

BIOLIFE SOLUTIONS INC  
Form 10-Q  
November 14, 2011

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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 September 30, 2011

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 0-18170

BioLife Solutions, Inc.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

94-3076866  
(IRS Employer  
Identification No.)

3303 Monte Villa Parkway, Suite 310  
Bothell, WA 98021  
(Address of Principal Executive Offices, Including Zip Code)

(425) 402-1400  
(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  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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer	<input type="radio"/>	Accelerated Filer	<input type="radio"/>
Non-Accelerated Filer	<input type="radio"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The registrant had 69,679,854 shares of Common Stock, \$0.001 par value per share, outstanding as of November 11, 2011.

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BIOLIFE SOLUTIONS, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	3
	Balance Sheets as of September 30, 2011 (unaudited) and December 31, 2010	3
	Statements of Operations (unaudited) for the three-month and nine-month periods ended September 30, 2011 and 2010	4
	Statements of Cash Flows (unaudited) for the nine-month periods ended September 30, 2011 and 2010	5
	Notes to Financial Statements (unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 4.	Controls and Procedures	14

PART II. OTHER INFORMATION

Item 6.	Exhibits	14
	Signatures	15
	Index to Exhibits	16

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

BioLife Solutions, Inc.  
Balance Sheets  
(unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 20,117	\$ 3,211
Accounts receivable, trade, net of allowance for doubtful accounts of \$1,100 at both September 30, 2011 and December 31, 2010		
Inventories	475,126	410,486
Prepaid expenses and other current assets	90,903	62,377
Total current assets	1,044,823	814,973
Property and equipment		
Furniture and computer equipment	174,166	170,256
Manufacturing and other equipment	592,941	542,775
Subtotal	767,107	713,031
Less: Accumulated depreciation and amortization	(423,104 )	(352,331 )
Net property and equipment	344,003	360,700
Long term deposits	36,166	36,166
Deferred financing costs	139,384	97,220
Total assets	\$ 1,564,376	\$ 1,309,059
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities		
Accounts payable	\$ 310,442	\$ 117,068
Accrued expenses	100,445	108,015
Accrued compensation	85,261	95,619
Deferred revenue	20,000	20,000
Total current liabilities	516,148	340,702
Long term liabilities		
Promissory notes payable, related parties	9,903,127	9,033,127
Accrued interest, related parties	1,852,433	1,354,975
Deferred revenue, long term	114,167	129,167
Total liabilities	12,385,875	10,857,971
Commitments and Contingencies		
Stockholders' equity (deficiency)		

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Common stock, \$0.001 par value; 100,000,000 shares authorized, 69,679,854 issued and outstanding at September 30, 2011 and December 31, 2010		
Additional paid-in capital	42,849,142	42,576,260
Accumulated deficit	(53,740,321)	(52,194,852)
Total stockholders' equity (deficiency)	(10,821,499)	(9,548,912 )
Total liabilities and stockholders' equity (deficiency)	\$ 1,564,376	\$ 1,309,059

See accompanying notes.

BioLife Solutions, Inc.  
Statements of Operations  
(unaudited)

	Three Months		Nine Months	
	Ended September 30, 2011	2010	Ended September 30, 2011	2010
Revenue				
Product sales	\$710,518	\$519,892	\$1,934,165	\$1,490,571
Licensing revenue	5,000	5,000	15,000	15,000
Total revenue	715,518	524,892	1,949,165	1,505,571
Cost of product sales	345,556	300,047	1,003,071	856,453
Gross profit	369,962	224,845	946,094	649,118
Operating expenses				
Research and development	98,903	98,350	391,086	246,784
Sales and marketing	55,443	91,354	197,883	331,399
General and administrative	500,424	321,337	1,356,222	1,149,813
Total operating expenses	654,770	511,041	1,945,191	1,727,996
Operating loss	(284,808 )	(286,196 )	(999,097 )	(1,078,878 )
Other income (expenses)				
Interest income	20	27	43	140
Interest expense	(171,677 )	(150,563 )	(497,458 )	(432,628 )
Loss on disposal of property and equipment	(1,896 )	-	(1,896 )	(1,626 )
Amortization of deferred financing costs	(20,307 )	-	(47,061 )	-
Total other income (expenses)	(193,860 )	(150,536 )	(546,372 )	(434,114 )
Net Loss	\$(478,668 )	\$(436,732 )	\$(1,545,469 )	\$(1,512,992 )
Basic and diluted net loss per common share	\$(0.01 )	\$(0.01 )	\$(0.02 )	\$(0.02 )
Basic and diluted weighted average common shares used to calculate net loss per common share	69,679,854	69,679,854	69,679,854	69,679,854

