NAM TAI ELECTRONICS INC
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934
For the month of: February, 2008
Commission File Number: 001-31583
NAM TAI ELECTRONICS, INC.
(Translation of registrant s name into English)
Unit C, 17 Floor Edificio Comercial Rodrigues
599 da Avenida da,
Praia Grande, Macao
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F þ Form 40-F o
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o
Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes o No þ
If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__________.

FOURTH QUARTER NEWS RELEASE

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NAM TAI ELECTRONICS, INC.

Q4 2007 Sales down 18.6%, Gross profit margin improves to 11.3% and EPS at 21 cents

MACAO, PRC February 4, 2008 Nam Tai Electronics, Inc. (Nam Tai or the Company) (NYSE Symbol: NTE) today announced its unaudited results for the fourth quarter and year ended December 31, 2007.

KEY HIGHLIGHTS

(In thousands of US Dollars, except per share data, percentages and as otherwise stated)

	Quarterly Results			**Year Results**		
	Q4 2007	Q4 2006	**YoY (%)**	**12M 2007**	**12M 2006**	**YoY(%)**
Net sales	**$186,936**	$229,647	(18.6)	**$780,822**	$870,174	(10.3)
Gross profit	**$ 21,034**	$ 22,010	(4.4)	**$ 87,018**	$ 86,221	0.9
% of sales	***11.3%***	*9.6%*		***11.1%***	*9.9%*	
Operating income (loss)	**$ 7,679**	$ (2,604)	n/a	**$ 40,670**	$ 42,480	(4.3)
% of sales	***4.1%***	*(1.1)%*		***5.2%***	*4.9%*	
per share (diluted)	***$ 0.17***	*$ (0.06)*	n/a	***$ 0.91***	*$ 0.97*	(6.2)
Net income (loss)	**$ 9,605**	$ (2,324)		**$ 69,503**	$ 40,756	70.5
% of sales	***5.1%***	*(1.0)%*		***8.9%***	*4.7%*	
Basic earnings (loss) per share	**$ 0.21**	$ (0.05)	n/a	**$ 1.56**	$ 0.93	67.7
Diluted earnings (loss) per share	**$ 0.21**	$ (0.05)	n/a	**$ 1.55**	$ 0.93	66.7
Weighted average number of shares (000)						
Basic	**44,804**	43,787		**44,584**	43,702	
Diluted	**44,804**	44,251		**44,805**	43,858	

In addition to disclosing results determined in accordance with accounting principles generally accepted in the United States (US GAAP) above, management utilizes a measure of operating income, net income and earnings per share on a non-GAAP basis that excludes certain income/expenses as below to better assess operating performance. Those non-GAAP financial measures exclude certain items, such as gains on disposal of marketable securities, gains on disposal of assets held for sale, loss on marketable securities arising from split share structure reform, losses arising from judgement to reinstate redeemed shares, or other infrequent or unusual items. By disclosing the non-GAAP information, management intends to provide investors with additional information to analyze the Company s performance, core results and underlying trends. Non-GAAP information is not determined using US GAAP; therefore, the information is not necessarily comparable to other companies and should not be used to compare the Company s performance over different periods. Non-GAAP information should not be viewed as a substitute for, or superior to, net income or other data prepared in accordance with US GAAP as measures of our profitability or liquidity. Users of this financial information

should consider the types of events and transactions for which adjustments have been made. See the table below for a reconciliation of non-GAAP amounts to amounts reported under US GAAP.

GAAP TO NON-GAAP RECONCILIATION

(In millions of US Dollars, except for per share (diluted) and numbers of shares)

	Three months ended December 31,				Year ended December 31,			
	2007		2006		**2007**		2006	
	million	per share (diluted)	million	per share (diluted)	million	per share (diluted)	million	per share (diluted)
GAAP Operating Income (loss)	**7.7**	**0.17**	(2.6)	(0.06)	**40.7**	**0.91**	42.5	0.97
Add back/(Less):								
- gain on disposal of asset held for sale							(9.3)	(0.21)
- losses arising from judgment to reinstate redeemed shares Tele-Art[b]			14.5	0.33			14.5	0.33
- expenses in relation to reorganization of subsidiaries	**1.9**	**0.04**			**1.9**	**0.04**		
Non-GAAP Operating Income	**9.6**	**0.21**	11.9	0.27	**42.6**	**0.95**	47.7	1.09
GAAP Net Income (loss)	**9.6**	**0.21**	(2.3)	(0.05)	**69.5**	**1.55**	40.8	0.93
Add back/(Less):								
- gain on disposal of asset held for sale							(9.3)	(0.21)
- loss on marketable securities arising from split share structure reform							1.3	0.03
- gain on disposal of marketable securities [a]					**(28.0)**	**(0.63)**		
- gain on sales of subsidiaries shares					**(0.4)**	**(0.01)**		
			14.5	0.33			14.5	0.33

- losses arising from judgment to reinstate redeemed shares Tele-Art [b] *- expenses in relation to reorganization of subsidiaries, net after minority interest*	**1.6**	**0.04**			**1.6**	**0.04**		
Non-GAAP Net Income	**11.2**	**0.25**	12.2	0.28	**42.7**	**0.95**	47.3	1.08
Weighted average number of shares diluted (000)	**44,804**		44,251		**44,805**		43,858	

Note:

(a) As announced on April 24, 2007, the Company, through a subsidiary of one of its Hong Kong listed subsidiaries, Nam Tai Electronic & Electrical Products Limited (NTEEP), disposed of all of its 80,600,173 A Shares of TCL Corporation on April 20 and April 23, 2007 through market sales on the Shenzhen Stock Exchange for an aggregate of approximately $54 million, resulting in a

one-off gain of approximately $28 million net of the portion attributable to minority interests.

(b) Losses arising from the judgment to reinstate redeemed shares were determined for the three months and year ended December 31, 2006 after taking into account the total issue price of the 1,017,149 redeemed shares at the market price of Nam Tai shares on November 20, 2006 (the date of the Privy Council judgment); the estimated costs and expenses of BOC and former Tele-Art, Inc. (Tele-Art) s liquidator that Nam Tai expects will be claimed in connection with the Privy Council litigation proceedings; and a reversal of amounts Nam Tai previously reserved in its financial

statements for potential losses to be incurred as result of the share redemptions (see discussion under Tele-Art Litigation below).

FOURTH QUARTER AND YEAR END REVIEW

Primarily as a consequence of a decline in business from the telecommunication components assembly (TCA) segment, sales in the fourth quarter and for the year ended December 31, 2007 decreased 18.6% and 10.3%, respectively, as compared to the fourth quarter and year ended December 31, 2006. The TCA segment is dependent on demand in the mobile phone market and one of our indirect customers suffered a substantial drop in sales volume in its mobile devices business in Asia and Europe, which continued into the fourth quarter and thus far is showing no signs of reversing in 2008. Thus, we and other participants in the mobile phone supply chain were inevitably affected in the quarter and year 2007 and we expect this adverse trend to continue, at least in the near term.

During the fourth quarter and entire year, the business environment was extremely competitive and challenging, from our efforts focusing on sales in other segments, we were able to increase sales in both our LCDP segment, consisting of liquid crystal display panels and modules, which grew by 29.0% and 29.7% during the fourth quarter and year ended December 31, 2007, respectively, and in our consumer electronics and communication products (CECP) segment, which grew by 29.2% and 59.1% during the fourth quarter and year ended December 31, 2007, respectively. Growth in our CECP segment was primarily driven from increased sales of mobile phone accessories, such as speaker stands and headsets containing Bluetooth® wireless technology*, educational devices such as FLY Fusion Pentop Computers1 and home entertainment products such as gaming accessories. The increases in sales from our LCDP and CECP segments, however, were not sufficient to offset the decreases in sales from our TCA product segment.

Net sales in the fourth quarter of 2007 were $186.9 million, a decrease of 18.6% as compared to $229.6 million in the fourth quarter of 2006. Gross profit in the fourth quarter of 2007 was $21.0 million, a decrease of 4.4% as compared to $22.0 million in the fourth quarter of 2006, primarily as the result of the decline in sales in our TCA product segment. Operating income in the fourth quarter of 2007 was $7.7 million, or $0.17 per share (diluted), compared to operating loss of $2.6 million, or $0.06 per share (diluted) in the fourth quarter of 2006. Our 2006 fourth quarter operating loss resulted from the judgment requiring us to reinstate our shares that we redeemed from Tele-Art. Basic and diluted earnings per share in the fourth quarter of 2007 were $0.21 per share, compared to a loss per share of $0.05 in the fourth quarter of 2006.

For the year ended December 31, 2007, Nam Tai s net sales were $780.8 million, a decrease of 10.3% as compared to $870.2 million in the year 2006. Gross profit was $87.0 million, an increase of 0.9% as compared to $86.2 million in the year 2006. Operating income for the year 2007 decreased 4.3% to $40.7 million, or $0.91 per share (diluted), compared to $42.5 million, or $0.97 per share (diluted), in the year 2006. Net Income for year 2007 was $69.5 million, or $1.55 per share (diluted), an increase of 70.5% as compared to $40.8 million or $0.93 per share (diluted) in the year 2006.

The Company continues to maintain a strong financial position. It has a low debt to equity ratio of only 2.4%. Net cash provided by operating activities in the fourth quarter of 2007 was $31.2 million. The Company ended the quarter with $272.5 million of cash on hand even after capital expenditures of $3.3 million, prepayment for a land purchase of $6.8 million and dividends accrued in the third quarter of $9.3 million that we paid to our shareholders on October 21, 2007.

NON-GAAP FINANCIAL INFORMATION

1 *Note with respect to our use of Bluetooth and FLY Fusion in this press release*: The Bluetooth® word mark and logos are owned by the Bluetooth SIG, Inc. and any use of such marks by Nam Tai is

under license. The trademark Fly Fusion is owned by Leapfrog.

Non-GAAP operating income for the fourth quarter of 2007 was $9.6 million, or $0.21 per share (diluted), compared to non-GAAP operating income of $11.9 million, or $0.27 per share (diluted), in the fourth quarter of 2006.
Non-GAAP net income for the fourth quarter of 2007 decreased by 8.2% over the fourth quarter of 2006 to $11.2 million, or $0.25 per share (diluted), compared to $12.2 million, or $0.28 per share (diluted), in the fourth quarter of 2006.
Non-GAAP operating income for the full year in 2007 was $42.6 million, or $0.95 per share (diluted), compared to non-GAAP operating income of $47.7 million, or $1.09 per share (diluted) for the year 2006. Non-GAAP net income for the year 2007 was $42.7 million or $0.95 per share (diluted), a decrease of 9.7% as compared to $47.3 million, or $1.08 per share (diluted), for the year 2006.

COMPANY OUTLOOK

The Company is operating in a challenging business environment, where competition remains intense and is expected to continue to manifest pricing pressures from customers. This is expected to pose a significant ongoing challenge for the electronics manufacturing services industry in the coming quarters and years. Additionally, we will also have to face issues such as the continuing appreciation of Renminbi, changing tax and labour laws in the People s Republic of China (PRC), shortages of electricity supply and increases in overhead expenses resulting from inflation. We continue to concentrate our efforts to improve manufacturing efficiencies, broaden our product offerings and diversify our customer base. Going forward, we are still cautiously optimistic about our business levels in 2008. In our first quarter of 2008, we are anticipating steady business levels in the CECP and LCDP product segments, however, we are anticipating continuing weakness in demand in the TCA segment. Longer-term, the Company will strive to improve profitability in our core operations, especially after the increase in capacities from the production in the new factory facilities when they are operational.
In December 2007, we paid approximately $6.8 million for the land in Shenzhen Guangming Hi-Tech Industrial Park underlying our previously announced Shenzhen expansion project, satisfying in full the land payments required for that project. We are currently awaiting for the land use right certificate to be issued by PRC Bureau of State Land and Resource. Pursuant to a competitive bidding process we implemented in regard to our expansion project in Wuxi, Jiangsu Province of the PRC, we awarded construction to a local Wuxi construction company, which we believe has a strong management team that includes experienced members from both Hong Kong and the PRC. Construction on this project began in the first quarter of 2008, is targeted for completion by the end of 2008 with manufacturing operations scheduled to begin in the early of 2009.

SUPPLEMENTARY INFORMATION (UNAUDITED) IN THE FOURTH QUARTER OF 2007

1. Quarterly Sales Breakdown

(In thousands of US Dollars, except percentage information)

Quarter	**2007**	2006	YoY(%) (Quarterly)	YoY(%) (Quarterly accumulated)
1st Quarter	**191,571**	208,358	(8.1)	(8.1)
2nd Quarter	**197,830**	213,653	(7.4)	(7.7)
3rd Quarter	**204,485**	218,516	(6.4)	(7.3)
4th Quarter	**186,936**	229,647	(18.6)	(10.3)
Total	**780,822**	870,174		

2. Breakdown of Net Sales by Product Segment (as a percentage of Total Net Sales)

	2007		2006	
Segments	**Q4 (%)**	**YTD (%)**	Q4 (%)	YTD (%)
Consumer Electronic and Communication Products	**34%**	**36%**	21%	21%
Telecommunication Component Assembly	**55%**	**53%**	72%	72%
LCDP	**11%**	**11%**	7%	7%
	100%	**100%**	100%	100%

3. Key Highlights of Financial Position

	As at December 31, **2007**	2006
Cash on hand [(a)]	**$272.5 million**	$221.1 million
Marketable securities		$ 24.4 million
Ratio of cash [(a)] to current liabilities	**1.87**	1.36
Current ratio	**2.83**	2.46
Ratio of total assets to total liabilities	**3.70**	3.23
Return on equity	**21.5%**	13.0%
Ratio of total liabilities to equity	**0.45**	0.52
Debtors turnover	**45 days**	49 days
Inventory turnover	**17 days**	14 days
Average payable period	**56 days**	59 days

Note: (a) Includes cash equivalents.

4. Developments in Class Action Litigation

As we had previously reported and announced, the U.S. District Court denied the plaintiffs motion for class certification on August 21, 2007. A conference with the court was held on January 17, 2008 wherein the plaintiff indicated that he wished to proceed with his case as an individual, notwithstanding the denial of class certification. The court ordered that the parties to begin discovery within the next six months. The damages sought by the plaintiff in an individual capacity is not material to our financial condition or results of operations and accordingly we do not intend to provide further updates on this litigation unless an event occurs during its course that we believe would be material to investors.

