UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2009

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

For the transition period from ____________ to ____________

Commission File Number: 000-51578

CryoPort, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	**88-0313393** (IRS Employer Identification No.)
20382 BARENTS SEA CIRCLE, LAKE FOREST, CA (Address of Principal Executive Offices)	**92630** (Zip Code)

Registrant's Telephone Number, Including Area Code: **(949) 470-2300**

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. þ Yes o 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

As of February 08, 2010 the Company had 5,045,975 shares of its $0.01 par value common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CRYOPORT, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2009 (unaudited)	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 647,308	$ 249,758
Restricted cash	90,030	101,053
Accounts receivable, net	10,030	2,546
Inventories	-	530,241
Prepaid expenses and other current assets	147,837	170,399
Total current assets	895,205	1,053,997
Fixed assets, net	591,094	189,301
Intangible assets, net	244,244	264,364
Deferred financing costs, net	233,591	3,600
Other assets	-	61,294
	$ 1,964,134	$ 1,572,556
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 339,436	$ 218,433
Accrued expenses	151,363	90,547
Accrued warranty costs	-	18,743
Accrued salaries and related	226,833	206,180
Convertible notes payable net of discount of $513,160 (unaudited) at December 31, 2009 and $13,586 at March 31, 2009	930,304	46,414
Current portion of convertible notes payable and accrued interest, net of discount of $1,662,177 (unaudited) at December 31, 2009 and $662,583 at March 31, 2009	4,319,248	3,836,385
Line of credit and accrued interest	90,388	90,310
Current portion of related party notes payable	160,000	150,000
Current portion of note payable to former officer and accrued interest	134,473	90,000
Derivative liabilities	13,740,633	-
Total current liabilities	20,092,678	4,747,012
Related party notes payable and accrued interest, net of current portion	1,492,792	1,533,760
Note payable to former officer and accrued interest, net of current portion	-	67,688
Convertible notes payable, net of current portion and discount of $5,981,425 at December 31, 2009 and $6,681,629 at March 31, 2009	-	-
Total liabilities	21,585,470	6,348,460
Commitments and contingencies		
Stockholders' deficit:		
Common stock, $0.01 par value; 250,000,000 shares authorized; 5,001,531 (unaudited) at December 31, 2009 and 4,186,194 at March 31, 2009 shares issued and outstanding	50,016	41,863
Additional paid-in capital	25,706,272	25,816,588
Accumulated deficit	(45,377,624)	(30,634,355)
Total stockholders' deficit	(19,621,336)	(4,775,904)
	$ 1,964,134	$ 1,572,556

See accompanying notes to unaudited consolidated financial statements

CRYOPORT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For The Three Months Ended December 31,		For The Nine Months Ended December 31,	
	2009	**2008**	**2009**	**2008**
Revenues	$ 20,707	9,207	42,888	28,613
Cost of revenues	132,418	166,203	458,862	419,534
Gross loss	(111,711)	(156,996)	(415,974)	(390,921)
Operating expenses:				
Selling, general and administrative expenses	690,043	550,670	2,197,545	1,890,401
Research and development expenses	89,426	13,292	270,217	229,536
Total operating expenses	779,469	563,962	2,467,762	2,119,937
Loss from operations	(891,180)	(720,958)	(2,883,736)	(2,510,858)
Other income (expense):				
Interest income	2,834	6,224	6,548	30,232
Interest expense	(1,169,337)	(739,347)	(5,312,593)	(1,953,215)
Loss on sale of fixed assets	-	-	(797)	-
Change in fair value of derivative liabilities	4,508,352	-	3,106,802	-
Loss on extinguishment of debt, net	-	-	-	(6,811,214)
Total other expense, net	3,341,849	(733,123)	(2,200,040)	(8,734,197)
Income (loss) before income taxes	2,450,669	(1,454,081)	(5,083,776)	(11,245,055)
Income taxes	-	-	1,600	800
Net income (loss)	$ 2,450,669	(1,454,081)	(5,085,376)	(11,245,855)
Net income (loss) per common share:				
Basic	$ 0.50	$ (0.35)	$ (1.10)	$ (2.73)
Diluted	$ 0.26	$ (0.35)	$ (1.10)	$ (2.73)
Weighted average common shares outstanding:				
Basic	4,911,756	4,120,855	4,608,211	4,115,488
Diluted	6,577,322	4,120,855	4,608,211	4,115,488

See accompanying notes to unaudited consolidated financial statements

CRYOPORT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For The Nine Months Ended December 31, 2009	2008
Cash flows from operating activities:		
Net loss	$ (5,085,376)	(11,245,855)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	101,488	52,361
Amortization of deferred financing costs	81,756	38,695
Amortization of debt discount	4,806,547	1,640,109
Stock issued to consultants	166,094	168,770
Fair value of warrants and options issued to employees and directors	366,861	169,112
Fair value of warrants issued to consultants	191,433	-
Change in fair value of derivative instrument	(3,106,802)	263,828
Loss on extinguishment of debt	-	6,811,214
Loss on sale of assets	797	-
Loss on disposal of Cryogenic shippers	7,611	-
Interest earned on restricted cash	(1,062)	(5,750)
Changes in operating assets and liabilities:		
Accounts receivable	(7,484)	16,589
Inventories	81,012	(411,252)
Prepaid expenses and other assets	(6,567)	129,193
Accounts payable	121,003	97,666
Accrued expenses	14,935	(583)
Accrued warranty costs	(18,743)	(5,625)
Accrued salaries and related	20,653	59,313
Accrued interest	324,151	179,753
Net cash used in operating activities	(1,941,693)	(2,042,462)
Cash flows from investing activities:		
Purchases of intangible assets	(24,372)	(49,781)
Decrease in restricted cash	12,085	108,943
Purchases of fixed assets	(17,968)	(58,278)
Net cash (used in) provided by investing activities	(30,255)	884
Cash flows from financing activities:		
Proceeds from borrowings under convertible notes, net	1,321,500	1,062,500
Repayment of convertible notes	-	(117,720)
Repayment of borrowings on line of credit, net	-	(25,500)
Payment of deferred financing costs	(202,470)	(191,875)
Repayment of note payable	-	(12,000)
Repayments of related party notes payable	(80,000)	(90,000)
Repayments of note payable to officer	(30,000)	(42,000)
Payment of fees associated with exercise of warrants	(76,632)	-
Proceeds from exercise of options and warrants	1,437,100	3,308
Net cash provided by financing activities	2,369,498	586,713
Net change in cash and cash equivalents	397,550	(1,454,865)
Cash and cash equivalents, beginning of period	249,758	2,231,031
Cash and cash equivalents, end of period	$ 647,308	776,166

See accompanying notes to unaudited consolidated financial statements

CRYOPORT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For The Nine Months Ended December 31, 2009	2008
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,699	93,675
Income taxes	$ 1,600	800
Supplemental disclosure of non-cash activities:		
Deferred financing costs in connection with S-1	$ 33,937	-
Deferred financing costs in connection with convertible debt financing and debt modifications	$ 11,944	
Warrants issued as deferred financing costs in connection with convertible debt financing	$ 63,396	117,530
Purchase of intangible assets with warrants	-	232,964
Debt discount in connection with convertible debt financing	$ 1,483,415	1,250,000
Conversion of debt and accrued interest to common stock	$ 1,354,254	5,446
Reclassification of embedded conversion feature to equity	$ 801,695	-
Cashless exercise of warrants	$ 157	150
Cancellation of shares issued for debt principal reduction	$ -	117,720
Accrued interest added to principal amount of debentures	$ 79,582	-
Estimated fair value of warrants issued in connection of debt modification	$ -	5,858,344
Cumulative effect of accounting change to debt discount for derivative liabilities	$ 2,595,095	-
Cumulative effect of accounting change to accumulated deficit for derivative liabilities	$ 9,657,893	-
Cumulative effect of accounting change to additional paid-in capital for derivative liabilities	$ 4,217,730	-
Reclassification of inventory to fixed assets	$ 449,229	-

See accompanying notes to unaudited consolidated financial statements

NOTE 1 - MANAGEMENT'S REPRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by CryoPort, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America ("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 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, 2009 are not necessarily indicative of the results that may be expected for the year ending March 31, 2010. The unaudited 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, 2009.

