

BIOLIFE SOLUTIONS INC  
Form 10QSB  
November 08, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

---

**FORM 10-QSB**

**(Mark One)**

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

**For the quarterly period ended September 30, 2006**

**“ TRANSITION REPORT PURSUANT TO SECTION 12 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

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

**0-18170**

**(Commission File No.)**

**BioLife Solutions, Inc.**

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

**Delaware**

**94-3076866**

(State or Other Jurisdiction of Incorporation)

(IRS Employer I.D. Number)

**171 Front Street**

**Owego, New York 13827**

(Address of principal executive offices)

**(607) 687-4487**

(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 12g-2 of the Exchange Act).  
Yes ☐ No ☒

**68,773,188 shares of BioLife Solutions, Inc. Common Stock, par value \$.001 per share, were outstanding as of November 8, 2006**

Transitional Small Business Disclosure Format (check one). Yes ☐ No ☒

---

**BioLife Solutions, Inc.**

**Form 10-QSB**

**Quarter Ended September 30, 2006**

**Index**

Page No.

Part I. Financial Information

Item 1. Financial Statements:

Unaudited Balance Sheet at September 30, 2006

3

Unaudited Statements of Operations for the three and nine month periods ended September 30, 2006 and September 30, 2005

4

4

Unaudited Statements of Cash Flows for the nine month periods ended September 30, 2006 and September 30, 2005

5

Notes to Financial Statements

6-8

Item 2. Management's Discussion and Analysis

9-12

Item 3. Controls and Procedures

13

Part II.

Other Information

Item 6. Exhibits

14

Signatures

15

Index to Exhibits

5

2

---

**Part I**

**Financial Information**

**Item 1. Financial Statements**

**BioLife Solutions, Inc.**

**Balance Sheet**

**(Unaudited)**

**September 30,**

**2006**

**Assets**

**Current assets**

Cash and cash equivalents

|   |         |
|---|---------|
|   | \$      |
|   | 483,041 |
| Trade receivables, net of allowance for doubtful accounts |         |
|   | 58,285  |
| Inventories   |         |
|   | 110,539 |
| Prepaid expenses and other current assets                 |         |
|   | 29,162  |
| <b>Total current assets</b>                               |         |
|   | 681,027 |
| <b>Property and equipment</b>                             |         |
|   |         |
| Leasehold improvements                                    |         |
|   | 59,264  |



Furniture and computer equipment

**37,380**

Manufacturing and other equipment

**128,448**

**Subtotal**

**225,092**

Less: Accumulated depreciation and amortization

**(181,020)**

**Net property and equipment**

**44,072**

**Total assets**

**\$**

**725,099**

**Liabilities and Stockholders' Equity**

**Current liabilities**

LDC Loan    current maturities

\$

**29,534**

Accounts payable

**60,783**

Accounts payable    related parties

**1,663**

Accrued expenses

**19,108**

Accrued compensation

**32,607**

Insurance advance

**231,363**

**Total current liabilities**

**375,058**

**Long term liabilities**

LDC Loan less current maturities above

**175,189**

**Total liabilities**

**550,247**

**Commitments and contingencies**

**Stockholders' equity**

Common stock, \$0.001 par value, 100,000,000 shares

authorized, 68,773,188 shares issued and outstanding

**68,773**

Additional paid-in capital

**41,906,475**

Accumulated deficit

**(41,779,232)**

**Subtotal**

**196,016**

Stock subscriptions receivable

(21,164)

**Total stockholders' equity**

174,852

**Total liabilities and stockholders' equity**

\$

725,099

See notes to financial statements

**BioLife Solutions, Inc.**

**Statements of Operations**

**(Unaudited)**

**Three Months Ended**

**Nine Months Ended**

**September 30,**

**September 30,**

**2006**

2005

**2006**

2005

**Revenue**

Product sales

\$

123,953

\$

122,676

\$

427,316

\$

311,793

Facilities fee    related party

|                              |        |
|------------------------------|--------|
|                              | -      |
|                              | 24,386 |
|                              | -      |
|                              | 66,112 |
| Management fee related party |        |
|                              | -      |
|                              | 13,412 |
|                              | -      |
|                              | 36,362 |
| <b>Total revenue</b>         |        |



