

BIOLIFE SOLUTIONS INC
Form 10-Q
August 09, 2018

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

**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 001-36362

BioLife Solutions, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE

94-3076866

(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)

3303 MONTE VILLA PARKWAY, SUITE 310, BOTHELL, WASHINGTON, 98021

(Address of registrant's principal executive offices, Zip Code)

(425) 402-1400

(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (S232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post said files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 7, 2018, 16,461,711 shares of the registrant's common stock were outstanding.

1

Table of Contents

BIOLIFE SOLUTIONS, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2018

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets as of June 30, 2018 (unaudited) and December 31, 2017 3

Statements of Operations (unaudited) for the three and six month periods ended June 30, 2018 and 2017 4

Statements of Cash Flows (unaudited) for the six month periods ended June 30, 2018 and 2017 5

Notes to Financial Statements (unaudited) 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 15

Item 3. Quantitative and Qualitative Disclosures about Market Risk 20

Item 4. Controls and Procedures 20

PART II. OTHER INFORMATION

Item 6. Exhibits 20

Signatures 21

Index to Exhibits 22

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****BioLife Solutions, Inc.****Balance Sheets****(Unaudited)**

	June 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$14,166,604	\$6,663,318
Accounts receivable, trade, net of allowance for doubtful accounts of \$0 and \$5,575 at June 30, 2018 and December 31, 2017, respectively	2,166,415	1,021,315
Inventories	2,121,881	1,846,746
Prepaid expenses and other current assets	352,507	399,502
Total current assets	18,807,407	9,930,881
Property and equipment		
Leasehold improvements	1,284,491	1,284,491
Furniture and computer equipment	693,399	682,466
Manufacturing and other equipment	1,229,318	1,148,006
Subtotal	3,207,208	3,114,963
Less: Accumulated depreciation	(2,163,430)	(2,008,927)
Net property and equipment	1,043,778	1,106,036
Investment in SAVSU	1,899,669	1,070,120
Long term deposits	36,166	36,166
Total assets	\$21,787,020	\$12,143,203
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$842,941	\$690,702
Accrued expenses and other current liabilities	172,879	200,548
Accrued compensation	517,692	491,432
Deferred rent	130,216	130,216
Total current liabilities	1,663,728	1,512,898
Deferred rent, long-term	422,828	492,207
Other long-term liabilities	45,364	45,512
Total liabilities	2,131,920	2,050,617

Commitments and contingencies (Note 9)

Shareholders' equity

Preferred stock, \$0.001 par value; 1,000,000 shares authorized, Series A, 4,250 shares designated, and 3,187 and 4,250 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	3	4
Common stock, \$0.001 par value; 150,000,000 shares authorized, 16,107,505 and 14,021,422 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	16,107	14,021
Additional paid-in capital	92,653,721	84,036,444
Accumulated deficit	(73,014,731)	(73,957,883)
Total shareholders' equity	19,655,100	10,092,586
Total liabilities and shareholders' equity	\$21,787,020	\$12,143,203

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

Table of Contents**BioLife Solutions, Inc.****Statements of Operations****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Product sales	\$5,177,854	\$2,557,765	\$8,992,736	\$4,923,966
Cost of product sales	1,536,779	956,839	2,900,608	1,885,241
Gross profit	3,641,075	1,600,926	6,092,128	3,038,725
Operating expenses				
Research and development	324,612	318,607	671,066	605,358
Sales and marketing	641,168	546,455	1,252,670	1,058,399
General and administrative	1,390,524	1,077,067	2,743,901	2,180,210
Total operating expenses	2,356,304	1,942,129	4,667,637	3,843,967
Operating income (loss)	1,284,771	(341,203)	1,424,491	(805,242)
Other income (expenses), net				
Interest income	32,537	76	40,955	124
Interest expense	(1,332)	(104,582)	(2,232)	(187,915)
Amortization of debt discount	—	(62,398)	—	(155,996)
Loss from equity-method investment in SAVSU	(176,798)	(260,105)	(320,554)	(489,473)
Total other income (expenses), net	(145,593)	(427,009)	(281,831)	(833,260)
Net income (loss) before provision for income taxes	1,139,178	(768,212)	1,142,660	(1,638,502)
Income taxes	—	—	—	—
Net income (loss) after provision for income taxes	1,139,178	(768,212)	1,142,660	(1,638,502)
Less: Preferred stock dividends	(93,258)	—	(199,508)	—
Net income (loss) attributable to common stockholders	\$1,045,920	\$(768,212)	\$943,152	\$(1,638,502)
Basic net income (loss) per common share	\$0.07	\$(0.06)	\$0.06	\$(0.13)
Diluted net income (loss) per common share	\$0.05	\$(0.06)	\$0.05	\$(0.13)
Basic shares used to compute earnings per share	15,180,169	13,100,820	14,642,378	13,033,106
Diluted shares used to compute earnings per share	20,374,358	13,100,820	19,063,595	13,033,106

