AMERICAN CRYOSTEM Corp
Form 10-Q
August 20, 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 June 30, 2012

Commission file number: 000-54672

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.)

1 Meridian Road, Eatontown, NJ 07724
(Address of principal executive offices)(Zip Code)

(732) 747-1007

(Registrant's telephone number, including area code)

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 August 20, 2012, there were 29,949,362 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

American CryoStem Corporation

(fka R & A Productions, Inc.)

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2012

American CryoStem Corporation

(fka R & A Productions, Inc.)

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American CryoStem Corporation

(fka R & A Productions, Inc.)

Balance Sheets

As of June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash	$26,614	$380,041
Trade Accounts Receivable	5,425	—
Prepaid Expenses	2,750	5,566
Other Current Assets	—	13,485
Total current assets	34,789	399,092
Property and Equipment (Net of Accumulated Depreciation)	204,422	231,694
Other Assets	255,608	186,869
Total Assets	$494,819	$817,655
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts Payable & Accrued Expenses Payable	$205,156	$91,370
Current Portion of Capital Lease Payable	27,439	16,039
Total current liabilities	232,595	107,409
Long-Term Liabilities		
Note Payable	71,500	67,600
Lease Payable	35,884	55,160
Payable to Parent	134,812	139,866
Total Long-Term Liabilities	242,196	262,626
Shareholders' equity:		
Common stock ($.001 par value, 27,919,362 shares issued and outstanding at June 30, 2012 and 26,035,862 shares issued and outstanding at June 30, 2011; 300,000,000 shares authorized)	27,919	26,036
Additional paid in capital	2,168,237	1,255,184
Accumulated deficit	(2,176,128)	(833,600)
Total shareholders' equity	20,028	447,620

Total Liabilities & Shareholders' Equity	$494,819	$817,655

See Notes to Financial Statements

American CryoStem Corporation

(fka R & A Productions, Inc.)

Statements of Operations

For the Three Months Ended June 30, 2012 and 2011

and the Nine Months Ended June 30, 2012 and 2011

	Three Months Ended June 30, 2012	**Three Months Ended June 30, 2011**	**Nine Months Ended June 30, 2012**	**Nine Months Ended June 30, 2011**
Sales	$450	$—	$24,539	$—
Operating Expenses:				
Professional Fees	32,639	78,035	87,345	78,035
Research & Development	86,984	65,725	270,684	65,725
Administration	171,168	312,411	521,612	312,411
Operating Expenses	290,791	456,171	879,641	456,171
Net Income (Loss) from Operations	(290,341)	(456,171)	(855,102)	(456,171)
Other Income (Expense)	(3,335)	(1,407)	(9,636)	(1,407)
Loss on Treasury Stock		(355,000)		(355,000)
Net Loss before Discontinued Operations	(293,676)	(812,578)	(864,738)	(812,578)
Discontinued Operations	—	3,964	—	(127)
Net Loss	$(293,676)	$(808,614)	$(864,738)	$(812,705)
Basic & fully diluted net earnings (loss) per common share	$(0.011)	$(0.038)	$(0.032)	$(0.073)
Weighted average of common shares outstanding: Basic & fully diluted	27,684,824	21,499,357	27,161,256	11,123,533

See Notes to Financial Statements

American CryoStem Corporation

(fka R & A Productions, Inc.)

Statements of Cash Flows

For the Nine Months Ended June 30, 2012

and the Period From April 20, 2011 to June 30, 2011

	2012	2011
Operating Activities:		
Net loss	$(864,738)	$(808,614)
Adjustments to reconcile net income items not requiring the use of cash:		
Depreciation expense	25,785	13,270
Common Stock issued for services	—	
Accrued Interest	6,804	751
Changes in other operating assets and liabilities		
Accounts Receivable	(5,425)	
Prepaid Expenses	15,312	(5,566)
Other Current Assets	—	(10,185)
Accounts Payable and Accrued Expenses Payable	76,570	5,855
Payable to Parent	—	139,866
Payroll Taxes Payable	—	5,279
Net cash used by operations	(745,692)	(659,344)
Investing activities:		
Purchase of equipment	(6,530)	(27,063)
Investment in other assets	(43,396)	(24,251)
Net cash used by investing activities	(49,926)	(51,314)
Financing activities:		
Issuance of common stock	721,500	1,095,000
Capital Lease Payments	(6,598)	(4,391)
Net cash provided by financing activities	714,902	1,090,609
Net increase (decrease) in cash during the period	(80,716)	379,951
Cash Balance, Beginning of Period	107,330	90
Cash balance, End of Period	$26,614	$380,041
Supplemental disclosures of cash flow information:		
Interest Paid	$0	$0
Income Taxes Paid	$0	$0

