These advances were non-interest bearing, unsecured and due on demand.

The Company contracted with Norco Accounting and Consulting Inc. ( Norco ) to provide accounting and consulting services. The Company spent approximately \$17,000 and \$12,600 during the years ended March 31, 2009 and 2008, respectively. As of March 31, 2009, the Company owes Norco \$2,024. 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.

During the year ended March 31, 2009, the Company borrowed a total of \$45,000 from related parties. One of the notes for \$25,000 was immediately repaid, which did not result in any interest payments. The remaining note bears interest at 7% per year and is due on demand. As of March 31, 2009, the Company has recorded \$1,400 in accrued interest in the accompanying balance sheet and the notes payable have been repaid.

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

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.

### 5. NOTES PAYABLE

During the year ended March 31, 2009, the Company borrowed a total of \$45,000 from related parties. One of the notes for \$25,000 was immediately repaid, which did not result in any interest payments. The remaining note bears interest at 7% per year and is due on demand. As of March 31, 2009, the Company has recorded \$1,400 in accrued interest in the accompanying balance sheet and the notes payable have been repaid.

During March 2009, the Company received \$150,000 and agreed to repay to the lenders \$187,500 (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 either \$0.10 per common share or the greater of \$0.05 or the 30 Day volume weighted average price of the common stock. 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. As such, in accordance with EITF Issue No. 98-5, Accounting for Securities with Beneficial Conversion Feature or Contingently Adjustable Conversion Ratio, and EITF Issue No. 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments, 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 \$28,125 for notes issued during the year ended March 31, 2009. The Company is amortizing the beneficial conversion feature over the life of the convertible debt.



**Table of Contents**

Stem Cell Therapy International, Inc.

(a development stage enterprise)

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

and for the period from December 2, 2004 (Date of Inception)

through March 31, 2009

**5. NOTES PAYABLE (CONTINUED)**

The Company also issued 1,125,000 warrants in connection with the Convertible Notes. The warrants are exercisable at \$0.03 per share, vest immediately and expire in March 2014. The Company valued the warrants at their relative fair value of \$63,750 and recorded a discount on the Convertible Notes. The discount is amortized as interest expense over the term of the Convertible Notes. During the year ended March 31, 2009, the Company recognized interest expense of \$7,437 from the amortization of the discount and the beneficial conversion feature.

The proceeds received under the Convertible Notes were net of \$37,620 of deferred loan costs. The loan costs are being amortized over the six month life of the Convertible Notes and \$4,294 has been included in the Consolidated Statement of Operations as interest expense for the year ended March 31, 2009.

**6. STOCKHOLDERS DEFICIT**

*Capitalization:*

During the year ended March 31, 2009, the Company issued 1,200,000 shares of common stock valued at \$125,000 for consulting services that are to be provided from June 30, 2008 through March 31, 2009.

During the year ended March 31, 2009, the Company issued 3,000,000 shares of common stock valued at \$120,000 for consulting and legal services provided from October 31, 2008 through December 31, 2008.

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. Newbridge is entitled to a selling concession of 10% of the gross proceeds of the offering, a 3% non-accountable expense allowance and warrant coverage equal to 20% of the total securities placed in the offering, including any penalty shares, at an exercise price of \$0.15 per share. The Company was required to file a registration statement covering the above securities within 45 days of the completion of the offering which it did not do. The Company has accrued \$24,000 in accrued expenses as the value of the underlying shares of common stock to be issued for the Company being unable to meet the registration statement filing requirements. This amount represents the maximum penalty allowed under the agreement.

As part of the Merger and Reorganization Agreement, upon completion of the merger, the Company has included consulting terms with two different consultants for five years in exchange for annual payments of \$100,000 each and the annual issuance of 250,000 shares of common stock each. In addition, there are approximately 4,000,000 shares of common stock to be issued upon completion of the acquisition, for services rendered related to the acquisition. Although these terms are referred to in the Merger and Reorganization Agreement, the final consulting agreements have not yet been executed.

*Stock options and warrants:*

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

During the year ended March 31, 2009, the Company issued 2,617,222 warrants to individuals. The warrants entitle the holders to purchase 2,617,222 shares of the Company's common stock, at any time, at an exercise price of between \$0.01-\$0.25 per share and begin expiring in 2012. At March 31, 2009, 1,525,000 warrants remain outstanding.

During the year ended March 31, 2008, the Company issued 3,650,000 stock options to employees and 2,775,000 common stock warrants to consultants. The options and warrants entitle the holders to purchase 6,425,000 shares of the Company's common stock, at any time, at an exercise price of between \$0.001 - \$0.25 per share and begin expiring in 2012.