See accompanying notes.

BioLife Solutions, Inc.  
Statements of Cash Flows  
(unaudited)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities		
Net loss	\$(1,545,469)	\$(1,512,992)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	70,773	49,635
Loss on disposal of property and equipment	1,896	1,626
Share-based compensation expense	183,657	121,860
Amortization of deferred financing costs	47,061	-
Change in operating assets and liabilities		
(Increase) Decrease in		
Accounts receivable, trade	(119,778 )	(1,693 )
Inventories	(64,640 )	(141,231 )
Prepaid expenses and other current assets	(28,526 )	9,798
Increase (Decrease) in		
Accounts payable	193,374	36,064
Accrued expenses and compensation	(17,928 )	47,137
Accrued interest, related parties	497,458	432,628
Deferred revenue	(15,000 )	(15,000 )
Net cash used in operating activities	(797,122 )	(972,168 )
Cash flows from investing activity		
Purchase of property and equipment, net of proceeds from disposals	(55,972 )	(16,685 )
Net cash used in investing activity	(55,972 )	(16,685 )
Cash flows from financing activity		
Proceeds from promissory notes payable, related parties	870,000	850,000
Net cash provided by financing activity	870,000	850,000
Net increase (decrease) in cash and cash equivalents	16,906	(138,853 )
Cash and cash equivalents - beginning of period	3,211	139,151
Cash and cash equivalents - end of period	\$20,117	\$298
Non-cash financing activities		
Deferred financing costs from issuance of warrants (see note 6)	\$89,225	-

See accompanying notes.

BioLife Solutions, Inc.  
Notes to Financial Statements  
(unaudited)

1. Nature of the Business

BioLife Solutions, Inc. ("BioLife," "us," "we," "our," or the "Company") develops and markets patented hypothermic storage and cryopreservation solutions for cells, tissues, and organs, and provides contracted research and contract manufacturing services. Our proprietary HypoThermosol®, CryoStor®, and generic BloodStor® biopreservation media products are marketed to cell therapy companies, pharmaceutical companies, cord blood banks, hair transplant surgeons, and suppliers of cells to the toxicology testing and diagnostic markets. All of our products are serum-free and protein-free, fully defined, and are manufactured under current Good Manufacturing Practices using United States Pharmacopeia ("USP") or the highest available grade components.

2. Financial Condition and Going Concern

We have been unable to generate sufficient income from operations in order to meet our operating needs and have an accumulated deficit of approximately \$54 million at September 30, 2011. This raises substantial doubt about our ability to continue as a going concern.

At September 30, 2011, we had cash and cash equivalents of \$20,117, compared to cash and cash equivalents of \$3,211 at December 31, 2010. At September 30, 2011, we had working capital of \$528,675, compared to working capital of \$474,271 at December 31, 2010.

During the nine months ended September 30, 2011, net cash used in operating activities was \$797,122 as compared to net cash used by operating activities of \$972,168 for the nine months ended September 30, 2010. Cash used in operating activities relates primarily to funding net losses offset by changes in operating assets and liabilities and non-cash expenses related to stock options and depreciation.

Net cash used in investing activities totaled \$55,972 during the nine months ended September 30, 2011, and \$16,685 during the nine months ended September 30, 2010. Cash used in investing activities is due to purchase of property and equipment.