5. Tele-Art/Bank of China Litigation

As previously announced, and in compliance with the November 2006 decision of the Privy Council of the United Kingdom, we reinstated 1,017,149 of our common shares that we had previously redeemed from Tele-Art, registered them on our stock register in the name of Bank of China Hong Kong Limited (BOC) and delivered the share certificates to BOC. We have been advised that BOC has sold 539,830 of the reinstated shares in early September 2007 and applied the proceeds to the secured debt that BOC claimed was due to it from Tele-Art. The proceeds from the sale retained by BOC included the amount it asserted to satisfy the obligation it claimed from Tele-Art through the date of sale, plus a reserve of approximately $900,000 for legal costs and expenses that BOC has claimed for related litigation. BOC has delivered to Tele-Art s liquidator the 477,319 shares remaining from the reinstated shares it sold (Remaining Shares). Investigations on behalf of the liquidator seeking to locate and recover additional Tele-Art assets for its estate in liquidation are ongoing. The liquidator has authorized us to utilize the cash dividends attributable to the reinstated shares for the benefit of the estate of Tele-Art (in Liquidation). We have deposited such cash dividends and will deposit proceeds from the disposal of the Remaining Shares and any other assets of Tele-Art s estate that are discovered into a segregated bank account, from which all future legal costs and other expenses relating to the liquidation of Tele-Art will be paid until its liquidation proceedings are concluded.

6. Reorganization of Nam Tai Group

As previously announced, the reorganization of the Nam Tai Group companies consisting of its Hong Kong Stock Exchange-listed subsidiaries, NTEEP and J.I.C. Technology Company Limited was completed in Macao, PRC on December 31, 2007. The Company is now in the process of reorganizing its internal structure in order to realize the expected benefits arising from clear division of its core and non-core businesses, including the centralization of resources, the efficient exchange of know-how and technology among the Group s companies, and a reduction of overhead costs following the reorganization.

7. Appointment of New Chief Executive Officer

Nam Tai is pleased to announce the appointment of Mr. Masaaki Yasukawa as Chief Executive Officer (CEO) of the Company with a commencement date of February 1, 2008. When the appointment of Mr. Yasukawa as CEO takes effect, he will succeed Mr. M. K. Koo, who has been serving as Acting CEO since May 2007. Mr. Koo will continue to serve Nam Tai as a non-executive director and the Chairman of the Board. Mr. Yasukawa, brings to Nam Tai a strong foundation in engineering technical support and business development experience, having over 20 years of service at Seiko Epson Corporation (Seiko Epson), one of Japan s leading information technology products manufacturers. . Mr. Yasukawa has strong relationships with various top-tier OEM companies in Japan and other regions. At Seiko Epson, he served as General Manager of its New Business Development Unit and originated and implemented various cross-divisional, multi-functional new business development programs. In 2003, he transferred to the Epson Business Solution business unit, where he served as General Manager at Epson Hong Kong, where he initiated and oversaw programs focusing on solution-based corporate businesses, targeting Hong Kong, PRC and other Asian firms.

Mr. Yasukawa has a Bachelor of Mechanical Engineering degree from University of Tokyo, Japan and a Master of Business Administration degree from University of Michigan, Ann Arbor, which he received with high distinction.

FOURTH QUARTER RESULTS ANALYST CONFERENCE CALL

The Company will hold a **conference call on Monday, February 4, 2008 at 8:00 a.m. Eastern Time** for analysts to discuss the fourth quarter results with Nam Tai s management. Shareholders, media, and interested investors are invited to listen to the live conference over the internet by going to www.namtai.com and clicking on the conference call link (under events) or over the phone by dialing (612) 332-0107 just prior to its start time.

DIVIDENDS

The record date for the first quarter dividend of $0.22 per share is March 31, 2008 and the payment date is on or before April 21, 2008.

Schedule for quarterly dividends for fiscal year 2008 are as follows:

Quarterly Payment	Record Date	Scheduled Payment Date	Dividend (per share)
Q1/08	March 31, 2008	On or before April 21, 2008	$0.22
Q2/08	June 30, 2008	On or before July 21, 2008	$0.22
Q3/08	September 30, 2008	On or before October 21, 2008	$0.22
Q4/08	December 31, 2008	On or before January 21, 2009	$0.22
Full Year 2008			$0.88

FORWARD-LOOKING STATEMENTS AND FACTORS THAT COULD CAUSE OUR SHARE PRICE TO DECLINE

Statements concerning management s optimism and first quarter 2008 business levels, management s estimates of when its expansion projects in Wuxi, PRC will be available for production, and the benefits to be obtained therefrom management s assessment regarding the benefits expected from the recently completed reorganization of its group operations and the Company s schedule of dividends to be paid in fiscal 2008, among other statements in this press release, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by the use of words like believes, intends, expects, plans or planned, may, will, should or anticipates, or the negative equivalents of those words or comparable terminology, and involve risks and uncertainties. Such statements are based on current expectations and assumptions and reflect management s views with respect to future events and may not actually occur during the periods indicated or at all and are not a guarantee of our future performance. These forward-looking statements are, by their nature, subject to risks, uncertainties and other factors that could cause the actual results to differ materially from future results expressed or implied by the forward-looking statements in this press release.

Whether management s optimism regarding Nam Tai s prospects for near-term business levels will be realized,, whether management s assessment of future demands and market conditions will prove true and expectancies regarding Nam Tai s position to meet such demands and requirements, whether the Company can or will be able to meet the stages of its planned expansion by the dates currently expected, whether Nam Tai s capital expenditures to achieve expanded capacity will result in material increases in revenues or result in increased or any profits and whether future dividends will actually be declared, or even if declared, continued, will depend upon future sales orders, the Company s operating income in future periods, on Nam Tai s ability to contain manufacturing costs and the actual level of capital expenditures required for its expansion projects. Whether management s expectations of benefits to be achieved from the recently completed reorganization of its group operations will depend on the successful implementation of the reorganization s goal of clearer

division of Nam Tai s core and non-core businesses, including the success of the strategies seeking to centralize of resources, foster the exchange of know-how and technology efficiently among the Group s companies, and to reduce overhead costs some of which may not be achieved or, if achieved, may not result in the benefits expected. Nam Tai s growth, operating income, available cash, cash flows and levels of capital expenditures may be adversely affected by numerous factors including Nam Tai s dependence on a few large customers; intense competition in the electronics industry in which the Company participates; Nam Tai being subject to continuing pressure on its margins; its operating results fluctuating and lacking predictability, continuing softness in its telecommunication components assembly segment and the failure to grow other business segments to compensate for the lacking demand for such components; risks relating to its doing business in the PRC such as arising from changes in governmental policies, taxation, trade regulation, currency exchange rates, increasing labor costs, inflation and income taxes; the timing and amount of significant orders from customers; delays in product development and related product release schedules; obsolete inventory or product returns; warranty and other claims on products; technological shifts; the availability of competitive products of comparable quality at prices below Nam Tai s prices; maturing product life cycles; concessions Nam Tai may make on product sale terms and conditions; implementation of operating cost structures that align with revenue growth, if any; the financial condition of Nam Tai s customers and vendors and those companies in which Nam Tai holds marketable securities or other investments; the availability and increasing costs of materials and other components needed to manufacture its products; adverse results in litigation, including its on-going securities class action litigation; potential shortages of materials or skilled labor needed for its planned expansion projects or for its existing facilities; unforeseen engineering problems, work stoppages, weather interference, flood, earthquake or other acts of God, delays in obtaining or failure to obtain necessary permits from regulatory authorities needed to permit expansion or continue existing operations, other unexpected project delays or unanticipated costs increases; risks of expanding into new areas of the PRC where Nam Tai s has not yet conducted business, diversion of management s attention to expansion and its management to new locations and to other business concerns; the impact of legislative actions, higher insurance costs and potential new accounting pronouncements; a worsening of relations between the PRC and the United States or Taiwan; the effects of terrorist activity and armed conflict such as disruptions in general economic activity and changes in Nam Tai s operations and security arrangements; the effects of travel restrictions and quarantines associated with major health problems, such as the Severe Acute Respiratory Syndrome or Bird Flu, on general economic activity; or other changes in general economic conditions that affect demand for Nam Tai s products. In addition, factors, among others, that could cause the market price of our shares to decline in the future could include the failure of our growth, if any, or operating results or those of our competitors or customers to meet the expectations of public market analysts and investors who follow the electronics manufacturing services, or EMS, industry, the sale, availability for sale or the preparations for the sell, of the reinstated shares on behalf of Tele-Art s liquidator to satisfy the claims of Tele-Art s creditors or one or more of the factors discussed in Item 3. Key Information Risk Factors in our Annual Report on Form 20-F for the year ended December 31, 2006 as filed with the Securities and Exchange Commission (SEC). For further information regarding risks and uncertainties associated with Nam Tai s business, please refer to the Management s Discussion and Analysis of Results of Operations and Financial Condition and Risk Factors sections of Nam Tai s SEC filings, including, but not limited to, its annual reports on Form 20-F, copies of which may be obtained by contacting Nam Tai using the contact information provided above, or from Nam Tai s website at http://www.namtai.com.

All information in this press release is as of February 1, 2008. Nam Tai undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in Nam Tai s expectations.

ABOUT NAM TAI ELECTRONICS, INC.

We are an electronics manufacturing and design services provider to a select group of the world s leading OEMs of telecommunications and consumer electronic products. Through our electronics manufacturing services operations, we manufacture electronic components and subassemblies, including LCD panels, LCD modules, RF modules, DAB modules, FPC subassemblies and image sensors modules and PCBAs for headsets containing Bluetooth wireless technology. These components are used in numerous electronic products, including mobile phones, laptop computers, digital cameras, electronic toys, handheld video game devices, and entertainment devices. We also manufacture finished products, including mobile phone accessories, home entertainment products and educational products. We assist our OEM customers in the design and development of their products and furnish full turnkey manufacturing services that utilize advanced manufacturing processes and production technologies.

Nam Tai has two Hong Kong listed subsidiaries, Nam Tai Electronic & Electrical Products Limited (NTEEP) and J.I.C. Technology Company Limited (JIC). Interested investors may go to the website of The Stock Exchange of Hong Kong at www.hkex.com.hk to obtain the information. The stock codes of NTEEP and JIC in The Stock Exchange of Hong Kong are 2633 and 987, respectively. Investors are reminded to exercise caution when assessing such information and not to deal with the shares of the Company based solely upon reliance on such information.

NAM TAI ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED DECEMBER 31, **2007** AND 2006
(In Thousands of US Dollars except share and per share data)

	Unaudited *Three months ended December 31*		Unaudited *Year ended December 31*	
	2007	2006	**2007**	2006
Net sales	**$186,936**	$229,647	**$780,822**	$870,174
Cost of sales	**165,902**	207,637	**693,804**	783,953
Gross profit	**21,034**	22,010	**87,018**	86,221
Gain on disposal of asset held for sale				9,258
Costs and expenses				
Selling, general and administrative expenses	**10,768**	8,129	**36,550**	30,668
Research and development expenses	**2,587**	2,020	**9,798**	7,866
Losses arising from the judgment to reinstate redeemed shares		14,465		14,465
	13,355	24,614	**46,348**	52,999
Operating Income (loss)	**7,679**	(2,604)	**40,670**	42,480
Other income (expenses), net	**825**	(504)	**2,219**	(1,265)
Gain on disposal of marketable securities			**43,815**	
Gain on sales of subsidiaries shares			**390**	
Loss on marketable securities arising from split share structure reform				(1,869)
Interest income	**2,340**	2,396	**9,163**	8,542
Interest expense	**(121)**	(146)	**(452)**	(602)
Income (loss) before income taxes and minority interests	**10,723**	(858)	**95,805**	47,286
Income taxes credit (expense)	**1,095**	(70)	**(4,030)**	(377)
Income (loss) before minority interests	**11,818**	(928)	**91,775**	46,909
Minority interests	**(2,213)**	(1,396)	**(22,272)**	(6,153)
Net income (loss)	**$ 9,605**	(2,324)	**$ 69,503**	40,756

Earnings (loss) per share

Basic	**$ 0.21**	$ (0.05)	**$ 1.56**	$ 0.93
Diluted	**$ 0.21**	$ (0.05)	**$ 1.55**	$ 0.93
Weighted average number of shares (000)				
Basic	**44,804**	43,787	**44,584**	43,702
Diluted	**44,804**	44,251	**44,805**	43,858

NAM TAI ELECTRONICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, **2007** AND 2006
(In Thousands of US Dollars)

	Unaudited ***December 31*** **2007**	Audited *December 31* 2006 (Note)
ASSETS		
Current assets:		
Cash and cash equivalents	**$272,459**	$221,084
Marketable securities		24,360
Accounts receivable, net	**95,802**	117,561
Inventories	**32,356**	30,894
Prepaid expenses and other receivables	**5,803**	2,503
Income tax recoverable	**5,483**	4,316
Deferred tax assets current	**54**	
Total current assets	**411,957**	400,718
Property, plant and equipment, net	**94,669**	102,721
Land use right	**3,930**	2,673
Deposits for property, plant and equipment	**536**	609
Prepayment for land use right	**9,019**	2,880
Goodwill	**20,296**	18,476
Deferred tax assets	**3,192**	
Other assets	**1,219**	1,158
Total assets	**$544,818**	$529,235
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Notes payable	**$ 4,580**	$ 4,516
Long-term bank loans current portion	**1,990**	1,750
Accounts payable	**107,326**	125,893
Accrued expenses and other payables	**21,690**	13,649
Dividend payable	**9,509**	16,639
Income tax payable	**556**	166
Total current liabilities	**145,651**	162,613
Long-term bank loans non-current portion	**1,558**	1,100
Total liabilities	**147,209**	163,713
Minority interests	**67,428**	48,428

Shareholders equity:		
Common shares	**448**	438
Reinstatement of redeemed shares		17,159
Additional paid-in capital	**281,895**	264,393
Retained earnings	**47,846**	25,030
Accumulated other comprehensive income (Note 1)	**(8)**	10,074
Total shareholders equity	**330,181**	317,094
Total liabilities and shareholders equity	**$544,818**	·

Adverse litigation

- Unfavorable legislation or regulatory decisions
- Public concerns regarding our products
- Variations in quarterly operating results
- General trends in the health care industry
- Other factors outside of our control

There is uncertainty surrounding our ability to successfully commercialize our biopreservation media products and contract research and development and manufacturing services.