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 consolidated financial statements or disclosure in the notes thereto other than as disclosed in the accompanying notes.

NOTE 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Company is a provider of an innovative cold chain frozen shipping system dedicated to providing superior, affordable cryogenic shipping solutions that ensure the safety, status and temperature of high value, temperature sensitive materials. The Company has developed a line of cost-effective reusable cryogenic transport containers (referred to as a "shipper") capable of transporting biological, environmental and other temperature sensitive materials at temperatures below 0° Celsius. These dry vapor shippers are one of the first significant alternatives to using dry ice and achieve 10-plus day holding times compared to one to two day holding times with dry ice (assuming no re-icing during transit). The Company's value proposition comes from both providing safe transportation and an environmentally friendly, long lasting shipper, and through its value-added services that offer a simple hassle-free solution for its customers. These value-added services include an internet-based web portal that enables the customer to initiate shipping service, track the progress and status of a shipment, and provide in-transit temperature monitoring of the shipper. CryoPort also provides a fully ready charged shipper containing all freight bills, customs documents and regulatory paperwork for the entire journey of the shipper to its customers at their pick up location.

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

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

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

Going Concern

The accompanying unaudited consolidated financial statements have been prepared in conformity with GAAP, which contemplates continuation of the Company as a going concern. The Company has not generated significant revenues from operations and has no assurance of any future revenues. The Company generated revenues from operations of $35,124, incurred a net loss of $16,705,151 and used cash of $2,586,470 in its operating activities during the year ended March 31, 2009. The Company generated revenues from operations of $42,888, had net loss of $5,085,376, and used cash of $1,941,693 in its operating activities during the nine months ended December 31, 2009. In addition, the Company had a working capital deficit of $19,197,473, and had cash and cash equivalents of $647,308 at December 31, 2009. The Company's working capital deficit at December 31, 2009 included $13,740,633 of derivative liabilities, the balance of which represented the fair value of warrants and embedded conversion features related to the Company's convertible debentures which were reclassified from equity during the nine months ended December 31, 2009 (see Note 7). Currently management has projected that cash on hand, including cash borrowed under the convertible debentures issued in the first, second, and third quarter of fiscal 2010, will be sufficient to allow the Company to continue its operations only into the fourth quarter of fiscal 2010. These matters raise substantial doubt about the Company's ability to continue as a going concern.

During the period from March 30, 2009 through December 31, 2009, the Company had raised gross proceeds of $1,381,500 under the Private Placement Debentures (see Note 6) and gross proceeds of $1,437,100 (see Note 9) from the exercise of warrants. As a result of these recent financings, the Company had an aggregate cash and cash equivalents and of $647,308 as of December 31, 2009 which will be used to fund the working capital required for minimal operations including limited inventory build up as well as limited sales efforts to advance the Company's commercialization of the CryoPort Express® Shippers until additional capital is obtained. The Company's management recognizes that the Company must obtain additional capital for the achievement of sustained profitable operations. Management's plans include obtaining additional capital through equity and 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 or that the Company will be successful in its efforts to negotiate extension of its existing debt. In this regard on October 6, 2009 the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-1 (File No. 333-162350) for a possible underwritten public offering of units, each unit to consist of one share of common and one warrant to purchase one share of common stock. Management cannot assure that this contemplated offering will be consummated, or if consummated, whether the proceeds from such offering will be sufficient to fund the Company's planned operations. The accompanying unaudited consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP.

Reverse Stock Split

On February 5, 1010, we effected a 1-for-10 reverse stock split of all of our issued and outstanding shares of common stock (the "Reverse Stock Split") by filing a Certificate of Amendment to Amended and Restated Articles of Incorporation with the Secretary of State of Nevada. The par value and number of authorized shares of our common stock remained unchanged. The number of shares and per share amounts included in the consolidated financial statements and the accompanying notes have been adjusted to reflect the Reverse Stock Split retroactively. Unless otherwise indicated, all references to number of shares, per share amounts and earnings per share information contained in this report give effect to the Reverse Stock Split.

Principles of Consolidation

The unaudited 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.

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

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 and sales returns, recoverability of long-lived assets, realizability of inventories, accrued warranty costs, deferred tax assets and their accompanying valuations, product liability reserves, valuation of derivative liabilities and the valuations of common stock, warrants and stock options issued for products or services.

Cash and Cash Equivalents

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

Concentrations of Credit Risk

Cash and cash equivalents

The Company maintains its cash accounts in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"). Effective October 3, 2008, the Emergency Economic Stabilization Act of 2008 raised the FDIC deposit coverage limits to $250,000 per owner from $100,000 per owner through January 1, 2014. At December 31, 2009 and March 31, 2009, the Company had $496,401 (which exceeded the FDIC insurance limit) and $121,042, respectively, of cash balances, including restricted cash. The Company performs ongoing evaluations of these institutions to limit its concentration risk exposure.

Restricted cash

The Company has invested cash in a one year restricted certificate of deposit bearing interest at 1% which serves as collateral for borrowings under a line of credit agreement (see Note 4). At December 31, 2009 and March 31, 2009, the balance in the certificate of deposit was $90,030 and $101,053, respectively.

Customers

The Company grants credit to customers within the United States of America and to a limited number of international customers and does not require collateral. Sales to 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 sales to 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 and estimated sales returns are provided based on past experience and a specific analysis of the accounts which management believes are sufficient. Accounts receivable at December 31, 2009 and March 31, 2009 are net of reserves for doubtful accounts and sales returns of approximately of $600 and $600, respectively. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

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

The Company has foreign sales primarily in Europe, Canada, India and Australia. Foreign sales were approximately $17,100 and $27,800 which constituted approximately 83% and 65%, of net sales for the three and nine months ended December 31, 2009, respectively, and $3,900 and $9,700 which constituted approximately 44% and 34%, of net sales for the three and nine months ended December 31, 2008, respectively.

The majority of the Company's customers are in the biotechnology, pharmaceutical and life science industries. Consequently, there is a concentration of receivables within these industries, which is subject to normal credit risk.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, related-party notes payable, note payable to officer, a line of credit, convertible notes payable, accounts payable and accrued expenses. The carrying value for all such instruments, except the related party notes payable, approximates fair value at December 31, 2009 and March 31, 2009. The difference between the fair value and recorded values of the related party notes payable is not significant.

Inventories

Inventories were stated at the lower of standard cost or current estimated market value. Cost was determined using the standard cost method which approximates the first-in, first-out method. The Company periodically reviewed its inventories and recorded a provision for excess and obsolete inventories based primarily on the Company's estimated forecast of product demand and production requirements. Once established, write-downs of inventories were considered permanent adjustments to the cost basis of the obsolete or excess inventories. Raw materials, work in process and finished goods included material costs less reserves for obsolete or excess inventories.

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. As a result, during the quarter ended September 30, 2009, the Company reclassified the containers from inventory to fixed assets upon commencement of the loaned-container program.

Fixed Assets

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

Cryogenic shippers	3 Years
Furniture and fixtures	7 years
Machinery and equipment	5-7 years
Leasehold improvements	Lesser of lease term or estimated useful life

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

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

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. As a result, during the quarter ended September 30, 2009, the Company reclassified the containers from inventory to fixed assets upon commencement of the loaned-container program (see Note 3).