Net cash provided by financing activities totaled \$870,000 for the nine months ended September 30, 2011, and \$850,000 for the nine months ended September 30, 2010. Cash provided by financing activities is the result of additional funding from the Secured Multi-Draw Term Loan Facility Agreements (the "Facility Agreements") with two shareholders, Thomas Girschweiler, a director and stockholder of the Company, and Walter Villiger, an affiliate of the Company. On August 10, 2011, each Facility was increased by \$500,000 to \$5,250,000 (an aggregate of \$10,500,000).

We believe that continued access to the Facility Agreements, in combination with cash generated from customer collections, will provide sufficient funds through June 30, 2012. However, we would require additional capital in the immediate short term if our ability to draw on the Facility Agreements is restricted or terminated. Other factors that would negatively impact our ability to finance our operations include (a) significant reductions in revenue from our internal projections, (b) increased capital expenditures, (c) significant increases in cost of goods and operating expenses, or (d) an adverse outcome resulting from current litigation. We expect that we may need additional capital to reach a sustainable level of positive cash flow. Although the investors who have provided the Facility Agreements historically have demonstrated a willingness to grant access to the Facility Agreements and renegotiate terms of previous credit arrangements, there is no assurance they will continue to do so in the future. If the investors were to



become unwilling to provide access to additional funds through the Facility Agreements, we would need to find immediate additional sources of capital. There can be no assurance that such capital would be available at all, or, if available, that the terms of such financing would not be dilutive to stockholders. If we are unable to secure additional capital as circumstances require, we may not be able to continue our operations.

These financial statements assume that we will continue as a going concern. If we are unable to continue as a going concern, we may be unable to realize our assets and discharge our liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

### 3. Summary of Significant Accounting Policies

#### Basis of Presentation

We have prepared the accompanying unaudited Financial Statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Pursuant to these rules and regulations, we have condensed or omitted certain information and footnote disclosures we normally include in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In management's opinion, we have made all adjustments (consisting only of normal, recurring adjustments) necessary to fairly present our financial position, results of operations and cash flows. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full year. These financial statements and accompanying notes should be read in conjunction with the financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010 on file with the SEC.

There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in the financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010.

#### Fair value of financial instruments

We generally have the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and notes payable. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value based on the short-term nature of these financial instruments. The carrying values of notes payable approximate their fair value because interest rates of notes payable approximate market interest rates.

#### Recent Accounting Pronouncements

There have been no new accounting pronouncements during the nine months ended September 30, 2011, as compared to the recent accounting pronouncements described in our Annual Report on Form 10-K for the year ended December 31, 2010, that are of significance, or potential significance, to us.

### 4. Inventory

	September 30, 2011	December 31, 2010
Product, Finished Goods	\$ 304,410	\$ 143,338
Product, Work in Progress	39,389	45,277
Raw Materials	131,327	221,871
Total Inventory	\$ 475,126	\$ 410,486

### 5. Share-based Compensation

The fair value of share-based payments made to employees and non-employee directors was estimated on the measurement date using the Black-Scholes model using the following weighted average assumptions:

Three Month Period Ended September 30,	Nine Month Period Ended September 30,
----------------------------------------------	------------------------------------------

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	2011	2010	2011	2010
Risk free interest rate	1.02%	-	2.15%	2.22%
Dividend yield	0.0%	-	0.0%	0.0%
Expected term (in years)	6	-	6.0	6.8
Volatility	92.35%	-	92.72%	87.76%

7

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Management applies an estimated forfeiture rate that is derived from historical employee termination data. The estimated forfeiture rate applied for the three and nine months ended September 30, 2011 and 2010 was 9.39% and 7.48%, respectively.