Our growth depends, in part, on our continued ability to successfully develop, commercialize and market our HypoThermosol, CryoStor, and BloodStor biopreservation media products and contract research and development and manufacturing services. Even in markets that do not require us to undergo clinical trials and obtain regulatory approvals, our products will not be used unless they present an attractive alternative to competitive products and if the benefits and cost savings achieved through their use outweigh the cost of our products.

The success of our HypoThermosol, CryoStor, and BloodStor biopreservation media products is dependant, in part, on the commercial success of new regenerative medicine technologies.

Our HypoThermosol, CryoStor, and BloodStor biopreservation media products are marketed to, biotechnology companies and research institutions engaged in research and development of cell, gene and tissue engineering therapies. Although we, as a component supplier, may not be subject to the same formal prospective, controlled clinical-trials to establish safety and efficacy, and to substantial regulatory oversight by the FDA and other regulatory bodies, with respect to the commercialized end-products or therapies developed by these biotechnology companies and research institutions, the development of many of these therapies are years away from commercialization, and demand, if any, for HypoThermosol, CryoStor, and BloodStor is expected to be limited for several years.

We face significant competition.

The life sciences industry is highly competitive. Many of our competitors are significantly larger than we are and have greater financial, technical, research, marketing, sales, distribution and other resources than we do. There can be no assurance that our competitors will not succeed in developing or marketing technologies and products that are more effective or commercially attractive than any that are being developed or marketed by us, or that such competitors will not succeed in obtaining regulatory approval, or introducing or commercializing any such products, prior to us. Such developments could have a material adverse effect on our business, financial condition and results of operations. Further, even if we are able to compete successfully, there can be no assurance that we could do so in a profitable manner.

Our success will depend on our ability to attract and retain key personnel.

In order to execute our business plan, we must attract, retain and motivate highly qualified managerial, scientific, manufacturing, and sales personnel. If we fail to attract and retain skilled scientific and sales personnel, our research and development and sales efforts will be hindered. Our future success depends to a significant degree upon the continued services of key scientific and technical personnel. If we do not attract and retain qualified personnel we will not be able to achieve our growth objectives.

If we fail to protect our intellectual property rights, our competitors may take advantage of our ideas and compete directly against us.

Our success will depend to a significant degree on our ability to secure and protect intellectual proprietary rights and enforce patent and trademark protections relating to our technology. While we believe that the protection of patents and trademarks is important to our business, we also rely on a combination of copyright, trade secret, nondisclosure and confidentiality agreements, know-how and continuing technological innovation to maintain our competitive position. From time to time, litigation may be advisable to protect our intellectual property position. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Any litigation in this regard could be costly, and it is possible that we will not have sufficient

resources to fully pursue litigation or to protect our intellectual property rights. This could result in the rejection or invalidation of our existing and future patents. Any adverse outcome in litigation relating to the validity of our patents, or any failure to pursue litigation or otherwise to protect our patent position, could materially harm our business and financial condition. In addition, confidentiality agreements with our employees, consultants, customers, and key vendors may not prevent the unauthorized disclosure or use of our technology. It is possible that these agreements will be breached or that they will not be enforceable in every instance, and that we will not have adequate remedies for any such breach. Enforcement of these agreements may be costly and time consuming. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States.

Because the life sciences industry is litigious, we may be sued for allegedly violating the intellectual property rights of others.

In the past, the life sciences industry has been characterized by a substantial amount of litigation and related administrative proceedings regarding patents and intellectual property rights. In addition, many life science companies have used litigation against emerging growth companies as a means of gaining a competitive advantage. Should third parties file patent applications or be issued patents claiming technology claimed by us in pending applications, we may be required to participate in interference proceedings in the U.S. Patent and Trademark Office to determine the relative priorities of our inventions and the third parties' inventions. We could also be required to participate in interference proceedings involving our issued patents and pending applications of another entity. An adverse outcome in an interference proceeding could require that we cease using the technology or license rights from prevailing third parties. Third parties may claim that we are using their patented inventions and may go to court to stop us from engaging in our normal operations and activities. These lawsuits are expensive to defend and conduct and would also consume and divert the time and attention of our management. A court may decide that we are infringing on a third party's patents and may order us to cease the infringing activity. The court could also order us to pay damages for the infringement. These damages could be substantial and could harm our business, financial condition and operating results. If we are unable to obtain any necessary license following an adverse determination in litigation or in interference or other administrative proceedings, we would have to redesign our products to avoid infringing a third party's patent and temporarily or permanently discontinue manufacturing and selling some of our products. If this were to occur, it would negatively impact future sales.

If we fail to obtain or maintain future regulatory clearances or approvals for our products, or if approvals are delayed or withdrawn, we will be unable to commercially distribute and market our products or any product modifications.

As an ancillary or excipient reagent used in the production, transportation, and infusion of our customers' regulated clinical products, HypoThermosol, CryoStor, and BloodStor are not subject to specific FDA or other non-US pre-market approval for drugs, devices, or biologics. In particular, we are not required to sponsor formal prospective, controlled clinical-trials in order to establish safety and efficacy. However, to support our current and prospective clinical customers, we comply with Current Good Manufacturing Practice ("cGMP").

There can be no assurance that we will not be required to obtain approval from the FDA, or foreign regulatory authorities, as applicable, prior to marketing any of our products in the future. During 2009, we submitted updated Type II Master Files to the FDA for CryoStor and HypoThermosol. These enhanced regulatory submissions provide the FDA with information regarding the quality of components used in the formulation of our products, the manufacturing process, our quality system, and stability testing that we have performed. Customers engaged in clinical applications who wish to notify the FDA of their intention to use our products in their product development and manufacturing process can now request a cross-reference to our Master Files.

We are dependent on outside suppliers for all of our manufacturing supplies.

We rely on outside suppliers for all of our manufacturing supplies, parts and components. Although we believe we could develop alternative sources of supply for most of these components within a reasonable period of time, there can be no assurance that, in the future, our current or alternative sources will be able to meet all of our demands on a timely basis. Unavailability of necessary components could require us to re-engineer our products to accommodate available substitutions which would increase costs to us and/or have a material adverse effect on manufacturing schedules, products performance and market acceptance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

In July 2007, we signed a four-year lease, commencing August 1, 2007, for 4,366 square feet of office and laboratory space in Bothell, Washington at an initial rental rate of $6,367 per month. We are also responsible for paying our proportionate share of property taxes and other operating expenses as defined in the lease.

In November 2008, we signed an amended five-year lease to gain 5,798 square feet of additional clean room space for manufacturing in a facility adjacent to our corporate office facility leased in Bothell, Washington at an initial rental rate of $14,495 per month. Included in this amendment is the exercise of the renewal option for our current office and laboratory space to make the lease for such space coterminous with the new facility five-year lease period.

ITEM 3. LEGAL PROCEEDINGS

On February 7, 2007, Kristi Snyder, a former employee of the Company filed a complaint in the New York State Supreme Court, County of Broome, against the Company alleging a breach of an employment agreement and seeking damages of up to $300,000 plus attorneys’ fees. This case currently is in discovery. The Company is vigorously defending its position.

On April 6, 2007, the Company was served with a complaint filed by John G. Baust, the Company’s former Chief Executive Officer and President, and thereafter, until January 8, 2007, the Chairman, Sr. Vice President and Chief Scientific Officer, in the New York State Supreme Court, County of Tioga, against the Company seeking, among other things, damages under his employment agreement to be determined upon trial of the action plus attorneys’ fees, a declaratory judgment that he did not breach his fiduciary duties to the Company, and that his covenant not to compete is void as against public policy or unenforceable as a matter of law, and to enjoin the Company from commencing an action against him in Delaware courts seeking damages for breaches of his fiduciary obligations to the Company. The parties have engaged in extensive motion practice. By decision of December 18, 2009, Justice Tait rejected Plaintiff Baust’s efforts to obtain partial summary judgment. This case currently is in discovery. The Company is vigorously defending its position.

On June 15, 2007, the Company filed a lawsuit in the State of New York Supreme Court, County of Tioga against Cell Preservation Services, Inc. (“CPSI”) and Coraegis Bioinnovations, Inc. (“Coraegis”), both of which are owned and/or controlled by John M. Baust, a former employee of the Company and the son of John G. Baust, both of whose employment with the Company was terminated on January 8, 2007.

On March 15, 2004, the Company had entered into a Research Agreement with CPSI, pursuant to which CPSI took over the processing of the Company’s existing SBIR grants, on behalf of the Company was to apply for additional SBIR grants and, in each case, was to perform the research with respect to such grants. In connection therewith, the Company granted to CPSI a limited license to use the Company’s technology (“BioLife’s Technology”), including the Company’s proprietary cryopreservation solutions (collectively, “Intellectual Property”), solely for the purpose of conducting the research pertaining to the SBIR grants, and CPSI agreed to keep confidential all Company confidential information disclosed to CPSI (“Confidential Information”). On January 8, 2007, the Company informed CPSI that the Research Agreement would not be extended and would terminate in accordance with its terms on March 15, 2007.

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The lawsuit states various causes of action, including, (1) repeated violations of the Research Agreement by CPSI by improperly using BioLife's Technology, Intellectual Property and Confidential Information for its own purposes, (2) the unlawful misappropriation by CPSI and Coraegis of the Company's trade secrets, (3) unfair competition on the part of CPSI and Coraegis through their unlawful misappropriation and misuse of BioLife's Technology, Intellectual Property and Confidential Information, and (4) the conversion of BioLife's Technology, Intellectual Property and Confidential Information by CPSI and Coraegis to their own use without the Company's permission.

The lawsuit seeks, among other things, (1) to enjoin CPSI from continuing to violate the Research Agreement, (2) damages as a result of CPSI's breaches of the Research Agreement, (3) to enjoin CPSI and Coraegis from any further use of the Company's trade secrets, (4) damages (including punitive damages) as a result of CPSI's and Coraegis' misappropriation of the Company's trade secrets, (5) to enjoin CPSI and Coraegis from any further use of BioLife's Technology, Intellectual Property and Confidential Information, (6) damages (including punitive damages) as a result of CPSI's and Coraegis' unfair competition against the Company, and (7) damages (including punitive damages) as a result of CPSI's and Coraegis' conversion of BioLife's Technology, Intellectual Property and Confidential Information to their own use. On September 30, 2008, Justice Jeffrey Tait issued a Letter Decision and Order which provides for a multi-phase process for discovery concerning contested discovery disclosures. The parties are awaiting Justice Tait's decision on the initial process to be used concerning these contested discovery issues. The parties have engaged in extensive motion practice. By decision of December 18, 2009, Justice Tait denied the attempt of the Defendants to dismiss Plaintiff's complaint. This case currently is in discovery. The Company is vigorously defending its position.

On December 4, 2007, John M. Baust, the son of John G. Baust, filed a complaint in the New York State Supreme Court, County of Tioga, against the Company and Michael Rice, the Company's Chairman and Chief Executive Officer, alleging, among other things, a breach of an employment agreement and defamation of character and seeking damages against the Company in excess of $300,000 plus attorneys fees. This case currently is in discovery. The Company is vigorously defending its position.

On December 27, 2007, John G. Baust and John M. Baust, each separately, filed complaints with the State of New York, Division of Human Rights ("the Division") alleging unlawful discrimination practices against the Company based on wrongful termination due to retaliation for bringing complaints of sexual harassment on the part of Michael Rice, the Company's Chairman and Chief Executive Officer. The Company responded to the complaints, filed by John G. Baust on January 22, 2008, and by John M. Baust on January 14, 2008. On March 5, 2008, the Company was notified by the Division that these complaints were ordered dismissed and the files were closed due to the Division's lack of jurisdiction in the matter, the Division having determined that the civil suits filed by John G. Baust and John M. Baust had precedence and precluded the Division from asserting jurisdiction. The determination was successfully appealed and overturned by Justice Tait on October 23, 2008. On February 4, 2010, the Appellate Division of the Supreme Court of New York, Third Department affirmed Justice Tait's opinion that John G. Baust and John M. Baust could pursue a complaint in the Division. On March 15, 2010, the Division delivered to the Supreme Court, Appellate Division, a Notice of Motion and Motion for Reargument or Leave to Appeal. The motion was returnable April 5, 2010. On May 17, 2010, the Appellate Division denied the Division's motion for reargument or, in the alternative, for permission to appeal to the Court of Appeals. Thereafter, on June 23, 2010 the Division served a Motion for Leave to Appeal to the Court of Appeals. On October 14, 2010 the New York State Court of Appeals denied the Division's Motion for Leave to Appeal. Thus, the Complaints of John G. Baust and John M. Baust have been reinstated to the New York State Division of Human Rights. The Company retains all of its rights to oppose the complaints of Messrs. Baust before the Division and the Company will vigorously oppose any attempt at a recovery.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

The common stock, par value $.001 per share, of the Company ("Common Stock") is traded on the OTC Bulletin Board under the symbol "BLFS". As of December 31, 2010, there were approximately 3,000 holders of record of its common stock. The Company has never paid cash dividends on its common stock and does not anticipate that any cash dividends will be paid in the foreseeable future.

The following table sets forth, for the periods indicated, the range of high and low quarterly closing sales prices of its common stock:

	High	Low
Year ended December 31, 2009		
4th Quarter	$0.11	$0.10
3rd Quarter	0.13	0.13
2nd Quarter	0.22	0.17
1st Quarter	0.07	0.05
Year ended December 31, 2010		
4th Quarter	$0.09	$0.05
3rd Quarter	0.09	0.04
2nd Quarter	0.11	0.06
1st Quarter	0.13	0.08

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our audited financial statements and notes thereto that appear elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including those set forth in the section entitled “Risk Factors” and elsewhere in this report.

The statements contained in this Annual Report on Form 10-K, including statements under this 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 our 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 absence of these words does not mean that a statement is not forward-looking. The forward-looking statements contained in this Annual Report on Form 10-K is based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we 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 Item 1A of Part I, “Risk Factors”. 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. We undertake 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 audited financial statements and accompanying footnotes thereto.

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.

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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 accounting principles generally accepted in the United States. The preparation of financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluates estimates, including, but not limited to those related to accounts receivable allowances, determination of fair value of share-based compensation, contingencies, income taxes, and expense accruals. We base our estimates on historical experience and on other factors that we believes 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.

Share-based Compensation

We account for share-based compensation by estimating the fair value of share-based compensation using the Black-Scholes option pricing model on the date of grant. We utilize assumptions related to stock price volatility, stock option term and forfeiture rates that are based upon both historical factors as well as management's judgment. Non-cash compensation expense is recognized on a straight-line basis over the applicable requisite service period of one to four years, based on the fair value of such share-based awards on the grant date.