Depreciation expense for fixed assets was $23,251 and $56,996 for the three and nine months ended December 31, 2009, respectively, and $17,107 and $47,661 for the three and nine months ended December 31, 2008, respectively.

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.

Amortization expense for intangible assets was $15,372 and $44,492 for the three and nine months ended December 31, 2009, respectively, and $4,700 for both the three and nine months ended December 31, 2008, respectively. All of the Company's intangible assets are subject to amortization.

Long-Lived Assets

The Company's management assesses the recoverability of its long-lived assets upon the occurrence of a triggering event by determining whether the depreciation and amortization of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations in the period in which long-lived asset impairment is determined by management. At December 31, 2009 and March 31, 2009, the Company's management believes there was no impairment of its long-lived assets. There can be no assurance however, that market conditions will not change or demand for the Company's products will continue, which could result in impairment of its long-lived assets in the future.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the Company's planned public offering of units and issuance of the convertible notes payable. Deferred financing costs related to the notes are being amortized over the term of the financing instrument on a straight-line basis, which approximates the effective interest method. During the nine month periods ended December 31, 2009, the Company capitalized deferred financing costs of $311,747, of which $157,117 is related to the Company's planned public offering and will be reclassified to paid-in capital and netted against the proceeds of the offering upon completion. Amortization of deferred financing costs was $56,177 and $81,756 for the three and nine months ended December 31, 2009, respectively, and $10,766 and $38,695 for the three and nine months ended December 31, 2008, respectively.

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

The following represents the activity in the warranty accrual account during the nine month period ended December 31, 2009 and the year ended March 31, 2009:

	December 31, 2009	March 31, 2009
	(unaudited)	
Beginning warranty accrual	$ 18,743	$ 29,993
Increase in accrual (charged to cost of sales)	-	750
Charges to accrual (product replacements)	-	(12,000)
Reversal of remaining accrual due to expected future claims	(18,743)	-
Ending warranty accrual	$ -	$ 18,743

Derivative Liabilities

Effective April 1, 2009, certain of the Company's issued and outstanding common stock purchase warrants and embedded conversion features previously treated as equity pursuant to the derivative treatment exemption were no longer afforded equity treatment, and the fair value of these common stock purchase warrants and embedded conversion features, some of which have exercise price reset features and some that were issued with convertible debt, were reclassified from equity to liability status as if these warrants were treated as a derivative liability since their date of issue. The common stock purchase warrants were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. The warrants do not qualify for hedge accounting, and as such, all future changes in the fair value of these warrants are recognized currently in earnings until such time as the warrants are exercised, expire or the related rights have been waived. These common stock purchase warrants do not trade in an active securities market, and as such, the Company estimates the fair value of these warrants using the Black-Scholes option pricing model (see "Change in Accounting Principle" section below and Note 7).

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.

Revenue Recognition

Four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists; (ii) delivery has occurred or service has been rendered; (iii) the price is fixed or determinable; and (iv) collection is reasonably assured. The Company records a provision for claims based upon historical experience. Actual claims in any future period may differ from the Company's estimates. During its early years, the Company's limited revenue was derived from the sale of our reusable product line. The Company's current business plan focuses on per-use leasing of the shipping container and value-added services that will be used by us to provide an end-to-end and cost-optimized shipping solution.

The Company provides shipping containers to their customers and charges a fee in exchange for the use of the container. The Company' 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.

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

Accounting for Shipping and Handling Revenue, Fees and Costs

The Company classifies amounts billed for shipping and handling as revenue. Shipping and handling fees and costs are included in cost of sales.

Advertising Costs

The Company expenses the cost of advertising when incurred as a component of selling, general and administrative expenses. During the nine month periods ended December 31, 2009 and 2008, the Company expensed approximately $8,000 and $45,000, respectively, in advertising costs.

Research and Development Expenses

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

Stock-Based Compensation

All share-based payments to employees and directors, including grants of employee stock options and warrants, are recognized in the consolidated financial statements based upon their fair values. The Company uses the Black-Scholes option pricing model to estimate the grant-date fair value of share-based awards. Fair value is determined at the date of grant. The consolidated financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. The estimated average forfeiture rate for the nine month periods ended December 31, 2009 and 2008 was zero as the Company has not had a significant history of forfeitures and does not expect forfeitures in the future.

Stock Option Plans

The Company maintains two stock option plans, the 2002 Stock Incentive Plan (the “2002 Plan”) and the 2009 Stock Incentive Plan (the “2009 Plan”). The 2002 Plan provides for grants of incentive stock options and nonqualified options to employees, directors and consultants of the Company to purchase the Company’s shares at the fair value, as determined by management and the board of directors, of such shares on the grant date. The options generally vest over a three-year period beginning on the grant date and have a seven to ten-year term. The 2002 Plan also provides for the granting of restricted shares of common stock subject to vesting requirements. As of December 31, 2009, the Company is authorized to issue up to 500,000 shares under this plan and has 372,268 shares available for future issuances.

On October 9, 2009, the Company’s stockholders approved and adopted the 2009 Plan, which had previously been approved by the Company’s Board of Directors on August 31, 2009. The 2009 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock rights, restricted stock, performance share units, performance shares, performance cash awards, stock appreciation rights, and stock grant awards (collectively, “Awards”) to employees, officers, non-employee directors, consultants and independent contractors of the Company. The 2009 Plan also permits the grant of awards that qualify for the “performance-based compensation” exception to the $1,000,000 limitation on the deduction of compensation imposed by Section 162(m) of the Internal Revenue Code. A total of 1,200,000 shares of the Company’s common stock is authorized for the granting of Awards under the 2009 Plan. The number of shares available for Awards, as well as the terms of outstanding Awards, are subject to adjustment as provided in the 2009 Plan for stock splits, stock dividends, recapitalizations and other similar events. Awards may be granted under the 2009 Plan until October 9, 2019 or until all shares available for awards under the 2009 Plan have been purchased or acquired. As of December 31, 2009, the Company is authorized to issue up to 1,200,000 shares under this plan and has 1,131,000 shares available for future issuances.

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

Summary of Assumptions and Activity

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

The following table presents the assumptions used to estimate the per share fair values of stock warrants granted to employees and directors during the nine months ended December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Stock options and warrants:		
Expected term (in years)	3.50 - 5.00	5.00
Expected volatility	182% - 197%	211% - 261%
Risk-free interest rate	1.43% - 2.58%	1.52% - 3.15%
Expected dividends	N/A	N/A

A summary of employee and director options and warrant activity for the nine month period ended December 31, 2009 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs.)	Aggregate Intrinsic Value
Outstanding at March 31, 2009	523,388	$ 6.90		
Granted	101,800	$ 4.70		
Exercised	(15,752)	$ 1.10		
Forfeited	(153,930)	$ 4.60		
Outstanding and expected to vest at December 31, 2009	455,506	$ 7.40	7.20	$ 61,855
Exercisable at December 31, 2009	363,672	$ 7.70	7.09	$ 61,855

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

There were no warrants and 70,800 stock options with a weighted average fair value of $4.20 per share granted to employees and directors during the three months ended December 31, 2009 and 21,000 warrants and 80,800 stock options with a weighted average fair value of $4.70 per share granted to employees and directors during the nine months ended December 31, 2009. During the three and nine months ended December 31, 2008, there were 58,110 and 66,970 warrants granted to employees and directors with a weighted average fair value of $5.30 and $5.70, respectively. There were no stock options granted during the three and nine month periods ended December 31, 2008. In connection with the warrants and options granted and the vesting of prior warrants issued, during the nine months ended December 31, 2009 and 2008, the Company recorded total charges of $366,861 and $117,486, respectively, which have been included in selling, general and administrative expenses in the accompanying unaudited consolidated statements of operations. The Company issues new shares from its authorized shares upon exercise of warrants or options.

As of December 31, 2009, there was $374,636 of unrecognized compensation cost related to employee and director stock based compensation arrangements, which is expected to be recognized over the next two years.

The aggregate intrinsic value of stock options and warrants exercised during the nine month periods ended December 31, 2009 and 2008 was $79,964 and $203,012, respectively.

Issuance of Stock for Non-Cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount equaling either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. The majority of the non-cash consideration received pertains to services rendered by consultants and others and has been valued at the market value of the shares on the dates issued. In certain instances, the Company has discounted the values assigned to the issued shares for illiquidity and/or restrictions on resale.

The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. The Company records the fair value of the fully vested non-forfeitable equity instruments issued for future consulting services as prepaid expenses in its consolidated balance sheets.

Income Taxes

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. The Company is a subchapter "C" corporation and files a federal income tax return. The Company files separate state income tax returns for California and Nevada.

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

Basic and Diluted Income (Loss) Per Share

Basic income (loss) per common share is computed based on the weighted average number of shares outstanding during the period. Diluted income (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding assuming all dilutive potential common shares were issued. For the three months ended December 31, 2008, and the nine months ended December 31, 2009 and 2008, the Company was in a loss position and the basic and diluted income (loss) per share are the same since the effect of stock options, warrants and convertible notes payable on loss per share was anti-dilutive and thus not included in the diluted income (loss) per share calculation. The impact under the treasury stock method of dilutive stock options and warrants and the if-converted method of convertible debt would have resulted in weighted average common shares outstanding of 5,262,943 for the three months ended December 31, 2008, and 6,722,413 and 5,609,454 for the nine month periods ended December 31, 2009 and 2008, respectively.

In addition, in computing the dilutive effect of convertible securities, the numerator is adjusted to add back the after-tax amount of interest, if any, recognized in the period associated with any convertible debt.

The calculation of basic net income (loss) per common share is as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Numerator:				
Net income (loss)	$ 2,450,669	$ (1,454,081)	$ (5,085,376)	$ (11,245,855)
Denominator:				
Weighted average shares outstanding for basic net income (loss) per share	4,911,756	4,120,855	4,608,211	4,115,488
Basic net income (loss) per common share	$ 0.50	$ (0.35)	$ (1.10)	$ (2.73)

A reconciliation of the numerator and denominator used in the calculation of diluted net income (loss) per common share follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Numerator:				
Net income (loss)	$ 2,450,669	(1,454,081)	$ (5,085,376)	$ (11,245,855)
Increase: Convertible notes - accrued interest expense and non-cash amortization	1,096,835	-	-	-
Decrease: Convertible notes - change in fair value of Derivative liabilities	(1,847,356)	-	-	-
Net income (loss), adjusted	$ 1,700,148	$ (1,454,081)	$ (5,085,376)	$ (11,245,855)
Denominator:				
Weighted average common shares outstanding	4,911,756	4,120,855	4,608,211	4,115,488
Plus: Incremental shares from assumed exercise of stock options and warrants	29,367	-	-	-
Incremental shares from assumed conversion of convertible notes	1,636,199	-	-	-
Adjusted weighted average common shares outstanding	6,577,322	4,120,855	4,608,211	4,115,488
Diluted net income (loss) per common share	$ 0.26	$ (0.35)	$ (1.10)	$ (2.73)

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

Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Codification ("ASC") 855-10, Subsequent Events, or ASC 855-10, which establishes general standards for accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. The Company adopted ASC 855-10 and evaluated subsequent events through the issuance date of the financial statements. ASC 855-10 did not have a material impact on its consolidated financial statements.

In June 2009, the FASB issued ASC 105-10, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles,* or ASC 105-10. ASC 105-10 became the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernment entities. It also modified the GAAP hierarchy to include only two levels of GAAP; authoritative and non-authoritative. The Company adopted ASC 105-10 for the reporting in its 2009 second quarter. The adoption did not have a significant impact on its consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

Change in Accounting Principle

Equity-linked instruments (or embedded features) that otherwise meet the definition of a derivative are not accounted for as derivatives if certain criteria are met, one of which is that the instrument (or embedded feature) must be indexed to the entity's own stock. The warrant and convertible debt agreements contain adjustment (or ratchet) provisions and accordingly, the Company determined that these instruments are not indexed to the Company's common stock. As a result, the Company is required to account for these instruments as derivative liabilities. The Company applied these provisions to outstanding instruments as of April 1, 2009. The cumulative effect at April 1, 2009 to record, at fair value, a liability for the warrants and embedded conversion features, including the effects on the discounts on the convertible notes of $2,595,095, resulted in an aggregate reduction to equity of $13,875,623 consisting of a reduction to additional paid-in capital of $4,217,730 and an increase in the accumulated deficit of $9,657,893 to reflect the change in the accounting. The warrants and embedded conversion features are carried at fair value and adjusted quarterly through earnings.

The following table summarizes the effect of the change in accounting principle on the unaudited consolidated balance sheet as of April 1, 2009:

	As Previously Reported	As Adjusted	Cumulative Adjustment
Liabilities and Stockholders' Deficit:			
Total liabilities	$ 6,348,460	$ 20,224,083	$ 13,875,623
Stockholders' deficit:			
Common stock	41,863	41,863	—
Additional paid-in capital	25,816,588	21,598,858	(4,217,730)
Accumulated deficit	(30,634,355)	(40,292,248)	(9,657,893)
Total stockholders' deficit	(4,775,904)	(18,651,527)	(13,875,623)
Total liabilities and stockholders' deficit	$ 1,572,556	$ 1,572,556	$ —

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

Fair Value Measurements

The Company determines the fair value of its derivative instruments using a three-level hierarchy for fair value measurements which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair-value hierarchy:

Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical securities. Currently the Company does not have any items classified as Level 1.

Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

The Company classifies its restricted cash balance as a Level 2 item. At December 31, 2009 and March 31, 2009 the balance in the restricted cash account was $90,030 and $101,053, respectively.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment. The Company uses the Black-Scholes option pricing model to determine the fair value of the instruments.

If the inputs used to measure fair value fall in different levels of the fair value hierarchy, a financial security's hierarchy level is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the Company's warrants and embedded conversion features measured at fair value on a recurring basis as of December 31, 2009 and April 1, 2009 (the Company's adoption date of derivative liability accounting) classified using the valuation hierarchy:

	Level 3 Carrying Value December 31, 2009 (unaudited)	Level 3 Carrying Value April 1, 2009 (unaudited)
Embedded Conversion Option	$ 1,655,077	$ 3,900,134
Warrants	12,085,556	12,570,584
	$ 13,740,633	$ 16,470,718

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

The following table provides a reconciliation of the beginning and ending balances for the Company's derivative liabilities measured at fair value using Level 3 inputs:

Balance at March 31, 2009	$	—
Cumulative effect of change in accounting principle		16,470,718
Derivative liability added - warrants		389,781
Derivative liability added – conversion option		788,631
Reclassification of conversion feature to equity upon conversions of notes		(801,695)
Change in fair value		(3,106,802)
Balance at December 31, 2009	$	13,740,633

NOTE 3 - INVENTORIES

Inventories at December 31, 2009 and March 31, 2009 consist of the following:

		December 31, 2009 (unaudited)		March 31, 2009
Raw materials	$	-	$	350,021
Work in process		-		7,253
Finished goods		-		172,967
	$	-	$	530,241

During its early years, the Company's limited revenue was derived from the sale of our reusable product line. The Company's current business plan focuses on per-use leasing of the shipping container and value-added services that will be used by us to provide an end-to-end and cost-optimized shipping solution.

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. As a result, during the quarter ended September 30, 2009, the Company reclassified the containers from inventory to fixed assets upon commencement of the loaned-container program.

NOTE 4 - LINE OF CREDIT

On November 5, 2007, the Company secured financing for a $200,000 one-year revolving line of credit (the "Line") secured by a $200,000 Certificate of Deposit with Bank of the West. On November 6, 2008, the Company secured a one-year renewal of the Line for a reduced amount of $100,000 which is secured by a $100,000 Certificate of Deposit with Bank of the West. On October 19, 2009, the Company secured a one-year renewal of the Line for a reduced amount of $90,000 which is secured by a $90,000 Certificate of Deposit with Bank of the West. All borrowings under the revolving line of credit bear variable interest based either the prime rate plus 1.5% per annum (totaling 4.75% as of December 31, 2009) or 5.0%, whichever is higher. The Company utilizes the funds advanced from the Line for capital equipment purchases to support the commercialization of the Company's CryoPort Express® One-Way Shipper. As of December 31, 2009 and March 31, 2009, the outstanding balance of the Line was $90,388 and $90,310, including accrued interest of $388 and $310, respectively. During the nine months ended December 31, 2009 and 2008, the Company made principal payments against the Line of $0 and $25,500, respectively, and recorded interest expense of $2,948 and $3,099, respectively, related to the Line. No funds were drawn against the Line during the nine months ended December 31, 2009 and 2008.

NOTE 5 - NOTES PAYABLE

Related Party Notes Payable

As of December 31, 2009 and March 31, 2009, the Company had aggregate principal balances of $1,049,500 and $1,279,500, respectively, in outstanding unsecured indebtedness owed to five related parties, including four former members of the 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 of $10,000 per month. As of December 31, 2009, the aggregate principal payments totaled $10,000 per month. Any remaining unpaid principal and accrued interest is due at maturity on various dates through March 1, 2015.

Related-party interest expense under these notes was $15,785 and $48,923 for the three and nine months ended December 31, 2009, respectively, and $17,694 and $54,432 for the three and nine months ended December 31, 2008, respectively. Accrued interest, which is included in related party notes payable in the accompanying unaudited consolidated balance sheets, related to these notes amounted to $603,292 and $554,260 as of December 31, 2009 and March 31, 2009, respectively. As of December 31, 2009, the Company had not made the required payments under the related-party notes which were due on October 1, November 1, and December 1, 2009. However, pursuant to the note agreements, the Company has a 120-day grace period to pay missed payments before the notes are in default. On January 4, 2010, the Company paid the September 1 note payments due on these related party notes, resulting in a current portion of related party notes payable of $160,000 versus $150,000 if the payment had been made as of December 31, 2009 and resulted in a default of the 120 day grace period. Per the agreement, in the event of default the unpaid balance shall become immediately due and payable at the election of the noteholder. The noteholders did not exercise this election and accepted payment on January 4, 2010. Management expects to continue to pay all payments due prior to the expiration of the 120-day grace periods.

NOTE 5 - NOTES PAYABLE, continued

Note Payable to Former Officer

In August 2006, Peter Berry, the Company's former Chief Executive Officer, agreed to convert his deferred salaries to a long-term note payable. Under the terms of this note, the Company began to make monthly payments of $3,000 to Mr. Berry in January 2007. In January 2008, these monthly payments increased to $6,000 and will remain at that amount until the loan is fully paid in December 2010. Interest of 6% per annum on the outstanding principal balance of the note began to accrue on January 1, 2008. As of December 31, 2009 and March 31, 2009, the total amount of deferred salaries and accrued interest under this arrangement was $134,473 and $157,688, respectively, of which, $0 and $67,688, respectively, is recorded as a long-term liability in the accompanying unaudited consolidated balance sheets. Interest expense related to this note was $1,997 and $6,785 for the three and nine months ended December 31, 2009, respectively, and $2,514 and $8,171 for the three and nine months ended December 31, 2008, respectively. Accrued interest related to this note payable amounted to $20,523 and $13,738 at December 31, 2009 and March 31, 2009, respectively, and is included in the note payable to officer in the accompanying unaudited consolidated balance sheets. In January 2009, Mr. Berry agreed to defer the monthly payments of the note due from January 31, 2009 through June 30, 2009. Effective August 26, 2009, pursuant to a letter agreement (i) the Company agreed to pay Mr. Berry the sum of $30,000 plus accrued interest representing past due payments from January to May 2009 previously waived by Mr. Berry, (ii) Mr. Berry agreed to waive payments due to him through December 2009, and (iii) the Company agreed to pay to Mr. Berry the sum of $42,000 plus accrued interest on January 1, 2010, representing payments due to him from June 2009 thru December 2009. As of December 31, 2009 and March 31, 2009 these unpaid payments totaled $113,950 and $18,000, respectively, and are included in the current liability portion of the note payable in the accompanying unaudited consolidated balance sheets. In February 2009, Mr. Berry resigned his position as Chief Executive Officer and on July 16, 2009. Mr. Berry resigned his position from the Board on July 30, 2009. We are currently in default of our payment obligation to Mr. Berry under the foregoing Note Payable Agreement.

NOTE 6 - CONVERTIBLE NOTES PAYABLE

The Company's convertible debenture balances are shown below:

	December 31, 2009 (unaudited)	March 31, 2009
October 2007 Debentures	$ 4,648,647	$ 5,356,073
May 2008 Debentures	1,332,778	1,325,556
Private Placement Debentures	1,381,500	60,000
Accrued interest on Private Placement Debentures	61,964	44,544
	7,424,889	6,786,173
Debt discount	(2,175,337)	(2,903,374)
Total convertible debentures, net	$ 5,249,552	$ 3,882,799
Convertible notes payable and accrued interest, net	$ 930,304	$ 46,414
Current portion of convertible notes payable, net	4,319,248	3,836,385
Convertible notes payable, net	$ 5,249,552	$ 3,882,799

During the three and nine months ended December 31, 2009, the Company recognized an aggregate of $1,068,978 and $4,806,547 in interest expense, respectively, due to amortization of debt discount related to the warrants and embedded conversion features associated with the Company's outstanding convertible notes payable. During the three and nine months ended December 31, 2008, the Company recognized an aggregate of $681,523 and $1,640,109 in interest expense, respectively, due to amortization of debt discount related to the warrants and embedded conversion features associated with the Company's outstanding convertible notes payable.

NOTE 6 - CONVERTIBLE NOTES PAYABLE, continued

October 2007 and May 2008 Debentures

In May 2009, approximately $713,000 of the October 2007 Debentures was converted by a note holder. Using the conversion rate of $5.10 per share per the terms of the debenture, 139,803 shares of common stock were issued to the investor. In addition, the fair value of $593,303 related to the conversion feature was reclassed from the liability for derivative instruments to additional paid-in capital (see Note 7) and accelerated the recognition of $508,886 of unamortized debt discount as interest expense.

During the nine months ended December 31, 2009, the Company converted interest payments due on the October 2007 and May 2008 convertible debentures (the "Debentures") totaling $171,254 into 42,813 shares of common stock using the conversion rate of $4.00.

On July 30, 2009, the Company entered into a Consent, Waiver and Agreement with the holders of the Debentures (the “July Agreement”). Pursuant to the terms of the July Agreement, the Holders (i) consented to the Company’s issuance of convertible notes and warrants in connection with a bridge financing of up to $1,500,000 which commenced in March 2009 (the “Bridge Financing”), and (ii) waived, as it relates to the Bridge Financing, a covenant contained in the Debentures not to incur any further indebtedness, except as otherwise permitted by the Debentures. This Bridge Financing is more particularly described below under the caption “Private Placement Debentures.” In addition, in connection with the July Agreement, the Company and Holders confirmed that (i) the exercise price of the warrants issued to the Holders in connection with their purchase of the Debentures had been reduced, pursuant to the terms of the warrants, to $5.10 as a result of the Bridge Financing, and (ii) as a result of the foregoing decrease in the exercise price, pursuant to the terms of the warrants (the “Warrants”), the number of shares underlying the Warrants held by Holders of the Debentures had been proportionally increased by 404,350 pursuant to the terms of the warrant agreements. As a result of the foregoing adjustments, the Company recognized a loss in other expense due to the change in fair value of derivative liabilities of $1,608,540 and a corresponding increase to the liability for derivative instruments.

On September 17, 2009, the Company entered into an Amendment to Debentures and Warrants, Agreement and Waiver (the “Amendment”) with the Holders the Company’s outstanding Debentures and associated Warrants to purchase common stock, as such Debentures and Warrants have been amended. The effective date of the Amendment was September 1, 2009. The purpose of the Amendment was to restructure the Company’s obligations under the outstanding Debentures in order to reduce the amount of the required monthly principal payment and temporarily defer the commencement of monthly principal payments (which was scheduled to commence September 1, 2009) and ceased the continuing interest payments for a period time.

The following is a summary of the material terms of the Amendment:

1. The Company was required to obtain stockholder approval of an amendment to its Amended and Restated Articles of Incorporation to increase the number of authorized shares of its common stock to 250,000,000. Such approval was obtained at the shareholders’ meeting on October 9, 2009, and an amendment was filed with the Nevada Secretary of State on November 2, 2009.

2. As of September 1, 2009, the principal amount of the Debentures was increased by $482,796, which was added to the outstanding principal balances and $403,214 was recorded as a debt discount and will be amortized over the remaining life of the Debentures. The increase reflected all accrued and unpaid interest as of such date, plus all interest that would have accrued on the principal amount (as increased as of September 1, 2009, to reflect the then accrued but unpaid interest) from September 1, 2009, to July 1, 2010 (the maturity date of the Debentures). The Company shall have no obligation under the Debentures to make further payments of interest, and interest shall cease to accrue, during the period September 1, 2009 to July 1, 2010.

NOTE 6 - CONVERTIBLE NOTES PAYABLE, continued

3. The conversion price of the Debentures was decreased from $5.10 per share to $4.50 per share, which resulted in an increase in the number shares of common stock which the Debentures may be converted into, an increase in the liability for derivative instruments of $802,200 and a corresponding loss was recorded in other expense, net due to the change in fair value of derivatives.

4. The commencement of the Company's obligation to make monthly payments of principal was deferred from September 1, 2009, to January 1, 2010, at which time the Company will make monthly pro rata payments to the Holders in the aggregate amount of $200,000 with a balloon payment due on the maturity date of July 1, 2010. Prior to the Amendment, the Company was obligated to repay the entire outstanding principal amount of the debentures in twelve equal monthly payments commencing on August 1, 2009. On January 12, 2010, the Company entered into an Amendment to Debentures and Warrants, Agreement and Waiver with the Holders of the Company Debentures, which was amended on February 1, 2010 (see Note 11, "Subsequent Events").

5. The Holders' existing right to maintain a fully diluted ownership equal to 31.5% has been increased by the Amendment to a fully diluted ownership of 34.5%.

6. The exercise price of the outstanding Warrants was decreased from $5.10 per share to $4.50 per share, which also resulted in a corresponding pro rata increase in the number of shares that may be purchased upon exercise of the Warrants to an aggregate of 3,055,095 shares. The reduction in exercise price of the Warrants to $4.50 per share and the 359,423 share increase in the number of Warrants resulted in an increase in the liability for derivative instruments of $1,679,990 and a corresponding loss was recorded in other expense, net due to the change in fair value of derivative liabilities.

7. The following additional covenants were added to the Debentures (replacing similar covenants which had terminated as of June 30, 2009) and shall remain in full force so long as any of the Debentures remain outstanding (the "Covenant Period"):

   a. The Company shall maintain a total cash balance of no less than $100,000 at all times during the Covenant Period;

   b. The Company shall have an average monthly operating cash burn of no more than $500,000 during the Covenant Period. Operating cash burn is defined by taking net income (or loss) and adding back all non-cash items, and excludes changes in assets, liabilities and financing activities;

   c. The Company shall have a minimum current ratio of 0.5 to 1 at all times during the Covenant Period. This calculation is to be made by excluding the current portion of the convertible notes payable and accrued interest, and liability from derivative instruments from current liability for the current ratio;

   d. Accounts payable shall not exceed $750,000 at any time during the Covenant Period;

   e. Accrued salaries shall not exceed $350,000 at any time during the Covenant Period; and

   f. The Company shall not make any revisions to the terms of the existing contractual agreements for the Notes Payable to Former Officer, Related Party Notes Payable and the Line of Credit (as each is referred to in the Company's Form 10-Q for the period ended June 30, 2009); other than the previous amendment to the payment terms of a note payable to the Company's former CEO.

8. The Company may not deliver a redemption notice with respect to the outstanding Debentures until such time as the closing price of the Company's common stock shall have exceeded $7.00 (as adjusted for stock splits or similar transactions) for ten consecutive trading days prior to the delivery of the redemption notice.

On September 22, 2009, the holders of the May 2008 Debentures converted $100,000 of principal into 22,222 shares of the Company's common stock at a conversion price of $4.50. As a result of the conversion, the Company reclassified $52,799 of the derivative liability related to the embedded conversion feature to additional paid in capital and accelerated the recognition of $41,277 of unamortized debt discount as interest expense.

NOTE 6 - CONVERTIBLE NOTES PAYABLE, continued

On October 9, 2009, the holders of the October 2007 Debentures converted $90,000 principal into 20,000 shares of the Company's common stock at a conversion price of $4.50. As a result of the conversion, the Company reclassified $37,001 of the derivative liability related to the embedded conversion feature to additional paid in capital and accelerated the recognition of $33,708 of unamortized debt discount as interest expense.

On November 17, 2009, the holders of the October 2007 Debentures converted $180,000 principal into 40,000 shares of the Company's common stock at a conversion price of $4.50. As a result of the conversion, the Company reclassified $80,368 of the derivative liability related to the embedded conversion feature to additional paid in capital and accelerated the recognition of $59,262 of unamortized debt discount as interest expense.

On November 24, 2009, the holders of the October 2007 Debentures converted $100,000 principal into 22,222 shares of the Company's common stock at a conversion price of $4.50. As a result of the conversion, the Company reclassified $38,224 of the derivative liability related to the embedded conversion feature to additional paid in capital and accelerated the recognition of $32,054 of unamortized debt discount as interest expense.

During the three and nine months ended December 31, 2009, the Company recognized an aggregate of $806,179 and $4,193,935 in interest expense, respectively, due to amortization of debt discount related to the warrants and embedded conversion features associated with the Company's outstanding Debentures. During the three and nine months ended December 31, 2008, the Company recognized an aggregate of $681,523 and $1,640,109 in interest expense, respectively, due to amortization of debt discount related to the warrants and embedded conversion features associated with the Company's outstanding Debentures.

During the nine months ended December 31, 2008, the Company incurred a loss on extinguishment of debt of $6,811,214 due to the April 30, 2008 Amendment of the October 2007 Debentures (the "April Amendment"). The April Amendment provided for a nine month deferral of principal payments, an increase in the number of shares to be purchased under each of the October 2007 Warrants and a decrease in the Exercise Price of the October 2007 Warrants from $0.90, $0.92 and $1.60 to $0.60 each. In addition, the Company eliminated the unamortized balance of deferred financing costs related to the October 2007 Debentures.

During the nine months ended December 31, 2008, the Company incurred a gain on extinguishment of debt of $91,727 as a result of the August 29, 2008 Amendment of the October Debentures which provided for an increase of $866,202 in the principal balance of the October Debentures for the interest that would have been paid September 30, 2008 and December 31, 2008 and for 15% of the aforementioned interest and the outstanding principal as of the date of the amendment. The gain consists of a combination of the $866,202 increase in principal offset by the $899,004 increase in the unamortized discount balance and the previously accrued interest of $58,925 related to the October Debentures to reflect the present value of the debentures as of August 29, 2008.

Private Placement Debentures

In March 2009, the Company entered into an Agency Agreement with a broker to raise capital in a private placement offering of one-year convertible debentures pursuant to Regulation D of the Securities Act of 1933 and the Rules promulgated thereunder (the "Private Placement Debentures"). As of December 31, 2009, the Company had received gross proceeds of $1,381,500 under this private placement offering of convertible debentures which includes net proceeds of $1,321,500 raised during the nine months ended December 31, 2009. There were no funds raised pursuant to the private placement offering during the three months ended December 31, 2009.

The Company may elect to make principal redemptions on the maturity dates of the debentures in shares of common stock at a conversion price of $5.10 per share. At any time, holders may convert the debentures into shares of common stock at the conversion price of $5.10. The conversion price is subject to adjustment in the event the Company issues its next equity financing of at least $2,500,000 at a price below $5.10 per share.

Per the terms of the convertible debenture agreements, the notes have a term of one year from issuance and are redeemable by the Company with two days notice. The notes bear interest at 8% per annum and are convertible into shares of the Company's common stock at a conversion rate of $5.10 per share. In connection with the Private Placement Debentures, the Company issued to investors an aggregate of 54,177 five-year warrants to purchase shares of the Company's common stock at $5.10 per share (the "Private Placement Warrants"), which includes 51,824 warrants issued to investors during the nine months ended December 31, 2009. The Company has determined the aggregate fair value of the issued warrants as of the dates of each grant, based on the Black-Scholes pricing model, to be approximately $291,571 for the nine months ended December 31, 2009. The exercise price of the warrants is subject to adjustment in the event the Company issues its next equity financing of at least $2,500,000 at a price below $5.10 per share. At December 31, 2009, the aggregate fair value of the Private Placement Warrants was $207,899 and is accounted for as a derivative liability (see Note 7).

In connection with the issuance of the Private Placement Debentures, the Company recognized a debt discount and derivative liability at the dates of issuance in the aggregate amount of $1,125,773 related to the fair value of the warrants and embedded conversion features, which included $1,080,201 of debt discount recorded for the nine month period ended December 31, 2009. The debt discount will be amortized to interest expense over the life of the debentures and the derivative liability will be revalued each reporting period with changes in fair value recognized in earnings.

NOTE 6 - CONVERTIBLE NOTES PAYABLE, continued

During the three months ended December 31, 2009, the Company issued 16,253 warrants with an exercise price of $5.10 per share for commissions due in connection with the Company's Private Placement Debentures. The Company determined the aggregate fair value of the issued warrants, based on the Black-Scholes pricing model, to be $63,396 or $3.90 per share as of the effective date of grant.

During the three and nine months ending December 31, 2009, the Company recognized an aggregate of $262,799 and $612,612 in interest expense, respectively, due to amortization of debt discount related to the warrants and embedded conversion features associated with the Company's outstanding Private Placement Debentures. There were no corresponding amounts recognized during the three and nine months ended December 31, 2008 related to the Private Placement Debentures.

NOTE 7 - DERIVATIVE LIABILITIES

In accordance with current accounting guidance (see Note 2), outstanding warrants to purchase shares of common stock and embedded conversion features in convertible notes payable previously treated as equity are no longer afforded equity treatment because these instruments have reset or ratchet provisions in the event the Company raises additional capital at a lower price, among other adjustments. As such, effective April 1, 2009 the Company reclassified the fair value of these common stock purchase warrants and embedded conversion features, from equity to liability status as if these warrants and conversion features were treated as derivative liabilities since their dates of issuance or modification. The cumulative effect at April 1, 2009 to record, at fair value, a liability for the warrants and embedded conversion features, and related adjustments to discounts on convertible notes of $2,595,095, resulted in an aggregate reduction to equity of $13,875,623 consisting of a reduction to additional paid-in capital of $4,217,730 and an increase in the accumulated deficit of $9,657,893 to reflect the change in the accounting.

Any change in fair value subsequent to April 1, 2009 is recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, the Company will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, the Company will record non-operating, non-cash income.

In July 2009, as a result of the July Agreement, the exercise price of the Warrants was decreased from $6.00 per share to $5.10 per share, which resulted in an increase in the liability for derivative instruments of $1,608,540 and a corresponding loss was recorded in other expense, net due to the change in fair value of derivative liabilities (see Note 6).

In September 2009, as a result of the September Amendment, the conversion price of the Debentures and the exercise price of the Warrants was decreased from $5.10 per share to $4.50 per share, pursuant to the terms of the Debentures, which resulted in an aggregate increase in the liability for derivative instruments of $1,679,990 and a corresponding loss was recorded in other expense, net due to the change in fair value of derivative liabilities. In addition, the conversion price of the Debentures was decreased from $5.10 per share to $4.50 per share, which resulted in an increase in the number shares of common stock which the Debentures may be converted into, an increase in the liability for derivative instruments of $802,200 and a corresponding loss was recorded in other expense, net and included in the change in fair value of derivative liabilities (see Note 6).

During the nine months ended December 31, 2009, the Company issued a total of 20,000 warrants to various consultants in lieu of fees paid for services performed by consultants to purchase shares of the Company's common stock at an average exercise price of $5.10 per share. The exercise prices of these warrants are equal to the stock price of the Company's shares as of the dates of each grant. The Company determined the aggregate fair value of the issued warrants, based on the Black-Scholes pricing model, to be $87,448 as of the dates of each grant. Since the exercise price of the warrants is subject to adjustment in the event the Company issues the next equity financing, the warrants are accounted for as a derivative liability.

During the nine months ended December 31, 2009, in connection with the termination of a consulting agreement, the Company modified the terms of 54,676 warrants issued in October 2007 and May 2008. The exercise price of the warrants was reduced from $8.40 per share to $6.00 per share and the expiration date was extended to 5 years from the date of modification. As a result of the modification, the Company recognized expense of $10,763 in other expense, net based on the change in the Black-Scholes fair value before and after modification.

During the three and nine months ended December 31, 2009, the Company recognized aggregate gains of $3,106,802 and $4,508,352, respectively, due to the change in fair value of its derivative instruments. See Note 2 – *Organization and Summary of Significant Accounting Policies – Fair Value Measurements*, for the components of changes in derivative liabilities. During the three and nine months ended December 31, 2008, there were no derivative liabilities and therefore no recognized changes in fair value.

NOTE 7 - DERIVATIVE LIABILITIES, continued

The Company's common stock purchase warrants do not trade in an active securities market, and as such, the Company estimated the fair value of these warrants using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2009	April 1, 2009
Expected dividends	—	—
Expected term (in years)	4.01 - 4.72	3.50 – 5.00
Risk-free interest rate	2.69%	1.65%
Expected volatility	178%	204%

Historical volatility was computed using daily pricing observations for recent periods that correspond to the remaining term of the warrants, which had an original term of five years from the date of issuance. The expected life is based on the remaining term of the warrants. The risk-free interest rate is based on U.S. Treasury securities with a maturity corresponding to the remaining term of the warrants.

