

MEDISTEM INC.
Form 10-Q
November 12, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2008

Or

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

For the transition period from _____ to _____

Commission File Number: 333-100137

Medistem Inc.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation
or organization)

86-1047317
(I.R.S. Employer Identification No.)

2223 West Pecos Road, Suite 6
Chandler, AZ
(Address of principal executive
offices)

85224
(Zip Code)

(877) 372-7836
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last
report)

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 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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,920,833 as of November 1, 2008.

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MEDISTEM INC.

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PART I – FINANCIAL INFORMATION

Forward-Looking Information

The statements contained in this Quarterly Report on Form 10-Q that are not historical fact are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are based on current expectations that involve a number of risks and uncertainties. These statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “intend,” “plan,” “could,” “is likely,” or “anticipates,” or the negative thereof or other thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The Company wishes to caution the reader that these forward-looking statements that are not historical facts are only predictions. No assurances can be given that the future results indicated, whether expressed or implied, will be achieved. While sometimes presented with numerical specificity, these projections and other forward-looking statements are based upon a variety of assumptions relating to the business of the Company, which, although considered reasonable by the Company, may not be realized. Because of the number and range of assumptions underlying the Company’s projections and forward-looking statements, many of which are subject to significant uncertainties and contingencies that are beyond the reasonable control of the Company, some of the assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to the date of this report. These forward-looking statements are based on current expectations and the Company assumes no obligation to update this information. Therefore, the actual experience of the Company and the results achieved during the period covered by any particular projections or forward-looking statements may differ substantially from those projected. Consequently, the inclusion of projections and other forward-looking statements should not be regarded as a representation by the Company or any other person that these estimates and projections will be realized, and actual results may vary materially. There can be no assurance that any of these expectations will be realized or that any of the forward-looking statements contained herein will prove to be accurate.

Factors and risks that could affect our results and achievements and cause them to differ materially from those contained in the forward-looking statements include (a) certain factors identified throughout this report, (b) factors identified in the section in our Form 10-K for the year ended December 31, 2007, entitled Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Certain Factors That May Affect Future Operating Results,” and (c) other factors that we currently are unable to identify or quantify, but that may exist in the future. Such factors may affect generally the Company’s business, results of operations, and financial position.

Item 1. Financial Statements.

Medistem Inc.
Balance Sheets
(unaudited)

	September 30, 2008	December 31, 2007
Assets		
Cash and equivalents	\$ 694,003	\$ 179,451
Restricted cash	-	31,000
Royalties receivable	400,000	225,597
Prepaid expenses and other current assets	29,331	52,421
Total current assets	1,123,334	488,469
Property and equipment, net	16,076	24,307
Intangible assets	3,566	3,566
Other amounts due from licensee	-	695,127
Total assets	\$ 1,142,976	\$ 1,211,469
Liabilities and Stockholders' Equity		
Accounts payable	\$ 2,576	\$ 16,523
Accrued expenses	11,710	19,652
Due to affiliate	-	21,100
Withholding taxes payable	-	33,840
Other liabilities	35,103	78,032
Total current liabilities	49,389	169,147
Total liabilities	49,389	169,147
Stockholders' equity:		
Series A convertible preferred stock, \$0.0001 par value, no stated interest rate or dividend preference, liquidation preference of \$0.35 per share or \$1,800,000 aggregate, 200,000,000 shares authorized, 4,571,429 shares issued and outstanding, convertible into 182,859 shares of common stock	457	457
Common stock, \$0.0001 par value, 300,000,000 shares authorized, 4,795,118 and 5,341,118 shares issued and outstanding in 2008 and 2007(1)	480	534
Paid-in capital	11,380,208	10,273,076
Accumulated deficit	(10,287,558)	(9,231,745)
Total stockholders' equity	1,093,587	1,042,322
Total liabilities and stockholders' equity	\$ 1,142,976	\$ 1,211,469

(1) Number of shares outstanding at December 31, 2007 has been adjusted to reflect the 1-for-25 reverse stock split described in Note 1.

See accompanying notes to unaudited financial statements.

Medistem Inc.
 Statements of Operations
 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007(1)	2008	2007(1)
Revenues	\$ 122,079	\$ 648,052	\$ 653,224	\$ 1,596,210
Cost of services	(17,377)	370,161	191,131	1,117,025
Gross profit	139,456	277,891	462,093	479,185
Operating expenses:				
Research and development	91,631	56,642	225,414	580,287