**123,953**

160,474

**427,316**

414,267

**Operating expenses**

Cost of product sales

**59,336**

50,326

**232,607**

134,651

Sales and marketing

**87,835**

31,436

**192,186**

65,234

Research and development

**17,421**

6,430

**36,441**

19,315

General and administrative

**355,126**

230,208

**1,016,779**

649,362

**Total expenses**

**519,718**

318,400

**1,478,013**

868,562

**Operating loss**

**(395,765)**

**(157,926)**

**(1,050,697)**

**(454,295)**

**Other income (expense)**

Interest income

|   |                 |
|---|-----------------|
|   | <b>3,196</b>    |
|   | 974             |
|   | <b>10,355</b>   |
|   | 5,798           |
| Interest expense                              |                 |
|   | <b>(4,360)</b>  |
|   | -               |
|   | <b>(53,656)</b> |
|   | -               |
| Loss on disposal of property<br>and equipment |                 |

|                                     |          |
|-------------------------------------|----------|
|                                     | -        |
|                                     | -        |
|                                     | (3,273)  |
|                                     | -        |
| <b>Total other income (expense)</b> |          |
|                                     | (1,164)  |
|                                     | 974      |
|                                     | (46,574) |
|                                     | 5,798    |



**Net loss**

**\$**

**(396,929)**

**\$**

**(156,952)**

**\$**

**(1,097,271)**

**\$**

**(448,497)**

**Total basic and diluted net loss per common share**

**\$**

**(0.01)**

**\$**

**(0.01)**

**\$**

**(0.02)**

**\$**

**(0.04)**

Basic and diluted weighted average common shares used to compute net loss per common share

**68,773,188**

12,413,209

**47,509,167**

12,413,209

See notes to financial statements

---

**BioLife Solutions, Inc.**

**Statements of Cash Flows**

**(Unaudited)**

**Nine Months Ended**

**September 30,**

**2006**

2005

**Cash flows from operating activities**

Net loss

\$

(1,097,271)

\$

(448,497)

**Adjustments to reconcile net loss to net cash**

**used in operating activities**

Depreciation

**39,456**

49,051

Loss on disposal of property and equipment

**3,273**

-

Stock-based compensation and financing expense

**232,014**

17,050

**Change in operating net assets and liabilities**

**(Increase) decrease in**

Trade receivables

**18,058**

21,198

Inventories

|   |          |
|---|----------|
|   | 12,874   |
|   | (74,547) |
| Prepaid expenses and other current assets |          |
|   | (29,162) |
|   | (20,458) |
| <b>Increase (decrease) in</b>             |          |
|   |          |
|   |          |
| Accounts payable                          |          |
|   | 49,536   |
|   | 77,888   |
| Accounts payable related parties          |          |

|                                       |           |
|---------------------------------------|-----------|
|                                       | (7,066)   |
|                                       | 3,656     |
| Accrued expenses                      |           |
|                                       | (26,628)  |
|                                       | (12,425)  |
| Accrued compensation                  |           |
|                                       | 28,809    |
|                                       | (56,692)  |
| Insurance advance                     |           |
|                                       | 231,363   |
|                                       | -         |
| Net cash used in operating activities |           |
|                                       | (544,744) |



(443,776)

**Cash flows from investing activities**

Purchase of property and equipment

(24,547)

(12,620)

**Net cash used in investing activities**

(24,547)

(12,620)

**Cash flows from financing activities**

Proceeds from notes payable

-

230,500

Principal payments on notes payable

**(21,204)**

-

Receipts from exercise of options and warrants

**883,641**

—

Collection of stock subscriptions receivable

**4,800**

—

**Net cash provided by financing activities**

**867,237**

230,500

Net increase (decrease) in cash

**297,946**

(225,896)

**Cash - beginning of period**

**185,095**

531,684

**Cash - end of period**

\$

**483,041**

\$

305,788

**Non-cash investing and financing activities:**

In connection with stock options exercised during the nine months ended September 30, 2006, liabilities totaling \$113,187 were forgiven by employees as partial payment for their common stock. In addition, the company granted stock subscription loans to employees totaling \$30,264 to assist in exercising their options.

