

MEDISTEM LABORATORIES, INC.  
Form 10QSB/A  
January 19, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-QSB/A**

**(Amendment No. 1)**

(Mark One)

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

For the quarterly period ended: September 30, 2005

**Or**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-100137

**MEDISTEM LABORATORIES, INC.**

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(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.)

2027 E. Cedar St.

Tempe, AZ  
(Address of principal executive offices)

85281  
(Zip Code)

(954) 727-3662  
(Issuer's telephone number)

SGC Holdings, Inc.

15911 E. Sunburst Dr.

Fountain Hills, AZ 85268  
(Former name, former address and former fiscal year, if changed since last report)

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Check whether the issuer (1) 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 shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes  No

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**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 81,600,000

Transitional Small Business Disclosure Format (Check one): Yes  No

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**Explanatory Note**

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2005 for the purpose of conforming the Form 10-QSB to the SEC's current Form, to make certain nonmaterial changes to the disclosure, to file Exhibit 10.1 and refile Exhibit 31.

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**MEDISTEM LABORATORIES, INC.**

**(Formerly SGC Holdings, Inc. and Subsidiary)**

**(A Development Stage Company)**

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**PART I FINANCIAL INFORMATION**

**Unaudited Financial Statements**

**Item 1. Financial Statements.**

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**Medistem Laboratories, Inc.**

**Formerly SGC Holdings, Inc. and Subsidiary)**

(a Development Stage Company)

**Consolidated Balance Sheet**

**(unaudited)**

	September 30, 2005
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<b>Assets</b>	
Current assets:	
Cash	\$
Total current assets	\$
 <b>Liabilities and Stockholders Equity</b>	
Current liabilities:	\$ <hr style="display: inline-block; width: 100px; vertical-align: middle;"/>
 Stockholders' equity:	
Common stock, \$0.001 par value, 100,000,00 shares authorized, 81,600,000 shares issued and outstanding	8,160
Additional paid-in capital	30,440
(Deficit) accumulated during development stage	(38,600 )
	<hr style="display: inline-block; width: 100px; vertical-align: middle;"/>
	<hr style="display: inline-block; width: 100px; vertical-align: middle;"/>
	\$

The accompanying notes are an integral part of these financial statements.



**Medistem Laboratories, Inc.****(Formerly SGC Holdings, Inc. and Subsidiary)**

(a Development Stage Company)

**Consolidated Statements of Operations****(unaudited)**

	<b>Three Months Ended September 30, 2005</b>		<b>Nine Months Ended September 30, 2005</b>		<b>December 5, 2001 (Inception) to September 30, 2005</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	
<b>Revenue</b>	\$	\$	\$3,060	\$	\$3,060
<b>Operating expenses:</b>					
General and administrative expenses	714	2,898	4,311	9,942	40,013
General and administrative expenses - related party					1,500
<b>Total expenses</b>	<b>714</b>	<b>2,898</b>	<b>4,311</b>	<b>9,942</b>	<b>41,513</b>
(Loss) before provision for income taxes	(714 )	(2,898 )	(1,251 )	(9,942 )	(38,453 )
Provision for income taxes			(45 )	(45 )	(147 )
<b>Net (loss)</b>	<b>\$(714 )</b>	<b>\$(2,898 )</b>	<b>\$(1,296 )</b>	<b>\$(9,987 )</b>	<b>\$(38,600 )</b>
<b>Weighted average number of common shares outstanding - basic and fully diluted</b>	<b>81,600,000</b>	<b>81,600,000</b>	<b>81,600,000</b>	<b>81,600,000</b>	
<b>Net (loss) per share - basic and fully diluted</b>	<b>\$(0.00 )</b>	<b>\$(0.00 )</b>	<b>\$(0.00 )</b>	<b>\$(0.00 )</b>	

The accompanying notes are an integral part of these financial statements.





**Medistem Laboratories, Inc.****(Formerly SGC Holdings, Inc. and Subsidiary)**

(a Development Stage Company)

**Consolidated Statements of Cash Flows****(unaudited)**

	<b>Nine Months Ended September 30, 2005</b>	<b>2004</b>	<b>December 5, 2001 (Inception) to September 30, 2005</b>
<b>Cash flows from operating activities</b>			
Net (loss)	\$ (1,296)	\$ (9,987)	\$ (38,600)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:			
Shares issued for services	-	-	1,500
Changes in operating assets and liabilities: (Decrease) increase in accounts payable	-	(36)	-
Net cash (used) by operating activities	<u>(1,296)</u>	<u>(10,023)</u>	<u>(37,100)</u>
<b>Cash flows from financing activities</b>			
Additional paid in capital	600	-	600
Issuances of common stock	-	-	36,500
Net cash provided by financing activities	<u>600</u>	<u>-</u>	<u>37,100</u>
Net (decrease) in cash	(696)	(10,023)	-
Cash beginning	696	12,931	-
Cash ending	<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ -</u>
<b>Supplemental disclosures</b>			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 147</u>
<b>Non cash transactions:</b>			
Shares issued for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>
Number of shares issued for services	<u>-</u>	<u>-</u>	<u>1,500,000</u>

The accompanying notes are an integral part of these financial statements.