A summary of the Company's stock option activity and related information for the nine months ended September 30, 2011 is as follows:

	Shares	Wgt'd. Avg. Exercise Price
Outstanding at December 31, 2010	14,564,815	\$0.09
Granted	6,070,873	0.08
Exercised	-	-
Forfeited/expired	(2,912,461 )	0.08
Outstanding at September 30, 2011	17,723,227	\$0.09
Outstanding options vested and exercisable at September 30, 2011	9,877,272	\$0.09

During the nine months ended September 30, 2011, options to purchase an aggregate of 750,000 shares were awarded to five outside directors which vest 100% on the first anniversary date of the awards. During the nine months ended September 30, 2011, options to purchase 2,672,934 shares were awarded to employees, which vest as follows: twenty-five percent on the first anniversary date of the award, and then one-thirty sixth of the remaining balance in each of the ensuing thirty-six months following the first anniversary date of the award. During the nine months ended September 30, 2011, options to purchase 400,000 shares were awarded to the CEO, which vested 100% upon grant of the awards, and options to purchase 2,247,939 shares were awarded to the CEO, which vest at the end of the quarter the Company achieves certain milestones.

We recorded stock compensation expense of \$51,788 and \$42,639 for the three months ended September 30, 2011 and 2010, respectively, and \$183,657 and \$121,860 for the nine months ended September 30, 2011 and 2010, respectively, as follows:

	Three Month Period		Nine Month Period Ended	
	Ended September 30,		September 30,	
	2011	2010	2011	2010
Research and development costs	\$ 6,620	\$ -	\$ 24,746	\$ -
Sales and marketing costs	-	-	1,525	-
General and administrative costs	42,030	42,639	145,128	121,860
Cost of goods sold	3,138	-	12,258	-
Total	\$ 51,788	\$ 42,639	\$ 183,657	\$ 121,860

As of September 30, 2011, we had approximately \$383,783 of unrecognized compensation expense related to unvested stock options. We expect to recognize this compensation expense over a weighted average period of approximately 2.25 years.

The weighted average grant-date fair value of option awards granted was \$0.04 during the three months ended September 30, 2011. There were no options granted during the quarter ended September 30, 2010. The weighted average grant-date fair value of option awards granted was \$0.06 and \$0.08 per share during the nine months ended September 30, 2011 and 2010, respectively.

As of September 30, 2011, there was \$44,000 of aggregate intrinsic value of outstanding stock options, including \$27,000 of aggregate intrinsic value of exercisable stock options. Intrinsic value is the total pretax intrinsic value for all “in-the-money” options (i.e., the difference between the Company’s closing stock price on the last trading day of September 2011 and the exercise price, multiplied by the number of shares) that would have been received by the option holders had all option holders exercised their options as of September 30, 2011. This amount may change, based on the fair market value of the Company’s stock.

## 6. Warrants

At September 30, 2011, the Company had 6,218,750 warrants outstanding and exercisable with a weighted average exercise price of \$0.08. There were no warrants exercised or forfeited in the nine months ended September 30, 2011. The outstanding warrants have expiration dates between May 2012 and August 2016.

During the quarter ended September 30, 2011, the Company issued a total of 2,000,000 warrants to the current note holders in consideration for financing fees related to the restructuring of the existing promissory notes. The warrants were valued using the Black-Scholes option pricing model resulting in a total value of \$89,225 which was recorded as Deferred financing costs and is being amortized to expense over the term of the notes.

During the three and nine months ended September 30, 2011, the Company recorded \$20,307 and \$47,061, respectively, in amortization of deferred financing costs related to warrants granted in 2010 and 2011 in conjunction with the restructuring of outstanding notes.

## 7. Net Loss per Common Share

Basic net loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the weighted average number of common shares outstanding plus dilutive common stock equivalents outstanding during the period. Common stock equivalents are excluded for the three and nine month periods ended September 30, 2011 and 2010, since the effect is anti-dilutive due to the Company's net losses. Common stock equivalents include stock options and warrants.

