

AMERICAN CRYOSTEM Corp  
Form 10-Q  
February 21, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended December 31, 2011

Commission file number: 333-164909

**AMERICAN CRYOSTEM CORPORATION**

(Name of registrant as specified in its charter)

Nevada 26-4574088  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

188 E. Bergen Pl., Suite 204, Red Bank, NJ 07701  
(Address of principal executive offices)(Zip Code)

(732) 747-1007

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes S No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes S No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company S

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  No S

As of February 10, 2012, there were 27,010,662 shares of common stock outstanding.

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**DECEMBER 31, 2011 AND 2010**

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**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

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**American CryoStem Corporation****(fka R & A Productions, Inc.)****Balance Sheets****As of December 31, 2011 and 2010**

	Dec 31, 2011	Dec 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash	\$6,903	\$476
Trade Accounts Receivable	4,975	—
Prepaid Expenses	9,512	—
Total current assets	21,390	476
Property and Equipment (Net of Accumulated Depreciation)	329,320	57,888
Other Assets	114,504	—
Total Assets	\$465,214	\$58,364
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts Payable & Accrued Expenses	\$136,927	\$—
Capital Lease Payable	16,584	—
Total current liabilities	153,511	—
Long-Term Liabilities		
Note payable to shareholder	69,550	—
Capital Lease Payable	46,796	—
Payable to Parent	134,812	—
Shareholders' equity:		
Common stock (\$.001 par value, 26,897,362 shares issued and outstanding at December 31, 2011, and 6,222,764 shares issued and outstanding at December 31, 2010; 300,000,000 shares authorized)	26,898	6,223
Additional paid in capital	1,658,758	75,733
Accumulated deficit	(1,625,111)	(23,592)
Total shareholders' equity	60,545	58,364
Total Liabilities & Shareholders' Equity	\$465,214	\$58,364

See Notes to Financial Statements

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**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Statements of Operations**

**For the Three Months Ended December 31, 2011 and 2010**

	Dec 31, 2011	Dec 31, 2010
Sales	\$9,951	\$0
Operating Expenses:		
Professional Fees	77,657	0
Research & Development	77,257	0
Administration	164,783	0
Total Operating Expenses	319,697	0
Net Loss from Operations	(309,746 )	0
Other Income (Expense)	(3,975 )	0
Loss before discontinued operations	(313,721 )	0
Discontinued operations	0	(5,540 )
Net Loss	\$(313,721 )	\$(5,540 )
Basic & fully diluted net earnings (loss) per common share	\$ (.012 )	\$ (.0001 )
Weighted average of common shares outstanding: Basic & fully diluted	26,690,971	6,222,764

See Notes to Financial Statements

**American CryoStem Corporation****(fka R & A Productions, Inc.)****Statement of Cash Flows****For the Three Months Ended December 31, 2011**

	<b>Dec 31, 2011</b>
Operating Activities:	
Net loss	\$(313,721)
Adjustments to reconcile net income items not requiring the use of cash:	
Depreciation expense	9,358
Accrued Interest	975
Changes in other operating assets and liabilities	
Accounts Receivable	(4,975 )
Prepaid Expenses	8,549
Accounts Payable and accrued expenses	8,341
Net cash used by operations	(291,473)
Investing activities:	
Purchase of equipment	(5,000 )
Purchase of other assets	(12,290 )
Net cash used by investing activities	(17,290 )
Financing activities:	
Issuance of common stock	211,000
Payment of Capital Lease	(2,664 )
Net cash provided by financing activities	208,336
Net increase (decrease) in cash during the period	(100,427)
Cash Balance, Beginning of Period	107,330
Cash balance, End of Period	\$6,903
Supplemental disclosures of cash flow information:	
Interest Paid	\$3,001
Income Taxes Paid	\$0

See Notes to Financial Statements



**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Statement of Changes in Shareholders' Equity**

**For the Three Months Ended December 31, 2011**

	Common Stock Shares	Par Value	Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance at September 30, 2011	26,475,362	\$26,476	\$1,448,180	\$(1,311,390)	) \$163,266
Issuance of Common Stock	422,000	422	210,578		211,000
Net Loss				(313,721)	) (313,721)
Balance at December 31, 2011	26,897,362	\$26,898	\$1,658,758	\$(1,625,111)	) \$60,545

See Notes to Financial Statements

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**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Notes to the Financial Statements**

**December 31, 2011 and 2010**

**NOTE 1. Organization of the Company and Significant Accounting Policies**

American CryoStem Corporation (the “Company”) is a publicly held corporation formed on March 13, 2009 in the state of Nevada as R&A Productions Inc. (R&A).