F-14

**Table of Contents**

Stem Cell Therapy International, Inc.  
(a development stage enterprise)  
Notes to Consolidated Financial Statements  
For the Years Ended March 31, 2009 and 2008  
and for the period from December 2, 2004 (Date of Inception)  
through March 31, 2009

**6. STOCKHOLDERS DEFICIT (CONTINUED)**

The fair value of each option 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 Company's historical market price at consistent points in period equal to the expected life of the options. Expected term is based upon the use of the simplified method.

	<b>Year Ended March 31, 2008</b>
Dividend rate	0%
Risk free interest rate	1.99% - 4.59%
Term	2.75 - 10 years
Volatility	102.9% - 169.7%

The value of the options granted totaled \$508,642 and has been included in selling, general and administrative expenses in the accompanying Consolidated Statement of Operations for the year ended March 31, 2008.

	<b>Shares</b>	<b>Exercise Prices</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Grant Date Fair Value</b>
<b><u>Options Outstanding and Exercisable</u></b>				
Outstanding at March 31, 2008	3,650,000	\$ 0.19 - 0.25	\$ 0.20	\$ 0.18
Options granted				
Options exercised				
Options cancelled or expired				
Outstanding at March 31, 2009	3,650,000	\$ 0.19 - 0.25	\$ 0.20	
Exercisable at March 31, 2009	3,306,250	\$ 0.19 - 0.25		

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

Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

Range of Exercise Price	Outstanding Options			Exercisable Options		
	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	7.37 Years	\$ 0.20	7.83 Years	3,306,250	\$ 0.19

There was no aggregate intrinsic value of options outstanding at March 31, 2009 and 2008, based on the Company's closing stock price of \$0.075 and \$0.17, respectively. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the options.

F-15

**Table of Contents**

Stem Cell Therapy International, Inc.  
 (a development stage enterprise)  
 Notes to Consolidated Financial Statements  
 For the Years Ended March 31, 2009 and 2008  
 and for the period from December 2, 2004 (Date of Inception)  
 through March 31, 2009

**6. STOCKHOLDERS DEFICIT (CONTINUED)**

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 Company's historical market price at consistent points in period equal to the expected life of the warrants.

	Year Ended March 31, 2009	Year Ended March 31, 2008
Dividend rate	0%	0%
Risk free interest rate	1.73% - 3.68%	1.99% - 4.71%
Term	45 days - 5 years	1 - 10 years
Volatility	167.1% - 243.6%	88% - 163.2%

The value of the warrants granted during 2009 and 2008 totaled \$121,722 and \$603,445, respectively, of which \$7,438 and \$487,501 has been included in operating expenses in the accompanying consolidated statements of operations for the years ended March 31, 2009 and 2008, respectively.

	Shares	Exercise Prices	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
<b><u>Outstanding and Exercisable</u></b>				
Outstanding at March 31, 2008	400,000	\$ 0.15	\$ 0.15	
Warrants granted	2,617,222	\$ 0.01 - \$0.09	\$ 0.06	
Warrants exercised	(125,000)	\$ 0.01	\$ 0.01	
Warrants cancelled or expired	(1,367,222)	\$ 0.07 - \$0.09	\$ 0.08	
Outstanding at March 31, 2009	1,525,000	\$ 0.03 - \$0.15	\$ 0.06	
Exercisable at March 31, 2009	1,525,000	\$ 0.03 - \$0.15	\$ 0.06	

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

Range of Exercise Price	Outstanding Warrants			Exercisable Warrants		
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Price	Weighted Average Remaining Life	Number Exercisable	Weighted Average Price
\$ 0.03 - \$0.15	1,525,000	5.88 Years	\$ 0.06	5.88 Years	1,525,000	\$ 0.06

The aggregate intrinsic value of warrants outstanding at March 31, 2009 was \$50,625 based on the Company's closing stock price of \$0.075. Intrinsic value is the amount by which the fair value of the underlying stock exceeds the exercise price of the warrants.

## 7. EARNINGS PER SHARE

Earnings per common share are computed in accordance with SFAS No. 128, Earnings per Share, which requires companies to present basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding and dilutive options and warrants outstanding during the year. The basic and diluted weighted average number of shares was 44,995,644, 36,950,506 and 34,372,643 for the years ended March 31, 2009 and 2008 and the period from December 2, 2004 (Date of Inception) through March 31, 2009, respectively.

**Table of Contents**

Stem Cell Therapy International, Inc.  
 (a development stage enterprise)  
 Notes to Consolidated Financial Statements  
 For the Years Ended March 31, 2009 and 2008  
 and for the period from December 2, 2004 (Date of Inception)  
 through March 31, 2009

**7. EARNINGS PER SHARE (CONTINUED)**

Common stock equivalents for the years ended March 31, 2009 and 2008 and the period from December 2, 2004 (Date of Inception) through March 31, 2009 were anti-dilutive due to the net losses sustained by the Company during these periods.

**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 \$3,800,000 at March 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 \$1,419,800.