Income Taxes

We follow the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and on the expected future tax benefits to be derived from net operating loss carryforwards measured using current tax rates. A valuation allowance is established if it is more likely than not that some portion or all of the deferred tax assets will not be realized. We have not recorded any liabilities for uncertain tax positions or any related interest and penalties. Our tax returns are open to audit for the years ending December 31, 2007 to 2010.

Comparison of Annual Results of Operations

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

	Years Ended December 31,			
	2010	2009	$ Change	% Change
Revenue				
Product sales	$2,061,565	$1,556,600	$504,965	33 %
Licensing revenue	20,000	25,000	(5,000)	-20 %
Total revenue	2,081,565	1,581,600	499,965	32 %
Cost of product sales	1,225,177	1,007,022	218,155	22 %
Gross profit	856,388	574,578	281,810	49 %
Operating expenses				
Research and development	318,897	414,465	(95,568)	-23 %
Sales and marketing	431,007	558,721	(127,714)	-23 %
General and administrative	1,500,680	1,503,552	(2,872)	-0 %
Manufacturing start-up costs	-	385,205	(385,205)	-100 %
Total operating expenses	2,250,584	2,861,943	(611,359)	-21 %
Operating loss	(1,394,196)	(2,287,365)	893,169	39 %
Other income (expenses)				
Interest income	193	1,069	(876)	-82 %
Other income	-	9,692	(9,692)	-100 %
Interest expense	(588,001)	(488,013)	(99,988)	-21 %
Loss on disposal of assets	(1,626)	(3,735)	2,109	57 %
Total other income (expenses)	(589,434)	(480,987)	(108,447)	-23 %
Net Loss	$(1,983,630)	$(2,768,352)	$784,722	28 %

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Comparison of Results of Operations for the Years Ended December 31, 2010 and 2009

Revenue. Sales to individual customers representing more than 10% of total revenue totaled approximately $535,000 and $494,000 in 2010 and 2009, respectively. In 2010 the amount in product sales revenue was from two customers, one which totaled $321,000 representing 16% of total product sales, and the other which totaled $213,000 representing 10% of total product sales. In 2009 the amount in product sales revenue was from two customers, one which totaled $334,000 representing 21% of total product sales, and the other which totaled $160,000 representing 10% of total product sales. Increase in revenue is primarily due to increased product sales to existing customers, the acquisition of new customers, and sales of our new product BloodStor®.

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

Product sales and cost of product sales. In 2010, product sales increased 33% compared to 2009 due to increased product sales to existing customers, the acquisition of new customers in the cell therapy, drug discovery, and cell supplier markets, and continued sales of the new product family BloodStor®.

Cost of product sales consists of raw materials, labor and overhead expenses. In May 2009, we transitioned from a contract manufacturer to internal manufacturing. The initial period of in-house production included lower factory utilization during the start-up phase, which resulted in increased gross margins in 2010 compared to 2009.

Research and Development. R&D expense consist primarily of salaries and other personnel expenses, consulting and other outside services, laboratory supplies, and other costs. We expense all R&D costs as incurred. R&D expenses for the year ended December 31, 2010 decreased 23% compared to the 2009 period due to lower personnel related cost due to the reduction in workforce at the end of July 2009, offset by an increase in consulting fees related to outside services used in product development.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries and other personnel-related expenses, consulting, trade shows and advertising. The 23% decrease in 2010 sales and marketing expenses compared to 2009 primarily was due to lower personnel related costs due to the reduction in workforce at the end of July 2009, offset by an increase in association dues as the company continues to place itself in key markets for increased product sales.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and other personnel-related expenses, non-cash stock-based compensation for administrative personnel and non-employee members of the board of directors, professional fees, such as accounting and legal, corporate insurance and facilities costs. The 0.2% decrease in general and administrative expenses in 2010 compared to 2009 resulted primarily in lower professional accounting fees offset by an increase in stock-based compensation.

Manufacturing Start-up Costs. Manufacturing start-up costs decreased 100% in the current year compared to 2009. In the third quarter of 2008, to reduce cost of product sales and enhance production flexibility, we decided to transition our manufacturing process in-house, which became operational in May 2009.

Interest Expense. The increase in interest expense in 2010 compared to 2009 was due to a higher average debt balance.

Liquidity, Going Concern and Capital Resources

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, or, to amounts and classification of liabilities that may be necessary should we be unable to continue as a going concern.

Liquidity

At December 31, 2010, we had cash and cash equivalents of $3,211 compared to cash and cash equivalents of $139,151 at December 31, 2009. At December 31, 2010, we had working capital of $474,271, compared to working capital of $535,697 at December 31, 2009. We have been unable to generate sufficient income from operations in order to meet our operating needs and have an accumulated deficit of approximately $52 million at December 31, 2010. This raises substantial doubt about our ability to continue as a going concern.

Net Cash Used in Operating Activities

During the year ended December 31, 2010, net cash used in operating activities was $1,252,525 as compared to net cash used by operating activities of $2,413,642 for the year ended December 31, 2009. Cash used in operating activities relates primarily to funding net losses and changes in operating assets and liabilities, offset by non-cash compensation related to stock options and depreciation.

Net Cash Provided by and Used in Investing Activities

Net cash used in investing activities totaled $28,414 during the year ended December 31, 2010, and $373,531 during the year ended December 31, 2009. Cash used in investing activities was due to purchase of property and equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities totaled $1,145,000 for the year ended December 31, 2010 and $2,827,600 for the year ended December 31, 2009 and resulted from the issuance of promissory notes to two shareholders.

On January 11, 2008, we entered into a Secured Convertible Multi-Draw Term Loan Facility Agreement (the “Facility Agreement”) with each of Thomas Girschweiler, a director and stockholder of the Company, and Walter Villiger, an affiliate of the Company (the “Investors”), pursuant to which each Investor extended to the Company a secured convertible multi-draw term loan facility of $2,500,000, which Facility (a) incorporated (i) a refinancing of then existing indebtedness of the Company to the Investor, and accrued interest thereon, in the aggregate amount of $1,431,563.30, (ii) a then current advance of $300,000, and (iii) a commitment to advance to the Company, from time to time, additional amounts up to a maximum of $768,436.70, (b) bears interest at the rate of 7% per annum on the principal balance outstanding from time to time, (c) is evidenced by a secured convertible multi-draw term loan note (the “Multi-Draw Term Loan Note”), which was due and payable, together with accrued interest thereon, the earlier of (i) January 11, 2010, or (ii) an Event of Default (as defined in the Multi-Draw Term Loan Note), (d) if outstanding at the time of any bona fide equity financing of the Company of at least Two Million Dollars ($2,000,000) (a “Financing”), at the option of the Investor, could be converted into that number of fully paid and non-assessable shares or units of the equity security(ies) of the Company sold in the Financing (“New Equity Securities”) as is equal to the quotient obtained by dividing the principal amount of the Facility outstanding at the time of the conversion plus accrued interest thereon by 85% of the per share or per unit purchase price of the New Equity Securities, and (e) is secured by all of the Company’s assets.

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In May and July 2008, we received an additional $1,000,000 in total from the Investors pursuant to the Multi-Draw Term Loan Facility. On October 20, 2008, each Facility was increased by $2,000,000 to $4,500,000 (an aggregate of $9,000,000), and, on October 24, 2008, we received an additional $600,000 in total from the Investors pursuant to the amended Multi-Draw Loan Facilities. In 2009, we received an additional $2,825,000 in total from the Investors pursuant to the amended Facilities. In December 2009, the Investors extended the repayment date to January 11, 2011. On November 16, 2010, each Facility was increased by $250,000 to $4,750,000 (an aggregate of $9,500,000) and the Investors granted an extension of the repayment date to January 11, 2013. In 2010, we received an additional $1,145,000 in total from the Investors pursuant to the amended Facilities, which brought our total principal balance owed under the Multi-Draw Term Loan Notes to $9,033,127, and left $466,873 to draw from the Facilities at December 31, 2010.

Operating Capital and Capital Expenditure Requirements

We believe that continued access to the amended Facilities, in combination with cash generated from customer collections, will provide sufficient funds through June 30, 2011. However, we would require additional capital in the immediate short term if our ability to draw on the amended Facilities 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 amended Facilities historically have demonstrated a willingness to grant access to the Facilities 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 amended Facilities, 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.

Off-Balance Sheet Arrangements

As of December 31, 2010, we did not have any off-balance sheet financing arrangements.

Contractual Obligations

In July 2007, we signed a four-year lease, commencing August 1, 2007, for 4,366 square feet of office and laboratory space in Bothell, WA at an initial rental rate of $6,367 per month. We are also responsible for paying our proportionate share of property taxes and other operating expenses as defined in the lease.

In November 2008, we signed an amended five-year lease to gain 5,798 square feet of additional clean room space for manufacturing in a facility adjacent to our corporate office facility leased in Bothell, WA at an initial rental rate of $14,495 per month. Included in this amendment is the exercise of the renewal option for our current office and laboratory space to make the lease for such space coterminous with the new facility five-year lease period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated herein by reference to the financial statements included in Item 15 (a)1 of this Form 10-K Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended, or 1934 Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that such information 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. During the quarter ended December 31, 2010 we carried out an evaluation, under the supervision and with the participation of our management, including the chief executive officer and chief financial officer, as required by the rules and regulations under the 1934 Act, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the 1934 Act. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of December 31, 2010, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. This process includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management, including our chief executive officer and chief financial officer, conducted an evaluation of the design effectiveness of our internal control over financial reporting based on the framework in “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), as of December 31, 2010. Based on our assessment, we conclude that as of December 31, 2010 our internal control over financial reporting was effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter ended December 31, 2010.

Limitations on Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that our objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

ITEMOTHER INFORMATION
9B.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The following table and text set forth the names and ages of all directors and executive officers of the Company as of March 28, 2011. The Board of Directors is comprised of only one class. All of the directors will serve until the next annual meeting of shareholders, and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. There are no family relationships among directors and executive officers. Also provided herein are brief descriptions of the business experience of each director and executive officer during the past five years (based on information supplied by them) and an indication of directorships held by each director in other companies subject to the reporting requirements under the Federal securities laws.

Name	Age	Position and Offices With the Company
Michael Rice	48	Chief Executive Officer, President, and Director
Howard S. Breslow	71	Director, Secretary
Roderick de Greef	50	Director
Thomas Girschweiler	53	Director
Raymond Cohen	51	Director
Andrew Hinson	45	Director

Michael Rice has been President and Chief Executive Officer and a director of the Company since August 2006, and Chairman of the board of directors since August 2007. From October 2004 to August 2006, Mr. Rice served as Sr. Business Development Manager for the Medical & Wireless Products Group at AMI Semiconductor, Inc. (NASDAQ: AMIS). Prior thereto, from October 2000 to October 2004, he served as Director of Marketing & Business Development, Western Region Sales Manager, and Director, Commercial Sales at Cardiac Science, Inc. (NASDAQ: CSCX); from May 1998 to October 2000 as Vice President, Sales and Marketing at TEGRIS Corporation; and from May 1986 to May 1998 in several sales and marketing roles at Physio Control Corporation.

Howard S. Breslow has served as a director of the Company since July 1988. He has been a practicing attorney in New York City for more than 40 years and is a member of the law firm of Breslow & Walker, LLP, New York, NY, which firm serves as general counsel to the Company.

Mr. de Greef has been a director of the Company since June 2000, and since July 2007, has been retained by the Company to provide strategic and financial consulting services. Mr. de Greef provides corporate advisory services to several other companies, including Cambridge Heart, Inc., where he has been employed as Chairman of the board of directors since November 2008. From October 2005 to July 2007, Mr. de Greef was Chief Financial Officer of Cambridge Heart, and Vice President of Finance and Administration from June 2006 to July 2007. From February 2001 to September 2005, Mr. de Greef was Executive Vice President and Chief Financial Officer of Cardiac Science, Inc., which merged with Quinton Cardiology, Inc. From 1995 to 2001, Mr. de Greef provided independent corporate finance advisory services to a number of early-stage companies, including BioLife Solutions and Cardiac Science. From 1986 to 1995, Mr. de Greef served as Vice President of Finance and Chief Financial Officer of several publicly held, development stage medical technology companies. Mr. de Greef is also a member of the board of directors of Irvine, CA based Endologix, Inc., and Amsterdam based Elephant Talk Communications, Inc. Mr. de Greef has a B.A. in Economics and International Relations from California State University at San Francisco and earned his M.B.A. from the University of Oregon.

Thomas Girschweiler joined the Board in 2003. Mr. Girschweiler has been engaged in corporate financing activities on his own behalf since 1996. From 1981 to 1996 he was an investment banker with Union Bank of Switzerland. Mr. Girschweiler is a graduate of the Swiss Banking School.

Raymond W. Cohen joined the Board in May 2006. Mr. Cohen is an Accredited Public Company Director. He currently serves as the CEO and member of the Board of Directors of Minnow Medical, Inc., a venture backed developer of a novel RF Thermoplasty therapy for treatment of vascular disease and as an advisor to Fjord Ventures, LLC., a life science incubator. Cohen also serves on the Board of publicly traded Cardiogenesis, Inc., (CPCG) a manufacturer of transmyocardial revascularization lasers, Syncroness, Inc., a privately-held engineering and product development firm and CardioPolymers, Inc., a privately-held developer of novel biotherapeutics for the treatment of congestive heart failure. In 2008, Mr. Cohen was named by AeA as the Private Company Life Science CEO of the Year. Previously, Cohen served as Chairman and Chief Executive Officer of Cardiac Science (CSCX). In 2004, Cardiac Science was ranked as the 4th fastest growing technology company in North America on Deloitte & Touche's Fast 500 listing. Mr. Cohen was named Entrepreneur of the Year in 2002 by the Orange County Business Journal and was a finalist for Ernst & Young's Entrepreneur of the Year in the medical company category in 2004. Mr. Cohen is a member of a number of local Southern California organizations, notably the Forum of Corporate Directors, OCTANe where he is a member of the Biomedical Leadership Council and as a Advisory Council member to the Keck Graduate Institute, BioScience MBA program. Mr. Cohen holds a B.S. in Business Management from the State University of New York at Binghamton.