In April 2011, R&A purchased substantially all the assets and liabilities of American CryoStem Corporation (ACS) for 21 million shares of common stock. ACS was deemed to be the accounting acquirer. At that time, the former operations of R&A were discontinued and the name of the Company was changed to American CryoStem Corporation.

The Company is in the business of collecting adipose tissue and processing and storing the adult stem cells extracted for future use. The process allows individuals to preserve their stem cells for future personal use in cellular therapy. The adipose derived stem cells are prepared and stored in their raw form without manipulation, bio-generation or the addition of biomarkers or other materials, making them suitable for current and future cellular treatments and therapies offered by existing and planned treatment centers worldwide. Individualized collection and storage of adult stem cells facilitates personalized medical solutions by providing the patient’s own preserved stem cells for future cellular therapies.

*Use of Estimates* - The preparation of the financial statements in conformity with United States generally accepted accounting principles (“GAAP”) uniformly applied requires management to make reasonable estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses at the date of the financial statements and for the period they include. Actual results may differ from these estimates.

*Cash and interest bearing deposits* - For the purpose of calculating changes in cash flows, cash includes all cash balances and highly liquid short-term investments with an original maturity of three months or less.

*Revenue Recognition* – The Company recognizes revenue from the processing of adipose tissue into usable stem cells once all the procedures have been performed and the client sample has been stored in the Company’ cryogenic storage tank. Storage revenues for stored client samples are recognized on an annual basis on the anniversary date of the storage.

*Long Lived Assets* - The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

*Equipment* - Equipment is stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful life of the assets, which is estimated as follows:

Office equipment	5 years
Lab equipment & Furniture	7 years
Lab software	5 years
Leasehold improvements	15 years

*Income taxes* - The Company accounts for income taxes in accordance with the Statement of Accounting Standards No. 109 (SFAS No. 109), “*Accounting for Income Taxes*”. SFAS No. 109 requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and income tax bases of assets and liabilities that will result in taxable income or deductible expenses in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period adjusted for the change during the period in deferred tax assets and liabilities.

**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Notes to the Financial Statements**

**December 31, 2011 and 2010**

**NOTE 1. Organization of the Company and Significant Accounting Policies (continued)**

*Income taxes* - The Company accounts for income taxes in accordance with generally accepted accounting principles which require an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between financial statement and income tax bases of assets and liabilities that will result in taxable income or deductible expenses in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets and liabilities to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period adjusted for the change during the period in deferred tax assets and liabilities.

The Company follows the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2011, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. All tax returns from fiscal years 2009 to 2010 are subject to IRS audit.

*Recent Accounting Pronouncements:*

ASU No. 2011-02; A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring ("TDR"). In April, 2011, the FASB issued ASU No. 2011-02, intended to provide additional guidance to assist creditors in determining whether a restructuring of a receivable meets the criteria to be considered a troubled debt restructuring. The amendments in this ASU are effective for the first interim or annual period beginning on or after June 15, 2011, and are to be applied retrospectively to the beginning of the annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. Early adoption is permitted. The adoption of ASU No. 2011-02 will not have a material affect on the Company's financial statements.

ASU No. 2011-04; Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. In May, 2011, the FASB issued ASU No. 2011-04. The amendments in this ASU generally represent clarifications of Topic 820, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This ASU results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and IFRSs. The amendments in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

**NOTE 2. Going Concern**

The accompanying financial statements have been presented in accordance with GAAP, which assumes the continuity of the Company as a going concern. However, the Company has incurred significant losses since its inception and has no material revenues to date and continues to rely on financing and the issuance of shares to raise capital to fund its business operations. Management's plans with regard to this matter are as follows:



**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Notes to the Financial Statements**

**December 30, 2011 and 2010**

**NOTE 2. Going Concern (continued)**

The Company has been actively engaged in creating and implementing its new business model. In connection with this process, management of the Company has raised \$1,497,000 under SEC Rule 506 as of December 31, 2011, and retained the services of new corporate advisors and consultants. Additionally the Company has entered into a non-exclusive agreement with a registered broker-dealer pursuant to which such broker-dealer has committed to raise up to \$3.0 Million in new equity on a best efforts basis through the sale of the Company's securities.