The income tax provision differs from the amount of tax determined by applying the Federal statutory rate as follows:

	Years Ended		Period from
	March 31, 2009	March 31, 2008	December 2, 2004 through March 31, 2009
Income tax benefit at statutory rate	\$ (428,200)	\$ (537,100)	\$ (1,369,700)
Increase (decrease) in income tax due to:			
Nondeductible expenses	13,400	82,000	96,100
State income taxes, net	(45,700)	(57,300)	(146,200)
Change in valuation allowance	460,500	512,400	1,419,800
	\$	\$	\$

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

There was no current or deferred provision or benefit for income taxes for the year ended March 31, 2009 and 2008 and for the period from December 2, 2004 (Date of Inception) through March 31, 2009. The components of deferred tax assets as of March 31, 2009 and 2008 are as follows:

	<b>March 31, 2009</b>	<b>March 31, 2008</b>
Deferred tax (liability) asset:		
Accrued payroll	\$ 281,900	\$ 144,200
Accrued expenses	56,000	
Options and warrants		156,300
Net operating loss carryforward	1,081,900	658,800
	1,419,800	959,300
Valuation allowance	(1,419,800)	(959,300)
Total deferred taxes	\$ 0	\$ 0

F-17



**Table of Contents**

Stem Cell Therapy International, Inc.

(a development stage enterprise)

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

and for the period from December 2, 2004 (Date of Inception)

through March 31, 2009

**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 March 31, 2009, the Company had issued these shares of common stock and has included \$110,000 in prepaid expenses for services not yet performed pursuant to the agreements.

During October 2007, the Company entered into an agreement with an attorney to compensate for services provided from September 2007 through May 2008 in exchange for a 2,000,000 common stock warrant with an exercise price of \$0.001 and a 10 year term. The warrant was valued at \$419,864 using the Black Scholes pricing model and was recognized over the service period of nine months. As of March 31, 2009, the Company has expensed the value of these warrants for services performed pursuant to the agreements.

In connection with the Merger and Reorganization Agreement discussed in Note 10, upon completion of the merger, the Company has included potential consulting terms with two different consultants for five years in exchange for annual payments of \$100,000 each and the annual issuance of 250,000 shares of common stock each. Although these terms are referred to in the Merger and Reorganization Agreement, the final consulting agreements have not yet been executed.

*Financing Agreements:*

During the year ended March 31, 2007, the Company entered into a three year agreement with a consultant to locate financing. As consideration for these consulting services, the Company has agreed to issue 500,000 shares of restricted common stock and a 10% finder's fee for any funds brought into the Company. As of March 31, 2009, the Company has not entered into any funding agreements, and therefore the third party is not owed any consideration.

*Consulting Agreement:*

Effective September 12, 2007, the Company entered into a consulting agreement with Newbridge for business and financial related advice and services through September 11, 2008. As compensation for these services, the Company agreed to pay \$4,000 per month and issue a total of 500,000 warrants. In May 2008, the strike price for the warrants was changed from \$0.001 to \$0.01 with a resulting increase in the stock subscription receivable. In May 2008, the Company and the consultant mutually agreed to terminate this agreement in exchange for the issuance of the original grant of 500,000 shares of the Company's common stock and \$24,000 cash. During the year ended March 31, 2009, the consultant and the Company agreed to reduce the \$24,000 payable by \$5,000, the amount the consultant owed for the exercise of warrants. As of March 31, 2009, the Company had repaid the remaining \$19,000 in cash and no additional amounts were owed.

In March 2008, the Company entered into a consulting services agreement with First Capital Partners LLC to provide consulting services through June 2008 in exchange for 250,000 shares of the Company's restricted common stock valued at \$67,500. For the year ended March 31, 2009, the Company has recorded the remaining value of \$45,000 as consulting expense in the accompanying statement of operations.

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

The Company was involved in a legal dispute over the payment and performance of a consulting agreement. The Company contended that the contract never became effective, and therefore the consultant was not entitled to receive compensation. The consultant contended that the Company and its representatives induced them to begin performance of the services early, based on certain promises. The original contract calls for the consultant to be awarded the compensation of 3,000,000 shares of the Company's common stock valued at \$90,000. During the year ended March 31, 2009, the Company and the consultant agreed to terminate the legal dispute and the consultant has provided a release of liability, therefore, the Company has canceled the 3,000,000 shares of common stock.

In April 2008, the Company entered into a consulting agreement with Mirador Consulting, Inc. to provide management consulting services for three months. The Company issued 200,000 shares of common stock valued at \$25,000.