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

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

	Six Month Period Ended	
	June 30,	
	2018	2017
Cash flows from operating activities		
Net income (loss)	\$1,142,660	\$(1,638,502)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation	161,200	176,251
Stock-based compensation expense	747,805	643,768
Stock issued for services	—	35,625
Amortization of deferred rent related to lease incentives	(63,499)	(63,499)
Amortization of debt discount	—	155,996
Loss from equity-method investment in SAVSU	320,554	489,473
Change in operating assets and liabilities		
(Increase) Decrease in		
Accounts receivable, trade	(1,145,100)	20,610
Inventories	(275,135)	(11,286)
Prepaid expenses and other current assets	(103,108)	(135,905)
Increase (Decrease) in		
Accounts payable	168,005	(124,239)
Accrued compensation and other current liabilities	5,813	56,442
Accrued interest	—	185,417
Deferred rent	(5,880)	(62,419)
Net cash provided by (used in) operating activities	953,315	(272,268)
Cash flows from investing activities		
Investment in equity investment SAVSU	(1,000,000)	—
Purchase of property and equipment	(61,479)	(78,185)
Net cash used in investing activities	(1,061,479)	(78,185)
Cash flows from financing activities		
Proceeds from related party debt	—	1,000,000
Payments on equipment loan	(5,441)	(8,176)
Payments on capital lease obligations	(6,541)	(4,360)
Proceeds from exercise of common stock options and warrants	8,898,932	314,024
Payments of preferred stock dividends	(212,500)	—
Payments for redemption of preferred stock	(1,063,000)	—
Deferred costs related to potential stock issuance	—	(42,228)
Net cash provided by financing activities	7,611,450	1,259,260

Net increase in cash and cash equivalents	7,503,286	908,807
Cash and cash equivalents - beginning of period	6,663,318	1,405,826
Cash and cash equivalents - end of period	\$ 14,166,604	\$ 2,314,633
Non-cash investing and financing activities		
Series A preferred stock dividends accrued not yet paid	\$93,258	\$—
Stock issued for services provided in prior period included in liabilities at year-end	35,625	35,624
Receivables converted to equity investment in SAVSU	150,103	—
Preferred stock issued on conversion of related party note payable and accrued interest	—	4,250,000
Preferred stock issuance costs not yet paid	—	8,038
Capital lease obligations incurred for purchases of equipment	—	52,327
Purchase of equipment with debt	17,604	39,243
Purchase of property and equipment not yet paid	19,859	—

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

Table of Contents

BIOLIFE SOLUTIONS, INC.

Notes to Financial Statements

(unaudited)

1. Organization and Significant Accounting Policies

Business

BioLife Solutions, Inc. (“BioLife,” “us,” “we,” “our,” or the “Company”) is a developer, manufacturer and marketer of proprietary clinical grade cell and tissue hypothermic storage and cryopreservation freeze media. Our proprietary HypoThermosol® and CryoStor® platform of solutions are highly valued in the biobanking, drug discovery, and regenerative medicine markets. Our biopreservation media products are serum-free and protein-free, fully defined, and are formulated to reduce preservation-induced cell damage and death. Our enabling technology provides commercial companies and clinical researchers significant improvement in shelf life and post-preservation viability and function of cells, tissues, and organs. Additionally, for our direct, distributor, and contract customers, we perform custom formulation, fill, and finish services.

Basis of Presentation

We have prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Pursuant to these rules and regulations, we have condensed or omitted certain information and footnote disclosures we normally include in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In management’s opinion, we have made all adjustments (consisting only of normal, recurring adjustments) necessary to fairly present our financial position, results of operations and cash flows. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full year. These financial statements and accompanying notes should be read in conjunction with the financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2017 on file with the SEC.

There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in the financial statements in our Annual Report on Form 10-K for the year ended December 31, 2017, except the adoption of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Significant Accounting Policies Update

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified retrospective approach applied to those contracts in effect as of January 1, 2018. Under this transition method, results for reporting periods beginning after January 1, 2018 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under Topic 605, Revenue Recognition. Adoption of the new standard did not have an impact on the amounts reported in our financial statements and there were no other significant changes impacting the timing or measurement of our revenue or our business processes and controls.

To determine revenue recognition for contractual arrangements that we determine are within the scope of Topic 606, we perform the following five steps: (i) identify each contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to our performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the relevant performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. Our revenues are primarily generated from the sale of our biopreservation media products. We generally recognize product revenue, including shipping and handling charges billed to customers, when we transfer control of our products to our customers as our contracts have a single performance obligation (transfer of control generally occurs upon shipment of our product). We are not required to disclose the value of unsatisfied performance obligations as our contracts have a duration of one year or less.

We invoice and receive payment from our customers after we recognize revenue, resulting in receivables from our customers that are presented as accounts receivable on our balance sheet. Accounts receivable consist of short-term amounts due from our customers (generally 30 to 90 days) and are stated at the amount we expect to collect. We establish an allowance for doubtful accounts based on our assessment of the collectability of specific customer accounts. Changes in accounts receivable are primarily due to the timing and magnitude of orders of our products, the timing of when control of our products is transferred to our customers and the timing of cash collections.