The Company plans to continue to fund its operations through capital fundraising activities in 2012 until the new commercial facilities generate sufficient revenue to support its operations.

The Company, in pursuing the new business model, has developed what it believes to be several patentable technologies and business methods. The Company has filed its initial patent and several trademark applications and expects to file additional patents by the end of fiscal year 2012.

**NOTE 3. Loss per Share**

The Company applies ASC 260, "*Earnings per Share*" to calculate loss per share. In accordance with ASC 260, basic net loss per share has been computed based on the weighted average of common shares outstanding during the years, adjusted for the financial instruments outstanding that are convertible into common stock during the years. However, there is no financial instruments convertible to common stock outstanding at December 31, 2011.

Net loss per share is computed as follows:

	Dec 31, 2011	Dec 31, 2010
Net Loss	\$(313,721 )	\$(5,540 )
Weighted average shares outstanding	26,690,971	6,222,764
Basic & fully diluted net earnings (loss) per common share	\$(0.012 )	\$(0.001 )

#### NOTE 4. Property and Equipment

Property and Equipment is comprised of the following:

	December 31, 2011	December 30, 2010
Office Equipment	\$23,987	\$73,184
Lab Furniture	642	0
Lab Equipment	236,773	0
Lab Software	115,000	0
Leasehold Improvements	5,104	0
	381,306	73,184
Less: Accumulated Depreciation	52,187	(15,296 )
Net Property and Equipment	\$271,746	\$57,888

**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Notes to the Financial Statements**

**December 30, 2011 and 2010**

**NOTE 5. Patent**

On August 2, 2011, the Company was awarded U.S. Patent No. US 7,989,205 B2, titled Cell Culture Media, Kits, and Methods of Use. The Patent is for cell culture media specifically for use with adipose derived stromal cells including adipose derived stem cells for human clinical and therapeutic applications. The patent further covers additional variations of the basic media for the differentiation of adipose derived stem cells in both research and clinical grade.

**NOTE 6. Note Payable**

An unsecured note payable to a shareholder was acquired by the Company in the asset purchase in April 2011 previously discussed. The note is for \$65,000 and carries an interest rate of 6% and is due in October 2012. The note plus accrued interest on the note was \$69,550 at December 31, 2011.

The Company has an unsecured liability without interest of \$134,812 due to ACS Global, the majority shareholder of the Company, for certain expenses paid by ACS Global in connection with the asset purchase transaction of April 2011. There is no maturity date associated with this liability.

**NOTE 7. Commitments & Contingencies**

*Operating Leases* - The Company has two operating leases for its laboratory facilities at the Burlington County College Science Incubator in Burlington, New Jersey. Each lease is for a term of one year with a monthly rent of \$1,650 per laboratory. The total rent for laboratory facilities for the three months ended December 31, 2011 was \$9,900.

*Capital Lease* – The Company has a capital lease for laboratory equipment. The minimum lease payments due on the capital lease are as follows.

2012	\$ 18,700
2013	22,440
2014	22,440
2015	11,220
Total minimum lease payments	\$ 74,800
Less amounts representing interest	(11,420)
Present value of net minimum lease payments	\$ 63,380

**NOTE 8. Common Stock Transactions**

In fiscal 2010, the Company initiated a Private Reg D 506 Offering for the sale of 735,000 shares of common stock. During the year the Company sold 90,000 shares of its common stock and received proceeds of \$31,500.

In March of 2010, the company issued 30,000 shares of common stock at par value to the Company’s president for services rendered in lieu of cash.

In December of 2010, 670,000 shares were issued to the former president of R&A for services rendered. The shares issuance was valued at \$335,000.

On April 20, 2011, the Company purchased 3,376,902 shares of common stock from the former president of R&A for \$355,000. The shares were recorded as treasury stock and immediately cancelled by the Company for no proceeds.