F-18

**Table of Contents**

Stem Cell Therapy International, Inc.  
(a development stage enterprise)  
Notes to Consolidated Financial Statements  
For the Years Ended March 31, 2009 and 2008  
and for the period from December 2, 2004 (Date of Inception)  
through March 31, 2009

**9. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In April 2008, the Company entered into a consulting agreement with Hunden Consulting Group to provide investor relations services for one year. Fees shall be paid to the consultant only if the consultant introduces the Company, in writing, to a third party investor or merger candidate, then the fees shall equal 10% of the total investment or loan to the Company and if a merger transaction occurs between the Company and a party introduced by the consultant, the consultant would be entitled to receive a 5% commission. As of the date of this filing, the consultant has not provided any services which would require the payment of the commission.

On May 28, 2008, the Company entered into a consulting agreement with Shea Financial, LLC to provide consulting services for a term of three months in exchange for the right to purchase 500,000 shares of common stock at \$0.05 per share upon a funding commitment to the Company of at least \$10 million from consultant funding and \$2,500,000 at the closing. To date, the Company has not received any funding under this agreement.

*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.

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 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.

*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 March 31, 2009, the Company has paid \$10,000 and issued 500,000 shares of common stock valued at \$38,850. The Company was scheduled to pay the remaining \$50,000 by October 31, 2008; however, as of the date of this filing, no payment has been made.

**Table of Contents**

Stem Cell Therapy International, Inc.

(a development stage enterprise)

Notes to Consolidated Financial Statements

For the Years Ended March 31, 2009 and 2008

and for the period from December 2, 2004 (Date of Inception)

through March 31, 2009

**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 (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 72,518,053 shares of our common stock. The closing of the transaction is subject to a number of conditions, including, but not limited to, (i) the satisfactory resolution of a lawsuit pending against Histostem (the judgment issued at the trial court level has been appealed by the opposing party); (ii) the conversion of Histostem s financial statements to English and U.S. GAAP and the completion of an audit with respect to said financial statements; and (iii) either the effectuation by the Company of a 3 to 1 reverse stock split, or the increase in the Company s authorized shares of common stock from 100 million shares to 500 million shares (which will require the approval of the Company s shareholders). Shareholder approval is required to effectuate a reverse stock split and to increase the Company s authorized shares of common stock. Provided the other conditions to closing are satisfied, the Company will prepare and file a joint registration statement proxy statement with the SEC on Form S-4. The joint filing, upon approval by the SEC, will permit the holding of a meeting at which the Company s shareholders will vote on the proposal to either reverse split the Company s common stock or to increase the Company s authorized shares of common stock. The joint filing will also serve to register the shares to be issued in connection with the closing of the transaction.

**11. SUBSEQUENT EVENTS**

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.

---

**Table of Contents**

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

None

**ITEM 9T. CONTROLS AND PROCEDURES**

The Company's President 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 fiscal period ending March 31, 2009 covered by this Annual Report on Form 10-K. Based upon such evaluation, the President and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This conclusion by the Company's President and Chief Financial Officer does not relate to reporting periods after March 31, 2009.

**Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) of the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

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

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

Management, under the supervision of the Company's President and Chief Financial Officer, 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, management concluded that the Company's internal control over financial reporting was not effective as of March 31, 2009 under the criteria set forth in the *Internal Control - Integrated Framework*.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The Chief Financial Officer has determined that material weaknesses exist during the year ended March 31, 2009, due to the lack of an independent Audit Committee, as well as a lack of segregation of duties, i.e. all of the accounting tasks are performed by a single individual. Currently, the Company's Chief Financial Officer and President review all transactions. Until the Company raises additional capital, it cannot remediate these weaknesses.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

**Changes in Internal Control Over Financial Reporting**

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

**ITEM 9B. OTHER INFORMATION**

None.



**Table of Contents****PART III****ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets forth the names and ages of our current directors and executive officers, their principal offices and positions. The Board of Directors elects our executive officers annually. Our directors serve one-year terms or until their successors are elected and accept their positions. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. There are no family relationships or understandings between any of the directors and executive officers. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

<b>Name of Director or Executive Officer</b>	<b>Age</b>	<b>Current Position and Office</b>
David Stark	51	President and Director
Andrew J. Norstrud	35	Chief Financial Officer and Director
Lixian (John) Jiang	37	Chief Operating Officer and Patent Trademark Counsel and Director

**PRESIDENT DAVID STARK:**

David Stark, Q.M.E., CCRA, joined the Company in 2008 and is also currently the President and CEO of Stark-SMO, a Site Management Organization whose services focus primarily on the research of stem cells and cord and tissue repositories. Due to his extensive and broad experiences in the inner workings of the research and regulatory aspects of clinical trials and FDA approval for Biologics, Dr. Stark brings a unique vision to the industry, and is a clear, motivated designer of superior approaches to research challenges. Formerly the Director of the National Institute of Clinical Research (NICR), he has been fully responsible for the design, organization and implementation of clinical trials for FDA approval for numerous biological and stem cell research. He has a broad background in designing, conducting, and monitoring clinical trials of new pharmaceuticals and Biologics. Through his diverse and devoted networking within the industry, working with such companies as Genentech, Suni Medical imaging Inc. and UCSF medical school, Stark-SMO has assembled a wide network of more than 5,233 physicians in hospitals and private practices throughout the United States, and even extending to the international community. His focus now is on clinical trial management for Stem Cell research, small start up biotech companies and device inventors (array genome chips). In addition to his solid accomplishments on the industry side of clinical drug and device development, Dr. Stark is familiar with the FDA and has fostered a good working relationship with that governmental organization. Currently he has work on over 130 clinical and over 63 device trials from protocol development to FDA approval.