See notes to financial statements

---

**BioLife Solutions, Inc.**

**Notes to Financial Statements**

**A.**

**General**

Incorporated in 1998 in the State of Delaware as a wholly owned subsidiary of Cryomedical Sciences, Inc. (Cryomedical), BioLife Solutions, Inc. (BioLife or the Company) develops, manufactures and markets patented hypothermic storage and cryopreservation solutions for cells, tissues, and organs. The Company's proprietary HypoThermosol® and CryoStor™ line of solutions are marketed directly to companies, labs and academic institutions engaged in research and commercial applications. BioLife's line of serum free and protein free preservation solutions are fully defined and formulated to reduce or prevent preservation-induced, delayed-onset cell damage and death. BioLife's platform enabling technology provides academic and clinical researchers significant improvement in post-thaw cell, tissue, and organ viability and function.

In May 2002, Cryomedical implemented a restructuring and recapitalization program designed to shift its focus away from cryosurgery toward addressing preservation and transportation needs in the biomedical marketplace. On June 25, 2002 the Company completed the sale of its cryosurgery product line and related intellectual property assets to Irvine, CA-based Endocare Inc., a public company. In the transaction, the Company transferred ownership of all of its cryosurgical installed base, inventory, and related intellectual property, in exchange for \$2.2 million in cash and 120,022 shares of Endocare restricted common stock. In conjunction with the sale of Cryomedical's cryosurgical assets, Cryomedical's Board of Directors also approved merging BioLife into Cryomedical and changing its name to BioLife Solutions, Inc. In September 2002, Cryomedical changed its name to BioLife Solutions, Inc. and began to trade under the new ticker symbol, BLFS on the OTCBB. Subsequent to the merger, the Company ceased to have any subsidiaries.

The Balance Sheet as of September 30, 2006, the Statements of Operations for the three and nine month periods ended September 30, 2006 and 2005 and the Statements of Cash Flows for the nine month periods ended September 30, 2006 and 2005 have been prepared without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at September 30, 2006, and for all periods then ended, have been recorded. All adjustments recorded were of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto, included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005.

The results of operations for the three and nine month periods ended September 30, 2006 are not necessarily indicative of the operating results anticipated for the full year.

**B.**

**Financial Condition**

At September 30, 2006, the Company had stockholders' equity of approximately \$175,000 and a working capital surplus of approximately \$306,000. The Company has been unable to generate sufficient income from operations to meet its operating needs. This raises doubt about the Company's ability to continue as a going concern.

The Company believes it has sufficient funds to continue operations in the near term. Future capital requirements will depend on many factors, including the ability to market and sell the Company's product line, research and development programs, the scope and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents or any litigation by third parties regarding intellectual property, the status of competitive products, the maintenance of the manufacturing facility, the maintenance of sales and marketing capabilities, and the establishment of collaborative relationships with other parties.

These financial statements assume that the Company will be able to continue as a going concern. If the Company is unable to continue as a going concern, the Company may be unable to realize its assets and discharge its 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 the Company be unable to continue as a going concern.

---

**C.**

**Inventories**

Inventories consist of \$74,425 of finished product and \$36,114 of manufacturing materials at September 30, 2006.

The Company has a policy of segregating from its finished product inventory its preservation solutions inventory with labeled expiration dates that have passed. During June 2006, the Company suffered a loss related to this segregated inventory and subsequently submitted an insurance claim. The Company received an advance on the claim of \$231,363 during September 2006. Management expects to resolve the claim and receive an additional \$180,000 during the fourth quarter of 2006, at which time a gain will be realized.