**American CryoStem Corporation**

**(fka R & A Productions, Inc.)**

**Notes to the Financial Statements**

**December 30, 2011 and 2010**

**NOTE 8. Common Stock Transactions (continued)**

On April 20, 2011, the Company issued 21,000,000 shares of common stock to purchase substantially all the assets and liabilities of ACS. Upon issuance of these shares, ACS became the majority shareholder of the Company. The assets and liabilities acquired in the transaction were valued at \$98,612

During the year ended September 30, 2011, the Company issued 2,572,000 shares of common stock and received net proceeds of \$1,286,000.

During the year ended September 30, 2011, the Company issued 57,500 shares of common stock for services rendered at a cost of \$28,751.

During the three months ended December 31, 2011, the Company issued 422,000 shares of common stock and received net proceeds of \$211,000.

**NOTE 9. Fair Values of Financial Instruments**

Cash, prepaid expense, security deposit, accounts payable and accrued expenses, capital lease payable, payable to shareholder, and note payable to shareholder in the balance sheet are estimated to approximate fair market value at December 31, 2011.

**NOTE 10. Reliance on Key Personnel**

The Company largely relies on the efforts of its Chief Operating Officer and its Chief Executive Officer and Chairman of its Board of Directors. A withdrawal of the efforts of the Chief Operating Officer or the Chief Executive Officer and Chairman would have a material adverse affect on the Company's ability to continue as a going concern.

**NOTE 11. Litigation**

The Company is not party to any pending litigation against it and is not aware of any litigation contemplated against it as of December 31, 2011 and the date of these financial statements.

**NOTE 12. Subsequent Events**

The Company has made a review of material subsequent events from December 31, 2011 through the date of this report and found no material subsequent events reportable during this period.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS.**

### **Forward-looking Statements**

We and our representatives may from time to time make written or oral statements that are “forward-looking,” including statements contained in this quarterly report and other filings with the Securities and Exchange Commission (the “SEC”), reports to our stockholders and news releases. All statements that express expectations, estimates, forecasts or projections are forward-looking statements. In addition, other written or oral statements which constitute forward-looking statements may be made by us or on our behalf. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “project,” “forecast,” “may,” “should,” variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in or suggested by such forward-looking statements. We undertake no obligation to update or revise any of the forward-looking statements after the date of this quarterly report to conform forward-looking statements to actual results. Important factors on which such statements are based are assumptions concerning uncertainties, including but not limited to, uncertainties associated with the following:

- Inadequate capital and barriers to raising the additional capital or to obtaining the financing needed to implement our business plans;
- Our failure to earn revenues or profits;
- Inadequate capital to continue business;
- Volatility or decline of our stock price;
- Potential fluctuation in quarterly results;
- Rapid and significant changes in markets;
- Litigation with or legal claims and allegations by outside parties; and
- Insufficient revenues to cover operating costs.

The following discussion should be read in conjunction with the financial statements and the notes thereto which are included in this quarterly report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ substantially from those anticipated in any forward-looking statements included in this discussion as a result of various factors.

### **Background**

We were incorporated in the State of Nevada on March 13, 2009. On April 20, 2011, we acquired, through our wholly owned subsidiary American CryoStem Acquisition Corporation, substantially all of the assets from, and assumed substantially all of the liabilities of, ACS Holdings, Inc. (“ACS”) in exchange for our issuance of 21,000,000 shares of our common stock, par value \$0.001 per share, to ACS (the “Asset Purchase”). We filed a Current Report on Form 8-K with the Securities and Exchange Commission on April 27, 2011 disclosing the Asset Purchase and certain related matters including, but not limited to, the appointment of our present officers and directors as well as the resignation as such by the former chief executive officer and sole director. Our fiscal year ends September 30 of each calendar year.

### **Overview of our Business**

We operate the stem cell business we acquired in the Asset Purchase. We discontinued the Movie Production Business in 2011. On December 15, 2011 we entered into an agreement with Ocean Pure Products to sell the assets and rights to all film contract and commercial film rights for purchase price of \$250,500 to be paid in the form of common shares of Ocean Pure Products, Inc. valued at \$1.00 per share.