See Notes to Financial Statements

American CryoStem Corporation

(fka R & A Productions, Inc.)

Statements of Changes in Shareholders' Equity

For the Nine Months Ended June 30, 2012

Prices & shares adjusted for stock splits.

	Common Stock Shares	Par Value	Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance at October 1, 2011	26,475,362	$26,476	$1,448,180	$(1,311,390)	$163,266
Issuance of common stock	1,443,000	1,443	720,057		721,500
Net Loss				(864,738)	(864,738)
Balance at June 30, 2012	27,918,362	$27,919	$2,168,237	$(2,176,128)	$20,028

See Notes to Financial Statements

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American CryoStem Corporation

(fka R & A Productions, Inc.)

Notes to the Financial Statements

June 30, 2012

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

June 30, 2012

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

June 30, 2012

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 over $2,000,000 under SEC Rule 506 as of June 30, 2012, 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 June 30, 2012.

Net loss per share is computed as follows:

	Three Months Ending June 30, 2012	**Three Months Ending June 30, 2011**	**Nine Months Ending June 30, 2012**	**Nine Months Ending June 30, 2011**

Net Loss	$(293,676)	$(808,614)	$(864,738)	$(812,705)
Weighted average shares outstanding	27,684,824	21,499,357	27,161,256	11,123,533
Basic & fully diluted net earnings (loss) per common share	$(0.011)	$(0.038)	$(0.032)	$(0.073)

NOTE 4. Property and Equipment

Property and Equipment is comprised of the following:

	June 30, 2012	**June 30, 2011**
Office Equipment	$23,987	$94,155
Lab Furniture	642	—
Lab Equipment	241,303	190,708
Leasehold Improvements	7,104	1,729
	273,036	286,592
Less: Accumulated Depreciation	(68,614)	(54,898)
Net Property and Equipment	$204,422	$231,694

American CryoStem Corporation

(fka R & A Productions, Inc.)

Notes to the Financial Statements

June 30, 2012

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 kits for the support of primary culture of normal non-hematopoietic cells of mesodermal origin suitable for both research and clinical applications.

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 $71,500 at June 30, 2012.

The Company has an unsecured liability without interest of $134,812 due to ACS Global, Inc. the majority shareholder of the Company, for certain expenses paid by ACS Global, Inc. 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 an operating lease for 1,200 square feet of laboratory facilities at the Burlington County College Science Incubator in Burlington, New Jersey. The lease is for a term of two years with a monthly rent of $3,300. The total rent for laboratory facilities for the nine months ended June 30, 2012 was $30,360.

The Company also entered into an operating lease for approximately 2,200 square feet of office facilities at the One Meridian Road in Eatontown, New Jersey. The lease is for a term of three years with a monthly rent of $2,500 from July 1, 2012 through November 30, 2013 and $2,650 from December 1, 2013 through April 30, 2015. The total rent for office facilities for the nine months ended June 30, 2012 was $31,408.

The minimum lease payments due on the operating leases are as follows.

2012	$17,400
2013	69,600
2014	44,700
2015	18,550
Total minimum operating lease payments	$150,250

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

2012	$14,958
2013	22,437
2014	22,437
2015	11,218
Total minimum capital lease payments	$71,050
Less amounts representing future interest	(7,727)
Present value of net minimum capital lease payments	$63,323

American CryoStem Corporation

(fka R & A Productions, Inc.)

Notes to the Financial Statements

June 30, 2012

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.

