

BIOLIFE SOLUTIONS INC
Form 10QSB
November 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

✓

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

For the quarterly period ended September 30, 2007

..

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

For the transition period from _____ to _____

0-18170

(Commission File No.)

BioLife Solutions, Inc.

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

Delaware
(State or Other Jurisdiction of
Incorporation)

94-3076866
(IRS Employer I.D. Number)

3303 Monte Villa Parkway, Suite 310

Bothell, WA 98021
(Address of principal executive offices)

(425) 402-1400
(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

69,606,520 shares of BioLife Solutions, Inc. Common Stock, par value \$.001 per share, were outstanding as of August 10, 2007

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

BIOLIFE SOLUTIONS, INC.

FORM 10-QSB

QUARTER ENDED SEPTEMBER 30, 2007

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****BIOLIFE SOLUTIONS, INC.****BALANCE SHEET****(UNAUDITED)****September 30, 2007****Assets****Current assets**

| | | |
|---|----|------------------|
| Cash and cash equivalents | \$ | 754,351 |
| Trade receivables, net of allowance for doubtful accounts | | 209,979 |
| Inventories | | 248,770 |
| Prepaid expenses and other current assets | | 106,836 |
| Total current assets | | 1,319,936 |

Property and equipment

| | | |
|-----------------------------------|--|----------------|
| Leasehold improvements | | 59,264 |
| Furniture and computer equipment | | 75,525 |
| Manufacturing and other equipment | | 188,956 |
| Subtotal | | 323,745 |

| | | |
|---|--|-----------|
| Less: Accumulated depreciation and amortization | | (214,866) |
|---|--|-----------|

| | | |
|-----------------------------------|--|----------------|
| Net property and equipment | | 108,879 |
|-----------------------------------|--|----------------|

Other assets

| | | |
|---|----|------------------|
| Deferred financing costs, net of amortization | | 53,125 |
| Total assets | \$ | 1,481,940 |

Liabilities and Stockholders' Deficit**Current liabilities**

| | | |
|--|----|------------------|
| Promissory notes payable - related parties | \$ | 2,000,000 |
| Accounts payable | | 194,546 |
| Accounts payable - related parties | | 66,571 |
| Accrued expenses | | 116,662 |
| Accrued compensation | | 94,197 |
| Deferred revenue | | 19,583 |
| Total current liabilities | | 2,491,559 |

Long term liabilities

| | |
|---|---------------------|
| Promissory notes payable related parties | 750,000 |
| Total liabilities | 3,241,559 |
| Commitments and contingencies | |
| Stockholders deficit | |
| Common stock, \$0.001 par value, 100,000,000 shares authorized, 69,606,520 shares issued and outstanding | 69,607 |
| Additional paid-in capital | 42,094,294 |
| Accumulated deficit | (43,921,837) |
| Subtotal | (1,757,936) |
| Stock subscriptions receivable | (1,683) |
| Total stockholders deficit | (1,759,619) |
| Total liabilities and stockholders deficit | \$ 1,481,940 |
| See notes to financial statements | |

BIOLIFE SOLUTIONS, INC.**STATEMENTS OF OPERATIONS****(UNAUDITED)**

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|---------------------|--------------------------|-----------------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | | | | |
| Product sales | \$ 226,705 | \$ 123,953 | \$ 636,043 | \$ 427,316 |
| Licensing revenue | 13,750 | - | 15,417 | - |
| Total revenue | 240,455 | 123,953 | 651,460 | 427,316 |
| Cost of product sales | 73,958 | 59,336 | 250,315 | 232,607 |
| Gross margin | 166,497 | 64,617 | 401,145 | 194,709 |
| Operating expenses | | | | |
| Sales and marketing | 170,360 | 87,835 | 544,377 | 192,186 |
| Research and development | 79,984 | 17,421 | 275,728 | 36,441 |
| General and administrative | 446,650 | 355,126 | 1,434,132 | 1,016,779 |
| Contract manufacturing start-up costs | 198,491 | - | 198,491 | - |
| Total expenses | 895,485 | 460,382 | 2,452,728 | 1,245,406 |
| Operating loss | (728,988) | (395,766) | (2,051,583) | (1,050,697) |
| Other income (expense) | | | | |
| Interest income | 3,616 | 3,196 | 7,607 | 10,355 |
| Interest expense | (36,324) | (4,360) | (63,378) | (53,656) |
| Other income (loss) | 97 | - | 1,497 | (3,273) |
| Total other income (expense) | (32,611) | (1,164) | (54,274) | (46,574) |
| Net loss | \$ (761,599) | \$ (396,929) | \$ (2,105,857) | \$ (1,097,271) |
| Basic and diluted net loss per common share | \$ (0.01) | \$ (0.01) | \$ (0.03) | \$ (0.02) |
| Basic and diluted weighted average common shares used to compute net loss per common share | 69,606,520 | 68,773,188 | 69,311,861 | 47,509,167 |