Andrew Hinson joined the Board in February 2007. He currently is the Vice President for Clinical and Regulatory Affairs for LoneStar Heart, Inc., a developer of proprietary biopolymer, small molecule and cellular-based therapies to effectively treat heart failure and other cardiac conditions. Mr. Hinson has diverse experience in the cell and gene therapy markets and extensive experience with regulatory and clinical trial issues for new therapies for cardiac, neurologic, and gastrointestinal applications

Committee Membership, Meetings and Attendance

During the fiscal year ended December 31, 2010, there were:

- Four meetings of the Board of Directors
- Four meetings of the Audit Committee
- One meeting of the Compensation Committee
- No meetings of the Nominating and Corporate Governance Committee

Each Director attended or participated in at least 100% of the meetings of the Board of Directors held during the fiscal year ended December 31, 2010.

Board Committees

Audit Committee and Audit Committee Financial Expert

The Audit Committee is currently composed of Messrs. Girschweiler, Cohen and de Greef. The Board of Directors has determined that Mr. de Greef is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. The Audit Committee has the sole authority and responsibility to select, evaluate and replace our independent registered public accounting firm or nominate the independent auditors for stockholder approval. The Audit Committee must pre-approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Audit Committee consults with management but does not delegate these responsibilities. The Audit Committee met four times in fiscal 2010 in which they reviewed and discussed the financial statements as

presented in form 10-K for period ended December 31, 2009, and in form 10-Q for periods ended March 31, June 30, and September 30, 2010.

Compensation Committee

The Compensation Committee consists of Messrs., Hinson, Cohen and Girschweiler. The Compensation Committee awards stock options to officers and employees, and has overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company. The Compensation Committee met one time in fiscal 2010.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Messrs. Hinson, de Greef and Breslow. The Nominating and Corporate Governance Committee did not meet in fiscal 2010. The Nominating and Corporate Governance Committee is responsible for (1) reviewing suggestions of candidates for director made by directors and others; (2) identifying individuals qualified to become Board members, and recommending to the Board the director nominees for the next annual meeting of shareholders; (3) recommending to the Board director nominees for each committee of the Board; (4) recommending to the Board the corporate governance principles applicable to the Company; and (5) overseeing the annual evaluation of the Board and management. Pursuant to the Nominating and Corporate Governance Committee Charter, there is no difference in the manner in which a nominee is evaluated based on whether the nominee is recommended by a stockholder or otherwise.

Section 16(a) Beneficial Ownership Reporting Compliance

Our executive officers, directors, and beneficial owners of more than 10% of any class of its equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (collectively, the "Reporting Persons") are required to file reports of ownership and changes in beneficial ownership of the Company's equity securities with the Securities Exchange Commission. Copies of those reports also must be furnished to us. Based solely on review of the copies of such forms furnished by the Company, we believe that during the year ended December 31, 2010, the Reporting Persons complied with all applicable Section 16(a) filing requirements.

Code of Ethics

We have always encouraged our employees, including officers and directors to conduct business in an honest and ethical manner. Additionally, it has always been our policy to comply with all applicable laws and provide accurate and timely disclosure. Accordingly, the Board has adopted a formal written code of ethics for all employees, and an additional corporate code of ethics for its Chief Executive Officer and Senior Financial Officers. The code of ethics is designed to deter wrongdoing and promote honest and ethical conduct and compliance with applicable laws and regulations. These codes also incorporate our expectations of our executives which enable us to provide accurate and timely disclosure of our filings with the Securities and Exchange Commission and other public communication. The code of ethics is posted on our website, www.biolifesolutions.com. Any future changes or amendments to our code of ethics, and any waiver of our codes of ethics, will be posted on the website when applicable.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth certain information concerning the compensation paid by the Company to its Chief Executive Officer, and any additional executive officers that received salary and bonus payments in excess of $100,000 during the fiscal year ended December 31, 2010 (collectively the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Positions (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($) (f) (1)	Non-Equity Incentive Plan Compensation ($) (g)	Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)	Total ($) (j)
Michael Rice	2010	270,000	—	—	92,305(2)	—	—	—	362,305
President, Chief Executive Officer and Director (8/06 –present)	2009	287,500	—	—	50,963(3)	—	—	—	338,463

(1) See Note 1 to Notes to Financial Statements for a description on the valuation methodology of stock option awards.
(2) Amount is a result of options to purchase 1,190,878 shares at $0.10 per share granted to officer on 2/5/2010, which options vest to the extent of 297,719 shares on 2/5/2011 and, thereafter, in monthly increments of 15,938 shares.
(3) Amount is a result of options to purchase 765,000 shares at $0.09 per share granted to officer on 2/2/2009, which options vest to the extent of 191,250 shares on each of 2/2/2010, 2/2/2011, 2/2/2012 and 2/2/2013.

Employment Agreements

We have an employment agreement with Michael Rice, our President and Chief Executive Officer, which automatically renews for successive one year periods in the event either party does not send the other a "termination notice" no less than 90 days prior to the expiration of the initial term or any subsequent term. The agreement provided for a salary of $200,000 per year and an incentive bonus based on certain quarterly milestones, to be determined by the Board of Directors. Mr. Rice also received a ten-year incentive stock option to purchase 1,500,000 shares of common stock at $.07 per share (the fair market value on the date of grant), which vested to the extent of 500,000 shares on each of the first three anniversary dates of the date of grant. We amended this employment agreement on February 7, 2007 to provide that if, in connection with a "change in control," Mr. Rice's employment is terminated without "Cause" or he resigns for "Good Reason," he will be entitled to the continued payment of salary and bonuses and the reimbursement of medical insurance premiums for 24 months following the change in control event. On February 11, 2008, Mr. Rice's salary was increased to $300,000 per annum, retroactive to January 1, 2008 and his quarterly bonus plan was supplanted by annual reviews of the Compensation Committee in 2008, 2009, and 2010. Beginning on August 1, 2009, Mr. Rice's salary was decreased 10% in conjunction with the Company's 10% across the board pay cuts.

The following table provides information related to outstanding equity awards for each of the Named Executive Officers as of December 31, 2010:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	OPTION AWARDS					STOCK AWARDS			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
Michael Rice	1,500,000	—	—	0.07	8/7/2016 (1)	—	—	—	—
Michael Rice	1,000,000	—	—	0.08	2/7/2017 (2)	—	—	—	—
Michael Rice	350,625	414,375-	—	0.09	2/2/2019 (3)	—	—	—	—
Michael Rice	—	1,190,878	—	0.10	2/5/2020 (4)	—	—	—	—

(1) This award vested 500,000 shares on each of 8/7/2007, 8/7/2008, and 8/7/2009.
(2) This award vested 333,333 shares on each of 2/7/2008, 2/7/2009, and 333,334 shares on 2/7/2010.
(3) This award vests 191,250 shares on 2/2/2010 and, thereafter, in monthly increments of 15,938 shares.
(4) This award vests 297,719 shares on each of 2/5/2011, 2/5/2012, 2/5/2013, and 297,721 shares on 2/5/2014.

Compensation of Directors

Outside directors were compensated with a quarterly retainer fee of $1,500. The Audit Committee Chairman was compensated an additional quarterly retainer fee of $2,000. All directors receive $1,000 for attending board meetings and $500 per meeting for telephonic board meetings. Directors who attend audit committee and the compensation committee meetings receive $500. A total of $65,500 in director compensation was recorded during the year ended December 31, 2010.

The following table sets forth compensation paid to outside directors during the fiscal year ended December 31, 2010:

DIRECTOR COMPENSATION

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)(1)	Non-Equity Incentive Plan Compensation ($) (e)	Non-Qualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (j)
Howard Breslow (2)	10,000	—	10,755	—	—	—	20,755
Thomas Girschweiler (3)	12,500	—	10,755	—	—	—	23,255
Roderick de Greef (4)	12,000	—	10,755	—	—	96,000	118,755
Raymond Cohen (5)	20,500	—	10,755	—	—	—	31,255
Andrew Hinson (6)	10,500	—	10,755	—	—	—	21,255

(1) See Note 1 to Notes to Financial Statements for a description on the valuation methodology of stock option awards.

(2) As of December 31, 2010, Mr. Breslow had received a grant of 150,000 options which vested 100% on 2/5/2011. He owned the following options and warrants, all of which were exercisable: options to purchase 650,000 shares of Common Stock and warrants to purchase 500,000 shares of Common Stock.

(3) As of December 31, 2010, Mr. Girschweiler had received a grant of 150,000 options which vested 100% on 2/5/2011. He owned the following options, all of which were exercisable: options to purchase 400,000 shares of Common Stock and warrants to purchase 1,000,000 shares of Common Stock.

(4) As of December 31, 2010, Mr. de Greef had received a grant of 150,000 options which vested 100% on 2/5/2011. He owned the following options and warrants, all of which were exercisable: options to purchase 650,000 shares of Common Stock and warrants to purchase 1,250,000 shares of Common Stock.

(5) As of December 31, 2010, Mr. Cohen had received a grant of 150,000 options which vested on 2/5/2011. He owned the following options, all of which were exercisable: options to purchase 900,000 shares of Common Stock.

(6) As of December 31, 2010, Mr. Hinson had received a grant of 150,000 options which vested on 2/5/2011. He owned the following options, all of which were exercisable: options to purchase 400,000 shares of Common Stock.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 28, 2011, certain information regarding the beneficial ownership of Common Stock by (i) each stockholder known by the Company to be the beneficial owner of more than 5% of the outstanding shares thereof; (ii) each director of the Company; (iii) each Named Executive Officer of the Company; and (iv) all of the Company's current directors and executive officers as a group.

Name and Address of Beneficial Owner	Common Stock (1)	Percentage of Class (1)
Michael Rice (Officer and Director) c/o BioLife Solutions, Inc. 3303 Monte Villa Pkwy, Suite 310 Bothell, WA 98021	3,628,032 (2)	4.9%
John G. Baust 175 Raish Hill Road Candor, NY 13743	3,694,722	5.3%
Howard S. Breslow, Esq. (Director) c/o Breslow & Walker, LLP 767 Third Avenue New York, NY 10017	1,353,600 (3)	1.9%
Roderick de Greef (Director) c/o BioLife Solutions, Inc. 3303 Monte Villa Pkwy, Suite 310 Bothell, WA 98021	6,058,622 (4)	8.4%
Walter Villiger c/o BioLife Solutions, Inc. 3303 Monte Villa Pkwy, Suite 310 Bothell, WA 98021	20,240,081	28.6%
Thomas Girschweiler (Director) c/o BioLife Solutions, Inc. 3303 Monte Villa Pkwy, Suite 310 Bothell, WA 98021	15,956,552 (5)	22.4%
Beskivest Chart LTD Goodmans Bay Center West Bay Street & Sea View Drive Nassau, Bahamas	7,255,026	10.4%
Raymond Cohen (Director) c/o BioLife Solutions, Inc. 3303 Monte Villa Pkwy, Suite 310 Bothell, WA 98021	1,095,000 (6)	1.5%

Andrew Hinson (Director) c/o BioLife Solutions, Inc. 3303 Monte Villa Pkwy, Suite 310 Bothell, WA 98021	550,000 (7)	0.8%
All officers and directors as a group (six persons)	28,641,806	35.2%

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(1) Shares of Common Stock subject to options and warrants that are exercisable or will be exercisable within 60 days are deemed outstanding for computing the number of shares beneficially owned. The percentage of the outstanding shares held by a person holding such options or warrants includes those currently exercisable or exercisable within 60 days, but such options and warrants are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the Company believes that the persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) Includes 2,500,000 shares of Common Stock issuable upon the exercise of outstanding stock options under the Company's 1998 Stock Option Plan, 1,128,032 shares of Common Stock issuable upon the exercise of outstanding stock options granted subsequent to the expiration of its plan. This does not include 334,688, 893,159, and 2,247,939 shares of Common Stock issuable upon the exercise of non-vested stock options granted on February 2, 2009, February 5, 2010, and February 25, 2011 respectively.

(3) Includes 500,000 shares of Common Stock issuable upon the exercise of outstanding stock options under the Company's 1998 Stock Option Plan, 300,000 shares of Common Stock issuable upon the exercise of outstanding stock options granted subsequent to the expiration of its plan, and 500,000 shares of Common Stock issuable upon the exercise of outstanding warrants, all of which options and warrants are currently exercisable, and 53,600 common shares. This does not include 150,000 shares of Common Stock issuable upon the exercise of non-vested stock options granted on February 11, 2011.

(4) Includes 500,000 shares of Common Stock issuable upon the exercise of outstanding stock options under the Company's 1998 Stock Option Plan, 759,459 shares of Common Stock issuable upon the exercise of outstanding stock options granted subsequent to the expiration of its plan, and 1,250,000 shares of Common Stock issuable upon the exercise of outstanding warrants, all of which options and warrants are currently exercisable, and 3,549,163 common shares. This does not include 150,000 shares of Common Stock issuable upon the exercise of non-vested stock options granted on February 11, 2011.

(5) Includes 250,000 shares of Common Stock issuable upon the exercise of outstanding stock options under the Company's 1998 Stock Option Plan, 300,000 shares of Common Stock issuable upon the exercise of outstanding stock options granted subsequent to the expiration of its plan and 1,000,000 shares of Common Stock issuable upon the exercise of outstanding warrants, all of which options are currently exercisable, and 14,406,552 common shares. This does not include 150,000 shares of Common Stock issuable upon the exercise of non-vested stock options granted on February 11, 2011.

(6) Includes 750,000 shares of Common Stock issuable upon the exercise of outstanding stock options under the Company's 1998 Stock Option Plan, 300,000 shares of Common Stock issuable upon the exercise of outstanding stock options granted subsequent to the expiration of its plan, all of which options are currently exercisable, and 45,000 common shares. This does not include 150,000 shares of Common Stock issuable upon the exercise of non-vested stock options granted on February 11, 2011.

(7) Includes 250,000 shares of Common Stock issuable upon the exercise of outstanding stock options under the Company's 1998 Stock Option Plan, 300,000 shares of Common Stock issuable upon the exercise of outstanding stock options granted subsequent to the expiration of its plan, all of which options are currently exercisable. This does not include 150,000 shares of Common Stock issuable upon the exercise of non-vested stock options granted on February 11, 2011.