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 nine months ended June 30, 2012, the Company issued 1,443,000 shares of common stock and received net proceeds of $721,500.

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 June 30, 2012.

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 June 30, 2012 and the date of these financial statements.

NOTE 12. Subsequent Events

The Company has made a review of material subsequent events from June 30, 2012 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 inte 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 a tissue processing and storage 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) Tissue and Adipose Derived Adult Stem Cells (the "**Stem Cells**" or "ADSCs"), permitting individuals to preserve their Tissue and Adult Stem Cells for potential future use in cell therapy, cosmetic tissue grafting procedures, and cosmetic products. Additionally, we offer contract manufacturing and testing services based on our developed and validated laboratory and quality management procedures to current and future developers of ADSC applications, physicians and device manufacturers. We have continued to developed and commercialize certain proprietary products, 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.

Tissue Processing and Services: Adipose Tissue Storage: We offer individuals the opportunity to store their Adipose Tissue and Adipose Derived cellular samples, charging a fixed fee which includes the first year of storage. Thereafter, clients are responsible for the payment of an annual storage fee. Adipose Tissue storage offers an economical solution in tissue and cell banking and affords greater flexibility to the consumer for future use of the stored tissue samples either directly in cosmetic grafting procedures or, in the future, in cellular therapy by retrieving and processing the stored tissue into its cellular components. The Company has developed a unique tissue cryoprotectant in conformity with regulations and exemptions contained in PHS section 361.

The Company recently filed an initial provisional patent application covering the cryoprotectant and its newly developed methods for processing adipose tissue samples. The new cryoprotectant allows for the retrieval and immediate use of the tissue without further processing, washing or preparation. This tissue storage opportunity permits cosmetic and plastic surgeons to expand their services into the latest layered tissue grafting procedures that have shown more satisfactory results for consumers than single graft procedure methods. Layered tissue grafting allows the surgeon greater control in sculpting the graft site over time creating a more natural contour and allowing for in-process corrections of any initial tissue graft regression.

Adipose Derived SVF and Stem Cell Storage: Consumers can have a harvested adipose tissue sample immediately processed into its component cells (Stromal Vascular Fraction – SVF) and stored for future use or expansion of their Adipose Derived Stem Cells (ADSC). Stored ADSC samples are for use in the emerging fields of life sciences, cellular therapy and regenerative medicine globally (collectively "Regenerative Medicine"). There are an increasing number of clinical trials focused upon ADSCs targeting several multibillion dollar industry segments of the cellular therapy, wound healing and disease treatment market.

Published scientific research indicates that ADSCs have the potential to heal a substantial number of diseases and chronic conditions and we provide a streamlined and affordable method to clinically process and cryopreserve ADSCs for autologous (self) use in the emerging Regenerative Medicine market.

Medical research and ongoing clinical trials include applications for ADSCs to support tissue repair, expedite healing of wounds and 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 donor/recipient matching and transplant rejection (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 processing and storage 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 ADSCs for immediate use or long-term storage.

The individual's ADSC samples can be prepared and cryopreserved in their raw form without manipulation, or placed in incubation and expanded prior to storage. We believe that our validated processing methodology, recordkeeping and quality management programs make such ADSCs suitable for future use in cellular treatments (i.e., the biomedical use of Stem Cells to treat patients). 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 tissue processing products methods, tests, and quality management assessment methods. These identify the sterility, viability and quality of the adipose tissue and adipose derived cellular samples. The Company is creating the necessary branding, product information and marketing materials to offer these services to physicians, device manufacturers and cellular product developers to extend the revenue opportunities for its developed intellectual property.

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 cell culture 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, marketing materials and website necessary to offer the initial formulation of these patented products. Additionally, the Company is continuing to develop additional products and services necessary for the processing of adipose tissue. These products are the result of the development and validation 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.

Plan of Operations – Stem Cell Business

Tissue Processing and Banking We utilize a direct marketing approach focused on introducing our service to plastic and cosmetic surgeons. We have a 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 office visit and face to face sales approach common to the pharmaceutical and biotechnology industries. The Company has extended these marketing efforts to include private and white label offerings in which a large medical group or organization that may market our services under their own unique brand name.

