Cryoport, Inc.
Form 10QSB
February 14, 2008

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 31, 2007

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

For the transition period from ____________ to ____________

Commission File Number: 000-51578

CryoPort, Inc.
(Exact name of small business issuer as specified in its charter)

Nevada	88-0313393
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

20382 BARENTS SEA CIRCLE, LAKE FOREST, CA 92630
(Address of principal executive offices)

(949) 470-2300
(Issuer's telephone number)

Former Address: 451 Atlas Street, Brea, CA 92821
(Former name, former address and former fiscal year, if changed since last report)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 month (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 þ No ¨

As of February 10, 2008 the Company had 40,094,733 shares of its $0.001 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CRYOPORT, INC.
CONSOLIDATED BALANCE SHEET

		December 31, 2007 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$	2,789,412
Restricted cash		201,467
Accounts receivable, net		32,588
Inventories		151,010
Prepaid expenses and other current assets		177,470
Total current assets		3,351,947
Fixed assets, net		198,873
Intangible assets, net		1,195
Deferred financing fees, net		366,489
Other assets, net		240,641
	$	4,159,145
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$	234,818
Accrued expenses		93,691
Accrued warranty costs		57,282
Accrued salaries and related		142,212
Accrued interest on convertible notes payable		94,154
Current portion of convertible notes payable, net of discount of $1,474,535		487,005
Line of credit		120,000
Short term note payable		27,000
Current portion of related party notes payable		150,000
Current portion of note payable to officer		72,000
Total current liabilities		1,478,162
Related-party notes payable and accrued interest payable, net of current portion		1,593,040
Convertible notes payable, net of current portion and discount of $2,746,165		-
Note payable to officer, net of current portion		143,950
Total liabilities		3,215,152
Commitments and contingencies		

Stockholders' equity:		
Common stock, $0.001 par value; 125,000,000 shares authorized; 39,975,686 shares issued and outstanding		39,976
Additional paid-in capital		12,860,938
Accumulated deficit		(11,956,921)
Total stockholders' equity		943,993
	$	4,159,145

See accompanying notes to unaudited consolidated financial statements

CRYOPORT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Three Months Ended December 31, 2007 (Unaudited)	For The Three Months Ended December 31, 2006 (Unaudited)	For The Nine Months Ended December 31, 2007 (Unaudited)	For The Nine Months Ended December 31, 2006 (Unaudited)
Net sales	$ 9,678	$ 27,931	$ 47,666	$ 54,606
Cost of sales	101,439	45,041	251,350	117,815
Gross loss	(91,761)	(17,110)	(203,684)	(63,209)
Operating expenses:				
Selling, general and administrative expenses	461,358	308,337	1,593,467	1,550,904
Research and development expenses	41,329	19,904	91,629	58,963
Total operating expenses	502,687	328,241	1,685,096	1,609,867
Loss from operations	(594,448)	(345,351)	(1,888,780)	(1,673,076)
Interest expense, net	(622,745)	(53,997)	(701,391)	(105,661)
Loss before income taxes	(1,217,193)	(399,348)	(2,590,171)	(1,778,737)
Income taxes	-	-	1,600	800
Net loss	$ (1,217,193)	$ (399,348)	$ (2,591,771)	$ (1,779,537)
Net loss available to common stockholders per common share:				
Basic and diluted loss per common share	$ (0.03)	$ (0.01)	$ (0.07)	$ (0.05)
Basic and diluted weighted average common shares outstanding	39,863,184	30,295,029	39,160,355	30,199,846

