

Cryoport, Inc.  
Form S-1/A  
February 22, 2010  
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As filed with the Securities and Exchange Commission on February 22, 2010

Registration Number 333-162350

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 7**

**TO**

**FORM S-1/A**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**CryoPort, Inc.**

(Exact Name of Registrant as Specified in its Charter)

Nevada  
(State or Other Jurisdiction of  
Incorporation or Organization)

3086  
(Primary Standard Industrial  
Classification Code Number)  
20382 Barents Sea Circle

88-0313393  
(I.R.S. Employer  
Identification No.)

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Lake Forest, California 92630

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Principal Executive Offices)

Larry G. Stambaugh

Chief Executive Officer

20382 Barents Sea Circle

Lake Forest, California 92630

(949) 470-2300

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

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

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

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## CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Units, each consisting of one share of common stock, \$0.001 par value, and one warrant	\$ 6,000,000	\$ 427.80
Shares of common stock included as part of the units		(2)
Warrants included as part of the units		(2)
Shares of common stock underlying the warrants included in the units(3)	\$ 6,600,000	\$ 470.58
Units, each consisting of one share of common stock, \$0.001 par value, and one warrant, issuable upon exercise of the representative of the underwriters over-allotment	\$ 900,000	64.17
Shares of common stock included as part of the units, issuable upon exercise of the representative of the underwriters over-allotment		(2)
Warrants included as part of the units, issuable upon exercise of the representative of the underwriters over-allotment		(2)
Shares of common stock underlying the warrants included in the units, issuable upon exercise of the representative of the underwriters over-allotment (3)	\$ 990,000	70.59
Total	\$14,490,000	\$1,033.14(4)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) No fee required pursuant to Rule 457(g) under the Securities Act.

(3) Pursuant to Rule 416, the registrant is also registering an indeterminate number of additional shares of common stock that are issuable by reason of the anti-dilution provisions of the warrants.

(4) \$2,582.85 has been paid.

**The registrant hereby amends this registration statement on such date or date(s) as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the registration statement shall become effective on such date as the commission acting pursuant to said Section 8(a) may determine.**

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The information in this prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**PRELIMINARY PROSPECTUS**

**SUBJECT TO COMPLETION**

**FEBRUARY 22, 2010**

**1,000,000 Units**

**CryoPort, Inc.**

**Common Stock and Warrants**

This is a firm commitment public offering of 1,000,000 units. Each unit consists of one share of common stock and a warrant to purchase one share of common stock at an exercise price of 110% of the public offering price of a unit in this offering. The common stock and warrants are immediately separable and will be issued separately.

Our common stock is currently traded on the OTC Bulletin Board under the symbol CYRXD. On February 5, 2010, we effected a reverse stock split on a 10-to-1 basis. On February 17, 2010, the last reported sale price for our common stock was \$6.00 per share. We have applied to have the warrants included in the units sold in this offering traded on the OTC Bulletin Board under the Symbol CYRXW.

*Investing in our common stock and warrants involves a high degree of risk. Please read Risk Factors beginning on page 11.*

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price	\$	\$
Underwriting discounts and commissions(1)	\$	\$
Proceeds, before offering expenses, to us(2)	\$	\$

(1) Does not include a non-accountable expense allowance equal to 1% of the gross proceeds of this offering (or \$60,000) payable to Rodman & Renshaw, LLC, the underwriters' representative.

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(2) We estimate that the total expenses of this offering will be approximately \$347,150, consisting of \$60,000 for the underwriter's non-accountable expense allowance (equal to 1% of the gross proceeds of this offering) and \$287,150 for legal, accounting, printing costs and various fees associated with the registration and listing of our shares of common stock and warrants.

We have granted a 45-day option to the representative of the underwriters to purchase \$900,000 of units to be offered by us solely to cover over-allotments, if any. If the underwriters exercise their right to purchase additional units to cover over-allotments, we estimate that we will receive gross proceeds of \$900,000 from the sale of 150,000 units being offered at an assumed public offering price of \$6.00 per unit and net proceeds of \$823,500 after deducting \$76,500 for underwriting discounts and commissions. The units issuable upon exercise of the underwriters option are identical to those offered by this prospectus and have been registered under the registration statement of which this prospectus forms a part.