## Stem Cell Business

Our principal line of business is the business acquired from ACS. ACS developed a clinical method to collect process and store adipose (fat) Derived Adult Stem Cells (the “**Stem Cells**” or “ADSCs”), permitting individuals to preserve their Stem Cells for potential future use in cell therapy. Additionally, we offer contract manufacturing and testing services to current and future developers of ADSC applications, physicians and device manufacturers. We have continued to develop and commercialize certain proprietary technologies, assays and processing methodologies that we believe will be available for sale and licensing in 2012. We intend, subject to obtaining adequate financing, to continue this commercialization and development of our core intellectual property and clinical laboratory products and processes.

**Consumer Services:** We offer individuals the opportunity to store their Adipose Derived Stem Cells, charging a fixed fee which includes the first year of storage. Thereafter, clients are responsible for the payment of an annual storage fee. Stem Cells are; currently being used in the emerging fields of, life sciences, cellular therapy and regenerative medicine globally (collectively “Regenerative Medicine”), are the subject of an increasing number of clinical trials and, have the potential to become a multibillion dollar industry in the future. We believe that ADSCs have the potential to heal a substantial number of diseases and chronic conditions and we provide a streamlined and affordable method to process and cryopreserve ADSCs for autologous (self) use in humans and the emerging Regenerative Medicine market.

Current published medical research and ongoing clinical trials, show that applications for ADSCs can be used to support tissue repair and cell therapies to expedite healing of wounds, burns, and physical trauma in joints, bone, muscle, tendons and ligaments. This research also indicates that the use of autologous (self) stem cells derived from adipose tissue avoids certain adverse reactions and treatment difficulties such as transplant rejection and graft versus host disease that can occur with the use of donor (allogeneic) stem cells. Effects of diseases that we believe can be alleviated through the use of Stem Cells include cardiovascular disease, cancer, stroke, central nervous disorders and diabetes. We believe that the near-term applications also include the use of processed ADSCs as biocompatible fillers and for procedure augmentation in cosmetic and reconstructive surgery. Although our Consumer Stem Cell business is in its formative stage, we provide the following services:

- Collecting an individual’s adipose tissue through a participating doctor who will forward the tissue to the laboratory that we use;
- Processing the tissue in a laboratory to separate the component parts of an individual’s adipose tissue, which includes the Stem Cells; and
- Cryopreserving adipose tissue and Stem Cells for immediate use or long-term storage.

The individuals ADSC samples are prepared and cryopreserved in their raw form without manipulation, bio-generation or the addition of biomarkers or other materials, which we believe may make such ADSCs suitable for use in cellular treatments (i.e., the biomedical use of Stem Cells to treat patients) currently offered by existing and

planned treatment centers worldwide. We believe that affordably preserving autologous stem cells derived from adipose tissue can provide a user with the opportunity to take advantage of the emerging field of regenerative medicine, i.e., healing the body using one's own stem cells.

**Commercial Services:** In connection with the development of the Company's core clinical processing methodologies and intellectual property, the Company developed a number of unique clinical products, and methods for testing and quality management assessment. These individual methods identify the sterility, viability and quality of the adipose tissue and adipose derived cellular samples. The Company has begun to create the necessary branding, product information and marketing materials to begin offering subject to among other things, obtaining the requisite financing, these services to physicians, device manufacturers and cellular product developers in 2012.

**Products:** The Company was granted its first patent in August 2011 titled "Cell Culture Media, Kits and Methods of Use (Patent No. US 7,989,205 B2). This patent is the basis for a line of new media products specifically designed for use with Adipose Derived Stem Cells and other regenerative cells derived from Adipose Tissue and covers "*A cell culture medium for clinical growth of adipose stromal cells for human clinical and therapeutic applications*". The Company is currently creating the brand and marketing materials and website necessary to offer the initial formulation of this patented product during 2012. Additionally, the Company is continuing to develop individual kits and products necessary for the processing of adipose tissue. These products are the result of the development of its core processing and quality management methods.

### **Movie Production Business**

During 2011 the Company's Board of Directors determined to discontinue the Movie Production Business. On December 15, 2011 we entered into an agreement with Ocean Pure Products to sell the assets and rights to all film contract and commercial film rights for purchase price of \$250,500 to be paid in the form of common shares of Ocean Pure Products valued at \$1.00 per share. The Company believes it will be able to complete the transaction in the first calendar quarter of 2012.