See notes to financial statements

BIOLIFE SOLUTIONS, INC.**STATEMENTS OF CASH FLOWS****(UNAUDITED)**

| | Nine Months End | |
|---|-----------------------|-----------------------|
| | Sept 30, | 2008 |
| | 2007 | 2007 |
| Cash flows from operating activities | \$ (2,105,857) | \$ (1,000,000) |
| Adjustments to reconcile net loss to net cash | | |
| in operating activities | | |
| Depreciation and amortization | 23,543 | |
| Amortization of deferred financing costs | 21,875 | |
| Share-based compensation | 83,844 | 20,000 |
| Gain on disposal of property and equipment | - | |
| Change in operating net assets and liabilities | | |
| (Increase) decrease in | | |
| Accounts receivables | (110,999) | |
| Prepaid expenses and other current assets | (156,019) | |
| Accounts payable | (92,422) | (100,000) |
| (Decrease) in | | |
| Accounts payable | 128,128 | |
| Accounts payable - related parties | (16,113) | |
| Accrued expenses | 145,379 | (100,000) |
| Accrued compensation | 31,716 | |
| Advance | -- | 20,000 |
| Interest revenue | 19,583 | |
| Cash used in operating activities | (2,027,342) | (500,000) |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (87,646) | (100,000) |
| Cash used in investing activities | (87,646) | (100,000) |
| Cash flows from financing activities | | |
| Increase in restricted cash | 190,837 | |
| Proceeds from promissory notes | 2,750,000 | |
| Principal payments on promissory notes | (197,477) | (100,000) |

| | | |
|--|-------------------|-------------|
| s from exercise of options and warrants | - | 8 |
| on of stock subscriptions receivable | 7,305 | |
| h provided by financing activities | 2,750,665 | 8 |
| crease in cash and cash equivalents | 635,677 | 2 |
| nd cash equivalents - beginning of period | 118,674 | 1 |
| nd cash equivalents - end of period | \$ 754,351 | \$ 4 |

See notes to financial statements

BIOLIFE SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS

A.

General

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

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

The Balance Sheet as of September 30, 2007, the Statements of Operations for the three and nine month periods ended September 30, 2007 and 2006 and the Statements of Cash Flows for the nine month periods ended September 30, 2007 and 2006 have been prepared without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at September 30, 2007, and for the three and nine month periods ended September 30, 2007 and 2006, have been recorded. All adjustments recorded were of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto, included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

The results of operations for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the operating results anticipated for the full year.

B.

Financial Condition

At September 30, 2007, the Company had stockholders' deficit of \$1,759,619, a working capital deficit of \$1,171,623 and cash used for operating activities for the nine months ended September 30, 2007 was \$2,027,342. The Company has been unable to generate sufficient income from operations to meet its operating needs. This raises doubt about the Company's ability to continue as a going concern.

The Company believes it has sufficient funds to continue operations through December 31, 2007, and expects that it will need to raise additional capital in the near term. Throughout 2007, certain stockholders of the Company provided debt financing which has allowed the Company to continue its operations. The Company is in discussions with these stockholders to provide additional capital to fund the Company through 2008, however, there can be no assurance that these stockholders will provide any additional capital, or that if such capital was provided, that the terms of such financing would not be dilutive to other stockholders. Future capital requirements will depend on many factors, including the ability to market and sell the Company's product line, research and development programs, the scope and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents or any litigation by or against third parties regarding intellectual property, the status of competitive products, the maintenance of sales and marketing capabilities, and the establishment of collaborative relationships with other parties.

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

C. Income Taxes

The Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48) on January 1, 2007. FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns.