**D.**

**Stockholders Equity**

In March 2006, in an effort to secure much needed capital, the Board of Directors approved a plan to raise additional capital from the holders of its outstanding warrants and stock options at a reduced price of \$0.04 per share, in order to (a) prevent further dilution by the issuance of additional securities to outsiders, and (b) to restructure the capitalization of the Company. The offering was completed on May 1, 2006 and the Company was able to raise \$883,641 through (a) the exercise of warrants to purchase 23,022,783 shares of the Company's Common Stock at \$0.04, and (b) the exercise of stock options to purchase 2,547,000 shares of the Company's Common Stock at \$0.04. As part of the plan, 12,000 shares of the Company's Series F Preferred Stock were converted to 4,800,000 shares of Common Stock and 55.125 shares of the Company's Series G Preferred Shares were converted to 17,226,563 shares of Common Stock. After the conversion, the company terminated all designations of Series F and G Preferred Shares. In addition, on May 1, 2006, the Company declared, effective as of December 31, 2005, \$507,808 and \$217,181 in accumulated dividends payable on the Series F preferred stock and Series G preferred stock, respectively, which dividends were paid in common stock of the Company on May 1, 2006. The total number of shares paid in connection with such dividends was 8,763,633. After the payment of such dividends, the issuance of shares of common stock in connection with the conversion of the Series F preferred stock and Series G preferred and the aforementioned exercise of options and warrants, the Company had 68,773,188 shares of common stock issued and outstanding. In conjunction with the repricing of certain options and warrants, the Company recognized compensation costs of \$103,296 and financing costs of \$43,793.

At September 30, 2006 there were options to purchase 5,049,000 shares of Company stock outstanding, 1,924,000 of which were exercisable, with exercise prices ranging from \$0.08 to \$2.50 per share. At September 30, 2006 there were warrants to purchase 4,244,075 shares of Company stock outstanding, all of which were exercisable, with



exercise prices ranging from \$0.08 to \$2.65 per share.

**E.**

**Earnings (Loss) Per Share**

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing income from operations by the weighted average number of shares outstanding, including potentially dilutive securities such as preferred stock, stock options and warrants. Potential common shares were not included in the diluted earnings per share amounts for the three and nine month periods ended September 30, 2006 and 2005 as their effect would have been anti-dilutive.

**F.**

**Stock-Based Compensation**

In December 2004, the FASB issued SFAS No. 123(R) (revised 2004) "Share-Based Payment." This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." This statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. Pro forma disclosure is no longer an alternative. This statement establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees. This statement uses the terms compensation and payment in their broadest senses to refer to the consideration paid for goods or services, regardless of whether the supplier is an employee.

## Edgar Filing: BIOLIFE SOLUTIONS INC - Form 10QSB

The Company adopted SFAS No. 123(R) effective January 1, 2006 and is recognizing the cost of stock-based compensation, consisting of stock options, using the Modified Prospective Application transition method whereby the cost of new awards and awards modified, repurchased or cancelled after January 1, 2006 and the portion of awards for which the requisite service has not been rendered (unvested awards) that are outstanding as of January 1, 2006, is recognized as the requisite service is rendered on or after the effective date, January 1, 2006. Under the modified prospective application transition method, no restatement of previously issued financial statements is required. Compensation expense is measured and recognized beginning in 2006 as follows:

**AWARDS GRANTED AFTER DECEMBER 31, 2005** - Awards are measured at their fair value at date of grant. The resulting compensation expense is recognized in the Statement of Operations ratably over the vesting period of the award. Compensation expense with options issued after December 31, 2005 totaled \$13,800.

For all grants issued after December 31, 2005 the amount of recognized compensation expense is adjusted based upon an estimated forfeiture rate which is derived from historical data.

**AWARDS GRANTED PRIOR TO JANUARY 1, 2006** - Awards were measured at their fair value at the date of original grant. Compensation expense associated with the unvested portion of these options at January 1, 2006 is recognized in the Statement of Operations ratably over the remaining vesting period. Compensation expense associated with options granted prior to January 1, 2006 totaled \$23,709 for the three months ended September 30, 2006 and \$71,125 for the nine months ended September 30, 2006.

For the three and nine month periods ended September 30, 2005, the intrinsic value based method of accounting for stock options prescribed by APB No. 25 was applied. During the quarter ended September 30, 2005, the Company granted options to employees and directors to purchase 2,660,000 shares of Common Stock for \$0.08 per share which was a price that was less than the fair market value (\$0.09) at the date of grant. Compensation expense associated with these options totaled \$17,050 for the three and nine month periods ended September 30, 2005.