### **Plan of Operations – Stem Cell Business**

**Consumer Services:** During 2011 we initiated a direct marketing program focused on introducing our service to plastic and cosmetic surgeons. Our initial approach to the surgeons market utilized cosmetic and plastic surgery trade shows, internet, video and social media. We have an initial group of surgeon providers that are offering our services to their patients. We plan to continue to build our surgeon network by attending trade shows, direct mail and direct b2b internet marketing efforts. This marketing program was implemented using a traditional, trade show and office visit, face to face sales approach common to the pharmaceutical and biotechnology industries.

We plan to expand efforts to include outside independent sales channels. In addition our in house physician marketing methodology has been refined to reflect the current dynamics of the plastic and cosmetic surgery market. We have a comprehensive campaign in place that will execute and coordinate our message through the use of additional media channels to include cable TV, and radio.

**Commercial Products and Services:** We have begun the branding and marketing development of our commercial laboratory products and services. Our products are based on our granted medium patent and the results of our process and quality management program development. The medium products will initially be offered for license and purchase to academic researchers and other companies currently developing cellular and regenerative therapies and applications based upon the ability to process and expand adipose derived stem cells. Products developed from our processing and quality management methodologies will be offered to physicians and device manufacturers for the testing and assessment of their current tissue harvesting, engraftment and cellular processing services and devices. Additionally, the Company is developing marketing and branding methods to leverage our processing capabilities in the area of contract manufacturing for companies developing products and applications based on the use of adipose derived stems cells.

### **Cash Requirements – Stem Cell Business**

We will require additional capital to fund the product branding and marketing efforts and estimate that we will require an additional \$1,000,000 to fund both the marketing and operational expansion, as well as for working capital. We anticipate that the receipt of such funds would enable us to satisfy our cash requirements for a period of six (6) months. We have minimal term debt and have been able to meet our past financial obligations on a current basis.

In order to finance further product and market development beyond the time period discussed immediately above, we believe that we will need to raise a minimum of \$2,000,000, which we anticipate would enable us to satisfy our cash requirements for a period of twelve (12) months. However, we cannot assure you that this amount would be sufficient to enable us to fully fund our anticipated cash requirements during this period. In addition, we cannot assure you that the requisite financing, whether over the short or long term, will be raised within the necessary time frame or on terms acceptable to us, if at all. Should we be unable to raise sufficient funds we may be required to curtail the expansion of our operating plans if not cease them entirely. As a result, we cannot assure you that we will be able to operate profitably on a consistent basis, or at all, in the future.

We expended \$242,440 during the fiscal quarter ended December 31, 2011 in professional fees (legal and accounting) and office expenses.

### **Going Concern**

As of the date of this quarterly report, there is substantial doubt regarding our ability to continue as a going concern as we have not generated sufficient cash flow to fund our Stem Cell business.

We have suffered recurring losses from operations since our inception. In addition, we have yet to generate sufficient internal cash flow from our business operations or successfully raise the financing required to fully develop our business. As a result of these and other factors, our independent auditor has expressed substantial doubt about our ability to continue as a going concern. Our future success and viability, therefore, are dependent upon our ability to generate capital financing. The failure to generate sufficient revenues or raise additional capital may have a material and adverse effect upon us and our shareholders.

Our plans with regard to these matters encompass the following actions: (i) obtaining funding from new investors to alleviate our working capital deficiency, and (ii) implementing a plan to generate sales of our proposed products and services. Our continued existence is dependent upon our ability to resolve our liquidity problems and increase profitability in our current business operations. However, the outcome of management's plans cannot be ascertained with any degree of certainty. Our financial statements do not include any adjustments that might result from the outcome of these risks and uncertainties.

### **Results of Operations:**

During the first quarter of 2012, ended December 31, 2011, our revenues were \$9,951, selling general and administrative expenses were \$319,697 and we incurred a net loss of \$313,721 or \$0.012 per share. Our results of operations for the first quarter of 2011, ended December 31, 2010, were from operations that were discontinued during fiscal 2011, and therefore there is no basis for comparison of the first quarter of fiscal 2012 ended December 31, 2011 with the first quarter of fiscal 2011 ended December 31, 2010.

### **Liquidity and Capital Resources**

We had a cash balance of \$6,903.00 as of the date of this quarterly report. Our principal source of funds has been sales of our securities.