Adopting FIN 48 had no cumulative effect on tax reserves or retained earnings (deficit). Upon adoption, the Company had no liability for income taxes associated with uncertain tax positions.

The Company's policy is to include interest and penalties related to income tax liabilities in general and administrative expenses.

With limited exception, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax audits by taxing authorities for years through 2002. No income tax returns are currently under examination by any taxing authorities.

D.

Inventories

Inventories consist of \$231,970 of finished product and \$16,800 of manufacturing materials at September 30, 2007.

As part of the ongoing business strategy, on October 25, 2007, the Company entered into a relationship with Bioserv Corporation as the contract manufacturing out source agent (CMO). The one-time cost of \$198,491 was incurred in the quarter ended September 30, 2007 as CMO startup costs.

E.

Promissory Notes Payable

In September 2007, in an effort to secure additional capital, the Company borrowed \$1,000,000, represented by two promissory note agreements from two stockholders of the Company. Each Note, together with interest accrued thereon at the rate of 7% per annum (collectively, the Conversion Amount), shall become due and payable in one lump sum on the earlier of (a) September 30, 2008 or (b) an Event of Default (as defined in the Notes). In addition, if the Note is outstanding at the time of any bona fide equity financing of the Company of at least \$1,000,000 (excluding conversion of the Notes or any other notes issued by the Company to the two stockholders) (a Financing), then the Note holder may convert the Note into that number of shares or units of the equity securities of the Company sold in the Financing (New Equity Securities) as is equal to the Conversion Amount divided by 100% of the per share or per unit purchase price of the New Equity Securities.

In June 2007, in an effort to secure additional capital, the Company borrowed \$1,000,000, represented by two promissory note agreements from two stockholders of the Company. Each Note, together with interest accrued thereon at the rate of 7% per annum (collectively, the Conversion Amount), shall become due and payable in one lump sum on the earlier of (a) June 30, 2008 or (b) an Event of Default (as defined in the Notes). In addition, if the Note is outstanding at the time of any bona fide equity financing of the Company of at least \$1,000,000 (excluding conversion of the Notes) (a Financing), then the Note holder may convert the Note into that number of shares or units of the equity securities of the Company sold in the Financing (New Equity Securities) as is equal to the Conversion Amount divided by 100% of the per share or per unit purchase price of the New Equity Securities.

In February 2007, in an effort to secure additional capital, the Company borrowed \$750,000, represented by two promissory note agreements from two stockholders of the Company. Each Note, together with interest accrued thereon at the rate of 7% per annum (collectively, the Conversion Amount), shall become due and payable in one lump sum on the earlier of (a) the second anniversary of the date of such Note, (b) an Event of Default (as defined in the Notes) or (c) sale, merger or change in control of the Company, as defined. In addition, if the Note is outstanding at the time of any bona fide equity financing of the Company of at least \$1,000,000 (excluding conversion of the Notes) (a Financing), then the Note holder may convert the Note into that number of shares or units of the equity securities of the Company sold in the Financing (New Equity Securities) as is equal to the Conversion Amount divided by 85% of the per share or per unit purchase price of the New Equity Securities. The intrinsic value of the beneficial conversion feature at the commitment date of the notes was \$132,352. No value for the beneficial conversion feature has been recorded in these financial statements since the notes become convertible only upon the occurrence of a future event outside the control of the holders. In connection with the issuance of the Notes, each Note holder received a loan origination fee equal to 10% of the principal amount of the Note, payable in shares of the Company's common stock based on the closing price of the shares on the OTCBB on the day preceding the date of issuance of the Note. The Company issued 833,332 shares of common stock as payment of the loan origination costs. The loan origination costs are being amortized over two years.

All of the Notes described above were issued pursuant to an exemption from registration under Regulation S of the Securities Act of 1933, as amended.