If compensation expense had been recognized based on the estimate of the fair value of each option granted in accordance with the provisions of SFAS No. 123 as amended by SFAS No. 148, net loss would have been increased to the following pro forma amount as follows:

**Three Months**

**Ended**

**Nine Months**

**Ended**

**September 30, 2005**

**September 30, 2005**

Net loss as reported

\$

(156,952)

\$

(448,497)

Add: Stock-based compensation costs included in  
reported net loss

17,050

17,050

Less: Compensation expense based on fair value,

net of related tax effects

(138,563)

(174,172)

Pro forma net loss

\$

(278,465)

\$

(605,619)

Basic and diluted net loss per share as reported

\$

(0.01)

\$

(0.04)

Pro forma

\$

(0.02)

\$

(0.05)

Pro forma compensation expense recognized under SFAS No. 123 does not consider estimated forfeitures.

**G.**

**Reclassifications**

Certain September 2005 amounts have been reclassified to conform to the September 2006 presentation. The reclassifications had no material effect on operations.

## **Item 2. Management's Discussion and Analysis**

The following discussion should be read in conjunction with the Company's financial statements and notes thereto set forth elsewhere herein.

BioLife has pioneered the next generation of preservation solutions designed to maintain the viability and health of cellular matter and tissues during freezing, transportation and storage. Based on the Company's proprietary, bio-packaging technology and a patented understanding of the mechanism of cellular damage and death, these products enable the biotechnology and medical community to address a growing problem that exists today. The expanding practice of cell and gene therapy has created a need for products that ensure the biological viability of mammalian cell and tissue material during transportation and storage. The Company believes that the HypoThermosol® and CryoStor™ products it is selling today are a significant step forward in meeting these needs.

The Company's line of serum free and protein free preservation solutions are fully defined and formulated to reduce or prevent preservation-induced, delayed-onset cell damage and death. BioLife's platform enabling technology provides academic and clinical researchers significant improvement in post-thaw cell, tissue, and organ viability and function.

BioLife has entered into agreements with several emerging biotechnology companies engaged in the research and commercialization of cell and gene therapy technology and has received several government research grants in partnership with academic institutions to conduct basic research, which could lead to further commercialization of technology to preserve human cells, tissues and organs.

The Company currently markets its HypoThermosol® and CryoStor™ line of solutions to companies and labs engaged in pre-clinical research, and to academic institutions.

### **Results of Operations (three and nine month periods ended September 30, 2006 compared to the three and nine month periods ended September 30, 2005)**

#### **Revenue**

Revenue for the quarter ended September 30, 2006 decreased \$36,521, or 23%, to \$123,953, compared to \$160,474 for the quarter ended September 30, 2005. The shift in focus toward product sales resulted in a 1% increase in revenue from product sales in the third quarter of 2006 as compared to the third quarter of 2005. In 2004, the Company elected to discontinue engaging directly in Small Business Innovative Research ( SBIR ) grants and entered into a research agreement with Cell Preservation Services, Inc. ( CPSI ) to outsource to CPSI all BioLife research funded through SBIR grants. In addition to shifting R&D related expenses to CPSI, BioLife received facilities and management fees from CPSI in exchange for the use of BioLife facilities and management services in connection with the research performed in 2005. In the third quarter of 2005, BioLife had revenues of \$24,386 and \$13,412 for

facilities fees and management fees, respectively. BioLife earned no facilities or management fees in the third quarter of 2006 as CPSI engaged in no grant related research activity during this period.

Revenue for the nine month period ended September 30, 2006 increased \$13,049, or 3%, to \$427,316, compared to \$414,267 for the nine month period ended September 30, 2005. The shift in focus toward product sales resulted in a 37% increase in revenue from product sales for the nine month period ended September 30, 2006 as compared to the nine month period ended September 30, 2005. During the nine month period ended September 30, 2005, BioLife had revenues of \$66,112 and \$36,362 for facilities fees and management fees, respectively. BioLife earned no facilities or management fees during the nine month period ended September 30, 2006 as CPSI engaged in no grant related research during this period.

### **Cost of product sales**

Cost of product sales for the quarter ended September 30, 2006 increased \$9,010, or 18%, to \$59,336, compared to \$50,326 for the quarter ended September 30, 2005. Cost of product sales for the nine month period ended September 30, 2006 increased \$97,956, or 73%, to \$232,607, compared to \$134,651 for the nine month period ended September 30, 2005. These increases are primarily the result of increased production costs, most of which were associated with the increase in product sales.