Should we be unable to raise sufficient funds, we will be required to curtail our operating plans if not cease them entirely. We cannot assure you that we will generate the necessary funding to operate or develop our business. Please see "*Cash Requirements*" above for our existing plans with respect to raising the capital we believe will be required.

In the event that we are able to obtain the necessary financing to move forward with our business plan, we expect that our expenses will increase significantly as we attempt to grow our business. Accordingly, the above estimates for the financing required may not be accurate and must be considered in light these circumstances.

### **Commitments**

As of the date of this annual report, the company's material capital commitments were (I) the continued funding of the expansion of our marketing efforts and laboratory processing capabilities, (ii) an equipment lease in the amount of \$82,269 for laboratory equipment with monthly payments of \$1,869.74 and the final payment due March 2015, and (iii) the current lease for the laboratory spaces at the Burlington County College Science Incubator, Laboratory 110 and 108, Each Laboratory lease requires a monthly payment of \$1,650. The lease for each laboratory is renewable annually in December (Lab 110) and April (Lab 108).

The Company in connection with the closing of the Asset Purchase Agreement assumed (i) an unsecured note payable in the face amount of \$65,000 with interest payable upon maturity of 6%. The current balance due is \$68,575. The note matures October 31, 2012 (ii) unsecured liabilities without interest of \$134,812 due to ACS Global, the majority shareholder of the Company, for certain prepaid expenses made by ACS Global prior to the closing of the transaction, there is no due date associated with this liability.

We anticipate that any further capital commitments that may be incurred will be financed principally through the issuance of our securities. However, we cannot assure you that additional financing will be available to us on a timely basis, on acceptable terms, or at all.

### **Off Balance Sheet Arrangements**

We have no 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 are material to investors.

### **Critical Accounting Policies**

We prepare financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"), which requires us to make estimates and assumptions that affect the amounts reported in our combined and consolidated financial statements and related notes. We periodically evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

**Basis of Presentation.** Our financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles in the United State of America, whereby revenues are recognized in the period earned and expenses when incurred.

**Management's Use of Estimates.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Long-Lived Assets.** We review and evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, we compare the assets' carrying amounts against the estimated undiscounted cash flows to be generated by those assets over their estimated useful lives. If the carrying amounts are greater than the undiscounted cash flows, the fair values of those assets are estimated by discounting the projected cash flows. Any excess of the carrying amounts over the fair values are recorded as impairments in that fiscal period.

**Statement of Cash Flows.** For purposes of the statement of cash flows, we consider all highly liquid investments (i.e., investments which, when purchased, have original maturities of three months or less) to be cash equivalents.

**Fair Value of Financial Instruments** Our financial instruments consist of cash and cash equivalents. The fair value of cash and cash equivalents approximates the recorded amounts because of the liquidity and short-term nature of these items.

#### **Recent Accounting Pronouncements**

We have reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe that any future adoption of such pronouncements will have a material impact on our financial condition or the results of our operations.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not Applicable

#### **ITEM 4. CONTROLS AND PROCEDURES**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Treasurer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 31, 2011, our Chief Executive Officer and Treasurer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act). Based on such evaluation, our Chief Executive Officer and Treasurer, concluded that our disclosure controls and procedures were effective as of December 31, 2011.

**Changes in Internal Control over Financial Reporting.** Our management has evaluated whether any change in our internal control over financial reporting occurred during the last fiscal quarter. Based on that evaluation, management concluded that there has been no change in our internal control over financial reporting during the relevant period that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None

**ITEM 1A. RISK FACTORS**

Not applicable.

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

During the first quarter ended December 31, 2011 we sold to certain accredited investors in a private offering 422,000 shares of our common stock and received proceeds of \$211,000. The shares were issued pursuant to the exemptions from the registration requirements of the Securities Act provided under Regulation D and Rule 506 promulgated thereunder. The Company used the proceeds for continued development of the Company's products and services and for general working capital purposes.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

(a) Exhibits furnished as Exhibits hereto:

**Exhibit No. Description**

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- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**SIGNATURES**

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

AMERICAN CRYOSTEM  
CORPORATION

February 21, 2012 By: /s/ John Arnone  
John Arnone, Chief Executive Officer  
(Principal Executive Officer)

February 21, 2012 By: /s/ Anthony Dudzinski  
Anthony Dudzinski, Treasurer  
(Principal Financial Officer)