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**Medistem Laboratories, Inc.**

**(Formerly SGC Holdings, Inc. and Subsidiary)**

**(a Development Stage Company)**

**Notes**

**Note 1 Basis of presentation**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ( Commission ). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Annual Report on Form 10-KSB previously filed with the Commission on March 10, 2005, and subsequent amendments made thereto.

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2004 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

**Note 2 Going concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred a net loss of (\$38,600) for the period from December 5, 2001 (inception) to September 30, 2005, and has incurred minimal sales of \$3,060. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its new business opportunities. Management had planned to raise additional funds via an offering of convertible debentures; however, it was cancelled on March 17, 2005 and the \$200,000 held in escrow returned to the investors, due to lack of subscriptions. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

In the event additional capital is required, some of the shareholders of the Company have agreed to provide sufficient funds as a loan over the next twelve-month period, as necessary. However, the Company is dependent upon its ability, and will continue to attempt to secure equity and/or debt financing. There are no assurances that the Company will be successful; without sufficient financing it would be unlikely for the Company to continue as a going concern.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might arise from this uncertainty.

**Note 3 Convertible debentures**

As part of its funding efforts, the Company has prepared a Private Placement Memorandum dated September 28, 2004 under the terms of which the Company intends to offer, on a best-efforts basis (the Offering), a minimum of \$1,250,000 and a maximum of \$1,750,000 of the Company's 7% Convertible Debentures due February 1, 2009

( Convertible Debentures ) in denominations of \$1,000 with a minimum investment of \$25,000. The holders of the convertible debentures may convert at any time in the event that the shares of the Company trade above \$2 for 30 calendar days at a conversion rate of 500 shares of common stock per \$1,000 principal amount of the convertible debentures. As of March 17, 2005, the Company has raised a total of \$200,000 and has decided to cancel and rescind the private placement. The Company has instructed the escrow agent to return the all funds raised to date.

#### **Note 4 Stockholders Equity**

The Company has one class of capital stock: Common Stock. Holders of common stock are entitled to one vote for each share of stock held. The Company is authorized to issue 300,000,000 shares of its \$0.0001 par value common stock.

On May 31, 2005, the Company declared a forward stock split, whereby holders of the common stock of the Company received 30 newly issued shares for each one share held.

As of August 4, 2005, the Company reduced the par value of its common stock from \$0.001 per share to \$0.0001 per share. All stock numbers presented in the financial statements have been retroactively restated to reflect the change in par value.

During the nine months ended September 30, 2005, there were no other issuances of common or preferred stock.

#### **Note 5 Related party transactions**

The Company does not lease or rent any property. Office space and services are provided without charge by a director and shareholder. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

#### **Note 6 Subsequent events**

On October 12, 2005, the Company entered into a Contribution Agreement with Neil Riordan, whereby Mr. Riordan transferred all rights, title and interest to certain intellectual property in exchange for 100,223,602 shares of our common stock. The agreement provides the Company with proprietary, licensing, patent, marketing and other intellectual property rights related to the intellectual property.

On November 4, 2005, SGC Holdings, Inc. changed its corporate name to Medistem Laboratories, Inc.



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**Item 2. Management's Discussion and Analysis or Plan of Operation**

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*Forward-Looking Statements*

This Quarterly Report contains forward-looking statements about SGC Holdings, Inc.'s business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, SGC's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, management's ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, *believes, expects, intends, plans, anticipates, estimates* and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

*Management's Discussion and Plan of Operation*

We were incorporated on December 5, 2001, and have not yet begun our planned principal operations. Our efforts to date have focused primarily on formation and organization of our company, obtaining seed capital and setting for a business plan. Unfortunately, due to lack of subscriptions, we recently cancelled our Private Placement Offering dated September 28, 2004. The \$200,000 that was held in escrow was returned to the subscribers.

In the three months ended September 30, 2005 and 2004, we did not generate any revenues. During the nine months ended September 30, 2005, we recognized revenues of \$3,060, which was earned in the previous quarter ended March 31, 2005. In the nine months ended September 30, 2004, we did not generate any revenues.

Total expenses for the three months ended September 30, 2005 were \$714, consisting solely of general and administrative expenses. For the three months ended September 30, 2004, we incurred \$2,898 in expenses, all of which were general and administrative. During the nine months ended September 30, 2005, we incurred \$4,311 in expenses, compared to \$9,942 in the same period a year ago. Total expenses since our inception to September 30, 2005 were \$41,513, all of which is accredited to general and administrative expenses. We expect to continue to incur



general and administrative expenses for the foreseeable future, although we cannot estimate the extent of these costs.

As a result of our expenditures and limited amount of revenues, we have incurred net losses for all periods reported. For the three months ended September 30, 2005, our net loss was \$714, compared to \$2,898 for the three months ended September 30, 2004. Our net loss for the nine months ended September 30, 2005 was \$1,296, while during the nine months ended September 30, 2004 our net loss totaled \$9,987. Our cumulative net loss from the date of our inception to September 30, 2005, was \$38,600. We do not anticipate maximizing income during the remainder of fiscal year 2005 because we have not fully begun our planned principal operations.