See accompanying notes to unaudited consolidated financial statements

CRYOPORT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Nine Months Ended December 31, 2007 (Unaudited)	2006 (Unaudited)
Cash flows from operating activities:		
Net loss	$ (2,591,771)	$ (1,779,537)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,939	19,155
Bad debt recovery	(1,800)	(7,256)
Amortization of deferred financing costs	46,987	3,214
Amortization of debt discount	516,643	23,804
Stock issued to consultants	392,500	-
Estimated fair value of stock options issued to consultants, employees and directors	307,011	1,053,303
Changes in operating assets and liabilities:		
Accounts receivable	(20,616)	26,998
Inventories	(5,002)	38,152
Prepaid expenses and other current assets	(45,546)	(10,550)
Other assets	(24,712)	-
Accounts payable	(71,864)	146,652
Accrued expenses	(3,536)	(14,424)
Accrued warranty costs	1,875	(3,274)
Accrued salaries and related	(27,325)	97,964
Accrued interest	162,231	78,643
Net cash used in operating activities	(1,338,986)	(327,156)
Cash flows used in investing activities:		
Restricted cash	(200,000)	-
Purchases of fixed assets	(172,911)	-
Net cash used in investing activities	(372,911)	-
Cash flows from financing activities:		
Proceeds from borrowings under notes payable	-	85,000
Proceeds from borrowings under line of credit	120,000	-
Proceeds from borrowings under convertible notes, net of cash financing fees	3,436,551	98,500
Payment of deferred financing costs	-	(12,805)
Repayment of short term note payable	(40,000)	-
Repayment of related party notes payable	(60,000)	(15,000)
Repayment of note payable to officer	(27,000)	-
Proceeds from issuance of common stock, net	699,866	191,290
Proceeds from exercise of options and warrants	107,500	-
Net cash provided by financing activities	4,236,917	346,985

CRYOPORT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Nine Months Ended December 31, 2007 (Unaudited)	2006 (Unaudited)
Net change in cash and cash equivalents	2,525,020	19,829
Cash and cash equivalents, beginning of period	264,392	4,723
Cash and cash equivalents, end of period	$ 2,789,412	$ 24,552
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 1,405	$ -
Income taxes	$ 1,600	$ 800
Supplemental disclosure of non-cash activities:		
Estimated fair value of common stock issued and warrants granted in connection with prepaid consulting agreement	$ 349,834	$ -
Warrants issued as deferred financing costs in connection with convertible debt financing	$ 525,071	$ -
Value of warrants and conversion feature recorded as debt discount in connection with convertible debt financing, net of allocated issuance costs	$ 3,320,257	$ -
Conversion of debt and accrued interest to common stock	$ 128,857	$ -
Value of warrants issued to lessor	$ 15,486	$ -
Purchase of fixed assets with warrants	$ 10,000	$ -
Conversion of accrued salaries to note payable	$ -	$ 242,388
Beneficial conversion feature on convertible debt	$ -	$ 84,667

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For The Three and Nine Months Ended December 31, 2007 and 2006

NOTE 1 - MANAGEMENT'S REPRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by CryoPort, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information, and pursuant to the instructions to Form 10-QSB and Article 10 of Regulation S-X promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. However, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for the nine months ended December 31, 2007 are not necessarily indicative of the results that may be expected for the year ending March 31, 2008. It is suggested that the unaudited consolidated financial statements be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2007.

NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CryoPort, Inc. (the "Company") was originally incorporated under the name G.T.5-Limited ("GT5") on May 25, 1990 as a Nevada Corporation. The Company was engaged in the business of designing and building exotic body styles for automobiles compatible with the vehicle's existing chassis. In March 2005, the Company entered into a Share Exchange Agreement, recorded as a reverse acquisition, with CryoPort Systems, Inc. ("CryoPort Systems"), a California corporation originally formed in 1999 as a California limited liability company and reorganized into a California corporation on December 11, 2000. CryoPort Systems was founded to capitalize on servicing the transportation needs of the growing global "biotechnology revolution." As a result of the reverse acquisition, on March 16, 2005, the Company changed its name to CryoPort, Inc.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
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NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The principal focus of the Company is to market its newly developed CryoPort Express® One-Way Shipper System, a line of rent-and-return dry cryogenic shippers, for the transport of biological materials. These materials include live cell pharmaceutical products; e.g., cancer vaccines, diagnostic materials, reproductive tissues, infectious substances and other items that require continuous exposure to cryogenic temperature (less than -150°C). The Company currently manufactures a line of reusable cryogenic dry shippers. These primarily have served as vehicles for the development of the cryogenic technology, supporting the product development of the CryoPort Express® One-Way Shipper System, but also are essential components of the infrastructure that supports testing and research activities of the pharmaceutical and biotechnology industries. The Company's mission is to provide cost effective packaging systems for biological materials requiring, or benefiting from, a cryogenic temperature environment over an extended period of time.