Table of Contents

Equity Method Investments

We account for our ownership in our SAVSU Technologies, Inc. joint venture (“SAVSU”) using the equity method of accounting. This method states that if the investment provides us the ability to exercise significant influence, but not control, over the investee, we account for the investment under the equity method. Significant influence is generally deemed to exist if the Company’s ownership interest in the voting stock of the investee ranges between 20% and 50%, although other factors, such as representation on the investee’s board of directors, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment is recorded at its initial carrying value in the balance sheet and is periodically adjusted for capital contributions, dividends received and our share of the investee’s earnings or losses together with other-than-temporary impairments which are recorded as a component of other income (expense), net in the statements of operations. On January 22, 2018, as a result of SAVSU signing a global distribution agreement with World Courier, we amended our agreement with SAVSU to fix our equity position at 35%, prior to any dilution created by financing activities post December 31, 2016, and terminated the sales and marketing services agreement. Our ownership was effectively reduced from 35% to 26.7% during the three months ended March 31, 2018 due to additional cash contributions made by the majority owner, SAVSU Technologies LLC. We increased our ownership to 30.5% for the three months ended June 30, 2018 due to additional cash contributions made by the Company. For the three and six months ended June 30, 2018, SAVSU’s net loss totaled \$0.6 million and \$1.1 million, respectively which our ownership resulted in a \$0.2 million and \$0.3 million loss, respectively which was recorded as “Loss from equity-method investment in SAVSU.” For the three and six months ended June 30, 2017, SAVSU’s net loss totaled \$0.6 million and \$1.1 million, respectively, of which our 45% ownership resulted in a \$0.3 million and \$0.5 million loss, respectively.

Concentrations of credit risk and business risk

In the three months ended June 30, 2018, we derived approximately 38% of our product revenue from three customers and in the six months ended June 30, 2018, we derived approximately 27% of our revenue from two customers. In the three and six months ended June 30, 2017, we did not derive 10% or more of our product revenue from any one customer. No other customer accounted for more than 10% of revenue in the three months ended March 31, 2018 or 2017. At June 30, 2018, three customers accounted for approximately 38% of total gross accounts receivable. At December 31, 2017, two customers accounted for approximately 41% of total gross accounts receivable.

Revenue from customers located in foreign countries represented 11% and 13% of total revenue during the three and six months ended June 30, 2018, respectively, and 14% and 18% during the three and six months ended June 30, 2017, respectively. All revenue from foreign customers is denominated in United States dollars.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). The updated guidance clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. We adopted the new standard on January 1, 2018, with no material impact on our financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases: Topic 842 (ASU 2016-02) that replaces existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. Under the new guidance, leases will continue to be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statements of Operations. Lessor accounting is largely unchanged under ASU 2016-02. The new guidance will be effective for fiscal years and interim periods within those years beginning after December 15, 2018. Early adoption will be permitted for all entities. The Company will adopt ASU 2016-02 on January 1, 2019.

The FASB has issued several additional ASUs that provide additional clarification to certain issues existing after the original ASU was released. In July 2018, the FASB issued ASU 2018-11 Leases (Topic 842) Targeted Improvements which provides entities with an additional and optional transition method to adopt the new lease standard and provide lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if certain criteria are met. Also, in July 2018, the FASB issued ASU 2018-10 Codification Improvements to Topic 842 to make amendments addressing sixteen issues related to various aspects of ASU 2016-02. The effective date and transition requirements for the amendments in ASU 2018-11 and ASU 2018-10 will be the same as the effective date and transition requirements in ASU 2016-02. The Company is evaluating the effect of ASU 2018-11 and ASU 2018-10 on its consolidated financial statements. While the Company is continuing to evaluate the effects of this ASU, the Company expects to record material right of use assets and lease liabilities on its consolidated balance sheet upon adoption. The new standard will also require expanded qualitative and quantitative disclosures regarding the Company’s leases.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities: Topic 825 (ASU 2016-01). The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. We adopted the new standard on January 1, 2018, with no material impact on our financial statements.

With the exception of the new standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to our Financial Statements.

Table of Contents**2. Fair Value Measurement**

In accordance with FASB ASC Topic 820, “Fair Value Measurements and Disclosures,” (“ASC Topic 820”), the Company measures its cash and cash equivalents and short-term investments at fair value on a recurring basis. ASC Topic 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC Topic 820 establishes a three-tier value fair hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1 for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3 – Unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

As of June 30, 2018 and December 31, 2017, the Company does not have liabilities that are measured at fair value.

The following tables set forth the Company’s financial assets measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017, based on the three-tier fair value hierarchy:

As of June 30, 2018	Level 1	Level 2	Total
Bank deposits	\$14,113,337	\$ —	\$14,113,337
Money market funds	53,267	—	53,267
Total cash and cash equivalents	\$14,166,604	\$ —	\$14,166,604

As of December 31, 2017	Level 1	Level 2	Total
Bank deposits	\$6,610,183	\$ —	\$6,610,183

Edgar Filing: BIOLIFE SOLUTIONS INC - Form 10-Q

Money market funds	53,135	—	53,135
Total cash and cash equivalents	\$6,663,318	\$	—\$6,663,318

The fair values of bank deposits and money market funds classified as Level 1 were derived from quoted market prices as active markets for these instruments exist. The Company has no level 2 or level 3 financial assets. The Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy during the six months ended June 30, 2018 and the twelve months ended December 31, 2017.

Table of Contents**3. Inventory**

Inventory consists of the following at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Raw materials	\$766,709	\$582,816
Work in progress	556,054	453,890
Finished goods	799,118	810,040
Total	\$2,121,881	\$1,846,746

4. Deferred Rent

Deferred rent consists of the following at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Landlord-funded leasehold improvements	\$1,124,790	\$1,124,790
Less accumulated amortization	(693,024)	(629,525)
Total	431,766	495,265
Straight line rent adjustment	121,278	127,158
Total deferred rent	\$553,044	\$622,423

During the three and six month periods ended June 30, 2018, the Company recorded \$31,750 and \$63,499, respectively, in deferred rent amortization of these landlord funded leasehold improvements. During the three and six month periods ended June 30, 2017, the Company recorded \$31,750 and \$63,499, respectively, in deferred rent amortization of these landlord funded leasehold improvements.