F.**Stockholders Equity**

The fair value of options at the date of grant is determined under the Black-Scholes option-pricing model. During the three and nine month periods ended September 30, 2007 and 2006, the following weighted-average assumptions were used:

| | Three Months Ended 9/30/07 | Nine Months Ended 9/30/07 | Three Months Ended 9/30/06 | Nine Months Ended 9/30/06 |
|--------------------------|---------------------------------------|--|---|--|
| <u>Assumptions</u> | | | | |
| Risk-free rate | 4.60% | 4.70% | 5.15% | 5.15% |
| Annual rate of dividends | - | - | - | - |
| Historical volatility | 76.20% | 74.57% | 69.79% | 69.79% |
| Option life | 7 years | 6.3 years | 6.5 years | 6.5 years |
| Forfeiture rate | 10.28% | 10.28% | 5.50% | 5.50% |

The following is a summary of stock option activity under the plans for the three and nine month periods ending September 30, 2007 and 2006, and the status of stock options outstanding under the plans at September 30, 2007 and 2006:

| | Three Months Ended September 30, 2007 | | Nine Months Ended September 30, 2007 | |
|---------------------------------------|--|--|---|--|
| | Shares | Wgtd. Avg. Exercise Price | Shares | Wgtd. Avg. Exercise Price |
| Outstanding at beginning of period | 6,379,000 | \$ 0.12 | 5,439,000 | \$ 0.15 |
| Granted | 1,140,000 | 0.10 | 4,165,000 | 0.09 |
| Exercised | - | - | - | - |
| Forfeited/expired | - | - | (2,085,000) | (0.13) |
| Outstanding at end of period | 7,519,000 | \$ 0.12 | 7,519,000 | \$ 0.12 |
| Exercisable at quarter end | 1,867,333 | \$ 0.22 | | |

| | Three Months Ended September 30, 2006 | | Nine Months Ended September 30, 2006 | |
|---------------------------------------|--|--|---|--|
| | Shares | Wgtd. Avg. Exercise Price | Shares | Wgtd. Avg. Exercise Price |
| Outstanding at beginning of period | 3,519,000 | \$ 0.19 | 5,566,000 | \$ 0.31 |
| Granted | 1,550,000 | 0.07 | 2,050,000 | 0.07 |
| Exercised | - | - | (2,547,000) | (0.04) |
| Forfeited/expired | (20,000) | (0.08) | (20,000) | (0.08) |
| Outstanding at end of period | 5,049,000 | \$ 0.15 | 5,049,000 | \$ 0.15 |
| Exercisable at quarter end | 1,924,000 | \$ 0.26 | | |

The weighted average grant-date fair value of options awards was \$.07 and \$.05 per share during the three months ended September 30, 2007 and 2006, respectively. The weighted average grant-date fair value of options awards was \$.06 and \$.05 per share during the nine months ended September 30, 2007 and 2006, respectively.

The total fair value of shares vested was \$22,367 and \$137,127 for the three month periods ended September 30, 2007 and 2006, respectively. The total fair value of shares vested was \$29,193 and \$143,953 for the nine month periods ended September 30, 2007 and 2006, respectively.

The following table summarizes information about stock options outstanding at September 30, 2007:

| Exercise Prices | Number Outstanding at Sept. 30, 2007 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price |
|----------------------------|---|--|--|
| \$ 0.07 | 1,725,000 | 8.88 | \$ 0.07 |
| \$ 0.08 | 3,770,000 | 9.08 | \$ 0.08 |
| \$ 0.085 | 500,000 | 8.58 | \$ 0.085 |
| \$ 0.10 | 1,140,000 | 9.85 | \$ 0.10 |
| \$ 0.11 | 25,000 | 9.49 | \$ 0.11 |
| \$ 0.25 | 150,000 | 4.75 | \$ 0.25 |
| \$ 1.25 | 209,000 | 1.14 | \$ 1.25 |
| | 7,519,000 | 8.81 | \$ 0.12 |

Total unrecognized compensation cost at September 30, 2007 of \$238,615 is expected to be recognized over a weighted average period of 2.6 years.

During the nine month period ended September 30, 2007, the Company issued ten-year options to employees and directors to purchase 4,165,000 common shares. Options to purchase a total of 1,250,000 shares were awarded to 5 outside directors which vest 100% on the first anniversary date of the awards. Options to purchase 1,750,000 shares were awarded to 3 employees that vest as follows: one third on the first anniversary date of the awards, one third on the second anniversary date of the awards, and the remainder on the third anniversary date of the awards. Options to purchase 1,165,000 shares were awarded to 5 employees that vest as follows: one fourth on the first anniversary date of the award, one fourth on the second anniversary date of the award, one fourth on the third anniversary of the award, and the remainder on the fourth anniversary date of the award.