In connection with this offering, we have also agreed to sell to Rodman & Renshaw, LLC, the underwriters' representative, for \$100, a warrant to purchase up to 5% of the shares of common stock included in the units sold, excluding the over-allotment (or 50,000 shares based on 1,000,000 units). If the underwriters' representative exercises this warrant, each share of common stock may be purchased at \$7.50 per share (125% of the price of the units sold in this offering), commencing on a date which is one year from the effective date of the registration statement and expiring five years from the effective date of the registration statement. The warrant may be exercised on a cashless basis.

The underwriters expect to deliver our shares of common stock and warrants to purchasers in this offering on or about [ \* ], 2010.

## **Rodman & Renshaw, LLC**

**The date of this prospectus is \_\_\_\_\_, 2010.**

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock and warrants offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock or warrants in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information incorporated by reference to this prospectus is correct as of any time after its date.

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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our common stock and warrants. You should read this entire prospectus carefully, especially the risks of investing in our common stock and warrants discussed under Risk Factors beginning on page 11, and the consolidated financial statements and notes to those consolidated financial statements, before making an investment decision. CryoPort, Inc. is referred to throughout this prospectus as CryoPort, we or us.*

*Unless otherwise indicated, all historical and pro forma common stock and per share data in this prospectus have been retroactively restated to the earliest period presented to account for the 10-to-1 reverse stock split effectuated on February 5, 2010.*

**Overview**

We are a provider of an innovative cold chain frozen shipping system dedicated to providing superior, affordable cryogenic shipping solutions that ensure the safety, status and temperature of high value, temperature sensitive materials. We have developed a line of cost effective reusable cryogenic transport containers (referred to as a shipper ) capable of transporting biological, environmental and other temperature sensitive materials at temperatures below 0° Celsius. These dry vapor shippers are one of the first significant alternatives to dry ice shipping and achieve 10-plus day holding times compared to one to two day holding times with dry ice (assuming no re-icing during transit).

Our value proposition comes from both providing safe transportation and an environmentally friendly, long lasting shipper, and through our value added services that offer a simple hassle-free solution for our customers. These value-added services include an internet-based web portal that enables the customer to initiate shipping service, track the progress and status of a shipment, and provides in-transit temperature monitoring of the shipper. CryoPort also provides a fully ready charged shipper containing all freight bills, customs documents, and regulatory paperwork for the entire journey of the shipper to our customers at their pick up location.

Our principal focus has been the further development and commercial launch of CryoPort Express® Portal, an innovative IT solution for shipping and tracking high-value specimens through overnight shipping companies, and our CryoPort Express® Shipper, a line of dry vapor cryogenic shippers for the transport of biological and pharmaceutical materials. A dry vapor cryogenic shipper is a container that uses liquid nitrogen in dry vapor form, which is suspended inside a vacuum insulated bottle as a refrigerant, to provide storage temperatures below minus 150° Celsius. The dry vapor shipper is designed using innovative, proprietary, and patented technology which prevents spillage of liquid nitrogen and pressure build up as the liquid nitrogen evaporates. A proprietary foam retention system is employed to ensure that liquid nitrogen stays inside the vacuum container, even when placed upside-down or on its side, as is often the case when in the custody of a shipping company. Biological specimens are stored in a specimen chamber, referred to as a well, inside the container. Refrigeration is provided by *harmless* cold nitrogen gas evolving from the liquid nitrogen entrapped within the foam retention system surrounding the well. Biological specimens transported using our cryogenic shipper can include clinical samples, diagnostics, live cell pharmaceutical products (such as cancer vaccines, semen and embryos, and infectious substances) and other items that require and/or are protected through continuous exposure to frozen or cryogenic temperatures (below minus 150° Celsius).

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We recently entered into our first strategic relationship with a global courier on January 13, 2010 when we signed an agreement with Federal Express Corporation ( FedEx ) pursuant to which we will lease to FedEx such number of our cryogenic shippers that FedEx shall, from time to time, order for its customers. Under this agreement, FedEx has the right to and shall, on a non-exclusive basis, promote, market and sell transportation of our shippers and our related value-added goods and services, such as our data logger, web portal and planned CryoPort Express® Smart Pak System.

### **Market Opportunity**

As a result of growing globalization, including with respect to such areas as life science clinical trials and distribution of pharmaceutical products, the requirement for effective solutions for keeping certain clinical samples and pharmaceutical products at frozen temperatures takes on added significance due to extended shipping times, customs delays and logistics challenges. Today, such goods are traditionally shipped in cardboard insulated containers packed with dry ice, gel/freezer packs or a combination thereof. The current dry ice solutions have limitations that severely limit their effective and efficient use for both short and long-distances (e.g., international). Conventional dry ice shipments often require labor intensive re-icing operations resulting in higher labor and shipping costs.