Straight line rent adjustment represents the difference between cash rent payments and the recognition of rent expense on a straight-line basis over the terms of the lease.

5. Share-based Compensation

Service Vesting-Based Stock Options

The following is a summary of service vesting-based related stock option activity for the six month period ended June 30, 2018, and the status of service vesting-based options outstanding at June 30, 2018:

	Six Month Period Ended June 30, 2018	
	Options	Wtd. Avg. Exercise Price
Outstanding at beginning of year	2,390,012	\$ 1.85
Granted	—	\$ —
Exercised	(142,914)	\$ 1.19
Forfeited	(8,022)	\$ 4.30
Expired	—	\$ —
Outstanding service vesting-based at June 30, 2018	2,239,076	\$ 1.89
Service vesting-based options exercisable at June 30, 2018	1,652,714	\$ 1.80

We recognized stock compensation expense related to service vesting-based options of \$149,612 and \$146,538 during the three months ended June 30, 2018 and 2017, respectively and \$302,315 and \$316,861 during the six months ended June 30, 2018 and June 30, 2017, respectively. As of June 30, 2018, there was \$21,325,800 of aggregate intrinsic value of outstanding service vesting-based stock options, including \$15,888,154 of aggregate intrinsic value of exercisable service vesting-based 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 the quarter 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 on June 30, 2018. This amount will change based on the fair market value of the Company’s stock. Intrinsic value of service vesting-based awards exercised during the three months ended June 30, 2018 and 2017 was \$723,532 and \$21,104, respectively and during the six months ended June 30, 2018 and 2017 was \$993,773 and \$91,817, respectively. Weighted average grant date fair value for service based-vesting options granted during the three months ended June 30, 2018 and 2017 was none and for the six months ended June 30, 2018 and 2017 was none and \$1.13 per share, respectively. The weighted average remaining contractual life of service vesting-based options outstanding and exercisable at June 30, 2018, is 5.9 years and 5.5 years, respectively. Total unrecognized compensation cost of service vesting-based stock options at June 30, 2018 of \$848,055 is expected to be recognized over a weighted average period of 1.8 years.

Table of Contents***Performance-based Stock Options***

The Company's Board of Directors implemented a Management Performance Bonus Plan for 2017. Based on achieving varying levels of specified revenue for the year ended December 31, 2017, up to 1,000,000 options to purchase shares of the Company's common stock may be vested. The options have an exercise price of \$1.64, and if revenue levels for 2017 were met, would vest 50% on the release of the Company's audited financial statements for 2017, and 50% one year thereafter. If the minimum performance targets were not achieved, no options would vest. On February 27, 2018, the Company's Board of Directors determined that, subject to the completion of the 2017 audit, the specified revenue target had been achieved. Accordingly, 999,997 options to purchase shares of the Company's common stock vest as follows: 50% of the options vested on March 8, 2018 and the remaining 50% will vest on March 8, 2019.

The following is a summary of performance-based stock option activity for the six month period ended June 30, 2018, and the status of performance-based options outstanding at June 30, 2018:

	Six Month Period Ended June 30, 2018	
	Options	Wtd. Avg. Exercise Price
Outstanding at beginning of year	999,997	\$ 1.64
Granted	—	\$ —
Exercised	(35,000)	\$ 1.64
Outstanding performance-based at June 30, 2018	964,997	\$ 1.64
Performance-based options exercisable at June 30, 2018	465,001	\$ 1.64

We recognized stock compensation expense related to performance-based options of \$126,901 and \$126,903 during the three month periods ending June 30, 2018 and 2017, respectively and \$252,408 and \$252,411 during the six month periods ending June 30, 2018 and 2017. As of June 30, 2018, there was \$9,428,021 of aggregate intrinsic value of outstanding performance-based stock options, including \$4,543,060 of aggregate intrinsic value of exercisable performance-based 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 the quarter 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 on June 30, 2018. This amount will change based on the fair market value of the Company's stock. Intrinsic value of performance-based awards exercised during the three months and six months ended June 30, 2018 was \$285,250 and no performance-based options were exercised in the three and six months ended June 30,

2017. The weighted average remaining contractual life of performance-based options outstanding and exercisable at June 30, 2018, is 3.5 years. Total unrecognized compensation cost of performance-based stock options at June 30, 2018 of \$256,592 is expected to be recognized over a weighted average period of 0.5 years.

The fair value of stock options to employees and non-employee directors is estimated on the measurement date using the Black-Scholes model using the following weighted average assumptions (N/A for 2018 as no options were granted in that period).

Table of Contents

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

	Three Month Period Ended June 30, 2018		Six Month Period Ended June 30, 2017	
	2018	2017	2018	2017
Risk free interest rate	N/A	N/A	N/A	2.07 %
Dividend yield	N/A	N/A	N/A	0.0 %
Expected term (in years)	N/A	N/A	N/A	5.18
Volatility	N/A	N/A	N/A	75 %

Restricted Stock

The following is a summary of restricted stock activity for the six month period ended June 30, 2018, and the status of unvested restricted stock outstanding at June 30, 2018:

	Six Month Period Ended June 30, 2018 Number of Grant-Date Restricted Fair Value Shares	
Outstanding at beginning of year	237,926	\$ 1.79
Granted	173,768	\$ 6.47
Vested	(76,538)	\$ 1.79
Forfeited	(13,952)	\$ 2.47
Outstanding at June 30, 2018	321,204	\$ 4.29

The aggregate fair value of the awards granted during the three and six months ended June 30, 2018 was \$154,440 and \$1,125,048, respectively, and during the three and six months ended June 30, 2017 was none and \$364,936, respectively, which represents the market value of our common stock on the date that the restricted stock awards were granted. The aggregate fair value of the restricted stock awards that vested for the three months ended June 30, 2018 and 2017 was \$173,678 and \$20,123, respectively and for the six months ended June 30, 2018 and 2017 was \$480,736 and \$61,157, respectively.