Securities Authorized for Issuance under Equity Compensation Plan

Plan category	Number of securities to be issued upon exercise of outstanding options and warrants (in thousands)	Weighted Average exercise price of outstanding options and warrants	Number of securities remaining available for future issuance (in thousands)
Equity compensation plans approved by security holders	6,825	$ .08	—
Equity compensation plans not approved by security holders*	11,959	$ .08	—
Total	18,784	$ .09	—

*See note 6 of Notes to Financial Statements

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Howard S. Breslow, a director of the Company, is a member of Breslow & Walker, LLP, general counsel to the Company. Mr. Breslow currently owns 53,600 shares of Common Stock of the Company and holds rights to purchase an aggregate of 1,300,000 additional shares pursuant to stock options and warrants issued to him and/or affiliates. The Company incurred approximately $21,902 in legal fees during the year ended December 31, 2010 for services provided by Breslow & Walker, LLP. At December 31, 2010, accounts payable includes $149 due to Breslow & Walker, LLP.

On January 11, 2008, we entered into a Secured Convertible Multi-Draw Term Loan Facility Agreement (the “Facility Agreement”) with each of Thomas Girschweiler, a director and stockholder of the Company, and Walter Villiger, an affiliate of the Company (the “Investors”), pursuant to which each Investor extended to the Company a secured convertible multi-draw term loan facility of $2,500,000, which Facility (a) incorporated (i) a refinancing of then existing indebtedness of the Company to the Investor, and accrued interest thereon, in the aggregate amount of $1,431,563.30, (ii) a then current advance of $300,000, and (iii) a commitment to advance to the Company, from time to time, additional amounts up to a maximum of $768,436.70, (b) bears interest at the rate of 7% per annum on the principal balance outstanding from time to time, (c) is evidenced by a secured convertible multi-draw term loan note (the “Multi-Draw Term Loan Note”), which was due and payable, together with accrued interest thereon, the earlier of (i) January 11, 2010, or (ii) an Event of Default (as defined in the Multi-Draw Term Loan Note), (d) if outstanding at the time of any bona fide equity financing of the Company of at least Two Million Dollars ($2,000,000) (a “Financing”), at the option of the Investor, could be converted into that number of fully paid and non-assessable shares or units of the equity security(ies) of the Company sold in the Financing (“New Equity Securities”) as is equal to the quotient obtained by dividing the principal amount of the Facility outstanding at the time of the conversion plus accrued interest thereon by 85% of the per share or per unit purchase price of the New Equity Securities, and (e) is secured by all of the Company’s assets.

In May and July 2008, we received an additional $1,000,000 in total from the Investors pursuant to the Multi-Draw Term Loan Facility. On October 20, 2008, each Facility was increased by $2,000,000 to $4,500,000 (an aggregate of $9,000,000), and, on October 24, 2008, we received an additional $600,000 in total from the Investors pursuant to the amended Multi-Draw Loan Facilities. In 2009, we received an additional $2,825,000 in total from the Investors pursuant to the amended Facilities. In December 2009, the Investors extended the repayment date to January 11, 2011. On November 16, 2010, each Facility was increased by $250,000 to $4,750,000 (an aggregate of $9,500,000) and the Investors granted an extension of the repayment date to January 11, 2013. In 2010, we received an additional $1,145,000 in total from the Investors pursuant to the amended Facilities, which brought our total principal balance owed under the Multi-Draw Term Loan Notes to $9,033,127, and left $466,873 to draw from the Facilities at December 31, 2010.

On August 7, 2007, the Board of Directors of the Company agreed to outsource to Roderick de Greef, a director of the Company, the task of overseeing the Company's financing activities, internal accounting functions and SEC reporting, and assisting in the search for, and reviewing, strategic alternatives, on a part-time basis (up to 80 hours per month on an as needed basis), effective as of July 1, 2007 (since he was effectively serving the Company in such capacity since such date), on terms to be agreed upon by Mike Rice, the President of the Company, and Mr. de Greef, and approved by the Board. Subsequent to August 7, 2007, Mr. Rice and Mr. de Greef agreed to the following terms: (1) a fee of $10,000 per month, (2) reimbursement of business expenses, (3) 90 day advance notice of termination by the Company, and (4) the payment of one (1) year's fees ($120,000) if terminated in connection with a Change of Control transaction. As used herein the term Change of Control means (A) there shall be consummated (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of at least 50% of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; (B) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or (C) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of 50% or more of the Company's outstanding Common Stock. On November 14, 2007, the arrangement was approved by the Board of Directors of the Company. Beginning on August 1, 2009, Mr. de Greef's fees were decreased 20% in conjunction with the Company's 10% across the board pay cuts. The Company paid consulting fees of $96,000 for year ended December 31, 2010.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During 2010, Peterson Sullivan LLP acted as the independent auditors for the Company. The following table sets forth the aggregate fees billed and expected to be billed for audit and review services rendered in connection with the financial statements and reports for the years ending December 31, 2010 and December 31, 2009 and for other services rendered during the years ending December 31, 2010 and December 31, 2009 on behalf of the Company:

ACCOUNTANT FEES AND SERVICES

Description	Years Ended December 31, 2010	2009
Audit Fees	$ 68,300	$ 87,000
All Other Fees	—	—
Totals	$ 68,300	$ 87,000

The Board of Directors pre-approves all audit and non-audit services to be performed by the Company's independent auditors.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

The financial statements required by this item are included herein:

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(a) 3. Exhibits

See Exhibit Index below for exhibits filed as part of this Annual Report on Form 10-K

Exhibit Number	Document
3.1	Certificate of Incorporation, as amended. (1)
3.2	By-Laws, and amendment, dated March 19, 1990, thereto. (1)
4.1	Specimen of Common Stock Certificate. (1)
10.1	Stock Option Plan, dated July 7, 1988, and amendment, dated July 19, 1989. (1)
10.2	1998 Stock Option Plan (2)
10.3	Employment Agreement dated July 26, 2006 between the Company and Michael Rice (3) ^
10.4	Amendment to Employment Agreement dated February 7, 2007 between the Company and Michael Rice (4) ^
10.5	Manufacturing Service Agreement dated October 26, 2007 between the Company and Bioserv, Inc., a division of NextPharma Technologies, Inc. (5)
10.6	Quality Agreement dated October 26, 2007 between the Company and Bioserv, Inc., a division of NextPharma Technologies, Inc. (5)
10.7	Storage Services Agreement dated October 26, 2007 between the Company and Bioserv, Inc., a division of NextPharma Technologies, Inc. (5)
10.8	Order Fulfillment Services Agreement dated October 26, 2007 between the Company and Bioserv, Inc., a division of NextPharma Technologies, Inc. (5)
10.9	Lease Agreement dated August 1, 2007 for facility space 3303 Monte Villa Parkway, Bothell, WA 98021 (6)
10.10	Consulting Agreement dated August 7, 2007 between the Company and Roderick de Greef (7)
10.11	Secured Convertible Multi-Draw Term Loan Facility Agreement dated January 11, 2008, between the Company and Thomas Girschweiler (8)
10.12	Secured Convertible Multi-Draw Term Loan Facility Agreement dated January 11, 2008, between the Company and Walter Villiger (8)
10.13	First Amendment to the Secured Convertible Multi-Draw Term Loan Facility Agreement dated October 20, 2008, between the Company, Thomas Girschweiler, and Walter Villiger (9)
10.14	Promissory Note dated October 20, 2008 issued by the Company to Thomas Girschweiler (9)

10.15	Promissory Note dated October 20, 2008 issued by the Company to Walter Villiger (9)
10.16	First Amendment to the Lease, dated the November 4, 2008, between the Company and Monte Villa Farms, LLC (9)

10.17	Second Amendment to the Secured Convertible Multi-Draw Term Loan Facility Agreement dated December 16, 2009, between the Company, Thomas Girschweiler and Walter Villiger (10)
10.18	Promissory Note dated December 16, 2009 issued by the Company to Thomas Girschweiler (10)
10.19	Promissory Note dated December 16, 2009 issued by the Company to Walter Villiger (10)
10.20	Third Amendment to the Secured Multi-Draw Term Loan Facility Agreement dated November 29, 2010, between the Company, Thomas Girschweiler and Walter Villiger *
10.21	Promissory Note dated November 29, 2010 issued by the Company to Thomas Girschweiler *
10.22	Promissory Note dated November 29, 2010 issued by the Company to Walter Villiger *
10.23	Warrant to purchase 1,000,000 shares of the Company's Common Stock, at $0.07 per share, issued to Thomas Girschweiler*
10.24	Warrant to purchase 1,000,000 shares of the Company's Common Stock, at $0.07 per share, issued to Walter Villiger*
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

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(1) Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000.
(2) Incorporated by reference to the Company's Definitive Proxy Statement for the special meeting of shareholders held on December 16, 1998.
(3) Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006.
(4) Incorporated by reference to the Company's current report on Form 8-K filed February 12, 2007.
(5) Incorporated by reference to the Company's current report on Form 8-K filed October 30, 2007.
(6) Incorporated by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007.
(7) Incorporated by reference to the Company's current report on Form 8-K filed November 19, 2007.
(8) Incorporated by reference to the Company's current report on Form 8-K filed January 14, 2008.
(9) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
(10) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
* Filed herewith
^ Compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 28, 2011	BIOLIFE SOLUTIONS, INC.
	/s/Michael Rice Michael Rice Chief Executive Officer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 28, 2011	/s/Michael Rice Michael Rice Director
Date: March 28, 2011	/s/Roderick de Greef Roderick de Greef Director
Date: March 28, 2011	/s/Howard S. Breslow Howard S. Breslow Director
Date: March 28, 2011	/s/Thomas Girschweiler Thomas Girschweiler Director
Date: March 28, 2011	/s/Raymond Cohen Raymond Cohen Director
Date: March 28, 2011	/s/Andrew Hinson Andrew Hinson Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
BioLife Solutions, Inc.
Bothell, Washington

We have audited the accompanying balance sheets of BioLife Solutions, Inc. ("the Company") as of December 31, 2010 and 2009, and the related statements of operations, shareholders' equity (deficiency), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioLife Solutions, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has been unable to generate sufficient income from operations in order to meet its operating needs and has an accumulated deficit of approximately $52 million at December 31, 2010. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ PETERSON SULLIVAN LLP
Seattle, Washington
March 28, 2011

BioLife Solutions, Inc.
Balance Sheets

	December 31, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 3,211	$ 139,151
Accounts receivable, trade, net of allowance for doubtful accounts of $1,100 and $550 at December 31, 2010 and 2009, respectively	338,899	315,365
Inventories	410,486	358,219
Prepaid expenses and other current assets	62,377	79,635
Total current assets	814,973	892,370
Property and equipment		
Furniture and computer equipment	170,256	164,964
Manufacturing and other equipment	542,775	521,494
Subtotal	713,031	686,458
Less: Accumulated depreciation	(352,331)	(281,036)
Net property and equipment	360,700	405,422
Long term deposits	36,166	36,166
Deferred financing costs	97,220	—
Total assets	$ 1,309,059	$ 1,333,958
Liabilities and Shareholders’ Equity (Deficiency)		
Current liabilities		
Accounts payable	$ 117,068	$ 192,834
Accrued expenses and other current liabilities	108,015	51,251
Accrued compensation	95,619	92,588
Deferred revenue	20,000	20,000
Total current liabilities	340,702	356,673
Long term liabilities		
Promissory notes payable, related parties	9,033,127	7,888,127
Accrued interest, related parties	1,354,975	766,973
Deferred revenue, long term	129,167	149,167
Total liabilities	10,857,971	9,160,940
Commitments and Contingencies (Note 8)		
Shareholders' equity (deficiency)		
Common stock, $0.001 par value; 100,000,000 shares authorized, 69,679,854 shares issued and outstanding at December 31, 2010 and 2009, respectively	69,680	69,680
Additional paid-in capital	42,576,260	42,314,560
Accumulated deficit	(52,194,852)	(50,211,222)
Total shareholders' equity (deficiency)	(9,548,912)	(7,826,982)
Total liabilities and shareholders' equity (deficiency)	$ 1,309,059	$ 1,333,958

The accompanying Notes to Financial Statements are an integral part of these financial statements

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BioLife Solutions, Inc.
Statements of Operations

	Years Ended December 31,	
	2010	2009
Revenue		
Product sales	$ 2,061,565	$ 1,556,600
Licensing revenue	20,000	25,000
Total revenue	2,081,565	1,581,600
Cost of product sales	1,225,177	1,007,022
Gross profit	856,388	574,578
Operating expenses		
Research and development	318,897	414,465
Sales and marketing	431,007	558,721
General and administrative	1,500,680	1,503,552
Manufacturing start-up costs	—	385,205
Total operating expenses	2,250,584	2,861,943
Operating loss	(1,394,196)	(2,287,365)
Other income (expenses)		
Interest income	193	1,069
Other income	—	9,692
Interest expense	(588,001)	(488,013)
Loss on disposal of property and equipment	(1,626)	(3,735)
Total other income (expenses)	(589,434)	(480,987)
Net Loss	$ (1,983,630)	$ (2,768,352)
Basic and diluted net loss per common share	$ (0.03)	$ (0.04)
Basic and diluted weighted average common shares used to calculate net loss per common share	69,679,854	69,647,635

The accompanying Notes to Financial Statements are an integral part of these financial statements

BioLife Solutions, Inc.
Statements of Shareholders' Equity (Deficiency)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity (Deficiency)
	Shares	Amount			
Balance, December 31, 2008	69,639,854	$ 69,640	$ 42,202,117	$ (47,442,870)	$ (5,171,113)
Exercise of options to purchase common stock	40,000	40	2,560	—	2,600
Stock-based compensation	—	—	109,883	—	109,883
Net loss	—	—	—	(2,768,352)	(2,768,352)
Balance, December 31, 2009	69,679,854	$ 69,680	$ 42,314,560	$ (50,211,222)	$ (7,826,982)
Stock-based compensation	—	—	164,480	—	164,480
Warrants issued as consideration for deferred financing costs	—	—	97,220	—	97,220
Net loss	—	—	—	(1,983,630)	(1,983,630)
Balance, December 31, 2010	69,679,854	$ 69,680	$ 42,576,260	$ (52,194,852)	$ (9,548,912)

The accompanying Notes to Financial Statements are an integral part of these financial statements

BioLife Solutions, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2010	2009
Cash flows from operating activities		
Net loss	$ (1,983,630)	$ (2,768,352)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	71,741	93,690
Loss on disposal of property and equipment	1,626	3,735
Stock-based compensation expense	164,480	109,883
Other	—	782
Change in operating assets and liabilities		
(Increase) Decrease in		
Accounts receivable, trade	(23,534)	(36,173)
Inventories	(52,267)	267,072
Prepaid expenses and other current assets and long-term deposits	17,258	(78,483)
Increase (Decrease) in		
Accounts payable	(75,766)	(466,301)
Accrued compensation and other expenses and other current liabilities	59,564	(98,342)
Accrued interest, related parties	588,002	488,012
Deferred revenue	(20,000)	70,835
Net cash used in operating activities	(1,252,526)	(2,413,642)
Cash flows from investing activity		
Purchase of property and equipment	(28,414)	(373,531)
Cash flows from financing activities		
Proceeds from notes payable	1,145,000	2,825,000
Proceeds from exercise of options	—	2,600
Net cash provided by financing activities	1,145,000	2,827,600
Net increase in cash and cash equivalents	(135,940)	40,427
Cash and cash equivalents - beginning of year	139,151	98,724
Cash and cash equivalents - end of year	$ 3,211	$ 139,151
Non-cash financing activities		
Deferred financing costs from issuance of warrants (see note 6)	$ 97,220	$ —

The accompanying Notes to Financial Statements are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

Business

BioLife Solutions, Inc. ("BioLife," "us," "we," "our," or the "Company") develops and markets patented hypothermic storag and cryopreservation solutions for cells, tissues, and organs, and provides contracted research and development and consulting services related to optimization of biopreservation processes and protocols. 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.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts in the financial statements have been reclassified to conform to current period presentation. There has been no impact on previously reported net loss or shareholders' equity (deficiency).