We believe that our patented cryogenic shippers make us well positioned to take advantage of the growing demand for effective and efficient international transport of temperature sensitive materials resulting from continued globalization. Of particular significance is the trend within the pharmaceutical and biotechnology industries toward globalization. We believe this presents a new and unique opportunity for pharmaceutical companies, particularly early or developmental stage companies, to conduct some of their clinical trials in foreign countries where the cost may be cheaper and/or because the foreign countries significantly larger population provides a larger pool of potential patients suffering from the indication that the drug candidate is being developed to treat. We also plan to provide domestic shipping solutions in situations and regions where there is a high priority placed on maintaining the integrity of materials shipped at cryogenic temperatures and where we can be cost effective.

### **Competitive Strengths**

We believe that our cryogenic shipping systems provide us with the following competitive strengths:

*Maintaining the Integrity of Materials Shipped.* We have developed our CryoPort Express® Shippers, a line of cryogenic dry vapor shippers, to be capable of maintaining cryogenic temperatures of minus 150° Celsius or less for 10-plus days. Our CryoPort Express® Shippers were developed with a view towards meeting the needs of the global biotechnology and pharmaceutical industries which require the ability to transport live cell pharmaceutical products, such as cancer vaccines, diagnostic materials, reproductive tissues, infectious and other biological substances, and other items at constant frozen or cryogenic temperatures. Traditional methods that have been serving this market, such as dry ice, are only capable of maintaining such temperatures for a period of one to two days (depending on the size of the package and amount of dry ice used), thereby potentially jeopardizing the integrity of the transported materials during longer shipments. We believe our CryoPort Express® Shippers are the first significant alternative to using dry ice that achieves 10-plus day holding times.

*Durability of Shipping Devices.* Because the outer shell of our CryoPort Express® Shippers are made from durable materials, as compared to corrugated cardboard boxes with Styrofoam inserts or similar materials, the risk of damage to the container and its contents is significantly reduced. Where corrugated cardboard boxes are susceptible to being crushed or damaged during shipment, our shippers, which have been tested and are capable of withstanding drops of up to 30 feet, significantly reduce the risk of damage to the packaged materials. The durability and long holding times of our shippers has greater significance for international (or other long

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distance) shipments due to the increased shipping times and amplified risk of damage during transit and mishandling during shipment.

*Cost.* We believe we have developed a solution for the shipment of temperature sensitive materials which is not only more effective, but also more cost efficient, especially in international shipping. Shipping temperature sensitive materials using the traditional method of dry ice requires multiple steps, manual intervention/monitoring, and the coordination of re-icing tasks at several locations to provide a solution lasting for more than several days. The cost of developing and maintaining the infrastructure necessary to support these operations frequently depend on off-shore third party contractors which adds significant cost. Because our cryogenic shippers are capable of hold times of 10-plus days, customers will not require the same extensive infrastructure needed for dry ice shipments. Furthermore, because our shippers do not rely on dry ice (which is a hazardous material that produces CO<sub>2</sub> gas as it sublimates), there are more freight courier alternatives available for our shippers and generally lower freight charges.

*Tracking and Monitoring.* We have developed a sophisticated web portal with user friendly features that will be used for capturing customer orders and tracking shipments. Our portal enables CryoPort employees to manage multi-route shipments with minimal amount of human resources by using programmed analogs and exception monitoring. In addition, our customers are able to place orders, track shipments, and monitor the status of their packages through our web portal. CryoPort is also able to internally manage its shipper inventory, track incoming and outgoing assets, report on shipping performance metrics, and invoice for shipping services through the technology employed through its web portal.

*The Green Alternative.* Unlike shippers using dry ice, the internal core of our cryogenic shippers absorbs liquid nitrogen in a gaseous state to maintain the required cryogenic temperatures. Dry ice is a hazardous material because it produces excess CO<sub>2</sub> gas as it sublimates which is a noted greenhouse gas and which may be dangerous in confined spaces where there is an absence or low rates of ventilation. Use of our shippers does not result in the emission of greenhouse gases or other potentially toxic materials. In addition, shippers using dry ice are made of corrugated cardboard with Styrofoam inserts. These shippers are typically not reusable, resulting in the disposal of the cardboard box. Further, Styrofoam should not be disposed of in landfills because it is not biodegradable. Our shippers do not contain Styrofoam, nor do they present similar landfill disposal issues or other environmental challenges.