We recognized stock compensation expense of \$97,867 and \$40,432 related to restricted stock awards for the three months ended June 30, 2018 and 2017, respectively and \$193,082 and \$74,496 related to restricted stock awards for the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018, there was \$1,241,718 in unrecognized compensation costs related to restricted stock awards. We expect to recognize those costs over 3.3 years.

We recorded total stock compensation expense for the three and six month periods ended June 30, 2018 and 2017, as follows:

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2018	2017	2018	2017
Research and development costs	\$64,752	\$58,815	\$130,346	\$118,080
Sales and marketing costs	69,242	58,051	137,755	117,670
General and administrative costs	191,003	154,983	381,953	323,181
Cost of product sales	49,383	42,024	97,751	84,837
Total	\$374,380	\$313,873	\$747,805	\$643,768

Table of Contents**6. Warrants**

At June 30, 2018 and December 31, 2017, we had 4,863,158 and 6,688,849 warrants outstanding, respectively and exercisable with a weighted average exercise price of \$4.41 and \$4.50, respectively. During the three and six month period ended June 30, 2018, 1,813,691 and 1,825,691 warrants were exercised with a weighted average exercise price of \$4.75, yielding proceeds of \$8.6 million and \$8.7 million, respectively. Subsequent to quarter end through July 30, 2018, an additional 274,798 warrants were exercised with a weighted average exercise price of \$4.75, yielding \$1.3 million in proceeds to the Company. The outstanding warrants have expiration dates between March 2021 and May 2021.

7. Income Taxes

We have recorded a full valuation allowance against our deferred tax assets. As we trend towards positive net income, we will continue to assess our valuation allowance. Based on all available evidence, we determined that we have not yet attained a sustained level of profitability. Therefore, we have maintained the full valuation allowance as of quarter ended June 30, 2018. We may release all, or a portion, of the valuation allowance in the near-term, dependent on the verifiable positive evidence observed in future quarters.

8. Earnings Per Share

Basic earnings per share is calculated by dividing the net income (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 as determined by the treasury method during the period. In periods when we have a net loss, common stock equivalents are excluded from our calculation of earnings per share as their inclusion would have an antidilutive effect. For the three and six month periods ended June 30, 2018, we excluded a nominal amount of unvested stock awards from our calculation of diluted weighted average shares because they were antidilutive. For the three and six month periods ended June 30, 2017, we excluded 3 million common stock options, 7 million warrants, and 273,000 unvested stock awards from our calculation of diluted weighted average shares because they were antidilutive.

The following table shows the calculation of basic and diluted earnings per shares:

Three Month Period Ended	Six Month Period Ended
-------------------------------------	-------------------------------

Edgar Filing: BIOLIFE SOLUTIONS INC - Form 10-Q

	June 30, 2018	2017	June 30, 2018	2017
Numerator:				
Net income (loss) attributable to common stockholders	\$ 1,045,920	\$(768,212)	\$943,152	\$(1,638,502)
Denominator:				
Weighted average basic shares outstanding	15,180,169	13,100,820	14,642,378	13,033,106
Effect of dilutive securities	5,194,189	—	4,421,217	—
Weighted average diluted shares	20,374,358	13,100,820	19,063,595	13,033,106
Basic earnings per share	\$0.07	\$(0.06)	\$0.06	\$(0.13)
Diluted earnings per share	\$0.05	\$(0.06)	\$0.05	\$(0.13)

9. Commitments & Contingencies

Leases

We lease approximately 30,000 square feet in our Bothell, Washington headquarters. The term of our lease continues until July 31, 2021 with two options to extend the term of the lease, each of which is for an additional period of five years, with the first extension term commencing, if at all, on August 1, 2021, and the second extension term commencing, if at all, immediately following the expiration of the first extension term. In accordance with the amended lease agreement, our monthly base rent is approximately \$58,000 at June 30, 2018, with scheduled annual increases each August and again in October for the most recent amendment. We are also required to pay an amount equal to the Company's proportionate share of certain taxes and operating expenses.

Employment Agreements

We have employment agreements with our Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Vice President of Operations, Vice President of Marketing, and Vice President of Sales. None of these employment agreements is for a definitive period, but rather each will continue indefinitely until terminated in accordance with its terms. The agreements provide for a base annual salary, payable in monthly (or shorter) installments. Under certain conditions and for certain of these officers, we may be required to pay additional amounts upon terminating the officer or upon the officer resigning for good reason.

Table of Contents

Litigation

From time to time, the Company is subject to various legal proceedings that arise in the ordinary course of business, none of which are currently material to the Company's business.

10. Preferred Stock

As of June 30, 2018, we accrued a dividend of \$93,258 on the series A preferred stock which is included in accrued expenses and other current liabilities in the balance sheet at June 30, 2018. The dividend was paid subsequent to quarter end on July 2, 2018. On May 17, 2018, we redeemed 1,063 series A preferred shares for \$1,063,000. There are 3,187 Series A shares outstanding as of June 30, 2018.