Going Concern

On October 1, 2007, the Company received net proceeds of $3,436,551 from the Debentures (see Note 6). Management projects that these proceeds will allow the launch of the Company's new CryoPort Express® One-Way Shipper and provide the Company with the ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has not generated significant revenues from operations and has no assurance of any future revenues. The Company generated revenues from operations of only $47,666, incurred a net loss of $2,591,771, and used $1,338,986 in its operating activities during the nine month period ended December 31, 2007. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern; however, as a result of the recent financing, the Company had an aggregate cash and cash equivalents and restricted cash balance of $2,990,879 at December 31, 2007 which will be used to fund the sales and marketing efforts as well as provide the working capital required for the Company's launch of the CryoPort Express® One-Way Shipper and is expected to provide the Company with the means for eventual achievement of sustained profitable operations.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For The Three and Nine Months Ended December 31, 2007 and 2006

NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The acquisition of CryoPort Systems by the Company has been accounted for as a reverse acquisition, whereby the assets and liabilities of CryoPort Systems are reported at their historical cost. The Company had no assets or operations at the date of acquisition. The reverse acquisition resulted in a change in reporting entity for accounting and reporting purposes. Accordingly, the accompanying consolidated financial statements have been retroactively restated for all periods presented to report the historical financial position, results of operations and cash flows of CryoPort Systems. Since the Company's stockholders retained 5,600,000 shares of common stock in connection with the reverse acquisition, such shares have been reflected as if they were issued to the Company on the date of acquisition for no consideration as part of a corporate reorganization.

Principles of Consolidation

The consolidated financial statements include the accounts of CryoPort, Inc. and its wholly owned subsidiary, CryoPort Systems, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from estimated amounts. The Company's significant estimates include allowances for doubtful accounts and sales returns, recoverability of long-lived assets, allowances for inventory obsolescence, accrued warranty costs, deferred tax assets and their accompanying valuations, product liability reserves and the valuations of common stock shares, warrants and stock options issued for products or services.

Cash and Cash Equivalents

The Company considers highly-liquid investments with original maturities of 90 days or less to be cash equivalents.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For The Three and Nine Months Ended December 31, 2007 and 2006

NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted cash

The Company has invested cash in a one year restricted certificate of deposit bearing interest at 4.38% which serves as collateral for borrowings under a line of credit agreement (see Note 4). At December 31, 2007 the Company's balance in the certificate of deposit was $201,467.

Concentrations of Credit Risk

Cash and cash equivalents

The Company maintains its cash and cash equivalent accounts in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $100,000. At December 31, 2007 the Company had $2,763,891 of cash balances which were in excess of the FDIC insurance limit. The Company performs ongoing evaluations of these institutions to limit its concentration risk exposure.

Customers

The Company grants credit to customers within the United States of America and to a limited number of international customers, and does not require collateral. Sales to other international customers are secured by advance payments, letters of credit, or cash against documents. The Company's ability to collect receivables is affected by economic fluctuations in the geographic areas and industries served by the Company. Reserves for uncollectible amounts, totaling approximately $5,400 as of December 31, 2007, are provided based on past experience and a specific analysis of the accounts which management believes are sufficient. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

The Company has foreign sales primarily in Europe, Latin America, Asia and Canada. Foreign sales are primarily under exclusive distribution agreements with international distributors. During the nine month periods ended December 31, 2007 and 2006, the Company had foreign sales of approximately $3,500 and $27,000, respectively, which constituted approximately 7% and 55%, respectively, of net sales.

The majority of the Company's customers are in the bio-tech, bio-pharmaceutical and animal breeding industries. Consequently, there is a concentration of receivables within these industries, which is subject to normal credit risk.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For The Three and Nine Months Ended December 31, 2007 and 2006

NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, related-party notes payable, note payable to officer, line of credit, convertible notes payable, accounts payable, accrued expenses and a note payable to a third party. The carrying value for all such instruments, except the related party notes payable, approximates fair value at December 31, 2007. The difference between the fair value and recorded values of the related party notes payable is not significant.