Basic weighted average common shares outstanding, and the potentially dilutive securities excluded from loss per share computations because they are anti-dilutive, are as follows for the nine month periods ended September 30, 2011 and 2010, respectively:

	Period Ended September 30,	
	2011	2010
Basic and diluted weighted average common stock shares outstanding	69,679,854	69,679,854
Potentially dilutive securities excluded from loss per share computations:		
Common stock options	17,723,227	14,564,815
Common stock purchase warrants	6,218,750	2,218,750

## 8. Related Party Transactions

We incurred legal fees for services provided by a law firm in which a director and stockholder of the Company is a partner totaling \$23,182 and \$42,067 for the three and nine months ended September 30, 2011, respectively, and \$1,641 and \$18,326 for the three and nine months ended September 30, 2010, respectively. Pursuant to a consulting agreement for services provided by a director and stockholder of the Company, we incurred \$8,000 and \$56,000 in consulting fees during the three and nine months ended September 30, 2011, respectively, and \$24,000 and \$72,000 during the three and nine months ended September 30, 2010, respectively.

Included in accounts payable are \$23,182 and \$149 due to related parties for services rendered as of September 30, 2011 and December 31, 2010, respectively.

## 9. Subsequent Event

Subsequent to September 30, 2011, we received an additional \$175,000 in total from Messrs. Girschweiler and Villiger pursuant to the Facility Agreements.

#### 10. Contingencies

##### Legal Proceedings

The Company is a party in seven legal matters filed in the state of New York by the Company or John G. Baust, the Company's former Chief Executive Officer, and members of his extended family, that are described more fully in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. During the nine months ended September 30, 2011, there were no significant developments related to these complaints. The Company has not made any accrual related to future litigation outcomes as of September 30, 2011 and December 31, 2010.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements contained in this Quarterly Report on Form 10-Q, including under the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," include forward-looking statements 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, including, without limitation, statements regarding the Company management's expectations, hopes, beliefs, intentions or strategies regarding the future. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on the Company's current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting the Company will be those that it has anticipated. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include those factors described in greater detail in the risk factors disclosed in our Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those anticipated in these forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

### Overview

Management's discussion and analysis provides additional insight into the Company and is provided as a supplement to, and should be read in conjunction with, our annual report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission.

Our proprietary HypoThermosol®, CryoStor®, and generic BloodStor® biopreservation media products are marketed to cell therapy companies, pharmaceutical companies, cord blood banks, hair transplant surgeons, and suppliers of cells to the toxicology testing and diagnostic markets. All of our products are serum-free and protein-free, fully defined, and are manufactured under current Good Manufacturing Practices using United States Pharmacopeia ("USP") or the highest available grade components.

Our product line of serum-free and protein-free biopreservation media products are fully defined and formulated to reduce preservation-induced, delayed-onset cell damage and death. This platform enabling technology provides academic and clinical researchers significant extension in biologic source material shelf life and also improved post-thaw cell, tissue, and organ viability and function.

The discoveries made by our scientists and consultants relate to how cells, tissues, and organs respond to the stress of hypothermic storage, cryopreservation, and the thawing process, and enables the formulation of truly innovative biopreservation media products that protect biologic material from preservation related cellular injury, much of which is not apparent immediately post-thaw. Our enabling technology provides significant improvement in post-preservation viability and function of biologic material. This yield improvement can reduce research, development, and commercialization costs of new cell and tissue based clinical therapies.

### Liquidity, Going Concern and Capital Resources

#### Liquidity



We have been unable to generate sufficient income from operations in order to meet our operating needs and have an accumulated deficit of approximately \$54 million at September 30, 2011. This raises substantial doubt about our ability to continue as a going concern.

At September 30, 2011, we had cash and cash equivalents of \$20,117, compared to cash and cash equivalents of \$3,211 at December 31, 2010. At September 30, 2011, we had working capital of \$528,675, compared to working capital of \$474,271 at December 31, 2010.

During the nine months ended September 30, 2011, net cash used in operating activities was \$797,122 as compared to net cash used by operating activities of \$972,168 for the nine months ended September 30, 2010. Cash used in operating activities relates primarily to funding net losses offset by changes in operating assets and liabilities and non-cash expenses related to stock options and depreciation.