G.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing income from operations by the weighted average number of shares outstanding, including potentially dilutive securities such as convertible debt, stock options and warrants. Potential common shares were not included in the diluted earnings per share amounts for the three and nine month periods ended September 30, 2007 and 2006 as their effect would have been anti-dilutive.

H.

Related Party Transactions

The Company incurred \$144,025 and \$53,191 in legal fees during the nine months ended September 30, 2007 and 2006, respectively, for services provided by a law firm in which a director and stockholder of the Company is a partner. At September 30, 2007, accounts payable includes \$7,766 due to the related party for services rendered.

I.

Legal Proceedings

On February 7, 2007, 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. The Company does not believe there is any merit to such lawsuit and is vigorously defending its position.

On or about March 21, 2007, Christine Baust, a former employee of the Company and daughter of John G. Baust, the Company's former Chief Executive Officer and Chief Scientific Officer, filed a complaint with the State of New York, Division of Human Rights alleging unlawful discrimination practices against the Company based on wrongful termination due to disability, and gender and sexual harassment. On or about September 12, 2007, the Company received from the State of New York, Division of Human Rights, a formal notification and determination that, after investigation, and following opportunity for review of related information and evidence by the named parties, the Division has determined that there is NO PROBABLE CAUSE to believe that the Company has engaged in or is engaging in, the unlawful discriminatory practice complained of. Pursuant to the ruling by the Division, the complaint was ordered dismissed and the file closed. Either party may appeal this determination within sixty days of the receipt date.

On April 6, 2007, the Company was served with a complaint filed by John G. Baust, the Company's former Chief Executive Officer 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 Company does not believe there is any merit to such lawsuit and is defending the same vigorously.

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, the Company's former Chief Executive Officer and Chief Scientific Officer, 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, and, on behalf of the Company, was to apply for additional, Small Business Innovation Research (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.

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 Coreagis from any further use of the Company's trade secrets, (4) damages (including punitive damages) as a result of CPSI's and Coreagis' misappropriation of the Company's trade secrets, (5) to enjoin CPSI and Coreagis 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 Coreagis' unfair competition against the Company, and (7) damages (including punitive damages) as a result of CPSI's and Coreagis' conversion of BioLife's Technology, Intellectual Property and Confidential Information to their own use.

J.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 will be effective for the Company on January 1, 2008. The Company does not expect the adoption of SFAS 159 to have a material impact on the financial results of the Company.

In June 2007, the Emerging Issues Task Force of the FASB issued EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities*, (EITF 07-3) which is effective for fiscal years beginning after December 15, 2007. EITF 07-3 requires that nonrefundable advance payments for future research and development activities be deferred and capitalized. Such amounts will be recognized as an expense as the goods are delivered or the related services are performed. The Company does not expect the adoption of EITF 07-3 to have a material impact on the financial results of the Company.

K.

Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentation. The reclassifications had no material effect on operations.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's unaudited financial statements and notes thereto that appear elsewhere in this report.

Derived from the Company's in depth know-how and understanding of the cellular molecular response to cold temperature and methods to mitigate related harmful effects, BioLife has pioneered the next generation of preservation solutions designed to maintain the viability and health of cellular matter and tissues during freezing, transportation and storage. Based on the Company's proprietary, bio-packaging and preservation technology, and a patented understanding of the mechanism of cellular damage and death, these products enable the biotechnology and medical community to address a growing problem that exists today. The expanding practices of cell and gene therapy, cord blood banking, organ transplantation, toxicity testing, and drug discovery has created a need for products that ensure the biological viability of mammalian cell and tissue material during transportation, storage and following preservation. The Company believes that the HypoThermosol® and CryoStor™ products it is selling today are a significant step forward in meeting these needs.

The Company's line of serum free and protein free preservation solutions are fully defined and formulated to reduce or prevent preservation-induced, delayed-onset cell damage and death. BioLife's platform enabling technology provides academic and clinical researchers significant improvement in post-thaw cell, tissue, and organ viability and function. BioLife has entered into agreements with several emerging biotechnology companies engaged in the research and commercialization of cell and gene therapy technology.