We continue to market our services directly to consumers through our redesigned consumer website americancryostem.com. The website is a sophisticated online destination showcasing our branding and marketing of our core "Collect Process and Store" consumer stem cell service. The website experience is centered on providing the consumer simple, easy to read information about Adult Stem Cells and our long term adult stem cell storage service.

We plan to expand our marketing efforts, subject to receiving additional financing, 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 continue the branding and marketing development of our commercial laboratory products and services under the ACS Laboratories brand. Our products are based on our granted medium patent and the results of our process and quality management program development. The medium products are 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. The Company is in discussions with contract manufacturers within the life sciences industry to ensure product availability, uniformity and documentation and the ability to quickly ramp up production and product delivery. Initial sales and deliveries of the media have begun in connection with the Company's contract manufacturing activities.

Products and services developed from our processing and quality management methodologies are offered to physicians and device manufacturers for the testing and assessment of their current tissue harvesting, engraftment and cellular processing services and devices. The Company has developed standardized tissue assessment and testing services for adipose tissue and ADSC samples. The company intends to also market these services to cosmetics and plastic surgeons to assist them with the evaluation of their tissue grafting and ADSC preparation procedures. The tests are designed to give the physician information about the quality and viability of the tissue and ADSC samples they submit for testing. The Company believes that this service will assist surgeons with optimizing their methods and procedures to produce better quality ADSC samples and tissue grafts. The Services are marketed under the ACS Laboratories brand and the testing is performed at the Company's Mount Laurel NJ laboratory facility.

The Company is leveraging its processing capabilities into the area of contract manufacturing. The services are offered to companies developing products and applications based on the use of adipose tissue and adipose derived stems cells. During the Quarter ended, 2012 under its agreement with Personal Cell Sciences ("PCS") the Company continued to provide services for processing and storing adipose derived stem cells. PCS is conducting an initial study of their skin care cosmetic products. The Company charges PCS a processing fee and is entitled to an annual storage fee as well as a royalty payment for each sample received at the laboratory under the agreement. The Company will focus additional efforts to expand its offering of commercial contract processing services.

The Company has entered into a collaborative agreement with privately-held Protein Genomics (PGen). The Company and PGEN have agreed to work together to develop novel cellular therapies for the wound healing, regenerative and cellular therapy markets. American CryoStem will contribute certain intellectual property, know-how and trade secrets. The Company's contribution will include, clinically prepared adipose derived stem cells using the Company's proprietary tissue processing, and the Company's patented stromal cell culture media. Protein Genomics will contribute certain know-how and trade secrets including its patented, Elastatropin® human based protein. The Companies will focus their ongoing efforts towards creating applications for injuries and conditions that are difficult to treat, such as chronic, acute and traumatic wounds. The goal is to create unique, high performance applications for the regenerative medicine market. The collaboration is part of the Company's efforts to leverage its clinical laboratory processes into the cellular therapy and regenerative medicine application market. The Company will continue to seek collaborators with technologies that can be combined with or are complementary to our clinical technologies and patented products. To encourage collaboration, the Company will share the intellectual property rights developed with its collaboration partners.

Cash Requirements – Stem Cell Business

We will require additional capital to fund the marketing and sales 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.

In order to finance further product and market development beyond the time period discussed immediately above, we believe that we will require an additional $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 $32,639 during the six months ended June 30, 2012 in professional fees (legal, accounting and consultants) and $171,168 in Research and Development.

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.

Liquidity and Capital Resources

We had a cash balance of $26,614 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 $35,884 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. On February 1, 2012 the Company entered into a new two year lease with the Burlington County Science Incubator for the laboratory space. Under the new lease the monthly payments for each laboratory (110 and 108) will be $1,650.00.

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 $71,500. 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 June 30, 2012, 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 June 30, 2012.

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
None

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
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

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

August 20, 2012 By: /s/ John Arnone
John Arnone, Chief Executive Officer
(Principal Executive Officer)

August 20, 2012 By: /s/ Anthony Dudzinski
Anthony Dudzinski, Treasurer
(Principal Financial Officer)