**CHIEF FINANCIAL OFFICER ANDREW J. NORSTRUD:**

Mr. Norstrud joined the Company in September 2007. He is also currently the Chief Financial Officer of Jagged Peak, Inc. and previously with Segmentz, Inc., where he served as Chief Financial Officer, and played an instrumental role in the company achieving its strategic goals by pursuing and attaining growth initiatives, building an exceptional financial team, completing and integrating strategic acquisitions and implementing the structure required of public companies. Previously, Mr. Norstrud has worked for Grant Thornton LLP, Norco Accounting and Consulting, Aerosonic and PricewaterhouseCoopers LLP and has extensive experience with young, rapid growth public companies. Mr. Norstrud earned a Master of Accounting with a systems emphasis from the University of Florida and is a Florida licensed Certified Public Accountant.

**CHIEF OPERATING OFFICER AND PATENT TRADEMARK COUNSEL LIXIAN (JOHN) JIANG:**

Lixian (John) Jiang is a senior Attorney from China and a Patent Agent in the United States. Mr. Jiang specializes in intellectual property law, China tax law and corporate law. He has worked in a number of top specialty law firms before he joined the Company in June of 2006. In addition, Mr. Jiang is a stem cell scientist with a PhD from the University of South Florida Medical School.

From December 2002 through August 2003, Mr. Jiang served as a Patent and Trademark Attorney in Shanghai, China for Sounding Intellectual Property Counsel Sino Co. Ltd. In this capacity, he performed inventor interviews, patent prior art searches in the area of medical science and chemistry, drafted and prosecuted patent applications in the areas of mechanic, chemistry and medical sciences, prosecuted trademark applications, performed intellectual property litigation in petition, infringement and disputation, and docketed patent/trademark files and maintained dockets of all due dates for patent and trademarks.

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

From December 2003 through June 2006, Mr. Jiang served as a Patent Prosecution Agent for Cedar Patent LLC, in Tampa, Florida. In this capacity, he performed inventor interviews, drafted computer science patent applications in the area of MSQl database and Macromedia flash communication server software, performed prior art searches for medical science and chemistry patents, drafted and prosecuted medical science patent applications in the fields of Chinese medicine, western blotting, PCR,



**Table of Contents**

immunohistochemistry staining, cell cryo-preservation, gene transfer, including a patent for PEP nadir and its apparatus, drafted more than 5 mechanical patent applications, prosecuted Trademark applications and docketed patent/ trademark files; and maintained docket of all due dates for patent and trademark cases

Lixian (John) Jiang is currently employed in the capacity of Chief Operating Officer and Patent Trademark Counsel of the Company and reports directly to the Board of Directors and the President of the Company. He was reelected in March 2007 and his term expires March 2008, or when his replacement is duly elected and qualified.

Lixian (John) Jiang is responsible for the supervision and the operations of the facility in China of the Company and a local Beijing hospital. He will commence establishing the Company's stem cell cryo-preservation bank in China, coordination of patient treatment procedures with the hospital(s) in China, and the ongoing management and oversight of the general business operations in China of the Company, providing legal representation and directing the market of China Operations, as well as being the legal advisor for all of the Company's patents and trademarks in stem cell and biotechnology in China.

**AUDIT COMMITTEE**

The Audit Committee consists of the entire Board, as there are no independent Board members. The Audit Committee reviews the results and scope of the audit and other services provided by the Company's independent auditors and reviews and evaluates the Company's internal control functions. As an advisory function of the committee, members also participate in financings and review budgets versus historical results throughout the year. The Board of Directors determined that Andrew Norstrud qualifies as an audit committee financial expert as defined under the regulations of the Securities and Exchange Commission.

**CODE OF ETHICS**

The Company's Board of Directors has adopted a Code of Ethics applicable to all of the Company's employees, including the Company's President, Chief Operating Officer, Chief Financial Officer, and Principal Accounting Officer. A copy of the Company's Code of Ethics is attached as an exhibit to the March 31, 2008 Annual Report on Form 10-K/A. The Company intends to provide any disclosures which are required by the rules of the Securities and Exchange Commissions, or which the Company would otherwise determine to be appropriate, with respect to amendments of, and waivers from the Company's Code of Ethics.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Based solely on the Company's review of copies of forms filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, and written representations from certain reporting persons, the Company believes that during fiscal year ended March 31, 2009 all reporting persons timely complied with all filing requirements applicable to them.