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

Results of Operations (three and nine month periods ended September 30, 2007 compared to the three and nine month periods ended September 30, 2006)

Revenue

Product sales for the quarter ended September 30, 2007 increased \$102,752, or 83%, to \$226,705, compared to \$123,953 for the quarter ended September 30, 2006. Product sales for the nine months ended September 30, 2007 increased \$208,727, or 49%, to \$636,043, compared to \$427,316 for the nine months ended September 30, 2006. The increase in revenue for both periods is due to higher levels of direct sales and marketing activity, which has resulted in increased use of our products by existing customers and the acquisition of new customers in the cell therapy and cord

blood markets.

Cost of product sales

Cost of product sales for the quarter ended September 30, 2007 increased by \$14,622, or 25%, to \$73,958, compared to \$59,336 for the quarter ended September 30, 2006, resulting in a gross margin as a percentage of revenue of 67% in 2007 as compared to 52% in 2006.

Cost of product sales for the nine months ended September 30, 2007 increased \$17,708, or 8%, to \$250,315, compared to \$232,607 for the nine months ended September 30, 2006, resulting in a gross margin as a percentage of revenue of 62% in 2007 compared to 46% in 2006. The increase in cost of product sales for both periods is primarily the result of the increase in product sales partially offset by a decrease in manufacturing overhead costs.

Sales and marketing expenses

For the quarter ended September 30, 2007, sales and marketing expenses increased \$82,525, or 94%, to \$170,360, compared to \$87,835 for the quarter ended September 30, 2006. The increase in sales and marketing expense was due to increased sales and marketing activities such as tradeshow, advertising, and travel expenses associated with sales campaigns.

For the nine months ended September 30, 2007, sales and marketing expenses increased \$352,191, or 183%, to \$544,377, compared to \$192,186 for the nine months ended September 30, 2006. The increase in sales and marketing expense was due to increased sales and marketing activities such as tradeshows, advertising, travel, and consulting as well as the addition of salaries and commissions for two sales employees, including the Vice President of Sales.

Research and development expenses

Expenses relating to research and development for the quarter ended September 30, 2007 increased \$62,563, or 359%, to \$79,984, compared to \$17,421 for the quarter ended September 30, 2006. This increase was due to contracted research payments to support clinical study activity, an increase in headcount, and legal expenses incurred in the ongoing development of our intellectual property portfolio.

Expenses relating to research and development for the nine months ended September 30, 2007 increased \$239,287, or 657%, to \$275,728, compared to \$36,441 for the nine months ended September 30, 2006. This increase was primarily due to contracted research payments to support clinical study activity, an increase in headcount, travel expenses, and legal expenses incurred in the ongoing development of our intellectual property portfolio.

General and administrative expenses

For the quarter ended September 30, 2007, general and administrative expenses increased \$91,524, or 26%, to \$446,650, compared to \$355,126 for the quarter ended September 30, 2006.

Legal and professional fees increased approximately \$43,551 from the third quarter of 2006 to the third quarter of 2007 as a result of litigation filed by and against the Company in 2007, additional IT consulting fees and the outsourcing of the internal accounting function. An increase in facility expenses is primarily due to the new lease in Bothell, WA. Travel and related expenses increased approximately \$18,000 due primarily to managing both east and west coast facilities for a short period. These increases were offset by decrease in compensation expense of approximately \$31,000 due to decreased headcount.

For the nine months ended September 30, 2007, general and administrative expenses increased \$417,353, or 41%, to \$1,434,132, compared to \$1,016,779 for the nine months ended September 30, 2006.

Legal and professional fees increased approximately \$321,325 during the period due to litigation filed by and against the Company in 2007, additional IT consulting fees and the outsourcing of the internal accounting function. Compensation expense increased approximately \$42,000 due to an increase in performance based bonuses in 2007.

Commercial and directors and officer insurance expenses increased approximately \$31,000 due to an increase in coverage limits. These increases were offset by a decrease in stock-based compensation of approximately \$104,000 resulting from modifications made to options and warrants in 2006.

As part of the ongoing business strategy, on October 25, 2007, the Company entered into a relationship with Bioserv Corporation as the contract manufacturing out source agent (CMO). The onetime cost of \$198,491 was incurred in the quarter ended September 30, 2007 as CMO start-up costs.