Net cash used in investing activities totaled \$55,972 during the nine months ended September 30, 2011, and \$16,685 during the nine months ended September 30, 2010. Cash used in investing activities is due to purchase of property and equipment.

Net cash provided by financing activities totaled \$870,000 for the nine months ended September 30, 2011, and \$850,000 for the nine months ended September 30, 2010. Cash provided by financing activities is the result of additional funding from the Secured Multi-Draw Term Loan Facility Agreements (the "Facility Agreements") with two shareholders, Thomas Girschweiler, a director and stockholder of the Company, and Walter Villiger, an affiliate of the Company. On August 10, 2011, each Facility was increased by \$500,000 to \$5,250,000 (an aggregate of \$10,500,000).

We believe that continued access to the Facility Agreements, in combination with cash generated from customer collections, will provide sufficient funds through June 30, 2012. However, we would require additional capital in the immediate short term if our ability to draw on the Facility Agreements is restricted or terminated. Other factors that would negatively impact our ability to finance our operations include (a) significant reductions in revenue from our internal projections, (b) increased capital expenditures, (c) significant increases in cost of goods and operating expenses, or (d) an adverse outcome resulting from current litigation. We expect that we may need additional capital to reach a sustainable level of positive cash flow. Although the investors who have provided the Facility Agreements historically have demonstrated a willingness to grant access to the Facility Agreements and renegotiate terms of previous credit arrangements there is no assurance they will continue to do so in the future. If the investors were to become unwilling to provide access to additional funds through the Facility Agreements, we would need to find immediate additional sources of capital. There can be no assurance that such capital would be available at all, or, if available, that the terms of such financing would not be dilutive to stockholders. If we are unable to secure additional capital as circumstances require, we may not be able to continue our operations.

#### Critical Accounting Policies and Significant Judgments and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles for interim financial reporting. The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting periods presented. On an ongoing basis, we evaluate estimates, including those related to share-based compensation and expense accruals. We base our estimates on historical experience and on other factors 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. Actual results may differ materially from these estimates under different assumptions or conditions. Our critical accounting policies and estimates have not changed significantly from those policies and estimates disclosed under the heading "Critical Accounting Policies and Significant Judgments and Estimates" under Item 7 in our Form 10-K for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission.

#### Results of Operations

##### Summary of Achievements for the Third Quarter of 2011

Our revenue and customer base continued to grow as we shipped orders for BloodStor®, CryoStor®, and HypoThermosol® to several new and most existing customers in our strategic markets of regenerative medicine, biobanking, and drug discovery.

We continued to grow our contract manufacturing business with revenue increasing more than 100% over the third quarter of 2010.

We received significant orders from our distribution partners, with revenue for nine months of 2011 from distributors at 200% of our total revenue from this channel for all of 2010.

Comparison of Results of Operations for the Three and Nine Month Periods Ended September 30, 2011 and September 30, 2010

Percentage comparisons have been omitted within the following table where they are not considered meaningful.

## Revenue and Gross Margin

	Three Month Period Ended			
	September 30,		Change	% Change
	2011	2010		
Revenue				
Product sales	\$ 710,518	\$ 519,892	\$ 190,626	37%
Licensing revenue	5,000	5,000	-	-
Total revenue	715,518	524,892	190,626	36%
Cost of sales	345,556	300,047	45,509	15%
Gross profit	\$ 369,962	\$ 224,845	\$ 145,117	65%
Gross margin %	52%	43%		

	Nine Month Period Ended			
	September 30,		Change	% Change
	2011	2010		
Revenue				
Product sales	\$ 1,934,165	\$ 1,490,571	\$ 443,594	30%
Licensing revenue	15,000	15,000	-	-
Total revenue	1,949,165	1,505,571	443,594	29%
Cost of sales	1,003,071	856,453	146,618	17%
Gross profit	\$ 946,094	\$ 649,118	\$ 296,976	46%
Gross margin %	49%	43%		

Product Sales and Cost of Sales. Product sales for the three and nine months ended September 30, 2011 increased compared to the three and nine months ended September 30, 2010 primarily due to significantly higher sales to our network of distributors in 2011 and increased sales to our contract manufacturing partners. Sales to distributors in the nine months ended September 30, 2011 increased to 200% of sales to distributors for the year ended December 31, 2010.