Section 16(a) of the Securities and Exchange Act of 1934 (the Exchange Act) requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (SEC) and any securities exchanges on which the equities of the Company trade, initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of these reports.

**ITEM 11. EXECUTIVE COMPENSATION**

Except as noted in the table below, no Executive or employee was compensated over \$100,000 for fiscal years ended 2008 or 2009.

**SUMMARY COMPENSATION TABLE**

Name	Principal Positions	Summary Compensation Table					Total
		Year Ended	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	

Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

Calvin Cao, CEO	2008	150,000			150,000*
David Stark, President	2009	225,000			225,000*
	2008		55,000	70,219	125,219
Lixian (John) Jiang, COO	2009	60,000			60,000*
Andrew Norstrud, CFO	2008	60,000		87,192	147,192*
	2009	60,000			60,000*
	2008	60,000		69,754	129,754*

\* Total compensation also includes accrued compensation that has not been paid.

**Table of Contents**

The Company does not have any annuity, retirement, pension, deferred or incentive compensation plan or arrangement under which any executive officers are entitled to benefits, nor does the Company have any long-term incentive plan pursuant to which performance units or other forms of compensation are paid. Executive officers may participate in group life, health and hospitalization plans if and when such plans are available generally to all employees. All other compensation consisted solely of health care premiums.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The following table summarizes equity awards granted to our President, Chief Financial Officer and other named executive officers that were outstanding as of March 31, 2009

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number Of Shares or Units Of Stock That Have Not Vested (#)	Market Value Of Shares Or Units That Have Not Vested (\$)	Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
David Stark, President (1)	750,000			\$ 0.25	4 years from Grant	343,750	\$ 32,184		
Andrew J. Norstrud, CFO (2)	400,000			\$ 0.19	10 years from Grant				
Lixian (John) Jiang, COO (3)	500,000			\$ 0.19	10 years from Grant				

(1) Consists of a grant made on March 24, 2008 for 750,000 options at a strike price of \$0.25 that expire March 24, 2012.

(2) Consists of a grant made on September 30, 2007 for 400,000 options at a strike price of \$0.19 that expire September 30, 2017.

(3) Consists of a grant made on September 30, 2007 for 500,000 options at a strike price of \$0.19 that expire September 30, 2017.

**DIRECTOR COMPENSATION**

Directors of the Company who are not employees or consultants do not receive any compensation for their services as members of the Board of Directors, but are reimbursed for expenses incurred in connection with their attendance at meetings of the Board of Directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)

\$ \$ \$ \$ \$ \$ \$

**Table of Contents****ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table shows the beneficial ownership of Stem Cell Therapy International, Inc. common stock as of March 31, 2009. The table shows each person known to us who owns beneficially more than five percent of the outstanding common stock of Stem Cell Therapy International, Inc. based on 47,134,258 shares being outstanding as of March 31, 2009, and the total amount of common stock of Stem Cell Therapy International, Inc. owned by each of its Directors and Executive Officers and for all of its Directors and Executive Officers as a group.

Name and Address or Number in Group	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (2)
Global Capital Corp.		
2203 N. Lois Avenue, 9 <sup>th</sup> Floor		
Tampa, FL 33607	4,000,000	8.5%
Institute of Cell Therapy		
c/o Alan Brutton, Attorney at Law		
1341 Ocean Parkway		
Brooklyn, NY 11230	5,000,000	10.6%
Thuy-Van Chau		
2203 N. Lois Avenue, 9 <sup>th</sup> Floor		
Tampa, FL 33607	3,000,000	6.3%
Vivian Cao Irrevocable Trust		
2203 N. Lois Avenue, 9 <sup>th</sup> Floor		
Tampa, FL 33607	2,000,000	4.2%
Christopher Cao Irrevocable Trust		
2203 N. Lois Avenue, 9 <sup>th</sup> Floor		
Tampa, FL 33607	2,000,000	4.2%
Calvin C. Cao		
2203 N. Lois Avenue, 9 <sup>th</sup> Floor		
Tampa, FL 33607	11,000,000(1)	23.3%
Andrew J. Norstrud		
15837 Trackside Drive		
Odessa, FL 33556	400,000	1.0%
M. Richard Cutler	3,174,196(2)	6.7%

## Edgar Filing: Stem Cell Therapy International, Inc. - Form 10-K

c/o Cutler Law Group

3206 West Wimbledon Drive

Augusta, GA 30909

All Directors and Executive Officers as a Group (2 persons)	11,600,000	24.6%
---	------------	-------

- (1) Consists of 4,000,000 shares held by Global Capital Corp., 2,000,000 shares held by Vivian Cao Irrevocable Trust and 2,000,000 shares held by Christopher Cao Irrevocable Trust and 3,000,000 shares held by Thuy-Van Chau.
- (2) Consists of 1,792,259 shares held by Cutler Law Group and 1,381,937 shares held by R Capital Partners, Inc.