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We have no cash on hand as of September 30, 2005. We are not able to sustain operations in our current state. As a result, subsequent to the end of the third quarter 2005, we entered into a Contribution Agreement with Neil Riordan, whereby Mr. Riordan transferred all of his right, title and interest to certain intellectual property in exchange for 100,223,602 shares of our common stock. The transaction became effective on October 12, 2005. Mr. Riordan founded and operated the Aidan Clinic in Tempe, Arizona from 1999 to 2003, which operated as a successful fee-for-services medical clinic for cancer patients. Mr. Riordan has performed clinical trials in Costa Rica and operated a successful cell biology cancer clinic in the Bahamas.

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The focus of our business will be the clinical application of adult stem cell treatments on a fee-for-services basis. We intend to use our newly acquired intellectual property in the application of non-controversial adult stem

cells in certain medical treatments. We intend to use adult stem cells derived from muscle, bone marrow or fat of the patient being treated and adult stem cells generated from full term, healthy placentas and umbilical cords, all of which are deemed to be non-controversial sources of stem cells. We do not intend to use or engage in research with respect to embryonic or fetal stem cells, both of which are contentious and fraught with ethical and moral concerns. Initially, treatments will use stem cells to treat diseases such as cerebral palsy, stroke, cardiovascular disease, and orthopedic diseases.

We currently do not have any recurring financial obligations that require immediate capital to finance. However, we expect to have negative cash flows for the fiscal year 2005. We will need to raise additional capital by issuing equity or debt securities in exchange for cash. There can be no assurance that we will be able to secure additional funds in the future to stay in business. Our principal accountants have expressed substantial doubt about our ability to continue as a going concern because we have limited operations and have not commenced planned principal operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations. Additionally, we do not believe that our business is subject to seasonal factors. Our management does not expect to incur costs related to research and development. We currently do not own any significant plant or equipment that we would seek to sell in the near future. Our management does not anticipate the need to hire additional full- or part- time employees.

Our management does not anticipate the need to hire additional full- or part-time employees over the next 12 months, as the services provided by our officers and directors appear sufficient at this time. We believe that our operations are currently on a small scale that is manageable by our officers and directors.

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We do not have any off-balance sheet arrangements.

We have not paid for expenses on behalf of any of our directors. Additionally, we believe that this fact shall not materially change.

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### **Item 3. Controls and Procedures**

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As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's sole officer and director, who also serves as the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the periodic reports filed or submitted under the Securities Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based on that evaluation, our sole officer and director, acting in the capacity of Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure

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controls and procedures were effective as of the end of the quarterly period covered by this report. No change in the internal control over financial reporting occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

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Our management does not expect that our internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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**PART II OTHER INFORMATION**

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**Item 1. Legal Proceedings**

As of the date of this report, the Company is not currently involved in any legal proceedings.

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**Item 5. Other Information.**

None

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**Item 6. Exhibits and Reports on Form 8-K**

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**Exhibit  
Number**

**Name and/or Identification of Exhibit**

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3	Articles of Incorporation & By-Laws
	(a) Articles of Incorporation *
	(b) By-Laws adopted *
	(c) Certificate of Amendment to Articles of Incorporation **
	(d) Certificate of Amendment to Articles of Incorporation filed June 1, 2005***
	(e) Certificate of Amendment to Articles of Incorporation filed August 4, 2005***
	(f) Certificate of Amendment to Articles of Incorporation filed November 4, 2005
10	Contribution Agreement dated effective as of October 12, 2005, between the registrant and Neil H. Riordan, Ph.D.
31	Rule 13a-14(a)/15d-14(a) Certifications (1)

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Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350) (2)

\* Incorporated by reference herein filed as exhibits to the Company's Registration Statement on Form SB-2 previously filed with the SEC on September 27, 2002, and subsequent amendments made thereto.

\*\* Incorporated by reference herein filed as exhibits to the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2005.

\*\*\* Incorporated by reference herein filed as exhibits to the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2005.

(1) Filed herewith.

(2) Previously filed.

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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.

**MEDISTEM LABORATORIES, INC.**

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(Registrant)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Neil H. Riordan, Ph.D.</u>	President and	January 17, 2005
Neil H. Riordan, Ph.D.	Chief Executive Officer (Principal Accounting Officer)	

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<b>Exhibit Number</b>	<b>Name and/or Identification of Exhibit</b>
3	Articles of Incorporation & By-Laws (a) Articles of Incorporation * (b) By-Laws adopted * (c) Certificate of Amendment to Articles of Incorporation ** (d) Certificate of Amendment to Articles of Incorporation filed June 1, 2005*** (e) Certificate of Amendment to Articles of Incorporation filed August 4, 2005*** (f) Certificate of Amendment to Articles of Incorporation filed November 4, 2005
10	Contribution Agreement dated effective as of October 12, 2005, between the registrant and Neil H. Riordan, Ph.D. (1)
31	Rule 13a-14(a)/15d-14(a) Certifications (1)
32	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350) (2)

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(1) Filed herewith.

(2) Previously filed.

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