Interest expense

For the quarter ended September 30, 2007, interest expense was \$36,324. For the quarter ended September 30, 2006, interest expense was \$4,360. This increase is primarily the result of interest accrued on \$2,750,000 in promissory notes that were issued in 2007.

For the nine months ended September 30, 2007, interest expense was \$63,378. For the nine months ended September 30, 2006, interest expense was \$53,656. This increase is primarily the result of interest accrued on \$2,750,000 in promissory notes that were issued in 2007.

Operating expenses and net loss

For the quarter ended September 30, 2007, operating expenses increased \$435,103, or 95%, to \$895,485, compared to \$460,382 for the quarter ended September 30, 2006. The Company reported a net loss of (\$761,599) for the quarter ended September 30, 2007, compared to a net loss of (\$396,929) for the quarter ended September 30, 2006.

For the nine months ended September 30, 2007, operating expenses increased \$1,207,322, or 97%, to \$2,452,728, compared to \$1,245,406 for the nine months ended September 30, 2006. The Company reported a net loss of (\$2,105,857) for the nine months ended September 30, 2007, compared to a net loss of (\$1,097,271) for the nine months ended September 30, 2006.

Liquidity and Capital Resources

At September 30, 2007, the Company had cash and cash equivalents of \$754,351, compared to cash and cash equivalents of \$118,674 at December 31, 2006. At September 30, 2007, the Company had a working capital deficit of (\$1,171,623), compared to a working capital surplus of \$135,314 at December 31, 2006.

In September 2007, in an effort to secure additional capital, the Company borrowed \$1,000,000, represented by two promissory note agreements from two stockholders of the Company. Each Note, together with interest accrued thereon at the rate of 7% per annum (collectively, the Conversion Amount), shall become due and payable in one lump sum on the earlier of (a) September 30, 2008 or (b) an Event of Default (as defined in the Notes). In addition, if the Note is outstanding at the time of any bona fide equity financing of the Company of at least \$1,000,000 (excluding conversion of the Notes or any other notes issued by the Company to the two stockholders) (a Financing), then the Note holder may convert the Note into that number of shares or units of the equity securities of the Company sold in the Financing (New Equity Securities) as is equal to the Conversion Amount divided by 100% of the per share or per unit purchase price of the New Equity Securities. The Notes were issued pursuant to an exemption from registration under Regulation S of the Securities Act of 1933, as amended.

In June 2007, in an effort to secure additional capital, the Company borrowed \$1,000,000, represented by two promissory note agreements from two stockholders of the Company. Each Note, together with interest accrued thereon at the rate of 7% per annum (collectively, the Conversion Amount), shall become due and payable in one lump sum on the earlier of (a) June 30, 2008 or (b) an Event of Default (as defined in the Notes). In addition, if the Note is outstanding at the time of any bona fide equity financing of the Company of at least \$1,000,000 (excluding conversion of the Notes) (a Financing), then the Note holder may convert the Note into that number of shares or units of the equity securities of the Company sold in the Financing (New Equity Securities) as is equal to the Conversion Amount divided by 100% of the per share or per unit purchase price of the New Equity Securities. The Notes were issued pursuant to an exemption from registration under Regulation S of the Securities Act of 1933, as amended.

In February 2007, in an effort to secure additional capital, the Company borrowed \$750,000, represented by two promissory note agreements from two stockholders of the Company. Each Note, together with interest accrued thereon at the rate of 7% per annum (collectively, the Conversion Amount), shall become due and payable in one lump sum on the earlier of (a) the second anniversary of the date of such Note, or (b) an Event of Default (as defined in the Notes). In addition, if the Note is outstanding at the time of any bona fide equity financing of the Company of at least \$1,000,000 (excluding conversion of the Notes) (a Financing), then the Note holder may convert the Note into that number of shares or units of the equity securities of the Company sold in the Financing (New Equity Securities) as is equal to the Conversion Amount divided by 85% of the per share or per unit purchase price of the New Equity Securities. In connection with the issuance of the Notes, each Note holder received a loan origination fee equal to 10% of the principal amount of the Note, payable in shares of the Company's common stock based on the closing price of the shares on the OTCBB on the day preceding the date of issuance of the Note. The Notes were issued pursuant to an exemption from registration under Regulation S of the Securities Act of 1933, as amended.