Table of Contents**11. Revenue**

We currently operate as one operating segment focusing on biopreservation media.

The following table disaggregates revenue by market segment and distributors:

	Three Month Period Ended June 30, 2018		Six Month Period Ended June 30, 2018	
	2017		2017	
Net product sales:				
Regenerative medicine	\$2,985,086	\$1,083,637	\$5,088,638	\$2,134,807
Distributors	1,695,153	694,366	2,734,396	1,454,054
Drug discovery	263,023	488,894	639,998	766,808
BioBanking	234,592	290,868	529,704	568,297
Total	\$5,177,854	\$2,557,765	\$8,992,736	\$4,923,966

12. Subsequent Event

On August 9, 2018, Casdin Capital LLC, (“Casdin”) a New York-based, life science-focused investment firm and current stockholder, agreed to invest \$20 million in BioLife to support the Company’s growth strategy of acquiring synergistic cell and gene therapy manufacturing tools and services or technologies. Casdin’s private purchase of an additional 1,428,571 newly issued shares of common stock at a price of \$14.00 per share was pursuant to a share purchase agreement, pursuant to which Casdin also agreed to restrict any re-sale of the new se shares for a 12 month period.

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements”. These forward-looking statements involve a number of risks and uncertainties. We caution readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. These statements are based on current expectations of future events. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, costs and expenses, interest rates, outcome of contingencies, financial condition, results of operations, liquidity, business strategies, cost savings, objectives of management and other statements that are not historical facts. You can find many of these statements by looking for words like “believes,” “expects,” “anticipates,” “estimates,” “may,” “should,” “will,” “plan,” “intend,” or similar expressions in this Quarterly Report on Form 10-Q. We intend that such forward-looking statements be subject to the safe harbors created thereby. Examples of these forward-looking statements include, but are not limited to:

anticipated product developments, regulatory filings and related requirements;

timing and amount of future contractual payments, product revenue and operating expenses;

market acceptance of our products and the estimated potential size of these markets; and

projections regarding liquidity, capital requirements and the terms of any financing agreements.

These forward-looking statements are based on the current beliefs and expectations of our management and are subject to significant risks and uncertainties. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results may differ materially from current expectations and projections. These risks and uncertainties include those factors described in greater detail in the risk factors disclosed in our Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those anticipated in these forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or, in the case of documents referred to or incorporated by reference, the date of

those documents.

All subsequent written or oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as may be required under applicable U.S. securities law. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview

Management's discussion and analysis provides additional insight into the Company and is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC.

We were incorporated in Delaware in 1987 under the name Trans Time Medical Products, Inc. In 2002, the Company, then known as Cryomedical Sciences, Inc., and engaged in manufacturing and marketing cryosurgical products, completed a merger with our wholly-owned subsidiary, BioLife Solutions, Inc., which was engaged as a developer and marketer of biopreservation media products for cells and tissues. Following the merger, we changed our name to BioLife Solutions, Inc.

Our proprietary, clinical grade HypoThermosol® FRS and CryoStor® biopreservation media products are marketed to the regenerative medicine, biobanking and drug discovery markets, including hospital-based stem cell transplant centers, pharmaceutical companies, cord blood and adult stem cell banks, hair transplant centers, and suppliers of cells to the drug discovery, toxicology testing and diagnostic markets. All of our biopreservation media products are serum-free and protein-free, fully defined, and are manufactured under current Good Manufacturing Practices (cGMP) using United States Pharmacopia (USP)/Multicompendial or the highest available grade components.

Table of Contents

Our patented biopreservation media products are formulated to reduce preservation-induced, delayed-onset cell damage and death. Our platform enabling technology provides our customers significant shelf life extension of biologic source material and final cell products, and also greatly improved post-preservation 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. These discoveries enabled the formulation of innovative biopreservation media products that protect biologic material from preservation-related cellular injury, much of which is not apparent immediately after return to normothermic body temperature. Our product formulations have demonstrated notable reduction in apoptotic (programmed) and necrotic (pathologic) cell death mechanisms and are enabling the clinical and commercial development of dozens of innovative regenerative medicine products.

Additionally, as of June 30, 2018, we owned a 30.5% interest in our joint venture, biologistex CCM, LLC (“SAVSU”), a Delaware limited liability company. Our ownership was effectively increased from 26.7% on March 31, 2018 to 30.5% during the three months ended June 30, 2018 due to an additional million-dollar cash contribution we made on May 16, 2018. SAVSU is a privately held designer and manufacturer of innovative high-performance cloud-connected passive storage and transport containers for temperature sensitive biologics and pharmaceuticals. SAVSU’s mission is to improve global health by greatly reducing the waste and risks associated with the improper freezing and overheating of thermal-sensitive medicines and biologics. SAVSU has developed proprietary state-of-the-art technology to ultimately lower costs and improve delivery of these most essential materials.

Highlights for the Second Quarter of 2018

Revenue was \$5.2 million in the second quarter of 2018, an increase of 102% over the same period in 2017. For the first six months of 2018, revenue increased 83% as compared to the same period last year. Second quarter revenue growth was primarily driven by a 176% increase in direct sales to our regenerative medicine customers and a 144% growth from our distributors compared to the same period in 2017.