*Technology.* Once our CryoPort Express<sup>®</sup> System is fully operational, it will represent the most complete and comprehensive shipping solution available in the market for high-value temperature sensitive materials. It will reduce operating costs for CryoPort and its customers and it will provide customized analytics to monitor shipping efficiency and the health and status of the materials entrusted to our care.

## **Key Business Strategies**

*Relationship with Global Couriers.* We believe that our near term success is best achieved by establishing strategic relationships with global couriers which will enable us to provide a seamless, end-to-end shipping solution to our customers. In addition, we will be able to leverage the couriers established express, ground and freight infrastructures and penetrate new markets with minimal investment. To this end, we recently entered into our first strategic relationship with a global courier on January 13, 2010 when we signed an agreement with Federal Express Corporation ( FedEx ) pursuant to which we will lease to FedEx such number of our cryogenic shippers that FedEx shall, from time to time, order for its customers. Under this agreement, FedEx has the right to and shall, on a non-exclusive basis, promote, market and sell transportation of our shippers and our related value-added goods and services, such as our data logger, web portal and planned CryoPort Express Smart Pak System. In addition to FedEx, our management team is commencing discussions with other global couriers in an effort to establish partnerships pursuant to which the couriers would provide preferred shipping rates, access to

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logistics, tracking, and customs clearance capabilities. As in the case of our agreement with FedEx, we expect that other global freight couriers will utilize their sales forces to promote and sell transportation of our shippers and our frozen shipping services. We can not assure you that we will be able to consummate an agreement with another global courier.

*Target Large Clinical Research Organizations and Life Science Companies.* Along with our efforts to establish strategic relationships with global couriers, we intend to increase our marketing efforts to the large clinical research organizations ( CRO ) and pharmaceutical and biotechnology companies engaged in the management and/or conduct of both domestic and international clinical trials. Management has been in active dialogue with selected large CROs, and pharmaceutical and biotechnology companies to introduce this new frozen shipping solution and to discuss these potential customers' shipping needs. Several of these meetings have been joint presentations including representatives from a global courier. We can not assure you that we will be able to consummate an agreement with one or more large CROs, or pharmaceutical or biotechnology companies.

*Position CryoPort Express® Portal as a New Customer Tool for Cost Optimization and Risk Mitigation.* In 2008, we began development of an internal IT system, CryoPort Express® Portal, which today is used by our customers to automate the entry of orders, prepare customs documentation, and facilitate status and location monitoring of shipped orders while in transit. The CryoPort Express® Portal is fully integrated with IT systems at FedEx and runs in a browser requiring no software installation. It is used by CryoPort to manage shipping operations typically provisioned by manual labor thereby reducing administrative costs relating to order-entry, order processing, preparation of shipping documents, back-office accounting, and to support the high level of customer service expected by the industry. In addition to reducing operating costs and facilitating scaling of CryoPort's operations, more importantly we believe the CryoPort Express® Portal offers significant value to the customer in terms of cost avoidance and risk mitigation. Examples include automation of order entry, development of Key Performance Indicators ( KPI ) to support our efforts for continuous process improvements in our business, and programmatic exception monitoring to detect and sometimes anticipate delays in the shipping process, often before the customer or the shipping company becomes aware of the delays. In the future we intend to add rate and mode optimization and in-transit monitoring of temperature, location and state-of-health monitoring (discussed below) via wireless communications.

*Complete Development of Our Smart Pak Monitoring Device.* In July 2008, we launched Phase I of our CryoPort Express® Portal which enabled our customers to enter orders and track their packages during transit. We recently completed successful testing of Phase II of our Smart Pak Monitoring Device which is an automated data logger capable of tracking the internal and external temperatures of samples shipped in our CryoPort Express® Shipper. We anticipate commercial launch of this new feature in 2010. Phase III of our Smart Pak Monitoring Device development plan, which we expect to launch by the end of fiscal year 2010, consists of adding a wireless communications capability to each shipper to enable monitoring of a shipper's location, specimen temperature, and overall state of health of the contents during transit, which will be fully integrated into the CryoPort Express® Portal. We anticipate that, due to the high value and importance placed on the contents of the shipper by the customer, location and state-of-health monitoring of the contents will become a new standard in the industry pioneered by CryoPort.

*Expand to New Markets.* To date our marketing efforts have focused on global CROs, and on select companies in the biotechnology and pharmaceutical industries. Once we have expanded our market presence in these industries and established the strategic relationships referenced above, we intend to explore opportunities in other markets where there is a need to ship temperature sensitive materials such as the food, environmental, semiconductor and petroleum industries.

*Re-Purpose Product Capability.* Presently, CryoPort products address the needs of biotechnology and pharmaceutical customers who require sustainable frozen shipping temperatures generally between the range of minus 80° to minus 150° Celsius. While the frozen market represents a large opportunity for CryoPort, an adjacent market exists for the shipment of materials at chilled temperatures. Based on a report prepared by DHL

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Worldwide Express, Inc. in April 2001, the market for pharmaceutical shipments at chilled temperatures is more than double the market for cryogenic and frozen shipments. CryoPort's technology may be applicable to these markets as well since the design concepts of CryoPort products can be applied to stabilize materials at any desired temperature. CryoPort is exploring these expansions of its current business model.

### **Corporate History and Structure**

We are a Nevada corporation originally incorporated under the name G.T.5-Limited ( GT5 ) on May 25, 1990. In connection with a Share Exchange Agreement, on March 15, 2005 we changed our name to CryoPort, Inc. and acquired all of the issued and outstanding shares of common stock of CryoPort Systems, Inc., a California corporation, in exchange for 2,410,811 shares of our common stock (which represented approximately 81% of the total issued and outstanding shares of common stock following the close of the transaction). CryoPort Systems, Inc., which was originally formed in 1999 as a California limited liability company, and subsequently reorganized into a California corporation on December 11, 2000, remains the operating company under CryoPort, Inc.

### **Our Corporate Information**

Our principal executive offices are located at 20382 Barents Sea Circle, Lake Forest, California 92630. The telephone number of our principal executive offices is (949) 470-2300, and our main corporate website is [www.cryoport.com](http://www.cryoport.com). The information on, or that can be accessed through, our website is not part of this prospectus.

We own, have rights to, or have applied for the service marks and trade names that we use in conjunction with our business, including CryoPort (both alone and with a design logo) and CryoPort Express (both alone and with a design logo). All other trademarks and trade names appearing in this prospectus are the property of their respective holders.

### **Recent Developments**

*Reverse Stock Split.* On February 5, 2010 we filed a Certificate of Amendment to Amended and Restated Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 10-to-1 reverse stock split of our issued and outstanding shares of common stock.

*Agreement with Federal Express Corporation.* On January 13, 2010 we entered into an agreement with FedEx to lease our cryogenic shippers based on orders placed by FedEx for its customers. Pursuant to the agreement, FedEx has agreed to pay us (i) a fixed per lease transaction fee per shipper leased (generally measured as up to a maximum period of 14 days), the amount of which will depend upon whether the shipper is being transported within a specific designated region or from one designated region to another designated region, and (ii) additional fees for any other goods or services ordered in connection with such lease transaction. All lease transactions shall be processed through our CryoPort Express Portal.

Under the agreement, we are further obligated to establish and have operational shipper recycling centers in Asia, Europe and South America by October 31, 2010 and a second center in Asia by June 30, 2011.

Additionally, we shall be responsible for supplying and recharging all shippers ordered by FedEx and for all recycling related to the shippers, and FedEx shall be responsible for all pickup, delivery and shipping.

Unless sooner terminated as provided in the agreement, the term of the agreement expires on December 31, 2012.

*Amendment to Agreements with Holders of Convertible Debentures.* On February 19, 2010, we entered into an Amended and Restated Amendment Agreements with the holders of our Debentures (as hereinafter

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defined), pursuant to which we amended and restated the amendment agreements we entered into with them on January 12, 2010 and February 1, 2010 (the 2010 Amendment ).

Pursuant to the 2010 Amendment, the debenture holders confirmed their prior agreement to defer until March 1, 2010 our obligation to make the January 1, 2010 and February 1, 2010 debenture amortization payments (each in the aggregate amount of \$200,000) and their consent to our recent 10-to-1 reverse stock split. In addition, subject to our consummating this offering for gross proceeds of not less than \$5,000,000 at a per unit price of not less than \$3.00 per unit, the debenture holders have consented and agreed, among other items, to the following:

each will convert \$1,357,215 in principal amount of the outstanding principal balance of such holder's debenture in exchange for a number of shares of common stock determined by dividing such principal amount by the lesser of the current conversion price of \$4.50 or that portion of the unit offering price being allocated to the share of common stock contained in the unit, or 93.75% of the unit offering price. Based on an assumed public offering price of \$6.00 per unit, with an estimated \$5.625 being allocated to the share of common stock, the applicable conversion price would be \$4.50 and each holder would receive a total of 301,603 shares of common stock upon conversion;

with respect to the remaining outstanding balance of the debentures after the foregoing conversions, we will not be obligated to make any principal or interest payments until March 1, 2011, at which time we will be obligated to start making monthly principal and interest payments of \$200,000 for a period of seventeen (17) months with a final balloon payment due on August 1, 2012. In addition, the future interest that would accrue on the outstanding principal balance from July 1, 2010 (the date to which accrued interest was previously added to principal) to March 1, 2011 will be added to the current principal balance of the debentures;

the conversion price of the remaining outstanding balance of each debenture will be equal to the lesser of the current conversion price of \$4.50 or that portion of the unit offering price being allocated to the share of common stock contained in the unit, or 93.75% of the unit offering price;

the exercise price of the warrants currently held by the debenture holders will be equal to the lesser of the current exercise price of \$4.50 per share or the exercise price of the warrants included as part of the units sold in this offering (110% of the unit offering price) and the exercise period shall be extended to January 1, 2015;

the termination of certain anti-dilution provisions contained in the debentures and warrants held by the debenture holders and their right to maintain a fully-diluted ownership of our common stock equal to 34.5%;

the termination of certain financial covenants; and

each will execute a lock-up agreement covering a period of 180 days following the effective date of the registration statement of which this prospectus forms a part: provided, however, that in the event that on any trading day during the lock-up period the trading price of our common stock exceeds 200% of the offering price of the units, then each holder may sell at sales prices equal to or greater than 200% of such unit offering price a number of shares of common stock on that trading day (such day referred to as an Open Trading Day ) equal to up to 10% of the aggregate trading volume of our common stock on the primary market on which it is trading on such Open Trading Day, and (ii) in the event on any trading day during the lock-up period the trading price of our common stock exceeds 300% of the unit offering price, each holder may sell at sales prices equal to or greater than 300% of such unit offering price an unlimited number of shares of common stock on such Open Trading Day. Sales under the foregoing clause (ii) on any particular Open Trading Day shall not be aggregated with sales under the foregoing clause (i) on the same Open Trading Day for purposes of calculating the 10% limitation under clause (i).



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In the event that we do not consummate this offering at a price of \$3.00 per unit for minimum gross proceeds of \$5,000,000 by March 15, 2010, then the foregoing provisions shall be null and void (provided, however, the exercise period for the warrant shall remain extended to January 1, 2015).

**Summary Financial Information**

In the table below we provide you with historical consolidated financial data for the nine month periods ending December 31, 2009 and 2008 and the fiscal years ended March 31, 2009 and 2008, derived from our audited and unaudited consolidated financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected for any future period. When you read this historical selected financial data, it is important that you read along with it the appropriate historical consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	Nine Months Ended December 31,		Years Ended March 31,	
	2009 ( 000) (unaudited)	2008 ( 000) (unaudited)	2009 ( 000)	2008 ( 000)
Revenues	\$ 43	\$ 29	\$ 35	\$ 84
Cost of revenues	459	420	546	386
Gross loss	(416)	(391)	(511)	(302)
Operating expenses:				
Selling, general and administrative expenses	2,198	1,890	2,387	2,551
Research and development expenses	270	230	297	166
Total operating expenses	2,468	2,120	2,684	2,717
Loss from operations	(2,884)	(2,511)	(3,195)	(3,019)
Other income (expense):				
Interest income	7	30	32	50
Interest expense	(5,313)	(1,953)	(2,693)	(1,593)
Loss on sale of fixed assets	(1)			
Change in fair value of derivative liabilities	3,107			
Loss on extinguishment of debt		(6,811)	(10,847)	
Total other expense, net	(2,200)	(8,734)	(13,508)	(1,543)
Loss before income taxes	(5,084)	(11,245)	(16,703)	(4,562)
Income taxes	2	1	2	2
Net loss	\$ (5,086)	\$ (11,246)	\$ (16,705)	\$ (4,564)
Loss per share, basic and diluted	\$ (1.10)	\$ (2.73)		