### **Sales and marketing expenses**



For the quarter ended September 30, 2006, sales and marketing expenses increased \$56,399, or 179%, to \$87,835, compared to \$31,436 for the quarter ended September 30, 2005. Sales and marketing expenses for the nine month period ended September 30, 2006 increased \$126,952, or 195%, to \$192,186, compared to \$65,234 for the nine month period ended September 30, 2005. The increase in sales and marketing expense in 2006 was due to increased sales and marketing activities such as tradeshow, advertising, travel, and supplies as well as the addition of two employees, beginning in the second quarter of 2006.

### **Research and development expenses**

Expenses relating to research and development for the quarter ended September 30, 2006 increased \$10,991, or 171%, to \$17,421, compared to \$6,430 for the quarter ended September 30, 2005. Expenses relating to research and development for the nine month period ended September 30, 2006 increased \$17,126, or 89%, to \$36,441, compared to \$19,315 for the nine month period ended September 30, 2005. This increase was due to the addition of an employee, beginning in the second quarter of 2006, to perform research and development work.

### **General and administrative expenses**

For the quarter ended September 30, 2006, general and administrative expenses increased \$124,918, or 54%, to \$355,126, compared to \$230,208 for the quarter ended September 30, 2005. Notable increases in general and administration expenses from the third quarter of 2005 to the third quarter of 2006 include an increase in compensation and benefits expenses totaling approximately \$75,000. This increase resulted primarily from the addition of two new employees in the third quarter of 2006, including a new Chief Executive Officer, as well as additional stock-based compensation. In addition, professional fees increased approximately \$50,000 from the third quarter of 2005 to the third quarter of 2006 as a result of increased legal fees related to the hiring of the new CEO, increased accounting fees and fees for a market demand consulting project. These increases were partially offset by a decrease in equipment rental fees totaling approximately \$8,000 from the third quarter of 2005 to the third quarter of 2006 as several of the Company's equipment leases expired and more cost effective solutions were implemented.

General and administrative expenses for the nine month period ended September 30, 2006 increased \$367,417, or 57%, to \$1,016,779, compared to \$649,362 for the nine month period ended September 30, 2005. Notable increases in general and administration expenses include an increase in travel expenses for the nine month period ended September 30, 2006 totaling approximately \$64,000 when compared to the nine month period ended September 30, 2005. This increase resulted primarily from allowances based on travel expenditures made which were granted to two employees, including the former Chief Executive Officer. In addition, compensation and benefits expenses for the nine month period ended September 30, 2006 increased approximately \$245,000 when compared to the nine month period ended September 30, 2005 as a result of the addition of two new employees in the third quarter of 2006, including a new Chief Executive Officer. Also included in this compensation increase is an increase of approximately \$171,000 in stock-based compensation. Professional fees for the nine month period ended September 30, 2006 increased approximately \$65,000 when compared to the nine month period ended September 30, 2005 as a result of the second quarter stock offering, increased accounting fees and fees for a market demand consulting project. These increases were partially offset by a decrease in equipment rental fees for the nine month period ended September 30,

2006 totaling approximately \$17,000 when compared to the nine month period ended September 30, 2005 as several of the Company's equipment leases expired and more cost effective solutions were implemented.

### **Interest expense**

For the quarter ended September 30, 2006, interest expense was \$4,360. For the nine month period ended September 30, 2006, interest expense was \$53,656. There was no interest expense for the three and nine month periods ended September 30, 2005. These increases are primarily the result of \$44,000 in interest recorded as a result of modification of stock warrants which were originally issued in connection with promissory notes.

### **Operating expenses and net loss**

For the quarter ended September 30, 2006, operating expenses (excluding product costs) increased \$192,308, or 72%, to \$460,382, compared to \$268,074 for the quarter ended September 30, 2005. The Company reported a net loss of (\$396,929) for the quarter ended September 30, 2006, compared to a net loss of (\$156,952) for the quarter ended September 30, 2005.