During the nine month period ended September 30, 2007, net cash used in operating activities was approximately \$2,027,000, compared to net cash used in operating activities of approximately \$545,000 for the nine month period ended September 30, 2006. The use of cash is indicative of the Company's lack of sufficient sales to support operations.

During the nine month period ended September 30, 2007, net cash used in investing activities was approximately \$88,000, compared to net cash used in investing activities of approximately \$25,000 for the nine month period ended September 30, 2006. The use of cash resulted from purchases of property and equipment.

During the nine month period ended September 30, 2007, net cash provided by financing activities was approximately \$2,751,000 compared to net cash provided by financing activities of \$867,000 for the nine month period ended September 30, 2006. Cash provided during the nine month period September 30, 2007 resulted primarily from the issuance of promissory notes. Cash provided during the nine month period ended September 30, 2006 resulted primarily from receipts from the exercise of stock options and warrants.

The Company believes it has sufficient funds to continue operations through December 31, 2007, and expects that it will need to raise additional capital in the near term. Throughout 2007, certain stockholders of the Company provided debt financing which has allowed the Company to continue its operations. The Company is in discussions with these stockholders to provide additional capital to fund the Company through 2008; however, there can be no assurance that these stockholders will provide any additional capital, or that if such capital was provided, that the terms of such financing would not be dilutive to other stockholders. Future capital requirements will depend on many factors, including the ability to market and sell the Company's product line, research and development programs, the scope and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents or any litigation by or against third parties regarding intellectual property, the status of competitive products, the maintenance of sales and marketing capabilities, and the establishment of collaborative relationships with other parties.

Critical Accounting Policies and Estimates

As disclosed in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, the Company's discussion and analysis of its financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures. On an ongoing basis, the Company evaluates estimates, including those related to bad debts, inventories, fixed assets, income taxes, stock-based compensation, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of the Company's judgments on the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Contract Obligations

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

In November 2006, BioLife renewed an original 3-year lease for a one year term with Field Afar Properties, LLC whereby BioLife leases 6,161 square feet of office, laboratory, and manufacturing space in Owego, NY at a rental rate of \$6,200 per month. The lease expires on January 15, 2008. John G. Baust, the Company's former Chief Executive Officer and Chief Scientific Officer; John M. Baust, the Company's former Director of Research and Development; and Judy Baust, wife of John G. Baust and mother of John M. Baust and Christine Baust, are members of Field Afar Properties, LLC. The Company has no intention of renewing this lease upon its expiration.

In March 2007, the Company signed a lease for 2,783 square feet of office and laboratory space in Bothell, WA at a rental rate of \$3,500 per month. The Company terminated this lease in July 2007.

In July 2007, the Company signed a 4-year lease, commencing August 1, 2007, for 4,366 square feet of office and laboratory space in Bothell, WA at a rental rate of \$6,367 per month. The Company is also responsible for paying its proportionate share of property taxes and other operating expenses as defined in the lease.

ITEM 3.

CONTROLS AND PROCEDURES

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

There were no significant changes in the Company's internal control over financial reporting during the quarterly period ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

On or about March 21, 2007, Christine Baust, a former employee of the Company and daughter of John G. Baust, the Company's former Chief Executive Officer and Chief Scientific Officer, and the sister of John M. Baust, a former employee of the Company, had filed a complaint with the State of New York, Division of Human Rights alleging unlawful discrimination practices against the Company based on wrongful termination due to disability, and gender and sexual harassment. On or about September 12, 2007, the Company received from the State of New York, Division of Human Rights, a formal notification and determination that, after investigation, and following opportunity for review of related information and evidence by the named parties, the Division has determined that there is NO PROBABLE CAUSE to believe that the Company has engaged in or is engaging in, the unlawful discriminatory practice complained of. Pursuant to the ruling by the Division, the complaint was ordered dismissed and the file closed. Either party may appeal this determination within sixty days of the receipt date.

ITEM 6.

EXHIBITS

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

SIGNATURES

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

BioLife Solutions, Inc.

(Registrant)

Date: November 14, 2007

By: /s/ Michael Rice

Michael Rice

President and Chief Executive Officer

(Principal Executive and Financial Officer)

INDEX TO EXHIBITS

Exhibit No.

Description

10.1

Lease for premises 3303 Monte Villa Parkway, Suite 310, Bothell, WA 98021

31.1

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002