Gross margin in the second quarter of 2018 was 70%, compared to 63% in the second quarter of 2017. For the first six months of 2018 gross margin was 68% compared to 62% in the first six months of 2017. The margin increased due to higher average selling price per liter and increased sales volume.

Operating income for the three and six months ended June 30, 2018 was \$1.3 million and \$1.4 million, respectively compared to an operating loss of \$0.3 million and \$0.8 million for the three and six months ended June 30, 2017, respectively. We were able to generate operating income due to the increase in sales and gross margin from the same period in the prior year.

In the three and six months ended June 30, 2018, net income attributable to common stockholders was \$1.0 million and \$0.9 million, respectively. This compared to a net loss attributable to common stockholders of \$0.8 million and \$1.6 million for the three and six months ended June 30, 2017, respectively. We were able to generate a net profit due to the increase in sales and gross margin from the same period in the prior year.

Gained 48 new customers in the second quarter of 2018, including first time orders from 37 regenerative medicine companies.

Entered into an agreement with Casdin Capital LLC, a New York-based, life science-focused investment firm, to purchase 1,000,000 BioLife Solutions common shares in a private transaction from our second largest shareholder. Invested \$1 million in SAVSU Technologies, Inc. SAVSU's majority shareholder has also agreed to invest an additional \$1 million in SAVSU.

Redeemed 25% of the 4,250 shares of Series A Preferred stock outstanding for \$1,063,000. As a result, there are 3,187 Series A shares outstanding.

Joined the Russell Microcap® Index at the conclusion of the Russell US Indexes annual reconstitution, effective after the US market opened on June 25, 2018.

Table of Contents**Results of Operations**

Our revenue, results of operations and cash balances are likely to fluctuate significantly from quarter-to-quarter. These fluctuations are due to a number of factors, specifically the progress of our customers' clinical trials, where the pace of enrollment affects customer orders for our products. The majority of our net sales come from a relatively small number of customers and a limited number of market sectors. Each of these sectors is subject to macroeconomic conditions as well as trends and conditions that are sector specific. Any weakness in the market sectors in which our customers are concentrated could affect our business and results of operations.

Comparison of Results of Operations for the Three and Six Month Periods Ended June 30, 2018 and 2017

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

Revenue and Gross Margin:

	Three Month Period Ended June 30,			
	2018	2017	% Change	
Revenue:				
Total revenue	\$5,177,854	\$2,557,765	102	%
Cost of sales	1,536,779	956,839	61	%
Gross profit	\$3,641,075	\$1,600,926	127	%
Gross margin %	70	% 63		%

	Six Month Period Ended June 30,			
	2018	2017	% Change	
Revenue:				
Total revenue	\$8,992,736	\$4,923,966	83	%
Cost of sales	2,900,607	1,885,241	54	%
Gross profit	\$6,092,129	\$3,038,725	100	%
Gross margin %	68	% 62		%

Biopreservation Media Product Sales. Our core products are sold through both direct and indirect channels to customers in the regenerative medicine, biobanking and drug discovery markets. Sales of our core products in the three and six months ended June 30, 2018 increased 102% and 83%, respectively, compared to the same periods in 2017, due primarily to an increase in volume and selling price per liter sold due to increased orders from the regenerative medicine segment and our distributors. Revenue growth for the second quarter was driven by a 176% year over year increase from customers in the regenerative medicine segment and 144% growth from sales to our distributors. We expect to see continued growth in adoption and use of our proprietary biopreservation media products.

Cost of Sales. Cost of sales consists of raw materials, labor and overhead expenses. Cost of sales in the three and six months ended June 30, 2018 increased compared to the same periods in 2017 due to increased sales of our proprietary products partially offset by lower overhead costs per liter sold in the three and six months ended June 30, 2018.

Gross Margin. Gross margin as a percentage of revenue was 70% and 68% in the three and six months ended June 30, 2018, compared to 63% and 62% in the three and six months ended June 30, 2017. Gross margin in the three and six months ended June 30, 2018 increased compared to the same periods in 2017 due to increased average selling price per liter sold and lower overhead costs per liter sold resulting in higher production volume to support increased demand in the three and six months ended June 30, 2018.

Table of Contents

Revenue Concentration. In the three months ended June 30, 2018, we derived approximately 38% of our product revenue from three customers and in the six months ended June 30, 2018, we derived approximately 27% of our revenue from two customers. In the three and six months ended June 30, 2017, we did not derive 10% or more of our product revenue from any one customer.

Operating Expenses

Our operating expenses for the three and six month periods ended June 30, 2018 and 2017 were:

	Three Month Period Ended June 30,			
	2018	2017	% Change	
Operating Expenses:				
Research and development	\$324,612	\$318,607	2	%
Sales and marketing	641,168	546,455	17	%
General and administrative	1,390,524	1,077,067	29	%
Operating Expenses	\$2,356,304	\$1,942,129	21	%
% of revenue	46	% 76		%

	Six Month Period Ended June 30,			
	2018	2017	% Change	
Operating Expenses:				
Research and development	\$671,066	\$605,358	11	%
Sales and marketing	1,252,670	1,058,399	18	%
General and administrative	2,743,901	2,180,210	26	%
Operating Expenses	\$4,667,637	\$3,843,967	21	%
% of revenue	52	% 78		%

Research and Development. Research and development expenses consist primarily of salaries and other personnel-related expenses, consulting and other outside services, laboratory supplies, and other costs. We expense all research and development costs as incurred. Research and development expenses for the three and six months ended June 30, 2018 increased compared to the three and six months ended June 30, 2017, due primarily to higher performance-based compensation.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries and other personnel-related expenses, consulting, trade shows and advertising. Sales and marketing expenses for the three and six months ended June 30, 2018 increased compared to the three and six months ended June 30, 2017, due primarily to higher performance-based compensation.