For the nine month period ended September 30, 2006, operating expenses (excluding product costs) increased \$511,495, or 70%, to \$1,245,406, compared to \$733,911 for the nine month period ended September 30, 2005. The Company reported a net loss of (\$1,097,271) for the nine month period ended September 30, 2006, compared to a net loss of (\$448,497) for the nine month period ended September 30, 2005.

### **Liquidity and Capital Resources**

At September 30, 2006, the Company had cash and cash equivalents of \$483,041, compared to cash and cash equivalents of \$305,788 at September 30, 2005. At September 30, 2006, the Company had a working capital surplus of \$305,969, compared to a working capital surplus of \$293,664 at September 30, 2005.

During the nine months ended September 30, 2006, the Company generated approximately \$427,000 in product sales, representing a 37% increase over product sales for the nine months ended September 30, 2005. While the increasing product sales appear promising, the Company has been unable to support its operations solely from revenue generated from product sales.

In September 2005, the Company secured a loan from the Tioga County LDC in the amount of \$230,500 to support its working capital needs and enhance production capabilities to support the distribution agreement with VWR International. The loan is a 7 year note with an annual interest rate of 5% requiring monthly payments of \$3,258.

During the nine month period ended September 30, 2006, net cash used in operating activities was approximately \$545,000, compared to net cash used in operating activities of approximately \$444,000 for the nine month period ended September 30, 2005. The use of cash is indicative of the Company's lack of sufficient sales to support operations.

During the nine month period ended September 30, 2006, net cash used in investing activities was approximately \$25,000, compared to net cash used in investing activities of approximately \$13,000 for the nine month period ended September 30, 2005. The use of cash resulted from purchases of property and equipment to support the manufacturing facility.

During the nine month period ended September 30, 2006, net cash provided by financing activities was approximately \$867,000 compared to net cash provided by financing activities of \$230,500 for the nine month period ended September 30, 2005. Cash provided during the nine month period ended September 30, 2006 resulted from refinancing activities (described below) less approximately \$21,000 in principal payments on the Tioga County LDC loan. Cash provided during the nine month period ended September 30, 2005 resulted from the proceeds of the Tioga County LDC Loan.

In March 2006, in an effort to secure much needed capital, the Board of Directors approved a plan to raise additional capital from the holders of its outstanding warrants and stock options at a reduced price of \$0.04 per share, in order to (a) prevent further dilution by the issuance of additional securities to outsiders, and (b) to restructure the capitalization of the Company. Under the terms of the plan, the Company offered to:

1.

the holders of the Company's (a) 12,000 shares of Series F Preferred Stock, convertible into 4,800,000 shares of the Company's Common Stock, and (b) the 6,000 Series F Warrants to purchase 2,400,000 shares of the Company's Common Stock at \$.375 per share purchased in conjunction with the Series F Pfd. Stock, the right to exercise the Series F Warrants and purchase the shares of Common Stock issuable upon exercise thereof at \$.04 per share (same number of shares at a lower price), provided that (a) simultaneously with the exercise of such right, the holder converts his shares of Series F Pfd. Stock into shares of the Company's Common Stock, and (b) the conversion of the Series F Pfd. Stock and exercise of the Series F Warrants take place on or before May 1, 2006;

2.

the holders of the Company's 55.125 shares of Series G Pfd. Stock, which Series G Pfd. Stock is convertible into 17,226,563 shares of the Company's Common Stock, and (b) the 55.125 Series G Warrants to purchase 17,226,563 of the Company's Common Stock at \$.08 per share purchased in conjunction with the Series G. Pfd. Stock, the right to exercise the Series G Warrants and purchase the shares of Common Stock issuable upon exercise thereof at \$.04 per share (same number of shares at a lower price), provided that (a) simultaneously with the exercise of such right, they convert their shares of Series G Pfd. Stock into shares of the Company's Common Stock, and (b) the conversion of the Series G Pfd. Stock and exercise of the Series G Warrants take place on or before May 1, 2006;

3.

the holders of all exercisable Stock Options to purchase shares of the Company's Common Stock (an aggregate of 3,511,000 shares of the Company's Common Stock) at prices ranging from \$.08-\$2.50 per share, the right to exercise such Stock Options and purchase the shares of Common Stock issuable upon exercise thereof at \$.04 per share (the same number of shares at a lower exercise price), provided that the exercise of such stock options takes place on or before May 1, 2006; and

4.

the holders of all Warrants to purchase shares of the Company's Common Stock (an aggregate of 7,640,295 shares of the Company's Common Stock) at prices ranging from \$.08-\$41.25 per share, the right to exercise such warrants and purchase the shares of Common Stock issuable upon exercise thereof at \$.04 per share (the same number of shares at a lower price), provided the exercise of the warrants takes place on or before May 1, 2006.

The offering was conditioned upon all shares of the Company's Series F Preferred Stock and Series G Preferred Stock converting into Common Stock of the Company.

The offering was completed on May 1, 2006 and the Company was able to raise \$883,641 through (a) the exercise of warrants to purchase 23,022,783 shares of the Company's Common Stock at \$0.04, and (b) the exercise of stock options to purchase 2,547,000 shares of the Company's Common Stock at \$0.04. As part of the plan, 12,000 shares of the Company's Series F Preferred Stock were converted to 4,800,000 shares of Common Stock and 55.125 shares of the Company's Series G Preferred Shares were converted to 17,226,563 shares of Common Stock. After the conversion, the company terminated all designations of Series F and G Preferred Shares. In addition, on May 1, 2006, the Company declared, effective as of December 31, 2005, \$507,808 and \$217,181 in accumulated dividends payable on the Series F preferred stock and Series G preferred stock, respectively, which dividends were paid in common stock of the Company on May 1, 2006. The total number of shares paid in connection with such dividends was 8,763,633. After the payment of such dividends, the issuance of shares of common stock in connection with the conversion of the Series F preferred stock and Series G preferred and the aforementioned exercise of options and warrants, the Company had 68,773,188 shares of common stock issued and outstanding.

The Company believes it has sufficient funds to continue operations in the near term. Future capital requirements will depend on many factors, including the ability to market and sell our product line, research and development programs, the scope and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents or any litigation by third parties regarding intellectual property, the status of competitive products, the maintenance of our manufacturing facility, the maintenance of sales and marketing capabilities, and the establishment of collaborative relationships with other parties.

### **Critical Accounting Policies and Estimates**

The Company's discussion and analysis of its financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures. On an ongoing basis, the Company evaluates estimates, including those related to bad debts, inventories, fixed assets, income taxes, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of the Company's judgments on the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes that following accounting policies involves more significant judgments and estimates in the preparation of the financial statements. The Company maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its customers to make payments. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make payments, the Company may be required to make additional allowances. The Company writes down inventory for estimated obsolete or unmarketable inventory to the lower of cost or market based on assumptions of future demand. If the actual demand and market conditions are less favorable than projected, additional write-downs may be required.

## **Contract Obligations**

The Company leases equipment as lessee, under an operating lease expiring in November 2011. The lease requires monthly payments of \$337.

In January 2004, BioLife signed a 3 year lease with Field Afar Properties, LLC whereby BioLife leases 6,161 square feet of office, laboratory, and manufacturing space in Owego, NY at a rental rate of \$6,200 per month. Renovation of the new facility was completed in April 2004. The Company's Chief Scientific Officer is a member of Field Afar Properties, LLC.

## **Item 3.**

### **Controls and Procedures**

At the end of the period covered by this Quarterly Report on Form 10-QSB, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the CEO/CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's CEO/CFO concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information relating to the Company required to be included in the Company's periodic SEC filings and are designed to ensure that information required to be disclosed by the Company in the reports is filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time permitted as specified by the rules and forms.

The Company does not expect that its disclosure controls and procedures will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the 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. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected. The Company's disclosure and controls procedures are designed to provide reasonable assurance of achieving their objectives. The Company's CEO/CFO has concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level.

There were no significant changes in the Company's internal control over financial reporting during the quarterly period ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



**Part II Other Information**

**Item 6.**

**Exhibits**

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

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 8, 2006

BioLife Solutions, Inc.

(Registrant)

By:

/s/ Michael Rice

Michael Rice

Chief Executive Officer and Chief Financial Officer



**INDEX TO EXHIBITS**

Exhibit No.

Description

31.1

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