## **Table of Contents**

**BENEFICIAL OWNERSHIP OF SECURITIES:** Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, involving the determination of beneficial owners of securities, includes as beneficial owners of securities, any person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has, or shares, voting power and/or investment power with respect to the securities, and any person who has the right to acquire beneficial ownership of the security within sixty days through means including the exercise of any option, warrant or conversion of a security.

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

Due to related party of \$231,121, represents advances from the majority stockholder to assist the Company with its financial obligations. These advances were non-interest bearing, unsecured and due on demand.

During the year ended March 31, 2009, the Company borrowed a total of \$45,000 from related parties. One of the notes for \$25,000 was immediately repaid, which did not result in any interest payments. The remaining note bears interest at 7% per year and is due on demand. As of March 31, 2009, the Company has recorded \$1,400 in accrued interest in the accompanying balance sheet and the notes payable have been repaid.

The Company contracted with Norco Accounting and Consulting Inc. ( Norco ) to provide accounting and consulting services. The Company spent approximately \$17,000 and \$12,600 during the years ended March 31, 2009 and 2008, respectively. As of March 31, 2009, the Company owes Norco \$2,024. 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.

### **ITEM 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES**

#### **Audit Fees**

During 2009 and 2008, we incurred fees for services from our principal accountants of approximately \$55,000 and \$54,500, respectively, for audit and review services associated with our filings.

#### **Non-Audit related fees**

None

#### **Tax Fees**

None

#### **All Other Fees**

None

#### **Audit Committee Pre-Approval Process, Policies and Procedures**

Our principal auditors have performed their audit procedures in accordance with pre-approved policies and procedures established by our Board of Directors. Our principal auditors have informed our Board of Directors of the scope and nature of each service provided. With respect to the provisions of services other than audit, review, or attest services, our principal accountants brought such services to the attention of our Board of Directors prior to commencing such services.

**ITEM 15. EXHIBITS**

(a) Exhibit Index . The following exhibits are filed with or incorporated by reference into this annual report:

- 3.1 Articles of Incorporation of Stem Cell Therapy International, Inc., as amended\*
- 3.2 Articles of Incorporation of Stem Cell Therapy Corp.\*
- 3.3 Certificate of Designation of Series A Preferred Stock\*
- 3.4 By-laws of Stem Cell Therapy International, Inc.\*
- 10.1 Business Consulting and Services Agreement dated as of December 16, 2004 between Stem Cell Therapy International Corp. and PMS SA.\*



**Table of Contents**

- 10.2 Consulting Agreement dated as of January 4, 2005 between Stem Cell Therapy International Corp. and RES Holdings Corp.\*
- 10.3 Investor and Media Relations Contract dated as of February 10, 2005 between Stem Cell Therapy International Corp. and Stern & Co.\*
- 10.4 Executive Suite Lease Agreement dated as of February 15, 2005 between Stem Cell Therapy International Corp. and Wilder Corporation.\*
- 10.5 Engagement Letter dated as of May 3, 2005 between the Company and Westminster Securities Corporation.\*
- 10.6 Reorganization and Stock Purchase Agreement dated as of September 1, 2005 between the Company (then Altadyne, Inc.), Stem Cell Therapy International Corp. and R Capital Partners, Inc.\*
- 10.7 Licensing Agreement dated as of September 1, 2005 between the Company and Institute of Cell Therapy.\*
- 10.8 Consulting Agreement dated as of September 1, 2005 between the Company and European Consulting Group, LLC.\*
- 10.9 Consulting Agreement dated as of September 1, 2005 between the Company and Global Management Enterprises, LLC.\*
- 10.10 Consulting Agreement dated as of September 1, 2005 between the Company and USA Consulting Group, LLC.\*
- 10.11 Professional Services Agreement dated as of September 7, 2005 between the Company and Bridgehead Group Limited , Inc.\*
- 10.12 Public Relations Agreement dated as of September 19, 2005 between the Company and Stern & Co.\*
- 10.13 Advisory Physician Agreement dated as of October 4, 2005 between the Company and Alexey Bersenev.\*
- 10.14 Medical and Scientific Advisory Board Member Agreement dated as of October 10, 2005, between the Company and Dr. Weiwen Deng.\*
- 10.15 Medical and Scientific Advisory Board Member Agreement dated as of October 24, 2005, between the Company and Dr. Jorge Quintero.\*
- 10.16 Medical and Scientific Advisory Board Member Agreement dated as of October 24, 2005, between the Company and Dr. Salvador Vargas.\*
- 10.17 Medical and Scientific Advisory Board Member Agreement dated as of December 2, 2005 between the Company and Dr. Igor Katkov.\*
- 10.18 Medical and Scientific Advisory Board Member Agreement dated as of December 2, 2005, between the Company and Dr. Nikita Tregubov.\*
- 10.19 Business Advisory Board Agreement dated as of December 5, 2005 between the Company and Fred J. Villella.\*
- 10.20 Business Development Advisory Agreement dated as of January 1, 2006 between the Company and Alexander Kulik.\*
- 10.21 Termination and Modification of Engagement Letter dated January 4, 2006 between the Company and Westminster Securities Corporation.\*
- 10.22 Business Consulting and Services Agreement dated January 20, 2006 between the Company and Julio C. Ferreira dba Sphaera Inte-Par.\*
- 10.23 Business Development Advisory Agreement dated as of February 7, 2006 between the Company and Gus Yepes.\*
- 10.25 Treating Physician Agreement dated as of October 24, 2005 between the Company and Dr. Salvador Vargas.\*
- 10.26 Treating Physician Agreement dated as of October 24, 2005 between the Company and Dr. Jorge Quintero.\*
- 10.27 Consulting Agreement dated as of June 9, 2006 between the Company and Rick Langley.\*\*
- 10.28 Patient Treatment Agreement dated November 1, 2006 between the Company and Shenzhen Beike Biotechnology Company Limited. (Included as an exhibit to Registrant's Annual Report on Form 10-KSB for the year ended March 31, 2007 and incorporated herein by reference)