Cost of sales for the three and nine months ended September 30, 2011 increased compared to the three and nine months ended September 30, 2010 due to increased product sales. Gross margin as a percentage of revenue increased to 52% of revenue for the third quarter and 49% for the nine months ended September 30, 2011 primarily due to increased utilization of our manufacturing capacity. This is offset partially by certain non-recurring costs related to employee transition that occurred in the first quarter of 2011.

Licensing Revenue. We have entered into license agreements with one customer that provides this customer with limited access to our intellectual property under certain conditions. This customer paid upfront fees for the specific rights and we recognize license revenue ratably over the term of the agreements.

## Operating Expenses

Our operating expenses for the three and nine months ended September 30, 2011 and 2010 were:

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2011	2010	2011	2010
Research and development	\$ 98,903	\$ 98,350	\$ 391,086	\$ 246,784
% of revenue	14%	19%	20%	16%
Sales and marketing	\$ 55,443	\$ 91,354	\$ 197,883	\$ 331,399
% of revenue	8%	17%	10%	22%
General and administrative	\$ 500,424	\$ 321,337	\$ 1,356,222	\$ 1,149,813
% of revenue	70%	61%	70%	76%

**Research and Development Expenses.** Expenses relating to research and development for the three months ended September, 2011 were relatively flat compared to the three months ended September 30, 2010. These expenses increased for the nine months ended September 30, 2011 compared to 2010 primarily due to higher personnel expenses of \$104,000 related to new employees in 2011 and reclassification of one employee from marketing to research and development in January 2011. The Company also incurred \$29,000 in additional consulting expenses as the Company continues to explore uses for its products.

**Sales and Marketing Expenses.** For the three and nine months ended September 30, 2011, sales and marketing expenses decreased compared to 2010 primarily due to lower personnel related costs due to a reclassification of one employee from marketing to research and development in January 2011.

**General and Administrative Expenses.** For the three and nine months ended September 30, 2011, general and administrative expenses increased compared to 2010 primarily due to an increase in legal fees in 2011, higher personnel costs of \$50,000 for the third quarter and \$115,000 for the nine months ended September 30, 2011, and higher stock compensation costs of \$23,000 recorded for options granted in the first quarter of 2011.

## Other Income (Expenses)

**Interest Expense.** Interest expense increased to \$171,677 and \$497,458 for the three and nine months ended September 30, 2011, respectively, compared to \$150,563 and \$432,628 for the same periods in 2010. The increase is due to a higher debt balance as the Company has continued to borrow against the Facility Agreements.

**Amortization of Deferred Financing Costs.** Amortization of deferred financing costs represents the cost of warrants issued in the fourth quarter of 2010 and the third quarter of 2011 which are being amortized over the life of the warrants.

## Contractual Obligations

We did not have any off-balance sheet arrangements as defined in S-K 303(a)(4)(ii).

#### ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this quarterly report. Based on this evaluation, our chief executive officer and chief financial officer concluded as of September 30, 2011, that our disclosure controls and procedures were effective such that the information required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2011 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Limitations on Effectiveness of Control. Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are 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.

#### PART II: OTHER INFORMATION

#### ITEM 6. EXHIBITS

See accompanying Index to Exhibits included after the signature page of this report for a list of exhibits filed or furnished with this report.

SIGNATURES

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

BIOLIFE SOLUTIONS, INC.

Dated: November 14, 2011

By:

/s/ Daphne Taylor  
Daphne Taylor  
Chief Financial Officer  
(Duly authorized officer and  
principal financial officer)

BioLife Solutions, Inc.

INDEX TO EXHIBITS

Exhibit No.	Description
<u>31.1*</u>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2*</u>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1*</u>	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>32.2*</u>	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\*Filed herewith