Inventories

Inventories are stated at the lower of standard cost or current estimated market value. Cost is determined using the first-in, first-out method. The Company periodically reviews its inventories and records a provision for excess and obsolete inventories based primarily on the Company's estimated forecast of product demand and production requirements. Once established, write-downs of inventories are considered permanent adjustments to the cost basis of the obsolete or excess inventories. Work in process and finished goods include material, labor and applied overhead. Inventories at December 31, 2007 consist of the following:

Raw materials	$	47,540
Work in process		60,885
Finished goods		42,585
	$	151,010

Fixed Assets

Depreciation and amortization of fixed assets are provided using the straight-line method over the following useful lives:

Furniture and fixtures	7 years
Machinery and equipment	5-7 years
Leasehold improvements	Lesser of lease term or estimated useful life

Betterments, renewals and extraordinary repairs that extend the lives of the assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to assets retired are removed from the accounts, and the gain or loss on disposition is recognized in current operations.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Intangible Assets

Patents and trademarks are amortized, using the straight-line method, over their estimated useful life of five years.

Long-Lived Assets

The Company's management assesses the recoverability of its long-lived assets upon the occurrence of a triggering event by determining whether the depreciation and amortization of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations in the period in which long-lived asset impairment is determined by management. At December 31, 2007, the Company's management believes there is no impairment of its long-lived assets. There can be no assurance however, that market conditions will not change or demand for the Company's products will continue, which could result in impairment of its long-lived assets in the future.

Accrued Warranty Costs

Estimated costs of the standard warranty, included with products at no additional cost to the customer for a period up to one year, are recorded as accrued warranty costs at the time of product sale. Costs related to servicing the extended warranty plan are expensed as incurred.

The following represents the activity in the warranty accrual account during the nine month periods ended December 31:

	2007	2006
Beginning warranty accrual	$ 55,407	$ 59,532
Increase in accrual (charged to cost of sales)	4,875	3,852
Charges to accrual (product replacements)	(3,000)	(7,126)
Ending warranty accrual	$ 57,282	$ 56,258

Revenue Recognition

Revenue is recognized in accordance with Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, as revised by SAB No. 104. The Company recognizes revenue when products are shipped to a customer and the risks and rewards of ownership and title have passed based on the terms of the sale. The Company records a provision for sales returns and claims based upon historical experience. Actual returns and claims in any future period may differ from the Company's estimates.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounting for Shipping and Handling Revenue, Fees and Costs

The Company classifies amounts billed for shipping and handling as revenue in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-10, *Accounting for Shipping and Handling Fees and Costs*. Shipping and handling fees and costs are included in cost of sales.

Advertising Costs

The Company expenses the cost of advertising when incurred as a component of selling, general and administrative expenses. During the nine month periods ended December 31, 2007 and 2006, the Company expensed approximately $15,000 and $8,000, respectively, in advertising costs.

Research and Development Expenses

The Company expenses internal research and development costs as incurred. Third-party research and development costs are expensed when the contracted work has been performed.

Stock-Based Compensation

The Company accounts for equity issuances to employees and directors in accordance to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, ("SFAS 123(R)") which establishes standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on accounting for transactions where an entity obtains employee services in share-based payment transactions. SFAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period.

As stock-based compensation expense recognized in the consolidated statements of operations for the three and nine month periods ended December 31, 2007 and 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures, if any. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated average forfeiture rate for the three and nine month periods ended December 31, 2007 and 2006 was zero as the Company has not had a significant history of forfeitures and does not expect forfeitures in the future.

CRYOPORT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
For The Three and Nine Months Ended December 31, 2007 and 2006

NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Plan Description

The Company's stock option plan provides for grants of incentive stock options and nonqualified options to employees, directors and consultants of the Company to purchase the Company's shares at the fair value, as determined by management and the board of directors, of such shares on the grant date. The options generally vest over a five-year period beginning on the grant date and have a ten-year term. As of December 31, 2007, the Company is authorized to issue up to 5,000,000 shares under this plan and has 2,511,387 shares available for future issuances.

Summary of Assumptions and Activity

The fair value of stock-based awards to employees and directors is calculated using the Black-Scholes option pricing model, even though this model was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which differ significantly from the Company's stock options. The Black-Scholes model also requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The expected term of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. The risk-free rate selected to value any particular grant is based on the U.S Treasury rate that corresponds to the pricing term of the grant effective as of the date of the grant. The expected volatility is based on the historical volatility of the Company's stock price. These factors could change in the future, affecting the determination of stock-based compensation expense in future periods.

	December 31, 2007	December 31, 2006
Stock options and warrants:		
Expected term	5 years	5 years
Expected volatility	279%	233%
Risk-free interest rate	4.75%	4.82%