---

**Table of Contents**

- 10.29 Consulting Agreement dated as of October 12, 2006 between the Company and SOS Resource Services, Inc.
- 10.30 Newbridge Securities Agreement (Included as an exhibit to Registrant's Quarterly Report on Form-10QSB for the period ended June 30, 2007)
- 10.31 Business Advisory Agreement between the Company and Newbridge Securities Agreement (Included as an exhibit to Registrant's Quarterly Report on Form-10QSB for the period ended September 30, 2007)
- 10.32 Employment Agreement between the Company and Calvin Cao (Included as an exhibit to Registrant's Quarterly Report on Form-10QSB for the period ended September 30, 2007)
- 10.33 Employment Agreement between the Company and Lixian (John) Jiang (Included as an exhibit to Registrant's Quarterly Report on Form-10QSB for the period ended September 30, 2007)
- 10.34 Employment Agreement between the Company and Andrew J. Norstrud (Included as an exhibit to Registrant's Quarterly Report on Form-10QSB for the period ended September 30, 2007)
- 10.35 Memorandum of Understanding between the Company and Histostem Co., Ltd. (Filed as exhibit 10.35 on Form 8K with the SEC on February 29, 2008 and incorporated herein by reference)
- 10.36 Reorganization and Stock Purchase Agreement between the Company and Histostem Co., Ltd. (Filed as exhibit 10.36 on Form 8K with the SEC on March 18, 2008 and incorporated herein by reference)
- 10.37 Amendment No. 1 to the Reorganization and Stock Purchase Agreement between the Company and Histostem Co., Ltd. (Filed as exhibit 10.36 on Form 8K with the SEC on April 22, 2008 and incorporated herein by reference)
- 10.38 Amendment No. 2 to the Reorganization and Stock Purchase Agreement between the Company and Histostem Co., Ltd. (Filed as exhibit 10.36 on Form 8K with the SEC on June 26, 2008 and incorporated herein by reference)
- 10.39 Letter from Aidman Piser & Company, P.A. (Included as exhibit 10.30 to the Registrant's Annual Report on Form 10-KSB for the year ended March 31, 2008)
- 14.1 Code of Ethics (Included as exhibit 14.1 to the Registrant's Annual Report on Form 10KSB Amendment 2 for the year ended March 31, 2008 filed with the SEC on February 10, 2009)
- 21. List of Subsidiaries\*
- 31.1 President's 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
- 31.3 Chief Operating Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 President's certification pursuant to 18 U.S.C. Section 1350
- 32.2 Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350
- 32.3 Chief Operating Officer certification pursuant to 18 U.S.C. Section 1350

\* Previously filed with the Company's initial filing of Form 10-SB, file number 000-51931, filed on April 25, 2006, and incorporated by this reference as an exhibit to this Form 10-K.

\*\* Previously filed with the Company's filing of Form 10-QSB, filed on November 14, 2006 and incorporated by this reference as an exhibit.

**Table of Contents**

**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.

By: /s/ David Stark  
Name: David Stark  
Title: Chairman of the Board of Directors, President  
and Chief Executive Officer  
Date: July 10, 2009

By: /s/ Andrew J. Norstrud  
Name: Andrew J. Norstrud  
Title: Chief Financial Officer, Principal Financial  
Officer and Principal Accounting Officer  
Date: July 10, 2009

By: /s/ Lixian (John) Jiang  
Name: Lixian (John) Jiang  
Title: Chief Operating Officer  
Date: July 10, 2009