Net loss per 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 years ending December 31, 2010 and 2009 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 antidilutive, are as follows for the years ended December 31, 2010 and 2009:

	2010	2009
Basic and diluted weighted average common stock shares outstanding	69,679,854	69,647,635
Potentially dilutive securities excluded from loss per share computations:		
Common stock options	14,564,815	9,265,000
Common stock purchase warrants	4,218,750	2,218,750

Cash and cash equivalents

Cash equivalents consist primarily of interest-bearing money market accounts. We consider all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. We maintain cash balances that may exceed Federally insured limits. We do not believe that this results in any significant credit risk.

Inventories

Inventories represent biopreservation solutions and raw materials and are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method.

Accounts receivable

Accounts receivable are stated at principal amount, do not bear interest, and are generally unsecured. We provide an allowance for doubtful accounts based on an evaluation of customer account balances past due ninety days from the date of invoicing. Accounts considered uncollectible are charged against the established allowance.

Property and equipment

Furniture and equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years.

Deferred Financing Costs

Deferred financing costs consist of fees associated with obtaining or restructuring existing debt. These fees are amortized over the term of the related debt using the effective interest method.

Revenue recognition

We recognize product revenue, including shipping and handling charges billed to customers, upon shipment of product when title and risk of loss pass to customers. Shipping and handling costs are classified as part of cost of product sales. Generally, revenue related to licensing agreement activity is recognized ratably over the estimated term of the service period. Payments received in advance of the related licensing agreement period are recorded as deferred revenue and recognized when earned.

Income taxes

We account for income taxes using an asset and liability method which generally requires recognition of deferred tax assets and liabilities for the expected future tax effects of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are recognized for the future tax effects of differences between tax bases of assets and liabilities, and financial reporting amounts, based upon enacted tax laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. We evaluate the likelihood of realization of deferred tax assets and provide an allowance where, in management's opinion, it is more likely than not that the asset will not be realized.

We have not recorded any liabilities for uncertain tax positions or any related interest and penalties. Our tax returns are open to audit for years ending December 31, 2007 to 2010.

Advertising

Advertising costs are expensed as incurred and totaled $3,064 and $16,018 for the years ended December 31, 2010 and 2009, respectively.

Manufacturing start-up costs

During the third quarter of 2007, as a result of relocating the Company from Owego, New York to Bothell, Washington, we decided to outsource manufacturing and entered into a contract with a Contract Manufacturing Organization ("CMO"). In the third quarter of 2008, to reduce cost of product sales and enhance its production flexibility, we decided to transition our manufacturing from the CMO to process in-house. The first production run was completed half way through the second quarter in May 2009. One-time start-up costs related to the transition to internal manufacturing were expensed as incurred and amounted to $385,205 for the year ended December 31, 2009.

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.

Operating segments

As described above, our activities are directed in the life sciences field of biopreservation products and services. As of December 31, 2010 and 2009 this is the Company's only operating segment.

Research and Development

Research and development costs are expensed as incurred.

Stock-based compensation

We use the Black-Scholes option pricing model as our method of valuation for share-based awards. Share-based compensation expense is based on the value of the portion of the stock-based award that will vest during the period, adjusted for expected forfeitures. Our determination of the fair value of share-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected life of the award, expected stock price volatility over the term of the award and historical and projected exercise behaviors. The estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual or updated results differ from our current estimates, such amounts will be recorded in the period estimates are revised. Although the fair value of share-based awards is determined in accordance with authoritative guidance, the Black-Scholes option pricing model requires the input of highly subjective assumptions and other reasonable assumptions could provide differing results. Share-based compensation expense is recognized ratably over the applicable requisite service period based on the fair value of such share-based awards on the grant date.

The fair value of options and warrants at the date of grant is determined under the Black-Scholes option pricing model. During the years ended December 31, 2010 and 2009, the following weighted-average assumptions were used:

Assumptions	2010	2009
Risk-free rate	2.22%	1.78%
Annual rate of dividends	—	—
Historical volatility	87.76%	82.27%
Expected life	6.8 years	6.4 years

The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant. We do not anticipate declaring dividends in the foreseeable future. Volatility was based on historical data. We utilize the simplified method as allowed by SEC Staff Accounting Bulletin No. 107 and 110 in determining option lives. The simplified method is used due to the fact that we have had significant structural changes in our business such that our historical exercise data may not provide a reasonable basis to estimate option lives. We recognize compensation expense for only the portion of options that are expected to vest. Therefore, management applies an estimated forfeiture rate that is derived from historical employee termination data. The estimated forfeiture rate applied for the years ended December 31, 2010 and 2009 was 7.48% and 4.7%, respectively. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods. Our stock price volatility, option lives and expected forfeiture rates involve management's best estimates at the time of such determination, all of which impact the fair value of the option calculated under the Black-Scholes methodology and, ultimately, the expense that will be recognized over the life of the option.

Recent Accounting Pronouncements

In April 2010, the FASB issued guidance to address accounting for research or development arrangements in which a vendor satisfies its performance obligations over time, with all or a portion of the consideration contingent on future events, referred to as milestones. The new guidance allows a vendor to adopt an accounting policy to recognize all of the arrangement consideration that is contingent on the achievement of a milestone in the period the milestone is achieved, if the milestone meets the criteria to be considered a substantive milestone. The milestone method described in the new guidance is not the only acceptable revenue attribution model for milestone consideration. However, other methods that result in the recognition of all of the milestone consideration in the period the milestone is achieved are precluded. A vendor is not precluded from electing to apply a policy that results in the deferral of some portion of the milestone consideration.

The new guidance is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those fiscal years, beginning on or after June 15, 2010, with early adoption permitted. If an entity early adopts in a period that is not the beginning of its fiscal year, it must apply the guidance retrospectively from the beginning of the year of adoption. A vendor may elect to adopt the new guidance retrospectively for all prior periods, but is not required to do so. The Company expects to prospectively apply the amended guidance to milestones achieved on or after January 1, 2011. The Company is in the process of evaluating the impact the amended guidance will have on its financial statements.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements a Consensus of the FASB Emerging Issues Task Force, updating ASC Topic 605, Revenue Recognition. ASU 2009-13 requires multiple-deliverable arrangements to be separated using a selling price hierarchy for determining the selling price of a deliverable and significantly expands disclosure requirements of such arrangements. The selling price for each deliverable will be based on vendor-specific objective evidence (VSOE) if available, the third-party evidence if VSOE is not available, or estimated selling price if VSOE and third-party evidence are not available. Arrangement consideration will be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable's estimated selling price. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted; therefore, the Company has adopted this pronouncement in the fiscal year beginning January 1, 2010. Upon adoption, the pronouncement did not have a material impact on our financial statements and is not expected to have a material impact on our future operating results.

2. Financial Condition

We have been unable to generate sufficient income from operations in order to meet our operating needs and have an accumulated deficit of approximately $52 million at December 31, 2010. This raises substantial doubt about our ability to continue as a going concern.

At December 31, 2010, we had cash and cash equivalents of $3,211, compared to cash and cash equivalents of $139,151 at December 31, 2009. At December 31, 2010, we had working capital of $474,271, compared to working capital of $535,697 at December 31, 2009.

During the year ended December 31, 2010, net cash used in operating activities was $1,252,526 as compared to net cash used by operating activities of $2,413,642 for the year ended December 31, 2009. Cash used in operating activities relates primarily to funding net losses and changes in operating assets and liabilities, offset by non-cash compensation related to stock options and depreciation.

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Net cash used in investing activities totaled $28,414 during the year ended December 31, 2010, and $373,531 during the year ended December 31, 2009. Cash used in investing activities is due to purchase of property and equipment.

Net cash provided by financing activities totaled $1,145,000 for the year ended December 31, 2010, which resulted primarily from the issuance of promissory notes to two shareholders. Net cash provided by financing activities totaled $2,827,600 for the year ended December 31, 2009 resulting from the issuance of promissory notes to two shareholders.

On January 11, 2008, we entered into a Secured Convertible Multi-Draw Term Loan Facility Agreement (the "Facility Agreement") with each of Thomas Girschweiler, a director and stockholder of the Company, and Walter Villiger, an affiliate of the Company (the "Investors"), pursuant to which each Investor extended to the Company a secured convertible multi-draw term loan facility of $2,500,000, which Facility (a) incorporated (i) a refinancing of then existing indebtedness of the Company to the Investor, and accrued interest thereon, in the aggregate amount of $1,431,563.30, (ii) a then current advance of $300,000, and (iii) a commitment to advance to the Company, from time to time, additional amounts up to a maximum of $768,436.70, (b) bears interest at the rate of 7% per annum on the principal balance outstanding from time to time, (c) is evidenced by a secured convertible multi-draw term loan note (the "Multi-Draw Term Loan Note"), which was due and payable, together with accrued interest thereon, the earlier of (i) January 11, 2010, or (ii) an Event of Default (as defined in the Multi-Draw Term Loan Note), (d) if outstanding at the time of any bona fide equity financing of the Company of at least Two Million Dollars ($2,000,000) (a "Financing"), at the option of the Investor, could be converted into that number of fully paid and non-assessable shares or units of the equity security(ies) of the Company sold in the Financing ("New Equity Securities") as is equal to the quotient obtained by dividing the principal amount of the Facility outstanding at the time of the conversion plus accrued interest thereon by 85% of the per share or per unit purchase price of the New Equity Securities, and (e) is secured by all of the Company's assets.

In May and July 2008, we received an additional $1,000,000 in total from the Investors pursuant to the Multi-Draw Term Loan Facility. On October 20, 2008, each Facility was increased by $2,000,000 to $4,500,000 (an aggregate of $9,000,000), and, on October 24, 2008, we received an additional $600,000 in total from the Investors pursuant to the amended Multi-Draw Loan Facilities. In 2009, we received an additional $2,825,000 in total from the Investors pursuant to the amended Facilities. In December 2009, the Investors extended the repayment date to January 11, 2011. On November 16, 2010, each Facility was increased by $250,000 to $4,750,000 (an aggregate of $9,500,000) and the Investors granted an extension of the repayment date to January 11, 2013. In 2010, we received an additional $1,145,000 in total from the Investors pursuant to the amended Facilities, which brought our total principal balance owed under the Multi-Draw Term Loan Notes to $9,033,127, and left $466,873 to draw from the Facilities at December 31, 2010. We analyzed the Facilities in accordance with the authoritative literature with respect to derivatives related to the contingent conversion feature of the promissory notes at a variable exercise price that existed when the notes were first entered into. According to our analysis, the resulting derivatives were not material to the transaction or to the financial statements taken as a whole and, as a result, we did not record the derivative liabilities at each draw date. In December 2009, the Facility was amended such that the conversion feature was deleted in its entirety.

We believe that continued access to the amended Facilities, in combination with cash generated from customer collections, will provide sufficient funds through June 30, 2011. However, we would require additional capital in the immediate short term if our ability to draw on the amended Facilities 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 amended Facilities historically have demonstrated a willingness to grant access to the Facilities 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 amended Facilities, 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. Inventories

Inventories consist of the following at December 31, 2010 and 2009:

	2010	2009
Raw materials	$ 143,338	$ 123,421
Work in progress	45,277	49,350
Finished goods	221,871	185,448
Total	$ 410,486	$ 358,219

4. Promissory Notes Payable

At December 31, 2010 and 2009, notes payable consisted of the following:

	2010	2009
Notes payable to Thomas Girschweiler and Walter Villiger, secured by all assets of the Company, principal balances of all notes payable outstanding due in full in January 2013,		
including interest of 7% (see Note 2)	$ 9,033,127	$ 7,888,127
Total notes payable, long-term	$ 9,033,127	$ 7,888,127

5. Income Taxes

Income tax benefit reconciled to tax calculated at statutory rates is as follows:

	2010	2009
Federal tax (benefit) at statutory rate	$ (674,434)	$ (941,240)
Expiration of net operating loss carryforwards	531,078	486,462
Expiration of tax credits	145,000	114,000
Change in valuation allowance	(5,663)	339,840
Other	4,019	938
Provision for income taxes, net	$ —	$ —

At December 31, 2010 and 2009, the components of the Company's deferred taxes are as follows:

	2010	2009
Deferred tax assets (liabilities)		
Net operating loss carryforwards	$ 9,654,193	$ 9,766,585
Tax credits	33,000	178,000
Accrued compensation	32,448	31,480
Depreciation	(4,406)	1,204
Stock-based compensation	196,743	140,820
Accrued related party interest	460,692	260,771
Other	2,888	2,361
Total	10,375,558	10,381,221
Less: Valuation allowance	(10,375,558)	(10,381,221)
Net deferred tax asset	$ —	$ —

The Company has the following net operating loss and research and development (R&D) tax credit carryforwards available at December 31, 2010:

Year of Expiration	Net Operating Losses	R&D Tax Credits
2011	$ 5,277,000	$ 33,000
2012	1,570,000	—
2013	1,425,000	—
2014	1,234,000	—
2020	2,849,000	—
2021	4,168,000	—
2023	1,217,000	—
2024	646,000	—
2025	589,000	—
2026	873,000	—
2027	2,607,000	—
2028	2,512,000	—
2029	2,196,000	—
2030	1,232,000	—
Total	$ 28,395,000	$ 33,000

In the event of a significant change in the ownership of the Company, the utilization of such loss and tax credit carryforwards could be substantially limited.