General and Administrative Expenses. General and administrative expenses consist primarily of personnel-related expenses, non-cash stock-based compensation for administrative personnel and members of the board of directors, professional fees, such as accounting and legal, and corporate insurance. General and administrative expenses for the three and six months ended June 30, 2018 increased compared to the three and six months ended June 30, 2017, due primarily to investor relations, travel and consulting fees, quality system consulting fees, higher performance-based compensation and corporate non-income taxes.

Other Income (Expenses)

Interest Expense. The interest expense in the three and six months ended June 30, 2018 is due to equipment financing. Interest expense in the three and six months ended June 30, 2017 is due to the note payable related to the credit facility financing arrangement entered into in May 2016.

Amortization of debt discount. The amortization of short-term debt discount in the three and six months ended June 30, 2017 is due to the amortization of the allocated value of the detachable warrants associated with the credit facility financing on arrangement entered into in May 2017 which was fully amortized May 31, 2017.

Loss on equity method investment. The non-cash loss associated with our proportionate share of the net loss in our investment in SAVSU for the period based on our 26.7% ownership for the three months ended March 31, 2018, and 30.5% ownership for the three months ended June 30, 2018. In 2017, we had a 45% ownership in both the three and six month periods ended June 30, 2017.

Interest income. The increase in interest income in the three and six months ended June 30, 2018 compared to the same periods in 2017 is due to the higher average short-term liquid investments balance in 2018 compared to 2017.

Table of Contents

Liquidity and Capital Resources

On June 30, 2018, we had \$14.2 million in cash and cash equivalents, compared to cash and cash equivalents of \$6.7 million at December 31, 2017. During the six month period ended June 30, 2018, 1.8 million warrants were exercised with a weighted average exercise price of \$4.75, yielding \$8.7 million in proceeds to the Company. Subsequent to quarter end through July 30, 2018, an additional 0.3 million warrants were exercised with a weighted average exercise price of \$4.75, yielding \$1.3 million in proceeds to the Company. Based on our current expectations with respect to our revenue and operating expenses, we expect that our current level of cash and cash equivalents will be sufficient to meet our liquidity needs for at least the next twelve months. We may also seek equity or debt financing opportunistically if we believe that market conditions are conducive to obtaining such financing. We currently have an S-3 registration statement filed with the SEC which may be utilized to obtain additional financing.

We continue to monitor and evaluate opportunities to strengthen our balance sheet and competitive position over the long term. These actions may include acquisitions or other strategic transactions that we believe would generate significant advantages and substantially strengthen our business. The consideration we pay in such transactions may include, among other things, shares of our common stock, other equity or debt securities of our Company or cash. We may elect to seek debt or equity financing in anticipation of, or in connection with, such transactions or to fund or invest in any operations acquired thereby.

Net Cash Provided by/ Used In Operating Activities

During the six months ended June 30, 2018, net cash provided by operating activities was \$1.0 million compared to net cash used in operating activities of \$0.3 million for the six months ended June 30, 2017. The increase in cash from operating activities was the result of increased sales and gross margins partially offset by an increase in accounts receivable from the prior period.

Net Cash Used In Investing Activities

Net cash used in investing activities totaled \$1.1 million during the six months ended June 30, 2018, compared to \$0.1 million for the six months ended June 30, 2017. The increase in cash used by investing activities was primarily the result of the additional investment in SAVSU.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$7.6 million and \$1.3 million in the six months ended June 30, 2018 and 2017, respectively. Net cash provided by financing activities during the six months ended June 30, 2018 was primarily the result of proceeds received from warrant exercises and employee stock option exercises. Net cash provided by financing activities in the six months ended June 30, 2017 was the result of proceeds received from our credit facility, warrant exercises and employee stock option exercises.

Off-Balance Sheet Arrangements

As of June 30, 2018, we did not have any off-balance sheet arrangements.

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 evaluate 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 believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Our critical accounting policies and estimates have not changed significantly from those policies and estimates disclosed under the heading "Critical Accounting Policies and Significant Judgments and Estimates" in Part II, Item 7, "Management's Discussion and Analysis of Financial Conditions and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC.

Table of Contents

Contractual Obligations

We previously disclosed certain contractual obligations and contingencies and commitments relevant to us within the financial statements and Management Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 9, 2018. There have been no significant changes to these obligations in the three months ended June 30, 2018. For more information regarding our current contingencies and commitments, see note 8 to the financial statements included above.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of 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 Exchange 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 June 30, 2018, 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 Exchange Act, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2018, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Limitations on Effectiveness of Control. Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute

assurance that all control issues and instances of fraud, if any, within our Company have been detected.

PART II: Other Information

Item 6. Exhibits

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

20

Table of Contents

SIGNATURES

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

BIOLIFE SOLUTIONS, INC.

Dated: August 9, 2018 /s/ Roderick de Greef
Roderick de Greef
Chief Financial Officer
(Duly authorized officer and principal financial and accounting officer)

Table of Contents

BioLife Solutions, Inc.

INDEX TO EXHIBITS

Exhibit No. Description

31.1	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase