

Cryoport, Inc.  
Form 10-Q  
February 05, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

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

**For the quarterly period ended December 31, 2014**

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

**Commission File Number: 001-34632**

**CRYOPORT, INC.**

**(Exact Name of Registrant as Specified in its Charter)**

**Nevada**

**88-0313393**

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

20382 Barents Sea Circle

Lake Forest, CA 92630

(Address of principal executive offices)

(949) 470-2300

(Registrant's 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒

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

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As of January 30, 2015 there were 60,057,846 shares of the registrant's common stock outstanding.

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## PART I. FINANCIAL INFORMATION

**Cryoport, Inc. and Subsidiary****Condensed Consolidated Balance Sheets**

|                                                                                                                                                                                                                                                              | December 31,<br>2014<br>(unaudited) | March 31,<br>2014 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
| <b>ASSETS</b>                                                                                                                                                                                                                                                |                                     |                   |
| Current Assets:                                                                                                                                                                                                                                              |                                     |                   |
| Cash and cash equivalents                                                                                                                                                                                                                                    | \$ 773,922                          | \$ 369,581        |
| Accounts receivable, net of allowance for doubtful accounts of \$10,000 and \$24,600, respectively                                                                                                                                                           | 407,459                             | 515,825           |
| Inventories                                                                                                                                                                                                                                                  | 66,958                              | 29,703            |
| Other current assets                                                                                                                                                                                                                                         | 122,413                             | 196,505           |
| Total current assets                                                                                                                                                                                                                                         | 1,370,752                           | 1,111,614         |
| Property and equipment, net                                                                                                                                                                                                                                  | 349,515                             | 408,892           |
| Intangible assets, net                                                                                                                                                                                                                                       | 146,315                             | 180,086           |
| Deposits and other assets                                                                                                                                                                                                                                    | —                                   | 9,358             |
| Total assets                                                                                                                                                                                                                                                 | \$ 1,866,582                        | \$ 1,709,950      |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>                                                                                                                                                                                                                 |                                     |                   |
| Current Liabilities:                                                                                                                                                                                                                                         |                                     |                   |
| Accounts payable and other accrued expenses                                                                                                                                                                                                                  | \$ 713,465                          | \$ 579,678        |
| Accrued compensation and related expenses                                                                                                                                                                                                                    | 617,636                             | 454,288           |
| Notes payable and accrued interest, net of discount of \$274,500 at December 31, 2014                                                                                                                                                                        | 343,432                             | —                 |
| Convertible debentures payable and accrued interest, net of discount of \$184,750 at March 31, 2014                                                                                                                                                          | —                                   | 1,622,359         |
| Related party notes payable and accrued interest                                                                                                                                                                                                             | 1,309,682                           | 1,358,120         |
| Total current liabilities                                                                                                                                                                                                                                    | 2,984,215                           | 4,014,445         |
| Commitments and contingencies                                                                                                                                                                                                                                |                                     |                   |
| Stockholders' (Deficit) Equity:                                                                                                                                                                                                                              |                                     |                   |
| Preferred stock, \$0.001 par value; 2,500,000 shares authorized:                                                                                                                                                                                             |                                     |                   |
| Class A convertible preferred stock — \$0.001 par value; 800,000 shares authorized; 442,888 and 0 shares issued and outstanding at December 31, 2014 and March 31, 2014, respectively (aggregate liquidation preference of \$5,509,557 at December 31, 2014) | 443                                 | —                 |
| Common stock, \$0.001 par value; 250,000,000 shares authorized; 60,057,846 and 59,979,954 issued and outstanding at December 31, 2014 and March 31, 2014, respectively                                                                                       | 60,058                              | 59,980            |
| Additional paid-in capital                                                                                                                                                                                                                                   | 92,750,244                          | 83,512,399        |
| Accumulated deficit                                                                                                                                                                                                                                          | (93,928,378 )                       | (85,876,874 )     |
| Total stockholders' deficit                                                                                                                                                                                                                                  | (1,117,633 )                        | (2,304,495 )      |
| Total liabilities and stockholders' deficit                                                                                                                                                                                                                  | \$ 1,866,582                        | \$ 1,709,950      |

See accompanying notes to condensed consolidated financial statements.

**Cryoport, Inc. and Subsidiary****Condensed Consolidated Statements of Operations**

(unaudited)

|                                                                               | Three Months Ended<br>December 31, |                | Nine Months Ended<br>December 31, |                 |
|-------------------------------------------------------------------------------|------------------------------------|----------------|-----------------------------------|-----------------|
|                                                                               | 2014                               | 2013           | 2014                              | 2013            |
| Revenues                                                                      | \$975,188                          | \$757,327      | \$2,736,776                       | \$1,825,117     |
| Cost of revenues                                                              | 740,651                            | 590,266        | 1,937,926                         | 1,531,312       |
| Gross margin                                                                  | 234,537                            | 167,061        | 798,850                           | 293,805         |
| Operating costs and expenses:                                                 |                                    |                |                                   |                 |
| Selling, general and administrative                                           | 1,492,732                          | 1,305,562      | 4,431,290                         | 3,768,049       |
| Research and development                                                      | 99,052                             | 118,490        | 267,575                           | 329,569         |
| Total operating costs and expenses                                            | 1,591,784                          | 1,424,052      | 4,698,865                         | 4,097,618       |
| Loss from operations                                                          | (1,357,247 )                       | (1,256,991 )   | (3,900,015 )                      | (3,803,813 )    |
| Other (expense) income:                                                       |                                    |                |                                   |                 |
| Debt conversion expense                                                       | —                                  | (552,750 )     | —                                 | (13,713,767 )   |
| Interest expense                                                              | (48,605 )                          | (31,786 )      | (1,185,337 )                      | (626,781 )      |
| Other expense, net                                                            | (1,906 )                           | —              | (2,829 )                          | —               |
| Change in fair value of derivatives                                           | —                                  | 1,196          | —                                 | 20,845          |
| Loss before provision for income taxes                                        | (1,407,758 )                       | (1,840,331 )   | (5,088,181 )                      | (18,123,516 )   |
| Provision for income taxes                                                    | —                                  | —              | (1,600 )                          | —               |
| Net loss                                                                      | (1,407,758 )                       | (1,840,331 )   | (5,089,781 )                      | (18,123,516 )   |
| Preferred stock beneficial conversion charge                                  | (492,910 )                         | —              | (2,961,723 )                      | —               |
| Undeclared cumulative preferred dividends                                     | (95,304 )                          | —              | (194,901 )                        | —               |
| Net loss attributable to common stockholders                                  | \$(1,995,972 )                     | \$(1,840,331 ) | \$(8,246,405 )                    | \$(18,123,516 ) |
| Net loss per share attributable to common stockholders –<br>basic and diluted | \$(0.03 )                          | \$(0.03 )      | \$(0.14 )                         | \$(0.40 )       |
| Weighted average shares outstanding – basic and diluted                       | 60,057,846                         | 58,995,821     | 60,032,189                        | 45,342,320      |

See accompanying notes to condensed consolidated financial statements.

**Cryoport, Inc. and Subsidiary****Condensed Consolidated Statements of Cash Flows****(unaudited)**

|                                                                                            | For the Nine Months Ended<br>December 31, |                 |
|--------------------------------------------------------------------------------------------|-------------------------------------------|-----------------|
|                                                                                            | 2014                                      | 2013            |
| Cash Flows From Operating Activities:                                                      |                                           |                 |
| Net loss                                                                                   | \$(5,089,781 )                            | \$(18,123,516 ) |
| Adjustments to reconcile net loss to net cash used in operating activities:                |                                           |                 |
| Depreciation and amortization                                                              | 155,226                                   | 258,189         |
| Amortization of debt discount and deferred financing costs                                 | 1,148,153                                 | 540,648         |
| Stock-based compensation expense                                                           | 565,220                                   | 509,966         |
| Change in fair value of derivative instruments                                             | —                                         | (20,845 )       |
| Loss on disposal of cryogenic shippers                                                     | 5,773                                     | 5,884           |
| Debt conversion expense                                                                    | —                                         | 13,713,767      |
| Provision for bad debt                                                                     | 465                                       | —               |
| Changes in operating assets and liabilities:                                               |                                           |                 |
| Accounts receivable, net                                                                   | 107,901                                   | (418,590 )      |
| Inventories                                                                                | (37,255 )                                 | 9,204           |
| Other assets                                                                               | (45,022 )                                 | (22,898 )       |
| Accounts payable and other accrued expenses                                                | 154,249                                   | 129,415         |
| Accrued compensation and related expenses                                                  | 163,348                                   | 174,006         |
| Accrued interest                                                                           | 36,430                                    | 85,364          |
| Net cash used in operating activities                                                      | (2,835,293 )                              | (3,159,406 )    |
| Cash Flows From Investing Activities:                                                      |                                           |                 |
| Purchases of property and equipment                                                        | (67,851 )                                 | (139,541 )      |
| Net cash used in investing activities                                                      | (67,851 )                                 | (139,541 )      |
| Cash Flows From Financing Activities:                                                      |                                           |                 |
| Proceeds from the issuance of preferred stock, net of offering costs                       | 2,802,854                                 | —               |
| Proceeds from exercise of stock options and warrants                                       | 11,631                                    | 180,001         |
| Proceeds from issuance of notes payable                                                    | 615,000                                   | —               |
| Proceeds from issuance of convertible debentures                                           | —                                         | 3,206,301       |
| Repayment of convertible debentures                                                        | (50,000 )                                 | —               |
| Repayment of offering and deferred costs                                                   | —                                         | (358,489 )      |
| Repayment of related party notes payable                                                   | (72,000 )                                 | (72,000 )       |
| Net cash provided by financing activities                                                  | 3,307,485                                 | 2,955,813       |
| Net change in cash and cash equivalents                                                    | 404,341                                   | (343,134 )      |
| Cash and cash equivalents — beginning of period                                            | 369,581                                   | 563,104         |
| Cash and cash equivalents — end of period                                                  | \$773,922                                 | \$219,970       |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities:                    |                                           |                 |
| Offering costs in connection with convertible preferred stock included in accounts payable | \$9,658                                   | \$—             |
|                                                                                            | \$—                                       | \$255,452       |



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|                                                                                                                                                                                                   |              |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
| Estimated relative fair value of warrants issued in connection with convertible debentures payable                                                                                                |              |             |
| Estimated relative fair value of warrants issued in connection with notes payable                                                                                                                 | \$ 312,680   | \$—         |
| Accretion of convertible preferred stock beneficial conversion feature and relative fair value of warrants issued in connection with the convertible preferred stock units to accumulated deficit | \$2,961,723  | \$—         |
| Conversion of Bridge Notes payable and accrued interest into shares of common stock and warrants                                                                                                  | \$—          | \$4,127,202 |
| Conversion of convertible debentures payable and accrued interest into convertible preferred stock units                                                                                          | \$ 1,766,997 | \$—         |

See accompanying notes to condensed consolidated financial statements.

**Cryoport, Inc. and Subsidiary**

**Notes to Condensed Consolidated Financial Statements**

**For the Nine Months Ended December 31, 2014 and 2013**

**(Unaudited)**

**Note 1. Management's Representation and Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by Cryoport, Inc. (the "Company", "our" or "we") in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statement presentation. However, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for the nine months ended December 31, 2014 are not necessarily indicative of the results that may be expected for the year ending March 31, 2015. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

The Company has evaluated subsequent events through the date of this filing, and determined that no subsequent events have occurred that would require recognition in the unaudited condensed consolidated financial statements or disclosure in the notes thereto other than as disclosed in the accompanying notes.

**Note 2. Nature of the Business**

Cryoport, Inc. is 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. 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 an operating company under Cryoport, Inc. We became "publicly held" by the reverse merger with GT5 described above. Over time the Company

transitioned from being a development company to a fully operational public company in early 2011, providing global cryogenic logistics solutions to the biotechnology and life sciences industries.

Since 2011, we have validated, perfected and expanded the features of the Cryoport Express® logistics solutions and have now managed shipments of the Cryoport Express® Shippers through its Cryoport™ into and out of more than 80 countries with more than 20,000 shipments, handling a vast array of different biological products and specimens.

We provide cryogenic logistics solutions to the life sciences industry through a combination of purpose-built proprietary packaging, information technology and specialized cold chain logistics knowhow. We view our solutions as disruptive to the “older technologies” of dry ice and liquid nitrogen, in that our solutions are comprehensive and combine our competencies in configurations that are customized to our client’s requirements. We provide comprehensive, reliable, economic alternatives to all existing logistics solutions and services utilized for frozen shipping in the life sciences industry (e.g., personalized medicine, stem cells, cell lines, vaccines, diagnostic materials, semen, eggs, embryos, cord blood, bio-pharmaceuticals, infectious substances, and other commodities that require continuous exposure to cryogenic or frozen temperatures). We provide the ability to monitor, record and archive crucial information for each shipment that can be used for scientific and regulatory purposes.

Our Cryoport Express® Solutions include a sophisticated cloud-based logistics operating platform, which is branded as the Cryoport™. The Cryoport™ supports the management of the entire shipment and logistics process through a single interface, including initial order input, document preparation, customs clearance, courier management, shipment tracking, issue resolution, and delivery. In addition, it provides unique and incisive information dashboards and validation documentation for every shipment. The Cryoport™ records and retains a fully documented “chain-of-custody” and, at the client’s option, “chain-of-condition” for every shipment, helping ensure that quality, safety, efficacy, and stability of shipped commodities are maintained throughout the process. This recorded and archived information allows our clients to meet exacting requirements necessary for scientific work and for proof of regulatory compliance during the logistics phase.

The branded packaging for our Cryoport Express® Solutions includes our liquid nitrogen dry vapor shippers, the Cryoport Express® Shippers. The Cryoport Express® Shippers are cost-effective and reusable cryogenic transport containers (our standard shipper is a patented vacuum flask) utilizing an innovative application of “dry vapor” liquid nitrogen (“LN2”) technology. Cryoport Express® Shippers are International Air Transport Association (“IATA”) certified and validated to maintain stable temperatures of minus 150° C and below for a 10-day dynamic shipment period. The Company currently features three Cryoport Express® Shippers: the Standard Dry Shipper (holding up to 75 2.0 ml vials), the High Volume Dry Shipper (holding up to 500 2.0 ml vials) and the recently introduced Cryoport Express® CXVC1 Shipper (holding up to 1,500 2.0 ml vials). In addition, we assist clients with internal secondary packaging as well (e.g., vials, canes, straws, plates, etc.)

Our most used solution is the “turnkey” solution, which can be accessed directly through our cloud-based Cryoport™ or by contacting Cryoport Client Care for order entry. Once an order is placed and cleared, we ship a fully charged Cryoport Express® Shipper package to the client who conveniently loads its frozen commodity into the inner chamber of the Cryoport Express® Shipper. The customer then closes the shipper package and reseals the shipping box displaying the next recipient’s address (“Flap A”) for pre-arranged carrier pick up. Cryoport arranges for the pick-up of the parcel by a shipping service provider, which is designated by the client or chosen by Cryoport, for delivery to the client’s intended recipient. The recipient simply opens the shipper package and removes the frozen commodity that has been shipped. The recipient then reseals the package, displaying the nearest Cryoport Operations Center address (“Flap B”), making it ready for pre-arranged carrier pick-up. When the Cryoport Operations Center receives the Cryoport Express® Shipper, it is cleaned, put through quality assurance testing, and returned to inventory for reuse.

In late 2012, we shifted our focus to become a comprehensive cryogenic logistics solutions provider. Recognizing that clients in the life sciences industry have varying requirements, we unbundled our technologies, establishing customer facing solutions and taking a consultative approach to the market. Today, in addition to our standard “Turn-key Solution,” described above, we also provide the following customer facing, value-added solutions to address our various clients’ needs:

**“Customer Staged Solution,”** designed for clients making 50 or more shipments per month. Under this solution, we supply an inventory of our Cryoport Express® Shipper packages to our customer, in an uncharged state, enabling our customer (after training/certification) to charge them with liquid nitrogen and use our Cryoport™ to enter orders with shipping and delivery service providers for the transportation of the package. Once the order is released, our customer services professionals monitor the shipment and the return of the shipper for cleaning, quality assurance testing and reuse.

**“Customer Managed Solution,”** a limited customer implemented solution whereby we supply our Cryoport Express® Shippers packages to clients in a fully charged state, but leaving it to the client to manage the shipping, including the selection of the shipping and delivery service provider and the return of the shipper to us. Under this solution, the customer accepts a significant level of risk for a successful shipment.

**“powered by Cryoport<sup>SM</sup>,”** available to providers of shipping and delivery services who seek to offer a “branded” cryogenic logistics solution as part of their service offerings, with **“powered by Cryoport<sup>SM</sup>”** appearing prominently on the offering software interface and packaging. This solution can also be private labeled upon meeting certain requirements, such as minimum required shipping volumes.

**“Integrated Solution,”** which is our outsource solution. It is our most comprehensive and complex solution. It involves our management of the entire cryogenic logistics process for our client, including Cryoport employees at the client’s site to manage the client’s cryogenic logistics function in total.

**“Regenerative Medicine Point-of-Care Repository Solution,”** designed for allogeneic therapies. In this model we supply our Cryoport Express<sup>®</sup> Shipper package to ship and store cryogenically preserved life science products for up to 6 days (or longer periods with supplementary shippers) at a point-of-care site, with the Cryoport Express<sup>®</sup> Shipper serving as a temporary freezer/repository enabling the efficient and effective distribution of temperature sensitive allogeneic cell-based therapies without the expense, inconvenience, and potential costly failure of an on-sight, cryopreservation device. Our customer service professionals monitor each shipment throughout the predetermined process including the return of the shipper to us. When the Cryoport Operations Center receives the Cryoport Express<sup>®</sup> Shipper package it is cleaned, put through quality assurance testing, and returned to inventory for reuse.

***“Personalized Medicine and Cell-based Immunotherapy Solution,”*** designed for autologous therapies. In this model, our Cryoport Express® Shipper package serves as an enabling technology for the safe transportation of manufactured autologous cellular-based immunotherapy market by providing a comprehensive logistics solution for the verified chain of custody and condition transport from, (a) the collection of the patient’s cells in a hospital setting, to (b) a central processing facility where they are manufactured into a personalized medicine, to (c) the safe, cryogenically preserved return of these irreplaceable cells to a point-of-care treatment facility. If required, the Cryoport Express® Shipper can then serve as a temporary freezer/repository to allow the efficient distribution of this personalized medicine to the patient when and where the medical provider needs it most without the expense, inconvenience, and potential costly failure of an on-sight, cryopreservation device. Our customer service professionals monitor each shipment throughout the predetermined process, including the return of the shipper to us. When the Cryoport Operations Center receives the Cryoport Express® Shipper package it is cleaned, put through quality assurance testing, and returned to inventory for reuse.

### ***Agreements***

**Zoetis.** In December 2012, we signed an agreement with Pfizer Inc. relating to Zoetis Inc. (formerly the animal health business unit of Pfizer Inc.) pursuant to which we were engaged to manage frozen shipments of a key poultry vaccine. Under this arrangement, Cryoport provides on-site logistics personnel and its logistics management operating platform, the Cryoport™, to manage shipments from the Zoetis manufacturing site in the United States to domestic customers as well as various international distribution centers. As part of our logistics management services, Cryoport is constantly analyzing logistics data and processes to further introduce economies and reliability throughout the network, ensuring products arrive at their destinations in specified conditions, on-time and with the optimum utilization of resources. The Company manages Zoetis’ total fleet of dewar flask shippers used for this purpose, including liquid nitrogen shippers. In July 2013, the agreement was amended to expand Cryoport’s scope to manage all logistics of Zoetis’ key frozen poultry vaccine to all Zoetis’ international distribution centers as well as all domestic shipments. In October 2013, the agreement was further amended to further expand Cryoport’s role to include the logistics management for a second poultry vaccine.

**FedEx.** In January 2013, we entered into a master agreement with Federal Express Corporation (“FedEx”) (the “FedEx Agreement”) renewing these services and providing FedEx with a non-exclusive license and right to use a customized version of our Cryoport™ for the management of shipments made by FedEx customers. The FedEx Agreement became effective on January 1, 2013 and, unless sooner terminated as provided in the FedEx Agreement, expires on December 31, 2015. FedEx has the right to terminate this agreement at any time for convenience upon 180 days’ notice.

Under our FedEx Agreement, we provide frozen shipping logistics services through the combination of our purpose-built proprietary technologies and turnkey management processes. FedEx markets and sells Cryoport’s services for frozen temperature-controlled cold chain transportation as its FedEx® Deep Frozen Shipping Solution on a non-exclusive basis and at its sole expense. During fiscal year 2013, the Company worked closely with FedEx to further align its sales efforts and accelerate penetration within FedEx’s life sciences customer base through improved

processes, sales incentives, joint customer calls and more frequent communication at the sales and executive level. In addition, FedEx has developed a FedEx branded version of the Cryoport<sup>TM</sup> software platform, which is “*powered by Cryoport<sup>SM</sup>*” for use by FedEx and its customers giving them access to the full capabilities of our cloud-based logistics management software platform.

**Liventa Biosciences.** In February 2014, we entered into a services agreement with Liventa Bioscience, Inc. (“Liventa”), a privately-held, commercial stage biotechnology company focused on cell-based, advanced biologics in the orthopedic industry. Under this agreement, Liventa will use Cryoport’s Regenerative Medicine Point-of-Care Repository Solution for the logistics of its cell-based therapies requiring cryogenic temperatures and also provide Cryoport Express<sup>®</sup> Solutions to other biologics suppliers within the orthopedic arena. The agreement combines Cryoport’s proprietary, purpose-built cold chain logistics solutions for cell-based and advanced biologic tissue forms with Liventa’s distribution capability to orthopedic care providers. The implementation of Cryoport’s Regenerative Medicine Point-of-Care Repository Solution will eliminate the risks of degradation and also eliminate the need for expensive onsite cryogenic freezers for storage of cell-based orthopedic therapies. This will enable Liventa to confidently serve orthopedic practices, surgical centers, pain clinics, hospitals and, eventually, pharmacies and specialty care providers. The agreement has an initial three-year term and may be renewed for consecutive three-year terms, unless earlier terminated by either party. Liventa also agreed to certain performance criteria and the issuance of 150,000 shares of its common stock to Cryoport in exchange for the exclusive right to offer, market and promote Cryoport Express<sup>®</sup> Solutions for cellular-based therapies requiring cryogenic temperatures for use in the orthopedic arena in the United States.

**DHL.** In June 2014, we entered into a master agreement with LifeConEx, a part of DHL Global Forwarding (“DHL”). This relationship with DHL is a further implementation of the Company’s expansion of distribution partnerships under the “*powered by Cryoport<sup>SM</sup>*” model described above, allowing us to expand our sales and marketing reach through our partners and build awareness of the benefits of our validated cryogenic solution offerings. DHL can now enhance and supplement its cold chain logistics offerings to its life sciences and healthcare customers with Cryoport’s validated cryogenic solutions. DHL added 15 additional certified Life Sciences stations in the second quarter of 2014 bringing the ThermoNet network to 60 stations in operation. Over the course of rolling out our new relationship, this expanded network will offer Cryoport’s cryogenic solutions under the DHL brands as “*powered by Cryoport<sup>SM</sup>*”. In addition, DHL’s customers will be able to have direct access to our cloud-based order entry and tracking portal to order Cryoport Express® Solutions and receive preferred DHL shipping rates and discounts. Our proprietary logistics management operating platform, the Cryoport<sup>TM</sup>, is integrated with DHL’s tracking and billing systems to provide DHL life sciences and healthcare customers with a seamless way of accessing critical information regarding shipments of biological material worldwide.

**UPS.** In October 2014, we added United Parcel Services, Inc. (“UPS”) as our third major distributor by entering into an agreement with UPS Oasis Supply Corporation, a part of UPS, whereby UPS will offer our validated and comprehensive cryogenic solutions to its life sciences and healthcare customers on a global basis. This relationship with UPS is a further implementation of the Company’s expansion of distributors under the “*powered by Cryoport<sup>SM</sup>*” model described above, allowing us to further expand our sales and marketing reach through our partners and build awareness of the benefits of our validated cryogenic solution offerings through UPS.

Over the course of rolling out our new relationship with UPS, UPS customers will have direct access to our cloud-based order entry and tracking portal to order Cryoport Express® Solutions and gain access to UPS’s broad array of domestic and international shipping and logistics solutions at competitive prices. Our proprietary logistics management operating platform, the Cryoport<sup>TM</sup>, is integrated with UPS’s tracking and billing systems to provide UPS life sciences and healthcare customers with a seamless way of accessing critical information regarding shipments of biological material worldwide.

Cryoport now serves and supports the three largest integrators in the world, responsible for over 85% of worldwide air freight, with its advanced cryogenic logistics solutions for life sciences. We operate with each independently and confidentially in support of their respective market and sales strategies. We maintain our independent partnerships with strict confidentiality guidelines within the Company. These agreements represent a significant validation of our solutions and the way we conduct our business.

In summary, we serve the life sciences industry with cryogenic logistics solutions that are advanced, comprehensive, reliable, validated, and efficient. Our clients include those companies and institutions that have logistics requirements for personalized medicine, immunotherapies, stem cells, cell lines, tissue, vaccines, in-vitro fertilization, cord blood, and other temperature sensitive commodities of life sciences.



Companies or institutions such as therapy developers for personalized medicine, bio-pharmaceuticals, research, contract research organizations, diagnostic laboratories, contract manufacturers, cord blood repositories, vaccine manufacturers, animal husbandry related companies, in-vitro fertilization clinics, and other organizations handling commodities requiring reliable cryogenic logistics solutions are amongst our clients. These companies usually operate within heavily regulated environments and as such, changing vendors and distribution practices typically require a number of steps, which may include the audit of our facilities, review of our procedures, qualifying us as a vendor, and performing test shipments. This process can take three to nine months or longer to complete prior to a potential customer adopting one or more of our Cryoport Express® Solutions.

### ***Going Concern***

The unaudited condensed consolidated financial statements have been prepared using the accrual method of accounting in accordance with U.S. GAAP and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. We have sustained operating losses since our inception and have used substantial amounts of working capital in our operations. At December 31, 2014, we had an accumulated deficit of \$93.9 million. During the nine months ended December 31, 2014, we used cash in operations of \$2.8 million and had a net loss of \$5.1 million.

We expect to continue to incur substantial additional operating losses from costs related to the commercialization of our Cryoport Express® Solutions and do not expect that revenues from operations will be sufficient to satisfy our funding requirements in the near term. We believe that our cash resources at December 31, 2014, additional funds raised subsequent to December 31, 2014 through the secured promissory notes (see Note 10), together with the revenues generated from our services will be sufficient to sustain our planned operations into the fourth quarter of fiscal year 2015; however, we must obtain additional capital to fund operations thereafter and for the achievement of sustained profitable operations. These factors raise substantial doubt about our ability to continue as a going concern. We are currently working on funding alternatives in order to secure sufficient operating capital to allow us to continue to operate as a going concern.

Future capital requirements will depend upon many factors, including the success of our commercialization efforts and the level of customer adoption of our Cryoport Express® Solutions as well as our ability to establish additional collaborative arrangements. We cannot make any assurances that the sales ramp will lead to achievement of sustained profitable operations or that any additional financing will be completed on a timely basis and on acceptable terms or at all. Management's inability to successfully achieve significant revenue increases or implement cost reduction strategies or to complete any other financing will adversely impact our ability to continue as a going concern. To address this issue, the Company is seeking additional capitalization to properly fund our efforts to become a self-sustaining financially viable entity.

### **Note 3. Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP.

#### ***Principles of Consolidation***

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

#### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from estimated amounts. The Company's significant estimates include allowances for doubtful accounts, recoverability of long-lived assets, allowance for inventory obsolescence, deferred taxes and their accompanying valuations and valuation of equity instruments.

### ***Fair Value of Financial Instruments***

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, related-party notes payable, convertible debentures payable, notes payable, accounts payable and accrued expenses. The carrying value for all such instruments approximates fair value at December 31, 2014 and March 31, 2014 due to their short-term nature. The difference between the fair value and recorded values of the related party notes payable is not significant.

### ***Cash and Cash Equivalents***

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

### ***Customers***

The Company grants credit to customers within the U.S. and to a limited number of international customers and does not require collateral. Revenues from international customers are generally secured by advance payments except for a limited number of established foreign customers. The Company generally requires advance or credit card payments for initial revenues from new customers. The Company's ability to collect receivables is affected by economic fluctuations in the geographic areas and industries served by the Company. Reserves for uncollectible amounts are provided based on past experience and a specific analysis of the accounts, which management believes is sufficient. Accounts receivable at December 31, 2014 and March 31, 2014 are net of reserves for doubtful accounts of \$10,000 and \$24,600, respectively. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

The majority of the Company's customers are in the biotechnology, pharmaceutical and life science industries. Consequently, there is a concentration of accounts receivable within these industries, which is subject to normal credit risk. At December 31, 2014 and March 31, 2014, there was one customer that accounted for 19.3% and 30.6%, respectively, of net accounts receivable. No other single customer owed us more than 10% of net accounts receivable at December 31, 2014 and March 31, 2014. The Company maintains reserves for bad debt and such losses, in the aggregate, historically have not exceeded our estimates.

For the nine months ended December 31, 2014 and 2013, there was one customer that accounted for 25.0% and 31.0% of revenues, respectively. No other single customer generated over 10% of revenues during the nine months ended December 31, 2014 and 2013.

The Company has revenue from foreign customers primarily in Europe, Japan, Canada, India and Australia. During nine months ended December 31, 2014 and 2013, the Company had revenues from foreign customers of approximately \$421,800 and \$312,000, respectively, which constituted approximately 15.4% and 17.1% of total revenues, respectively.

### ***Inventories***

The Company's inventories consist of accessories that are sold and shipped to customers along with pay-per-use containers that are not returned to the Company with the containers at the culmination of the customer's shipping cycle. Inventories are stated at the lower of cost or current estimated market value. Cost is determined using the standard cost method which approximates the first-in, first-to-expire method. Inventories are reviewed periodically for slow-moving or obsolete status. The Company writes down the carrying value of its inventories to reflect situations in which the cost of inventories is not expected to be recovered. Once established, write-downs of inventories are

considered permanent adjustments to the cost basis of the obsolete or excess inventories. Raw materials and finished goods include material costs less reserves for obsolete or excess inventories. The Company evaluates the current level of inventories considering historical trends and other factors, and based on the evaluation, records adjustments to reflect inventories at its net realizable value. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand, competition or other relevant factors differ from expectations. These estimates require us to make assessments about future demand for the Company's products in order to categorize the status of such inventory items as slow-moving, obsolete or in excess-of-need. These estimates are subject to the ongoing accuracy of the Company's forecasts of market conditions, industry trends, competition and other factors.

### ***Property and Equipment***

The Company provides shipping containers to its customers and charges a fee in exchange for the use of the container. The Company's arrangements are similar to the accounting standard for leases since they convey the right to use the container over a period of time. The Company retains the title to the containers and provides its customers the use of the container for a specific shipping cycle. At the culmination of the customer's shipping cycle, the container is returned to the Company. As a result, the Company classifies the containers as fixed assets for the per-use container program.

Property and equipment are recorded at cost. Cryogenic shippers are depreciated using the straight-line method over their estimated useful lives of three years. Equipment and furniture are depreciated using the straight-line method over their estimated useful lives (generally three to seven years) and leasehold improvements are amortized using the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter. Equipment acquired under capital leases is amortized over the estimated useful life of the assets or term of the lease, whichever is shorter and included in depreciation expense.

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

### ***Intangible Assets***

Intangible assets are comprised of patents and trademarks and software development costs. The Company capitalizes costs of obtaining patents and trademarks, which are amortized, using the straight-line method over their estimated useful life of five years. The Company capitalizes certain costs related to software developed for internal use. Software development costs incurred during the preliminary or maintenance project stages are expensed as incurred, while costs incurred during the application development stage are capitalized and amortized using the straight-line method over the estimated useful life of the software, which is five years. Capitalized costs include purchased materials and costs of services including the valuation of warrants issued to consultants.

### ***Long-lived Assets***

If indicators of impairment exist, we assess the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If impairment is indicated, we measure the amount of such impairment by comparing the fair value to the carrying value. We believe the future cash flows to be received from the long-lived assets will exceed the assets' carrying value, and accordingly, we have not recognized any impairment losses through December 31, 2014.

### ***Deferred Financing Costs***

Deferred financing costs represent costs incurred in connection with the issuance of the convertible debentures payable and private equity financing. Deferred financing costs related to the issuance of debt are amortized over the term of the financing instrument using the effective interest method while deferred financing costs from equity financings are netted against the gross proceeds received from the equity financings.

### ***Convertible Debentures***

If a conversion feature of conventional convertible debt is not accounted for as a derivative instrument and provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount. The convertible debt is recorded net of the discount related to the BCF. The Company amortizes the discount to interest expense over the life of the debt using the effective interest rate method.

### ***Income Taxes***

The Company accounts for income taxes under the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*, or ASC 740. As of December 31, 2014 and March 31, 2014, there were no unrecognized tax benefits included in the accompanying condensed consolidated balance sheets that would, if recognized, affect the effective tax rates.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. Based on the weight of available evidence, the Company's management has determined that it is more likely than not that the net deferred tax assets will not be realized. Therefore, the Company has recorded a full valuation allowance against the net deferred tax assets. The Company's income tax provision consists of state minimum taxes.

The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on its condensed consolidated balance sheets at December 31, 2014 and March 31, 2014, respectively and has not recognized interest and/or penalties in the condensed consolidated statement of operations for the nine months ended December 31, 2014 and 2013. The Company is subject to taxation in the U.S. and various state jurisdictions. As of December 31, 2014, the Company is no longer subject to U.S. federal examinations for years before 2010 and for California franchise and income tax examinations for years before 2009. However, to the extent allowed by law, the taxing authorities may have the right to examine prior periods where net operating losses were generated and carried forward, and make adjustments up to the amount of the net operating loss carry forward amount. The Company is not currently under examination by U.S. federal or state jurisdictions.

### ***Revenue Recognition***

The Company provides shipping containers to its customers and charges a fee in exchange for the use of the container. The Company's arrangements are similar to the accounting standard for leases since they convey the right to use the containers over a period of time. The Company retains title to the containers and provides its customers the use of the container for a specified shipping cycle. At the culmination of the customer's shipping cycle, the container is returned to the Company.

The Company recognizes revenue for the use of the shipper at the time of the delivery of the shipper to the end user of the materials shipped, and at the time that collectability is reasonably certain. Revenue is based on gross revenues, net of discounts and allowances.

The Company also provides logistics support and management to some customers, which may include onsite logistics personnel and other services. Revenue is recognized for these services as services are rendered and at the time that collectability is reasonably certain.

### ***Accounting for Shipping and Handling Revenue, Fees and Costs***

The Company classifies amounts billed for shipping and handling as revenue. Shipping and handling fees and costs are included in cost of revenues in the accompanying condensed consolidated statements of operations.

### ***Research and Development Expenses***



Expenditures relating to research and development are expensed in the period incurred.

### ***Stock-Based Compensation***

The Company accounts for stock-based payments to employees and directors in accordance with stock-based payment accounting guidance which requires all stock-based payments to employees and directors, including grants of employee stock options and warrants, to be recognized based upon their fair values. The fair value of stock-based awards is estimated at grant date using the Black-Scholes Option Pricing Model (“Black-Scholes”) and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period.

Since stock-based compensation is recognized only for those awards that are ultimately expected to vest, the Company has applied an estimated forfeiture rate to unvested awards for the purpose of calculating compensation cost. These estimates will be revised, if necessary, in future periods if actual forfeitures differ from estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs. The estimated forfeiture rates at December 31, 2014 and March 31, 2014 were zero as the Company has not had a significant history of forfeitures and does not expect significant forfeitures in the future.

Cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options or warrants are classified as financing cash flows. Due to the Company’s loss position, there were no such tax benefits during the nine months ended December 31, 2014 and 2013.

The Company uses Black-Scholes to estimate the fair value of stock-based awards. The determination of fair value using Black-Scholes is affected by the Company’s stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors.

The Company’s stock-based compensation plans are discussed further in Note 9.

### ***Equity Instruments Issued to Non-Employees for Acquiring Goods or Services***

Issuances of the Company's common stock for acquiring goods or services are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The measurement date for the fair value of the equity instruments issued to consultants or vendors is determined at the earlier of (i) the date at which a commitment for performance to earn the equity instruments is reached (a "performance commitment" which would include a penalty considered to be of a magnitude that is a sufficiently large disincentive for nonperformance) or (ii) the date at which performance is complete. When it is appropriate for the Company to recognize the cost of a transaction during financial reporting periods prior to the measurement date, for purposes of recognition of costs during those periods, the equity instrument is measured at the then-current fair values at each of those interim financial reporting dates.

### ***Basic and Diluted Net Income (Loss) Per Share***

We calculate basic and diluted net income (loss) per share attributable to common stockholders using the weighted average number of common shares outstanding during the periods presented, and adjust the amount of net income (loss) used in this calculation for cumulative preferred stock dividends, (if any), whether they are earned or not during the period. In periods of a net loss position, basic and diluted weighted average shares are the same. For the diluted earnings per share calculation, we adjust the weighted average number of common shares outstanding to include dilutive stock options, warrants and shares associated with the conversion of convertible debt and convertible preferred stock outstanding during the periods. For the three and nine months ended December 31, 2014, the Company had cumulative, undeclared dividends that have not been accrued related to its preferred stock of \$95,304 and \$194,301, respectively, which were added to the net loss on the condensed consolidated statement of operations in order to calculate net loss per common share attributable to common stockholders.

The following shows the amounts used in computing net loss per share for the nine months ended December 31, 2014 and 2013:

|                                                                          | Nine Months Ended December 31, |                    |
|--------------------------------------------------------------------------|--------------------------------|--------------------|
|                                                                          | 2014                           | 2013               |
| Net loss                                                                 | \$ (5,089,781                  | ) \$ (18,123,516 ) |
| Less:                                                                    |                                |                    |
| Preferred stock beneficial conversion charge                             | (2,961,723                     | ) —                |
| Undeclared cumulative preferred dividends                                | (194,901                       | ) —                |
| Net loss attributable to common stockholders                             | \$ (8,246,405                  | ) \$ (18,123,516 ) |
| Weighted average shares issued and outstanding                           | 60,032,189                     | 45,342,320         |
| Basic and diluted net loss per share attributable to common stockholders | \$ (0.14                       | ) \$ (0.40 )       |

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The following shows the amounts used in computing net loss per share for the three months ended December 31, 2014 and 2013:

|                                                                          | Three Months Ended December 31, |                   |
|--------------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                          | 2014                            | 2013              |
| Net loss                                                                 | \$ (1,407,758                   | ) \$ (1,840,331 ) |
| Less:                                                                    |                                 |                   |
| Preferred stock beneficial conversion charge                             | (492,910                        | ) —               |
| Undeclared cumulative preferred dividends                                | (95,304                         | ) —               |
| Net loss attributable to common stockholders                             | \$ (1,995,972                   | ) \$ (1,840,331 ) |
| Weighted average shares issued and outstanding                           | 60,057,846                      | 58,995,821        |
| Basic and diluted net loss per share attributable to common stockholders | \$ (0.03                        | ) \$ (0.03 )      |

The following table sets forth the number of shares excluded from the computation of diluted earnings per share, as their inclusion would have been anti-dilutive:

|                                     | Nine Months Ended December 31, |            |
|-------------------------------------|--------------------------------|------------|
|                                     | 2014                           | 2013       |
| Class A convertible preferred stock | 13,286,640                     | —          |
| Stock options                       | 4,680,124                      | 9,908,272  |
| Warrants                            | 4,750,277                      | 24,144,727 |
|                                     | 22,717,041                     | 34,052,999 |

### ***Segment Reporting***

We currently operate in one reportable segment.

### ***Fair Value Measurements***

We measure fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include the following:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable prices that are based on inputs not quoted on active markets, but corroborated by market data. These inputs include quoted prices for similar assets or liabilities; quoted market 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 assets or liabilities. Currently we do not have any items classified as Level 2.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in the assessment of fair value.

We did not elect the fair value option, as allowed, to account for financial assets and liabilities that were not previously carried at fair value. Therefore, material financial assets and liabilities that are not carried at fair value, such as trade accounts receivable and payable, are reported at their historical carrying values. We have no assets or liabilities that are required to be measured at fair value on a recurring basis as of December 31, 2014 and March 31, 2014.

### ***Foreign Currency Translation***

We record foreign currency transactions at the exchange rate prevailing at the date of the transaction with resultant gains and losses being included in results of operations. Foreign currency transaction gains and losses have not been significant for any of the periods presented.

### ***Recent Accounting Pronouncements***

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern". Currently, there is no guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for the reporting periods beginning after December 15, 2016 and early application is permitted. Management is currently assessing the impact the adoption of ASU 2014-15 will have on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements in FASB Topic 605, "Revenue Recognition". The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2016, and early adoption is prohibited. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 will have on our condensed consolidated financial statements.

#### **Note 4. Related Party Transactions**

##### ***5% Bridge Notes***

From December 2013 to March 2014, the Company issued to certain accredited investors unsecured convertible promissory notes (the "5% Bridge Notes") in the original principal amount of \$1,793,000. This includes two notes in the aggregate amount of \$120,000 issued to Jerrell Shelton, the Company's Chief Executive Officer, on December 11, 2013 and January 10, 2014 as well as a note in the amount of \$100,000 issued to GBR Investments, LLC on February 3, 2014, of which Richard Rathmann, a Director of the Company, is the manager (see Note 6).

##### ***Related Party Notes Payable***

As of December 31, 2014 and March 31, 2014, the Company had aggregate principal balances of \$483,500 and \$555,500, respectively, in outstanding unsecured indebtedness owed to four related parties, including former members of the Company's board of directors, representing working capital advances made to the Company from February 2001 through March 2005. These notes bear interest at the rate of 6% per annum and provide for aggregate monthly principal payments which began April 1, 2006 of \$2,500, and which increased by an aggregate of \$2,500 every nine months to a maximum \$10,000 per month. As of December 31, 2014, the aggregate principal payments totaled \$8,000 per month. Any remaining principal and accrued interest is due at maturity on various dates through March 1, 2015. Accrued interest, which is included in related party notes payable in the accompanying condensed consolidated balance sheets, amounted to \$826,200 and \$802,600 as of December 31, 2014 and March 31, 2014, respectively.

##### ***Class A Convertible Preferred Stock***

In November 2014, both Mr. Shelton and GBR Investments, LLC participated in the Class A convertible preferred stock offering described in Note 8 and the Company issued 4,167 shares of Class A convertible preferred stock each in exchange for an aggregate amount of \$100,000.

#### **Note 5. Notes Payable**

In December 2014, the Company issued to certain accredited investors 2014 Series Secured Promissory Notes (the “7% Bridge Notes”) in the aggregate original principal amount of \$615,000. The 7% Bridge Notes accrue interest at a rate of 7% per annum. All principal and interest under the 7% Bridge Notes will be due on July 1, 2015, however, the Company may elect to extend the maturity date of the notes to January 1, 2016 by providing written notice to the note holders and a warrant to purchase a number of shares of the Company’s common stock equal to (a) the then outstanding principal balance of the note, divided by (b) \$0.50 multiplied by 125%. The Company may prepay the 7% Bridge Notes at any time without penalty and shall prepay the 7% Bridge Notes in an amount equal to 25% of the net cash proceeds received by the Company during each month from the issuance of either debt or equity.

The 7% Bridge Notes are secured by all tangible assets of the Company pursuant to the terms of that certain Security Agreement dated December 3, 2014 between the Company and the note holders. The Company is obligated to keep the collateral and all of its other personal property and assets free and clear of all other security interests, except for certain limited exceptions.

In connection with the issuance of the 7% Bridge Notes, the Company issued the note holders warrants to purchase 1,537,500 shares of common stock at an exercise price of \$0.50 per share. The warrants are exercisable on May 31, 2015 and expire on November 30, 2021. The relative fair value of the warrants of \$312,700 was recorded as a debt discount and is amortized to interest expense using the straight-line method which approximated the effective interest method over the term of the notes. During the three and nine months ended December 31, 2014, the Company amortized \$38,100 of the debt discount to interest expense for these notes.

The Company did not pay any discounts or commissions with respect to the issuance of the 7% Bridge Notes or the warrants. In January 2015, the Company issued an additional 7% Bridge Note in the amount of \$250,000 and also repaid \$113,475 of the original principal balance outstanding as of December 31, 2014, representing 25% of the proceeds from the Class A convertible preferred stock offering during the month of December 2014 (see Note 10).

## **Note 6. Convertible Debentures Payable**

### ***5% Bridge Notes***

From December 2013 to March 2014, the Company issued to certain accredited investors unsecured convertible promissory notes in the original principal amount of \$1,793,000.

The 5% Bridge Notes accrued interest at a rate of 5% per annum from the date of issuance through date of payment, on a non-compounding basis. All principal and interest under the 5% Bridge Notes became due on June 30, 2014.

In connection with the issuance of the 5% Bridge Notes, the Company granted these investors warrants to purchase 896,500 shares of common stock at an exercise price of \$0.49 per share. The warrants were exercisable on May 31, 2014 and expire on December 31, 2018. The relative fair value of the warrants of \$279,100 was recorded as a debt discount and was amortized to interest expense using the straight-line method which approximated the effective interest method over the term of the 5% Bridge Notes. During the nine months ended December 31, 2014, the Company amortized \$184,700 of the debt discount to interest expense for these notes.

The agreement allowed that in the event the Company designated and issued one or more types of equity securities while the 5% Bridge Notes were outstanding (a "Subsequent Offering"), the Company must provide written notice to the holders of the notes and such holders had a right to convert up to all of the principal and accrued unpaid interest on the notes into shares of such equity securities on the same terms as the Subsequent Offering during the ten days following the provision of such notice. The conversion price for these equity securities was 90% of the offering price for the



equity securities in the Subsequent Offering. At the time of issuance, the Company was unable to value the conversion feature of these 5% Bridge Notes given the absence of a fixed conversion rate and the convertibility of the 5% Bridge Notes was contingent upon the completion of a Subsequent Offering. However, on May 6, 2014, the Company completed the first convertible preferred stock offering which established a firm commitment date. This triggered the valuation of the beneficial conversion feature of the 5% Bridge Notes which aggregated \$826,900 and was recorded as interest expense during the nine months ended December 31, 2014. Note holders with a principal amount of \$1,743,000, together with \$24,000 of accrued interest, converted their 5% Bridge Notes to convertible preferred stock units (see Note 8) and one note holder was paid principal and interest of \$50,753.

Emergent Financial Group, Inc. ("Emergent") served as the Company's placement agent in connection with the original placement of the 5% Bridge Notes and earned a commission of 9% of the original principal balance of such notes. Debt financing costs of \$151,570, comprised primarily of the commission earned by Emergent, were amortized to interest expense using the straight-line method which approximated the effective interest method over the term of the notes. During the nine months ended December 31, 2014, the Company amortized \$98,400 of the debt financing costs to interest expense for these notes.

## **Note 7. Commitments and Contingencies**

### ***Facility and Equipment Leases***

We lease 11,900 square feet of corporate, research and development, and warehouse facilities in Lake Forest, California under an operating lease expiring June 30, 2015, which we do not intend to renew. We are currently exploring other facilities to meet our growing demands. The lease agreement contains certain scheduled rent increases, which are accounted for on a straight-line basis.

### ***Employment Agreements***

We have entered into employment agreements with certain of our officers under which payment and benefits would become payable in the event of termination by us for any reason other than cause, or upon a change in control of our Company, or by the employee for good reason.

### ***Consulting and Engineering Services***

Effective November 1, 2010, the Company entered into a Second Amendment to Master Consulting and Engineering Services Agreement (the “Second Amendment”) with KLATU Networks, LLC (“KLATU”), which amended the Master Consulting and Engineering Services Agreement between the parties dated as of October 9, 2007 (the “Agreement”), as amended by the First Amendment to Master Consulting and Engineering Services Agreement between the parties dated as of April 23, 2009. The parties entered into the Second Amendment to clarify their mutual intent and understanding that all license rights granted to the Company under the Agreement, as amended, shall survive any termination or expiration of the Agreement. In addition, in recognition that the Company has paid KLATU less than the market rate for comparable services, the Second Amendment provides that if the Company terminates the Agreement without cause, which the Company has no intention of doing, or liquidates, KLATU shall be entitled to receive additional consideration for its services provided from the commencement of the Agreement through such date of termination, which additional compensation shall not be less than \$2 million plus two times the “cost of work” (as defined in the Agreement). Any such additional compensation would be payable in three equal installments within 12 months following the date the amount of such additional compensation is determined. If KLATU terminates this agreement, no such payments are payable.

The agreement provides for one year terms ending on December 31 of each year and automatically renews unless otherwise terminated.

### ***Litigation***

The Company may become a party to product litigation in the normal course of business. The Company accrues for open claims based on its historical experience and available insurance coverage. In the opinion of management, there are no legal matters involving the Company that would have a material adverse effect upon the Company’s consolidated financial condition or results of operations.

### ***Indemnities and Guarantees***

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying condensed consolidated balance sheets.

The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the States of California and Nevada. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreement.

#### **Note 8. Stockholders' Equity**

##### ***Authorized Stock***

The Company has 250,000,000 authorized shares of common stock with a par value of \$0.001 per share. In September 2011, our stockholders approved an amendment to the Amended and Restated Articles of Incorporation to authorize a class of undesignated or "blank check" preferred stock, consisting of 2,500,000 shares at \$0.001 par value per share. Shares of preferred stock may be issued in one or more series, with such rights, preferences, privileges and restrictions to be fixed by the Company's board of directors.

***Designation of Class A Convertible Preferred Stock***

On May 2, 2014, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation which designated 800,000 shares of the Company's previously authorized preferred stock, par value \$0.001, as Class A Convertible Preferred Stock ("Preferred Stock").

The rights, preferences, and privileges of the Preferred Stock are summarized as follows:

Dividends shall accrue on shares of Preferred Stock at the rate of \$0.96 per annum. Such dividends shall accrue day-to-day, shall be cumulative, and shall be payable on when, as, and if declared by the Board of Directors of the Company.

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, holders of Preferred Stock then outstanding shall be entitled to receive a liquidation preference payment equal to \$12.00 per share (subject to appropriate adjustment in the event of a stock dividend, split, combination, or other similar recapitalization) plus any accrued dividends, but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon.

Shares of Preferred Stock shall vote together with the common stock on an as-converted basis. Holders of the Preferred Stock will have thirty votes per share of Preferred Stock held compared to one vote for each share of the Company's common stock.

At any time after September 1, 2014, shares of Preferred Stock shall be convertible into thirty shares of common stock. In addition, accrued but unpaid dividends on the Preferred Stock, whether or not declared, will also be convertible into common stock after September 1, 2014 at the rate of one share for each \$0.40 of dividend. Such conversion is subject to adjustment in the event of any stock split or combination, certain dividends and distributions, and any reorganization, recapitalization, reclassification, consolidation, or merger involving the Company.

Shares of the Preferred Stock shall be subject to redemption by the Company at any time on or after January 15, 2017, upon payment of \$12.00 per share (subject to appropriate adjustment in the event of a stock dividend, split, combination, or other similar recapitalization) plus all accrued but unpaid dividends, whether or not declared, thereon.

***Issuance of Class A Convertible Preferred Stock***

In May 2014, the Company entered into definitive agreements for a private placement of its securities to certain institutional and accredited investors (the “Investors”) pursuant to certain subscription agreements and elections to convert between the Company and the Investors. Through December 31, 2014, aggregate gross cash proceeds of \$3.4 million (approximately \$2.8 million after offering costs) were collected in exchange for the issuance of 279,280 shares of our Class A Convertible Preferred Stock, and warrants, exercisable for five years, to purchase up to a total of 2,234,240 shares of our common stock at an exercise price of \$0.50 per share. The Company intends to use the net proceeds for working capital purposes.

Pursuant to the subscription agreements, the Company issued shares of a newly established Class A Convertible Preferred Stock and warrants to purchase common stock of Cryoport. The shares and warrants were issued as a unit (a “Unit”) consisting of (i) one share of Class A Convertible Preferred Stock and (ii) one warrant to purchase eight (8) shares of the Company’s common stock at an exercise price of \$0.50 per share, which were immediately exercisable and may be exercised at any time on or before March 31, 2019.

Pursuant to the terms of the 5% Bridge Notes issued by the Company between December 2013 and March 2014 with a total original principal amount of \$1,793,000, the issuance of the Units to Investors at \$12.00 per Unit entitled the holders of the 5% Bridge Notes to convert up to the entire principal and accrued interest amount under the 5% Bridge Notes into Units at a rate of \$10.80 per Unit. Through December 31, 2014, 5% Bridge Note holders totaling \$1,743,000 in original principal sum elected to convert their 5% Bridge Notes, including accrued interest of \$24,000, for Units in exchange for the issuance of 163,608 shares of our Class A Convertible Preferred Stock and warrants to purchase up to 1,308,864 shares of our common stock at an exercise price of \$0.50 per share. Two of the 5% Bridge Note holders that executed subscription agreements to convert 5% Bridge Notes in the aggregate principal amount of \$220,000 are affiliates of the Company – Jerrell W. Shelton, the Company’s Chief Executive Officer, and GBR Investments, LLC, which is managed by Richard Rathmann, a Director and Chairman of the Board of Directors of the Company (collectively, the “Affiliates”).

The fair value of the beneficial conversion feature of the convertible preferred stock issuance and the relative fair value of the warrants issued, aggregated \$3.0 million through December 31, 2014. This amount was accreted to accumulated deficit and additional paid-in capital during the nine months ended December 31, 2014.

Emergent served as the Company's placement agent in this transaction and received, with respect to the gross proceeds received from Investors who converted their 5% Bridge Notes into Units (not including those conversions by the Affiliates), a commission of 3% and a non-accountable finance fee of 1% of such proceeds, and with respect to gross proceeds received from all other Investors, a commission of 10% and a non-accountable finance fee of 3% of the aggregate gross proceeds received from such Investors, plus reimbursement of legal expenses of up to \$40,000. Emergent was issued a warrant to purchase three shares of common stock at an exercise price of \$0.50 per share for each Unit issued in this transaction. The Company and Emergent have agreed that the offering of Units to new Investors will conclude on February 4, 2015.

As of December 31, 2014, 442,888 shares of Class A Convertible Preferred Stock and 3,543,104 of the related warrants were outstanding for Investors and 1,241,592 warrants were outstanding for Emergent in connection with the Class A Convertible Preferred Stock offering and the 5% Bridge Note conversions.

No dividends have been declared as of December 31, 2014; however, the cumulative preferred stock dividend of \$194,901 is included in the net loss attributable to common stockholders (see Note 3) and the liquidation preference.

### ***Common Stock Reserved for Future Issuance***

As of December 31, 2014, approximately 101.8 million shares of common stock were issuable upon conversion or exercise of rights granted under prior financing arrangements, preferred stock, stock options and warrants, as follows:

|                                                               |             |
|---------------------------------------------------------------|-------------|
| Class A convertible preferred stock converted to common stock | 13,286,640  |
| Exercise of stock options                                     | 21,333,132  |
| Exercise of warrants                                          | 67,183,147  |
| Total shares of common stock reserved for future issuances    | 101,802,919 |

In August 2014, we issued 20,000 shares of restricted common stock to a consultant in exchange for services. The Company recognized \$9,000 in expense related to these shares for the nine months ended December 31, 2014.

**Note 9. Stock-Based Compensation*****Warrant Activity***

We typically issue warrants to purchase shares of our common stock to investors as part of a financing transaction or in connection with services rendered by placement agents and consultants. Our outstanding warrants expire on varying dates through November 2021. A summary of warrant activity is as follows:

|                                          | Number of<br>Shares | Weighted-<br>Average<br>Exercise<br>Price/Share | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value (1) |
|------------------------------------------|---------------------|-------------------------------------------------|------------------------------------------------------------------|-------------------------------------|
| Outstanding — March 31, 2014             | 61,194,343          | \$ 0.84                                         |                                                                  |                                     |
| Issued                                   | 6,322,196           | 0.50                                            |                                                                  |                                     |
| Exercised                                | (50,000 )           | 0.20                                            |                                                                  |                                     |
| Cancelled                                | —                   | —                                               |                                                                  |                                     |
| Expired                                  | (283,392 )          | 2.85                                            |                                                                  |                                     |
| Outstanding — December 31, 2014          | 67,183,147          | \$ 0.80                                         | 2.5                                                              | \$2,074,500                         |
| Vested (exercisable) — December 31, 2014 | 65,565,647          | \$ 0.80                                         | 2.4                                                              | \$2,074,500                         |

- (1) Aggregate intrinsic value represents the difference between the exercise price of the warrant and the closing market price of our common stock on December 31, 2014, which was \$0.44 per share.

The fair value of each warrant grant was estimated on the date of grant using Black-Scholes with the following weighted average assumptions for the nine months ended December 31, 2014:

|                         |                 |
|-------------------------|-----------------|
| Expected life (years)   | 4.3 – 7.0       |
| Risk-free interest rate | 1.2% - 2.0%     |
| Volatility              | 116.5% – 125.3% |
| Dividend yield          | 0%              |

### ***Stock Options***

We have three stock incentive plans: the 2002 Stock Incentive Plan, or the 2002 Plan, the 2009 Stock Incentive Plan, or the 2009 Plan and the 2011 Stock Incentive Plan, or the 2011 Plan (collectively, the “Plans”). The 2002 Plan authorizes the grant of incentive awards, including stock options, for the purchase of up to a total of 500,000 shares and has no shares available for future issuances as the 2002 Plan has expired. Subsequent to the adoption of the 2011 Plan, no new options have been granted pursuant the 2009 Plan or 2002 Plan. In September 2009, the stockholders approved the issuance of up to 1,200,000 shares of common stock available for issuance under the 2009 Plan and as of December 31, 2014, the Company has 303,768 shares available for future awards under the 2009 Plan. In September 2011, the stockholders authorized the issuance of up to 2,300,000 shares of the Company's common stock. On September 13, 2012, the stockholders approved an increase to the number of shares of the Company’s common stock available for issuance by 3,000,000 shares. On September 6, 2013 the stockholders approved an increase to the number of shares of the Company’s common stock available for issuance by 7,100,000 shares. On August 29, 2014 the stockholders approved an increase to the number of shares of the Company’s common stock available for issuance by 1,500,000 shares. As of December 31, 2014, there were 2,585,985 incentive awards available for grant under the 2011 Plan. In December 2014, 3,150,000 options were granted outside the plan to Jerrell Shelton, the Company’s Chief Executive Officer.

We granted stock options at exercise prices equal to or greater than the quoted market price of our common stock on the grant date. The fair value of each option grant was estimated on the date of grant using Black-Scholes with the following weighted average assumptions for the nine months ended December 31, 2014:

|                         |                 |
|-------------------------|-----------------|
| Expected life (years)   | 1.5 – 6.1       |
| Risk-free interest rate | 0.31% - 2.03%   |
| Volatility              | 102.7% – 127.7% |
| Dividend yield          | 0%              |



The expected option life assumption is estimated based on the simplified method. Accordingly, the Company has utilized the average of the contractual term of the options and the weighted average vesting period for all options to calculate the expected option term. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of our employee stock options. The expected volatility is based on the historical volatility of our stock commensurate with the expected life of the stock-based award. We do not anticipate paying dividends on the common stock in the foreseeable future.

We recognize stock-based compensation cost over the vesting period using the straight-line single option method. Stock-based compensation expense is recognized only for those awards that are ultimately expected to vest. An estimated forfeiture rate has been applied to unvested awards for the purpose of calculating compensation cost. The estimated forfeiture rate of 0% per year is based on the historical forfeiture activity of unvested stock options. These estimates are revised, if necessary, in future periods if actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation cost in the period in which the change in estimate occurs. The summary of stock option activity is as follows:

|                                                           | Number of<br>Shares | Weighted-<br>Average<br>Exercise<br>Price/Share | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value (1) |
|-----------------------------------------------------------|---------------------|-------------------------------------------------|------------------------------------------------------------------|-------------------------------------|
| Outstanding — March 31, 2014                              | 11,894,205          | \$ 0.35                                         |                                                                  |                                     |
| Granted (weighted-average fair value of \$0.35 per share) | 9,691,388           | 0.41                                            |                                                                  |                                     |
| Exercised                                                 | (7,892 )            | 0.27                                            |                                                                  |                                     |
| Forfeited                                                 | (222,369 )          | 0.30                                            |                                                                  |                                     |

|                                              | Number of<br>Shares | Weighted-<br>Average<br>Exercise<br>Price/Share | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value (1) |
|----------------------------------------------|---------------------|-------------------------------------------------|------------------------------------------------------------------|-------------------------------------|
| Expired                                      | (22,200 )           | 2.29                                            |                                                                  |                                     |
| Outstanding — December 31, 2014              | 21,333,132          | \$ 0.38                                         | 8.5                                                              | \$2,047,600                         |
| Vested (exercisable) — December 31, 2014     | 7,177,674           | \$ 0.39                                         | 6.7                                                              | \$978,400                           |
| Unvested (unexercisable) — December 31, 2014 | 14,155,458          | \$ 0.37                                         | 9.4                                                              | \$1,069,200                         |

- (1) Aggregate intrinsic value represents the difference between the exercise price of the option and the closing market price of our common stock on December 31, 2014, which was \$0.44 per share.

As of December 31, 2014, there was unrecognized compensation expense of \$4.4 million related to unvested stock options, which we expect to recognize over a weighted average period of 3.5 years.

## Note 10. Subsequent Events

In January 2015, the Company issued an accredited investor a 7% Bridge Note in the aggregate original principal amount of \$250,000. In connection with the issuance of such note, the Company issued the noteholder warrants to purchase 625,000 shares of common stock at an exercise price of \$0.50 per share. Through January 2015, notes in the aggregate principal amount of \$865,000 and warrants to purchase 2,162,500 shares of common stock have been issued. In January 2015, the Company repaid \$113,475 of the original principal amount outstanding under the 7% Bridge Notes at December 31, 2014.

On February 4, 2015, The Company issued additional shares of the Class A Convertible Preferred Stock to Investors. Gross proceeds of \$142,350 (approximately \$123,800 after offering costs) were collected in exchange for the issuance of 11,862 shares of our Class A Convertible Preferred Stock, and warrants, exercisable immediately through March 31, 2019, to purchase up to a total of 94,896 shares of our common stock at an exercise price of \$0.50 per share. The Company intends to use the net proceeds for working capital purposes.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*In this Form 10-Q the terms "Cryoport", "Company" and similar terms refer to Cryoport, Inc., and its wholly owned subsidiary Cryoport Systems, Inc.*

**SAFE HARBOR FOR FORWARD LOOKING STATEMENTS:**

*This Quarterly Report on Form 10-Q contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 and concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. In some cases, you can identify these statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” or similar words that are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable as of the date of this Quarterly Report, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this Quarterly Report. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company will be achieved. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Quarterly Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we file from time to time with the Securities and Exchange Commission (“SEC”), including those contained in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, as filed with the SEC on June 25, 2014 and those reports filed after the date of this Quarterly Report. Actual results may differ materially from any forward looking statement.*

*The following management discussion and analysis of the Company’s financial condition and results of operations (“MD&A”) should be read in conjunction with the condensed consolidated balance sheet as of December 31, 2014 (unaudited) and the consolidated balance sheet as of March 31, 2014 (audited) and the related unaudited condensed consolidated statements of operations for the three and nine months ended December 31, 2014 and 2013, and cash flows for the nine months ended December 31, 2014 and 2013 and the related notes thereto (see Item 1. Financial Statements) as well as the audited consolidated financial statements of the Company as of March 31, 2014 and 2013 and for the years then ended included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2014.*

## General Overview

We provide cryogenic logistics solutions to the life sciences industry through a combination of purpose-built proprietary packaging, information technology and specialized cold chain logistics knowhow. We view our solutions as disruptive to the “older technologies” of dry ice and liquid nitrogen, in that our solutions are comprehensive and combine our competencies in configurations that are customized to our client’s requirements. We provide comprehensive, reliable, economic alternatives to all existing logistics solutions and services utilized for frozen shipping in the life sciences industry (e.g., personalized medicine, stem cells, cell lines, vaccines, diagnostic materials, semen, eggs, embryos, cord blood, bio-pharmaceuticals, infectious substances, and other commodities that require continuous exposure to cryogenic or frozen temperatures). We provide the ability to monitor, record and archive crucial information for each shipment that can be used for scientific and regulatory purposes.

Our Cryoport Express® Solutions include a sophisticated cloud-based logistics operating platform that we have branded as the Cryoport™. The Cryoport™ supports the management of the entire shipment and logistics process through a single interface, including initial order input, document preparation, customs clearance, courier management, shipment tracking, issue resolution, and delivery. In addition, it provides unique and incisive information dashboards and validation documentation for every shipment. The Cryoport™ records and retains a fully documented “chain-of-custody” and, at the client’s option, “chain-of-condition” for every shipment, helping ensure that quality, safety, efficacy, and stability of shipped commodities are maintained throughout the process. This recorded and archived information allows our clients to meet exacting requirements necessary for scientific work and for proof of regulatory compliance during the logistics phase.

The branded packaging for our Cryoport Express® Solutions includes our liquid nitrogen dry vapor shippers, The Cryoport Express® Shippers. Cryoport Express® Shippers are cost-effective and reusable cryogenic transport containers (our standard shipper is a patented vacuum flask) utilizing an innovative application of “dry vapor” liquid nitrogen (“LN2”) technology. Cryoport Express® Shippers are International Air Transport Association (“IATA”) certified and validated to maintain stable temperatures of minus 150° C and below for a 10-day dynamic shipment period. The Company currently features three Cryoport Express® Shippers: the Standard Dry Shipper (holding up to 75 2.0 ml vials), the High Volume Dry Shipper (holding up to 500 2.0 ml vials) and the recently introduced Cryoport Express® CXVC1 Shipper (holding up to 1,500 2.0 ml vials). In addition, we assist clients with internal secondary packaging as well (e.g., vials, canes, straws, plates, etc.)

Our most used solution is the “turnkey” solution, which can be accessed directly through our cloud-based Cryoport™ or by contacting Cryoport Client Care for order entry. Once an order is placed and cleared, we ship a fully charged Cryoport Express® Shipper package to the client who conveniently loads its frozen commodity into the inner chamber of the Cryoport Express® Shipper. The customer then closes the shipper package and reseals the shipping box displaying the next recipient’s address (“Flap A”) for pre-arranged carrier pick up. Cryoport arranges for the pick-up of the parcel by a shipping service provider, which is designated by the client or chosen by Cryoport, for delivery to the client’s intended recipient. The recipient simply opens the shipper package and removes the frozen commodity that has been shipped. The recipient then reseals the package, displaying the nearest Cryoport Operations Center address

(“Flap B”) making it ready for pre-arranged carrier pick-up. When the Cryoport Operations Center receives the Cryoport Express® Shipper, it is cleaned, put through quality assurance testing, and returned to inventory for reuse.

In late 2012, we shifted our focus to become a comprehensive cryogenic logistics solutions provider. Recognizing that clients in the life sciences industry have varying requirements, we unbundled our technologies, establishing customer facing solutions and taking a consultative approach to the market. Today, in addition to our standard “Turn-key Solution,” described above, we also provide the following customer facing, value-added solutions to address our various clients’ needs:

**“Customer Staged Solution,”** designed for clients making 50 or more shipments per month. Under this solution, we supply an inventory of our Cryoport Express® Shipper packages to our customer, in an uncharged state, enabling our customer (after training/certification) to charge them with liquid nitrogen and use our Cryoport™ to enter orders with shipping and delivery service providers for the transportation of the package. Once the order is released, our customer services professionals monitor the shipment and the return of the shipper for cleaning, quality assurance testing and reuse.

***“Customer Managed Solution,”*** a limited customer implemented solution whereby we supply our Cryoport Express® Shippers packages to clients in a fully charged state, but leaving it to the client to manage the shipping, including the selection of the shipping and delivery service provider and the return of the shipper to us. Under this solution, the customer accepts a significant level of risk for a successful shipment.

***“powered by Cryoport<sup>SM</sup>,”*** made available to providers of shipping and delivery services who seek to offer a “branded” cryogenic logistics solution as part of their service offerings, with “*powered by Cryoport<sup>SM</sup>*” appearing prominently on the offering software interface and packaging. This solution can also be private labeled upon meeting certain requirements, such as minimum required shipping volumes.

***“Integrated Solution,”*** which is our outsource solution. It is our most comprehensive and complex solution. It involves our management of the entire cryogenic logistics process for our client, including Cryoport employees at the client’s site to manage the client’s cryogenic logistics function in total.

***“Regenerative Medicine Point-of-Care Repository Solution,”*** designed for allogeneic therapies. In this model we supply our Cryoport Express® Shipper package to ship and store cryogenically preserved life science products for up to 6 days (or longer periods with supplementary shippers) at a point-of-care site, with the Cryoport Express® Shipper serving as a temporary freezer/repository enabling the efficient and effective distribution of temperature sensitive allogeneic cell-based therapies without the expense, inconvenience, and potential costly failure of an on-sight, cryopreservation device. Our customer service professionals monitor each shipment throughout the predetermined process including the return of the shipper to us. When the Cryoport Operations Center receives the Cryoport Express® Shipper package it is cleaned, put through quality assurance testing, and returned to inventory for reuse.

***“Personalized Medicine and Cell-based Immunotherapy Solution,”*** designed for autologous therapies. In this model, our Cryoport Express® Shipper package serves as an enabling technology for the safe transportation of manufactured autologous cellular-based immunotherapy market by providing a comprehensive logistics solution for the verified chain of custody and condition transport from, (a) the collection of the patient’s cells in a hospital setting, to (b) a central processing facility where they are manufactured into a personalized medicine, to (c) the safe, cryogenically preserved return of these irreplaceable cells to a point-of-care treatment facility. If required, the Cryoport Express® Shipper can then serve as a temporary freezer/repository to allow the efficient distribution of this personalized medicine to the patient when and where the medical provider needs it most without the expense, inconvenience, and potential costly failure of an on-sight, cryopreservation device. Our customer service professionals monitor each shipment throughout the predetermined process, including the return of the shipper to us. When the Cryoport Operations Center receives the Cryoport Express® Shipper package it is cleaned, put through quality assurance testing, and returned to inventory for reuse.

## ***Agreements***

**Zoetis.** In December 2012, we signed an agreement with Pfizer Inc. relating to Zoetis Inc. (formerly the animal health business unit of Pfizer Inc.) pursuant to which we were engaged to manage frozen shipments of a key poultry vaccine.

Under this arrangement, Cryoport provides on-site logistics personnel and its logistics management operating platform, the Cryoport<sup>TM</sup>, to manage shipments from the Zoetis manufacturing site in the United States to domestic customers as well as various international distribution centers. As part of our logistics management services, Cryoport is constantly analyzing logistics data and processes to further introduce economies and reliability throughout the network, ensuring products arrive at their destinations in specified conditions, on-time and with the optimum utilization of resources. The Company manages Zoetis' total fleet of dewar flask shippers used for this purpose, including liquid nitrogen shippers. In July 2013 the agreement was amended to expand Cryoport's scope to manage all logistics of Zoetis' key frozen poultry vaccine to all Zoetis' international distribution centers as well as all domestic shipments. In October 2013, the agreement was further amended to further expand Cryoport's role to include the logistics management for a second poultry vaccine.

**FedEx.** In January 2013, we entered into a master agreement with Federal Express Corporation ("FedEx") (the "FedEx Agreement") renewing these services and providing FedEx with a non-exclusive license and right to use a customized version of our Cryoport<sup>TM</sup> for the management of shipments made by FedEx customers. The FedEx Agreement became effective on January 1, 2013 and, unless sooner terminated as provided in the FedEx Agreement, expires on December 31, 2015. FedEx has the right to terminate this agreement at any time for convenience upon 180 days' notice.

Under our FedEx Agreement, we provide frozen shipping logistics services through the combination of our purpose-built proprietary technologies and turnkey management processes. FedEx markets and sells Cryoport's services for frozen temperature-controlled cold chain transportation as its FedEx® Deep Frozen Shipping Solution on a non-exclusive basis and at its sole expense. During fiscal year 2013, the Company worked closely with FedEx to further align its sales efforts and accelerate penetration within FedEx's life sciences customer base through improved processes, sales incentives, joint customer calls and more frequent communication at the sales and executive level. In addition, FedEx has developed a FedEx branded version of the Cryoport™ software platform, which is "*powered by Cryoport<sup>SM</sup>*" for use by FedEx and its customers, giving them access to the full capabilities of our cloud-based logistics management software platform.

**Liventa Biosciences.** In February 2014, we entered into a services agreement with Liventa Bioscience, Inc. ("Liventa"), a privately-held, commercial stage biotechnology company focused on cell-based, advanced biologics in the orthopedic industry. Under this agreement, Liventa will use Cryoport's Regenerative Medicine Point-of-Care Repository Solution for the logistics of its cell-based therapies requiring cryogenic temperatures and also provide Cryoport Express® Solutions to other biologics suppliers within the orthopedic arena. The agreement combines Cryoport's proprietary, purpose-built cold chain logistics solutions for cell-based and advanced biologic tissue forms with Liventa's distribution capability to orthopedic care providers. The implementation of Cryoport's Regenerative Medicine Point-of-Care Repository Solution will eliminate the risks of degradation and also eliminate the need for expensive onsite cryogenic freezers for storage of cell-based orthopedic therapies. This will enable Liventa to confidently serve orthopedic practices, surgical centers, pain clinics, hospitals and, eventually, pharmacies and specialty care providers. The agreement has an initial three-year term and may be renewed for consecutive three-year terms, unless earlier terminated by either party. Liventa also agreed to certain performance criteria and the issuance of 150,000 shares of its common stock to Cryoport in exchange for the exclusive right to offer, market and promote Cryoport Express® Solutions for cellular-based therapies requiring cryogenic temperatures for use in the orthopedic arena in the United States.

**DHL.** In June 2014, we entered into a master agreement with LifeConEx, a part of DHL Global Forwarding ("DHL"). This relationship with DHL is a further implementation of the Company's expansion of distribution partnerships under the "*powered by Cryoport<sup>SM</sup>*" model described above, allowing us to expand our sales and marketing reach through our partners and build awareness of the benefits of our validated cryogenic solution offerings. DHL can now enhance and supplement its cold chain logistics offerings to its life sciences and healthcare customers with Cryoport's validated cryogenic solutions. DHL added 15 additional certified Life Sciences stations in the second quarter of 2014 bringing the Thermonet network to 60 stations in operation. Over the course of rolling out our new relationship, this expanded network will offer Cryoport's cryogenic solutions under the DHL brands as "*powered by Cryoport<sup>SM</sup>*". In addition, DHL's customers will be able to have direct access to our cloud-based order entry and tracking portal to order Cryoport Express® Solutions and receive preferred DHL shipping rates and discounts. Our proprietary logistics management operating platform, the Cryoport™, is integrated with DHL's tracking and billing systems to provide DHL life sciences and healthcare customers with a seamless way of accessing critical information regarding shipments of biological material worldwide.

**UPS.** In October 2014, we added United Parcel Services, Inc. ("UPS") as our third major distributor by entering into an agreement with UPS Oasis Supply Corporation, a part of UPS, whereby UPS will offer our validated and



comprehensive cryogenic solutions to its life sciences and healthcare customers on a global basis. This relationship with UPS is a further implementation of the Company's expansion of distributors under the "*powered by Cryoport<sup>SM</sup>*" model described above, allowing us to further expand our sales and marketing reach through our partners and build awareness of the benefits of our validated cryogenic solution offerings through UPS.

Over the course of rolling out our new relationship with UPS, UPS customers will have direct access to our cloud-based order entry and tracking portal to order Cryoport Express<sup>®</sup> Solutions and gain access to UPS's broad array of domestic and international shipping and logistics solutions at competitive prices. Our proprietary logistics management operating platform, the Cryoport<sup>TM</sup>, is integrated with UPS's tracking and billing systems to provide UPS life sciences and healthcare customers with a seamless way of accessing critical information regarding shipments of biological material worldwide.

Cryoport now serves and supports the three largest integrators in the world, accounting for over 85% of worldwide freight shipments, with its advanced cryogenic logistics solutions for life sciences. We operate with each independently and confidentially in support of their respective market and sales strategies. We maintain our independent partnerships with strict confidentiality guidelines within the Company. These agreements represent a significant validation of our solutions and the way we conduct our business.

In summary, we serve the life sciences industry with cryogenic logistics solutions that are advanced, comprehensive, reliable, validated, and efficient. Our clients include those companies and institutions that have logistics requirements for personalized medicine, immunotherapies, stem cells, cell lines, tissue, vaccines, in-vitro fertilization, cord blood, and other temperature sensitive commodities of life sciences.

Companies or institutions such as therapy developers for personalized medicine, bio-pharmaceuticals, research, contract research organizations, diagnostic laboratories, contract manufacturers, cord blood repositories, vaccine manufacturers, animal husbandry related companies, in-vitro fertilization clinics, and other organizations handling commodities requiring reliable cryogenic logistics solutions are amongst our clients. These companies usually operate within heavily regulated environments and as such, changing vendors and distribution practices typically require a number of steps, which may include the audit of our facilities, review of our procedures, qualifying us as a vendor, and performing test shipments. This process can take three to nine months or longer to complete prior to a potential customer adopting one or more of our Cryoport Express® Solutions.

We have incurred losses since inception and have an accumulated deficit of \$93.9 million through December 31, 2014.

## Results of Operations

### *Three months ended December 31, 2014 compared to three months ended December 31, 2013:*

The following table summarizes certain information derived from our condensed consolidated statements of operations:

| Three Months Ended |      |           |          |
|--------------------|------|-----------|----------|
| December 31,       |      |           |          |
| 2014               | 2013 | \$ Change | % Change |
| (\$ in 000's)      |      |           |          |

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|                                                |             |             |        |          |   |
|------------------------------------------------|-------------|-------------|--------|----------|---|
| Revenues                                       | \$ 975      | \$ 757      | \$ 218 | 28.8     | % |
| Cost of revenues                               | (740 )      | (590 )      | (150 ) | 25.5     | % |
| Gross margin                                   | 235         | 167         | 68     | 40.4     | % |
| Selling, general and administrative            | (1,493 )    | (1,306 )    | (187 ) | 14.3     | % |
| Research and development                       | (99 )       | (118 )      | 19     | (16.4 )  | % |
| Debt conversion expense                        | —           | (553 )      | 553    | (100.0 ) | % |
| Interest expense                               | (49 )       | (32 )       | (17 )  | 52.9     | % |
| Change in fair value of derivative liabilities | —           | 2           | (2 )   | (100.0 ) | % |
| Other expense, net                             | (2 )        | —           | (2 )   | 100.0    | % |
| Provision for income taxes                     | —           | —           | —      | —        |   |
| Net loss                                       | \$ (1,408 ) | \$ (1,840 ) | \$ 432 | (23.5 )  | % |

**Revenues.** We generated revenues from customers in all of our target life sciences markets, such as biotech and diagnostic companies, pharmaceutical companies, central laboratories, contract research organizations, the reproductive medicine market, and research institutions. Revenues increased by \$217,900 or 28.8% for the three months ended December 31, 2014, as compared to the three months ended December 31, 2013. This increase is primarily driven by an overall increase in the number of customers utilizing our solutions and the frequency of shipments compared to the prior year quarter and an increase in revenues in the reproductive medicine market, partially offset by a decrease in revenues from Zoetis. Revenues in the reproductive medicine market increased by 38% to \$234,900 for the quarter ended December 31, 2014, as compared to the same quarter in the prior year and continues to respond to our telemarketing activities and email and other targeted marketing campaigns. Our revenues from Zoetis were \$202,100 for the quarter ended December 31, 2014, representing a 19% decrease over the prior year quarter, resulting from certain pass-through freight charges now being directly billed to Zoetis by the third party provider and special projects completed during the prior year quarter.

**Gross margin and cost of revenues.** Gross margin for the three months ended December 31, 2014 was 24.1% of revenues, as compared to 22.1% of revenues for the three months ended December 31, 2013. The increase in gross margin is primarily due to the increase in revenues combined with a reduction in freight as a percentage of revenues and a decrease of fixed manufacturing costs. Cost of revenues for the three months ended December 31, 2014 was 75.9% of revenues, as compared to 77.9% of revenues for the three months ended December 31, 2013. Our cost of revenues are primarily comprised of freight charges, payroll and related expenses related to our operations center in California, third-party charges for our European and Asian operations centers in Holland and Singapore, depreciation expenses of our Cryoport Express® Shippers and supplies and consumables used for our solutions. The increase in cost of revenues is primarily due to freight charges from the growth in shipments.

**Selling, general and administrative expenses.** Selling, general and administrative expenses increased \$187,200 for the three months ended December 31, 2014 or 14.3% as compared to the three months ended December 31, 2013. The increase is primarily due to salaries and recruiting fees incurred to expand our sales force, the engagement of an investor relations firm and related activities, equity based compensation charges, and public company related expenses including legal, SOX and financial reporting expenses.

**Research and development expenses.** Research and development expenses decreased \$19,400 or 16.4% for the three months ended December 31, 2014, as compared to the three months ended December 31, 2013. Our research and development efforts are focused on continually improving the features of our Cryoport Express® Solutions including the Company's cloud-based logistics management platform, the Cryoport<sup>TM</sup>, the Cryoport Express® Shippers and the development of new packaging solutions and additional accessories to facilitate the efficient shipment of life science commodities using our solution. We use an outside software development company and other third parties to provide some of these services. Research and development expenses to date have consisted primarily of costs associated with continually improving the features of our Cryoport Express® Solution including the web based customer service portal and Cryoport Express® Shippers. Further, these efforts are expected to lead to the introduction of shippers of varying sizes based on market requirements, constructed of lower cost materials and utilizing high volume manufacturing methods that will make it practical to provide the cryogenic packages offered by our Cryoport Express® Solution. Other research and development efforts have been directed toward improvements to the liquid nitrogen retention system to render it more reliable in the general shipping environment and to the design of the outer packaging. Alternative phase change materials in place of liquid nitrogen may be used to increase the potential markets these shippers can serve such as ambient and 2°- 8°C markets.

**Debt conversion expense.** Debt conversion expense for the three months ended December 31, 2013 of \$552,800 was related to the induced conversion of \$150,000 of aggregate principal and interest from the bridge notes into shares of common stock and warrants. Debt conversion expense represents the fair value of the securities transferred in excess of the fair value of the securities issuable upon the original conversion terms of the bridge notes. The Company calculated the fair value of the common stock issued by using the closing price of the stock on the date of issuance. The fair value of the warrants was calculated using Black-Scholes.

**Interest expense.** Interest expense increased \$16,800 for the three months ended December 31, 2014, as compared to the three months ended December 31, 2013. Interest expense for the three months ended December 31, 2014 included accrued interest on our related party notes payable of approximately \$7,500, amortization of the debt discount on the 7% Bridge Notes of \$38,100 and related interest expense of \$3,000. Interest expense for the three months ended December 31, 2013 included accrued interest on our related party notes payable of approximately \$8,900, amortization of the debt discount and deferred financing fees of approximately \$25,300 and interest expense on our bridge notes of approximately \$1,100.

**Change in fair value of derivative liabilities.** The warrants classified as derivative liabilities expired in April 2014. The gain on the change in fair value of derivative liabilities was \$1,200 for the three months ended December 31, 2013 as a result of a decrease in the value of our warrant derivatives, due primarily to a decrease in our stock price.

***Nine months ended December 31, 2014 compared to nine months ended December 31, 2013:***

The following table summarizes certain information derived from our condensed consolidated statements of operations:

|                                                | Nine Months Ended<br>December 31, |              |           |          |   |
|------------------------------------------------|-----------------------------------|--------------|-----------|----------|---|
|                                                | 2014                              | 2013         | \$ Change | % Change |   |
|                                                | (\$ in 000's)                     |              |           |          |   |
| Revenues                                       | \$2,737                           | \$1,825      | \$ 912    | 50.0     | % |
| Cost of revenues                               | (1,938 )                          | (1,531 )     | (407 )    | 26.6     | % |
| Gross margin                                   | 799                               | 294          | 505       | 171.9    | % |
| Selling, general and administrative            | (4,431 )                          | (3,768 )     | (663 )    | 17.6     | % |
| Research and development                       | (268 )                            | (330 )       | 62        | (18.8)   | % |
| Debt conversion expense                        | —                                 | (13,714 )    | 13,714    | (100.0)  | % |
| Interest expense                               | (1,185 )                          | (627 )       | (558 )    | 89.1     | % |
| Change in fair value of derivative liabilities | —                                 | 21           | (21 )     | (100.0)  | % |
| Other expense, net                             | (3 )                              | —            | (3 )      | 100.0    | % |
| Provision for income taxes                     | (2 )                              | —            | (2 )      | 100.0    | % |
| Net loss                                       | \$ (5,090 )                       | \$ (18,124 ) | \$ 13,034 | (71.9 )  | % |

**Revenues.** We generated revenues from customers in all of our target life sciences markets, such as biotech and diagnostic companies, pharmaceutical companies, central laboratories, contract research organizations, the reproductive medicine market, and research institutions. Revenues increased \$911,700 or 50.0% for the nine months ended December 31, 2014, as compared to the nine months ended December 31, 2013. This increase is primarily driven by an overall increase in the number of customers utilizing our services and frequency of shipments compared to the prior year, an increase in revenues in the reproductive medicine market and the ramp up and expansion of logistics services provided to Zoetis. Revenues in the reproductive medicine market increased by 82% over the prior period to \$691,400 for the nine months ended December 31, 2014, driven by continued success of our telemarketing activities and email and other targeted marketing campaigns and an increased awareness of our cryogenic logistics solutions in this market. Our revenues from Zoetis were \$685,000 for the nine months ended December 31, 2014, representing a 21% increase over the prior year period. This is reflective of the expansion of our services, both domestically and globally, provided to Zoetis for a primary poultry vaccine, and the addition of logistics management for a second vaccine that was introduced to the market during the fourth calendar quarter of 2013.

**Gross margin and cost of revenues.** Gross margin for the nine months ended December 31, 2014 was 29.2% of revenues, as compared to 16.1% of revenues for the nine months ended December 31, 2013. The increase in gross margin is primarily due to the increase in revenues combined with a reduction in freight as a percentage of revenues and a decrease of fixed manufacturing costs. Cost of revenues for the nine months ended December 31, 2014 was

70.8% of revenues, as compared to 83.9% of revenues for the nine months ended December 31, 2013. Our cost of revenues are primarily comprised of freight charges, payroll and related expenses related to our operations center in California, third-party charges for our European and Asian operations centers in Holland and Singapore, depreciation expenses of our Cryoport Express® Shippers and supplies and consumables used for our solutions. The increase in cost of revenues is primarily due to freight charges from the growth in shipments.

***Selling, general and administrative expenses.*** Selling, general and administrative expenses increased \$663,200 for the nine months ended December 31, 2014 or 17.6% as compared to the nine months ended December 31, 2013. The increase is primarily due to salaries and recruiting fees incurred to expand our sales force, the engagement of an investor relations firm and related activities, equity based compensation charges, public company related expenses including legal, SOX and financial reporting expenses, and banking charges as a result of the higher business volume.

**Research and development expenses.** Research and development expenses decreased \$62,000 or 18.8% for the nine months ended December 31, 2014, as compared to the nine months ended December 31, 2013. Our research and development efforts are focused on continually improving the features of the Cryoport Express® Solutions including the Company's cloud-based logistics management platform, the Cryoport<sup>TM</sup>, the Cryoport Express® Shippers and development of new packaging solutions and additional accessories to facilitate the efficient shipment of life science commodities using our solution. We use an outside software development company and other third parties to provide some of these services. Research and development expenses to date have consisted primarily of costs associated with continually improving the features of our Cryoport Express® Solution including the web based customer service portal and the Cryoport Express® Shippers. Further, these efforts are expected to lead to the introduction of shippers of varying sizes based on market requirements, constructed of lower cost materials and utilizing high volume manufacturing methods that will make it practical to provide the cryogenic packages offered by our Cryoport Express® Solution. Other research and development effort has been directed toward improvements to the liquid nitrogen retention system to render it more reliable in the general shipping environment and to the design of the outer packaging. Alternative phase change materials in place of liquid nitrogen may be used to increase the potential markets these shippers can serve such as ambient and 2°- 8°C markets.

**Debt conversion expense.** Debt conversion expense for the nine months ended December 31, 2013 of \$13.7 million was related to the induced conversion of \$4.1 million of aggregate principal and interest from the bridge notes into shares of common stock and warrants. Debt conversion expense represents the fair value of the securities transferred in excess of the fair value of the securities issuable upon the original conversion terms of the bridge notes. The Company calculated the fair value of the common stock issued by using the closing price of the stock on the date of issuance. The fair value of the warrants was calculated using Black-Scholes.

**Interest expense.** Interest expense increased \$558,600 for the nine months ended December 31, 2014, as compared to the nine months ended December 31, 2013. Interest expense for the nine months ended December 31, 2014 included amortization of the debt discount and deferred financing fees of approximately \$1.1 million, of which \$826,900 related to the fair value of the beneficial conversion feature of the 5% Bridge Notes that was triggered by the convertible preferred stock offering, interest expense on our 5% Bridge Notes of approximately \$10,600, accrued interest on our related party notes payable of approximately \$23,600, amortization of the debt discount on the 7% Bridge Notes of \$38,100 and related interest expense of \$3,000. Interest expense for the nine months ended December 31, 2013 included accrued interest on our related party notes payable of approximately \$27,900, amortization of the debt discount and deferred financing fees of approximately \$540,600 and interest expense on our bridge notes of approximately \$58,600.

**Change in fair value of derivative liabilities.** The warrants classified as derivative liabilities expired in April 2014. The gain on the change in fair value of derivative liabilities was \$20,800 for the nine months ended December 31, 2013 as a result of a decrease in the value of our warrant derivatives, due primarily to a decrease in our stock price.

## **Liquidity and Capital Resources**



As of December 31, 2014, the Company had cash and cash equivalents of \$773,900 and negative working capital of \$1.6 million. Historically, we have financed our operations primarily through sales of our debt and equity securities.

For the nine months ended December 31, 2014, we used \$2.8 million of cash for operations primarily as a result of the net loss of \$5.1 million offset by non-cash expenses of \$1.9 million primarily comprised of amortization of debt discount and deferred financing costs, stock-based compensation expense, and depreciation and amortization. Also contributing to the cash impact of our net operating loss (excluding non-cash items) was an increase in accounts payable and accruals of \$317,600 and a reduction in accounts receivable of \$107,900 due to improved collections.

Net cash used in investing activities of \$67,900 during the nine months ended December 31, 2014 was due to the purchase of the recently introduced Cryoport Express® CXVC1 Shippers (holding up to fifteen hundred 2.0 ml vials).

Net cash provided by financing activities totaled \$3.3 million during the nine months ended December 31, 2014, and resulted from net proceeds from the issuance of convertible preferred stock of \$2.8 million, proceeds from the exercise of stock options and warrants of \$11,600 and proceeds of \$615,000 from notes payable, partially offset by the repayment of convertible debentures of \$50,000 and the repayment of related party notes of \$72,000.

As discussed in Note 2 of the accompanying condensed consolidated financial statements, there exists substantial doubt regarding the Company's ability to continue as a going concern. The Company received gross proceeds of \$3.4 million (approximately \$2.8 million after offering costs) in exchange for the issuance of 279,280 shares of convertible preferred stock in the first three quarters of fiscal 2015 which is further described in Note 8 in the accompanying condensed consolidated financial statements and proceeds of \$865,000 from the 7% Bridge Notes (see Notes 5 and 10). The funds raised are being used for working capital purposes and to continue our sales efforts to advance the Company's commercialization of the Cryoport Express® Solutions. However, the Company's management recognizes that the Company will need to obtain additional capital to fund its operations until sustained profitable operations are achieved. Management is currently working on such funding alternatives in order to secure sufficient operating capital through the end of fiscal year 2015. In addition, management will continue to review its operations for further cost reductions to extend the time that the Company can operate with its current cash on hand and additional bridge financing and to utilize third parties for services such as its international recycling and refurbishment centers to provide for greater flexibility in aligning operational expenses with the changes in sales volumes.

Additional funding plans may include obtaining additional capital through equity and/or debt funding sources; however, no assurance can be given that additional capital, if needed, will be available when required or upon terms acceptable to the Company.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Changes in United States interest rates would affect the interest earned on our cash and cash equivalents.

Based on our overall cash and cash equivalents interest rate exposure as of December 31, 2014, a near-term change in interest rates, based on historical movements, would not have a material adverse effect on our financial position or results of operations.

The above only incorporates those exposures that existed as of December 31, 2014, and does not consider those exposures or positions which could arise after that date.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures.**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the timelines specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Securities and Exchange Commission Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014 at the reasonable assurance level.

#### **Changes in internal control over financial reporting.**

There were no changes in our internal controls over financial reporting during the fiscal quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

## **ITEM 1A. RISK FACTORS**

The risks described in *Part I, Item 1A, Risk Factors*, in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, could materially and adversely affect our business, financial condition and results of operations. These risk factors do not identify all of the risks that we face. Our business, financial condition and results of operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial. There have been no material changes to the “Risk Factors” section included in our 2014 Annual Report.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**

During the third quarter of 2014, we entered into definitive agreements for the issuance of 107,979 shares of our Class A Convertible Preferred Stock and warrants to purchase 863,832 shares of our common stock which were issued to certain institutional and accredited investors in exchange for aggregate gross proceeds of \$1,295,736. The warrants have an exercise price of \$0.50 per share, vest immediately and may be exercised at any time on or before March 31, 2019.

During December 2014, we issued 2014 Series Secured Promissory Notes (the “7% Bridge Notes”) in the aggregate original principal amount of \$615,000. The 7% Bridge Notes accrue interest at a rate of 7% per annum. All principal and interest is due on July 1, 2015 unless we elect to extend the maturity date to January 1, 2016 by providing written notice to the note holders and a warrant to purchase a number of shares of common stock equal to (a) the then outstanding principal balance of the note, divided by (b) \$0.50 multiplied by 125%. In connection with the issuance of the notes, we issued the note holders warrants to purchase 1,537,500 shares of common stock at an exercise price of \$0.50 per share. The warrants are exercisable on May 31, 2015 and expire on November 20, 2021.

The issuance of the securities of the Company in the above transactions were deemed to be exempt from registration under the Securities Act of 1933 by virtue of Section 4(2) thereof or Regulation D promulgated there under, as a transaction by an issuer not involving a public offering. With respect to the transactions listed above, no general solicitation was made by either the Company or any person acting on the Company’s behalf, the securities sold are subject to transfer restrictions, and the certificates for the shares contain an appropriate legend stating that such securities have not been registered under the Securities Act of 1933 and may not be offered or sold absent registration or pursuant to an exemption there from.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

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## ITEM 6. EXHIBITS

### Exhibit Index

- 31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS\* XBRL Instance Document.
- 101.SCH\* XBRL Taxonomy Extension Schema Document.
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document.

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\*

Filed herewith.  
Furnished herewith.

## SIGNATURES

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

Cryoport, Inc.

Dated: February 5, 2015

By: */s/ Jerrell W. Shelton*

Jerrell W. Shelton  
Chief Executive Officer

Dated: February 5, 2015

By: */s/ Robert S. Stefanovich*

Robert S. Stefanovich  
Chief Financial Officer