6. Shareholders' Equity (Deficiency)

Warrants

The following table summarizes warrant activity for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Shares	Wgtd. Avg. Exercise Price	Shares	Wgtd. Avg. Exercise Price
Outstanding at beginning of year	2,218,750	$ 0.12	2,218,750	$ 0.12
Granted	2,000,000	0.07	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding at end of year	4,218,750	$ 0.10	2,218,750	$ 0.12
Warrants exercisable at year end	4,218,750	$ 0.10	2,218,750	$ 0.12

During the year ended December 31, 2010, 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 $97,220 which was recorded as Deferred financing costs and is being amortized to expense over the term of the notes.

The outstanding warrants have expiration dates between May 2012 and November 2015.

Stock compensation plans

During 1998, we adopted the 1998 Stock Option Plan ("the Plan"). An aggregate of 4,000,000 shares of common stock are reserved for issuance upon the exercise of options granted under the Plan. In September 2005, the shareholders approved an increase in the number of shares available for issuance to 10,000,000 shares. The purchase price of the common stock underlying each option may not be less than the fair market value at the date the option is granted (110% of fair market value for optionees that own more than 10% of the voting power of the Company). The Plan expired on August 31, 2008. The options are exercisable for up to ten years from the grant date. As of December 31, 2010, there were outstanding options to purchase 6,825,000 share of Company common stock under the Plan.

Subsequent to the expiration of the Plan, the Company issued, outside of the Plan, non-incentive stock options for an aggregate of 7,739,815 (net of cancellations) shares of Company common stock. During the years ended December 31, 2010 and December 31, 2009, the Company issued, outside of the Plan, non-incentive stock options for an aggregate of 5,324,815 and 1,765,000 shares, respectively, of Company common stock.

Certain options awarded during 2010 and 2009 contain provisions which allow for the automatic proportionate adjustment of the number of shares covered and the exercise price of each share in the event that the Company changes its shares of common stock by a stock dividend, stock split, combination, reclassification, exchange, merger or consolidation.

The following is a summary of stock option activity under the Plan and outside of the Plan for 2010 and 2009, and the status of stock options outstanding at December 31, 2010 and 2009:

	Year Ended December 31, 2010			Year Ended December 31, 2009		
	Shares		Wgtd. Avg. Exercise Price	Shares		Wgtd. Avg. Exercise Price
Outstanding at beginning of year	9,265,000	$	0.09	8,000,000	$	0.09
Granted	5,324,815		0.10	1,765,000		0.09
Exercised	—		—	(40,000)		(0.07)
Forfeited	(25,000)		(0.25)	(460,000)		(0.17)
Outstanding at end of year	14,564,815	$	0.09	9,265,000	$	0.09
Stock options exercisable at year end	7,896,510	$	0.08	5,846,667	$	0.09

Weighted average fair value of options granted was $0.08 and $0.06 per share for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2010, there was $14,500 of aggregate intrinsic value of outstanding stock options, including $7,250 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 2010 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 December 31, 2010. This amount will change based on the fair market value of the Company's stock. Total intrinsic value of options exercised was $0 and $2,600 for the years ended December 31, 2010 and 2009, respectively.

The following table summarizes information about stock options outstanding at December 31, 2010:

Range of Exercise Prices	Number Outstanding at December 31, 2010	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price
$0.04-$0.07	2,825,000	6.50	$	0.06
$0.08-$0.09	5,650,000	6.42	$	0.08
$0.10-$0.25	6,089,815	8.65	$	0.10
	14,564,815	7.37	$	0.09

Total unrecognized compensation cost at December 31, 2010 of $327,499 is expected to be recognized over a weighted average period of 2.6 years.

In February 2011, the Company issued ten-year options to employees and directors to purchase 5,391,899 common shares.

7. Related Party Transactions

We incurred $21,902 and $27,845 in legal fees during the years ended December 31, 2010 and 2009, respectively, for services provided by Breslow & Walker, LLP in which Howard S. Breslow, a director and stockholder of the Company, is a partner. At December 31, 2010 and 2009, accounts payable include $149 and $4,895, respectively, due to Breslow & Walker, LLP for services rendered.

On August 7, 2007, the Board of Directors of the Company agreed to outsource to Roderick de Greef, a director of the Company, the task of overseeing the Company's financing activities, internal accounting functions and SEC reporting, and assisting in the search for, and reviewing, strategic alternatives, on a part-time basis (up to 80 hours per month on an as needed basis), effective as of July 1, 2007 (since he was effectively serving the Company in such capacity since such date), on terms to be agreed upon by Mike Rice, the President of the Company, and Mr. de Greef, and approved by the Board. Subsequent to August 7, 2007, Mr. Rice and Mr. de Greef agreed to the following terms: (1) a fee of $10,000 per month, (2) reimbursement of business expenses, (3) 90 day advance notice of termination by the Company, and (4) the payment of one (1) year's fees ($120,000) if terminated in connection with a Change of Control transaction. As used herein the term Change of Control means (A) there shall be consummated (1) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of at least 50% of common stock of the surviving corporation immediately after the merger, or (2) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; (B) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or (C) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of 50% or more of the Company's outstanding Common Stock. On November 14, 2007, the arrangement was approved by the Board of Directors of the Company. Beginning on August 1, 2009, Mr. de Greef's fees were decreased 20% in conjunction with the Company's 10% across the board pay cuts. The Company incurred consulting fees of $96,000 and $110,000 under this arrangement for years ended December 31, 2010 and 2009, respectively.

8. Commitments and Contingencies

Leases

In July 2007, we signed a four-year lease, commencing August 1, 2007, for 4,366 square feet of office and laboratory space in Bothell, Washington at an initial rental rate of $6,367 per month. We are also responsible for paying a proportionate share of property taxes and other operating expenses as defined in the lease.

In November 2008, we signed an amended five-year lease to gain 5,798 square feet of additional clean room space for manufacturing in a facility adjacent to our corporate office facility leased in Bothell, Washington at an initial rental rate of $14,495 per month. Included in this amendment is the exercise of the renewal option for our current office and laboratory space to make the lease for such space coterminous with the new facility five-year lease period.

The following is a schedule of future minimum lease payments required under the facility leases:

Year Ending December 31	
2011	$ 274,086
2012	285,049

2013		296,451
2014		77,077
Total	$	932,663

Rental expense for this facility lease for the years ended December 31, 2010 and 2009 totaled $345,404 and $278,788, respectively. These amounts include the Company’s proportionate share of property taxes and other operating expenses as defined by the lease.

Employment agreement

We have an employment agreement with the Chief Executive Officer of the Company which automatically renews for successive one year periods in the event either party does not send the other a “termination notice” no less than 90 days prior to the expiration of the initial term or any subsequent term. The agreement provides for certain minimum compensation per month and incentive bonuses at the discretion of the Board of Directors. Under certain conditions, we may be required to continue to pay the base salary under the agreement for a period of two years.

Litigation

On February 7, 2007, Kristi Snyder, a former employee of the Company filed a complaint in the New York State Supreme Court, County of Broome, against the Company alleging a breach of an employment agreement and seeking damages of up to $300,000 plus attorneys’ fees. This case currently is in discovery. The Company is vigorously defending its position.

On April 6, 2007, the Company was served with a complaint filed by John G. Baust, the Company’s former Chief Executive Officer and President, and thereafter, until January 8, 2007, the Chairman, Sr. Vice President and Chief Scientific Officer, in the New York State Supreme Court, County of Tioga, against the Company seeking, among other things, damages under his employment agreement to be determined upon trial of the action plus attorneys’ fees, a declaratory judgment that he did not breach his fiduciary duties to the Company, and that his covenant not to compete is void as against public policy or unenforceable as a matter of law, and to enjoin the Company from commencing an action against him in Delaware courts seeking damages for breaches of his fiduciary obligations to the Company. The parties have engaged in extensive motion practice. By decision of December 18, 2009, Justice Tait rejected Plaintiff Baust’s efforts to obtain partial summary judgment. This case currently is in discovery. The Company is vigorously defending its position.

On June 15, 2007, the Company filed a lawsuit in the State of New York Supreme Court, County of Tioga against Cell Preservation Services, Inc. (“CPSI”) and Coraegis Bioinnovations, Inc. (“Coraegis”), both of which are owned and/or controlled by John M. Baust, a former employee of the Company and the son of John G. Baust, both of whose employment with the Company was terminated on January 8, 2007.

On March 15, 2004, the Company had entered into a Research Agreement with CPSI, pursuant to which CPSI took over the processing of the Company’s existing SBIR grants, and, on behalf of the Company, was to apply for additional SBIR grants; in each case, was to perform the research with respect to such grants. In connection therewith, the Company granted to CPSI a limited license to use the Company’s technology (“BioLife’s Technology”), including the Company’s proprietary cryopreservation solutions (collectively, “Intellectual Property”), solely for the purpose of conducting the research pertaining to the SBIR grants, and CPSI agreed to keep confidential all Company confidential information disclosed to CPSI (“Confidential Information”). On January 8, 2007, the Company informed CPSI that the Research Agreement would not be extended and would terminate in accordance with its terms on March 15, 2007.

The lawsuit states various causes of action, including, (1) repeated violations of the Research Agreement by CPSI by improperly using BioLife's Technology, Intellectual Property and Confidential Information for its own purposes, (2) the unlawful misappropriation by CPSI and Coraegis of the Company's trade secrets, (3) unfair competition on the part of CPSI and Coraegis through their unlawful misappropriation and misuse of BioLife's Technology, Intellectual Property and Confidential Information, and (4) the conversion of BioLife's Technology, Intellectual Property and Confidential Information by CPSI and Coraegis to their own use without the Company's permission.

The lawsuit seeks, among other things, (1) to enjoin CPSI from continuing to violate the Research Agreement, (2) damages as a result of CPSI's breaches of the Research Agreement, (3) to enjoin CPSI and Coraegis from any further use of the Company's trade secrets, (4) damages (including punitive damages) as a result of CPSI's and Coraegis' misappropriation of the Company's trade secrets, (5) to enjoin CPSI and Coraegis from any further use of BioLife's Technology, Intellectual Property and Confidential Information, (6) damages (including punitive damages) as a result of CPSI's and Coraegis' unfair competition against the Company, and (7) damages (including punitive damages) as a result of CPSI's and Coraegis' conversion of BioLife's Technology, Intellectual Property and Confidential Information to their own use. On September 30, 2008, Justice Jeffrey Tait issued a Letter Decision and Order which provides for a multi-phase process for discovery concerning contested discovery disclosures. The parties are awaiting Justice Tait's decision on the initial process to be used concerning these contested discovery issues. The parties have engaged in extensive motion practice. By decision of December 18, 2009, Justice Tait denied the attempt of the Defendants to dismiss Plaintiff's complaint. This case currently is in discovery. The Company is vigorously defending its position.

On December 4, 2007, John M. Baust, the son of John G. Baust, filed a complaint in the New York State Supreme Court, County of Tioga, against the Company and Michael Rice, the Company's Chairman and Chief Executive Officer, alleging, among other things, a breach of an employment agreement and defamation of character and seeking damages against the Company in excess of $300,000 plus attorneys fees. This case currently is in discovery. The Company is vigorously defending its position.

On December 27, 2007, John G. Baust and John M. Baust, each separately, filed complaints with the State of New York, Division of Human Rights ("the Division") alleging unlawful discrimination practices against the Company based on wrongful termination due to retaliation for bringing complaints of sexual harassment on the part of Michael Rice, the Company's Chairman and Chief Executive Officer. The Company responded to the complaints, filed by John G. Baust on January 22, 2008, and by John M. Baust on January 14, 2008. On March 5, 2008, the Company was notified by the Division that these complaints were ordered dismissed and the files were closed due to the Division's lack of jurisdiction in the matter, the Division having determined that the civil suits filed by John G. Baust and John M. Baust had precedence and precluded the Division from asserting jurisdiction. The determination was successfully appealed and overturned by Justice Tait on October 23, 2008. On February 4, 2010, the Appellate Division of the Supreme Court of New York, Third Department affirmed Justice Tait's opinion that John G. Baust and John M. Baust could pursue a complaint in the Division. On March 15, 2010, the Division delivered to the Supreme Court, Appellate Division, a Notice of Motion and Motion for Reargument or Leave to Appeal. The motion was returnable April 5, 2010. On May 17, 2010, the Appellate Division denied the Division's motion for reargument or, in the alternative, for permission to appeal to the Court of Appeals. Thereafter, on June 23, 2010 the Division served a Motion for Leave to Appeal to the Court of Appeals. On October 14, 2010 the New York State Court of Appeals denied the Division's Motion for Leave to Appeal. Thus, the Complaints of John G. Baust and John M. Baust have been reinstated to the New York State Division of Human Rights. The Company retains all of its rights to oppose the complaints of Messrs. Baust before the Division and the Company will vigorously oppose any attempt at a recovery.

We have not made any accrual related to future litigation outcomes as of December 31, 2010 or 2009.

9. Concentration of Risk

Significant customers

Sales to individual customers representing more than 10% of total revenue totaled approximately $535,000 and $494,000 in 2010 and 2009, respectively. In 2010 the amount in product sales revenue were from two customers, one which totaled $321,000 representing 16% of total product sales, and the other which totaled $213,000 representing 10% of total product sales. In 2009 the amount in product sales revenue were from two customers, one which totaled $334,000 representing 21% of total product sales, and the other which totaled $160,000 representing 10% of total product sales.

At December 31, 2010, one customer accounted for approximately 24% of total gross accounts receivable, and at December 31, 2009, three customers accounted for approximately 47% of total gross accounts receivable.

10. Supplemental Cash Flow Disclosures

Actual cash payments

No cash was paid for either interest expense or income taxes for the years ended December 31, 2010 and 2009.

Non-cash investing and financing activities

During the year ended December 31, 2010, 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 $97,220 which was recorded as Deferred financing costs and is being amortized to expense over the term of the notes.

11. Subsequent Events

Subsequent to December 31, 2010, the Company received an additional $350,000 in total from Messrs. Girschweiler and Villiger pursuant to the amended Multi-Draw Term Loan Facility described in Note 2.

In February 2011, the Company issued 5,391,899 ten-year options to employees and directors.