The Company estimated the fair value of the embedded conversion features related to its convertible debentures using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2009	April 1, 2009
Expected dividends	—	—
Expected term (in years)	0.24 – 1.00	0.99 – 1.25
Risk-free interest rate	0.06%	1.65%
Expected volatility	81% - 134%	125% - 131%

Historical volatility was computed using daily pricing observations for recent periods that correspond to the remaining life of the related debentures. The expected life is based on the remaining term of the related debentures. The risk-free interest rate is based on U.S. Treasury securities with a maturity corresponding to the remaining term of the related debentures.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Leases

On July 2, 2007, the Company entered into a lease agreement with Viking Investors - Barents Sea, LLC (Lessor) for a building with approximately 11,881 square feet of manufacturing and office space located at 20382 Barents Sea Circle, Lake Forest, CA, 92630. The lease agreement is for a period of two years with renewal options for three, one-year periods, beginning September 1, 2007. The lease requires base lease payments of approximately $9,885 per month plus operating expenses. In connection with the lease agreement, the Company issued to the lessor a warrant to purchase 1,000 shares of common stock at an exercise price of $15.50 per share for a period of two years, valued at $15,486 as calculated using the Black Scholes option pricing model. The assumptions used under the Black-Scholes pricing model included: a risk free rate of 4.75%; volatility of 293%; an expected exercise term of 5 years; and no annual dividend rate. The Company capitalized and amortized the value of the warrant over the life of the lease and recorded the unamortized value of the warrant in other long-term assets. For the three and nine months ended December 31, 2009, the Company amortized $0 and $2,970, respectively. As of December 31, 2009, the fair value of the warrant has been fully amortized. On August 24, 2009, the Company entered into the second amendment to the lease for its manufacturing and office space. The amendment extended the lease for twelve months from the end of the existing lease term with a right to cancel the lease with a minimum of 120 day written notice at anytime as of November 30, 2009. In the event the Company does exercise its option to cancel the lease, the Company shall reimburse the Lessor for the unearned leasing commissions. Total rental expense was approximately $30,000 and $115,000 for the three and nine months ended December 31, 2009, respectively, and approximately $46,000 and $136,000 for the three and nine months ended December 31, 2008, respectively.

Deferred salaries and bonuses

In January 2009, the Company enacted measures to conserve cash which included cutting non-exempt employees to a four day work week with the fifth day off unpaid. To retain the employees they were offered a bonus to be paid upon two conditions 1) the Company raised a minimum of $2,500,000 and 2) that they were still employed at the time the financing was complete. The potential deferred salaries and bonus was $39,934 and $18,340 as of December 31, 2009 and March 31, 2009, respectively.

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 financial condition or results of operations.

NOTE 8 - COMMITMENTS AND CONTINGENCIES, continued

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 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 lease, the Company has indemnified its lessor for certain claims arising from the use of the facility. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreement. These 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 unaudited consolidated balance sheets.

NOTE 9 - EQUITY

Common Stock and Warrants

In October 2007, the Company engaged the firm of Carpe DM, Inc. to perform the services as the Company's investor relations and public relations representative for a monthly fee of $7,500 per month. Pursuant to the terms of this 36 month consulting agreement, the Company issued 15,000 shares of common stock at a price of $8.00 per share and a total value of $120,000, the resale of which is registered on a Form S-8 registration statement and 25,000 fully vested and non-forfeitable warrants at an exercise price of $15.00 per share for a period of two and one-half years, valued at $229,834 as calculated using the Black-Scholes option pricing model. On November 13, 2007, the Company filed the Form S-8 as required by this agreement with the Securities and Exchange Commission. The Company recorded the combined value of $349,834 of the shares and warrants issued as prepaid expense which is being amortized over the life of the services agreement. As of December 31, 2009 and March 31, 2009, the unamortized balance of the value of the shares and warrants issued to Carpe DM, Inc. was $87,475 and $174,928, respectively. Amortization expense related to the value of the shares and warrants was $29,151 and $87,453 for the three and nine months ended December 31, 2009, respectively, and $29,151 and $87,453 for the three and nine months ended December 31, 2008, respectively and is included in selling, general and administrative expenses. On September 28, 2009, the Company issued 2,353 shares of common stock, in lieu of fees paid for services performed. These shares were issued at a value of $5.10 per share.

In May 2009, $713,000 of the October 2007 Debentures was converted by the note holder. Using the conversion rate of $5.10 per share per the terms of the Debenture, 139,803 shares of registered common stock were issued to the investor.

In July 2009, the Company engaged an agent to solicit the holders of certain warrants to exercise their rights to purchase shares of the Company's common stock. Pursuant to the terms of the engagement, the Company agreed to pay the agent compensation of 5% of the gross proceeds totaling $76,632, which is included equity and netted against the gross proceeds in the accompanying unaudited consolidated balance sheet at December 31, 2009. In addition, the Company issued to the agent a warrant to purchase a number of shares of the Company's common stock equal to 5% of the number of shares issued in the exercise of the warrants, or a total of 23,951 warrants with a fair value of $98,256 or $4.10 per share as of December 31, 2009. The warrant has an exercise price of $5.10 and will permit the agent or its designees to purchase shares of common stock on or prior to October 1, 2014. The fair value of warrants has been recorded as an offset to additional paid in capital on the accompanying unaudited consolidated balance sheet. During the three and nine months ended December 31, 2009, the Company issued 145,833 and 479,033 shares respectively, of its common stock for gross cash proceeds of $437,500 and $1,437,100 respectively, from the exercise of warrants which resulted from the solicitation.

During July 2009, the Company entered into the July Agreement with the holders of the Company's Debentures (see Note 6). Pursuant to the terms of the July Agreement, the Holders (i) consented to the Company's issuance of convertible notes and warrants in connection with the Bridge Financing of up to $1,500,000 which commenced in March 2009, and (ii) waived, as it relates to the Bridge Financing, a covenant contained in the Debentures not to incur any further indebtedness, except as otherwise permitted by the Debentures. This Bridge Financing is more particularly described in Note 6 above under the caption "Private Placement Debentures." In addition, in connection with the July Agreement, the Company and Holders confirmed that (i) the exercise price of the warrants issued to the Holders in connection with their purchase of the Debentures had been reduced, pursuant to the terms of the warrants, to $5.10 as a result of the Bridge Financing, and (ii) as a result of the foregoing decrease in the exercise price, pursuant to the terms of the warrants, the number of shares underlying the warrants held by Holders of the Debentures had been proportionally increased by 404,350 pursuant to the terms of the warrant agreements (see Note 6).

NOTE 9 - EQUITY, continued

In August 2009, the Company issued warrants to purchase 600 shares of common stock in lieu of payment to Gary C. Cannon, who then served as Corporate Legal Counsel for the Company and as a member of the Advisory Board, to purchase shares of the Company's common stock at an exercise price of $5.10 per share with a five year term. The exercise prices of these warrants are greater than or equal to the stock price of the Company's shares as of the date of grant. The fair market value of the warrants based on the Black-Scholes pricing model of $2,799 was recorded as consulting and compensation expense and included in selling, general and administrative expenses in the period ended December 31, 2009. In July 2009, Mr. Cannon was given a 30 day notice of his termination as general legal counsel and advisor to the Company. During November 2009, the Company issued 4,313 shares of common stock to Mr. Cannon in lieu of payment for services for a total cost of $22,000 which has been included in selling, general and administrative expenses.

Effective September 1, 2009, in connection with the Amendment (as defined) with the holders of the October 2007 and May 2008 Convertible Debentures, the exercise price of certain outstanding warrants held by such holders was reduced to $4.50 per share which resulted in a proportionate increase the number of shares that may be purchased upon the exercise of such warrants of 359,423 shares (see Note 6).

In September 2009, $100,000 of the May 2008 Debentures was converted by the note holder. Using the conversion rate of $4.50 per share per the terms of the Debenture, 22,222 share of registered common stock were issued to the investor.

On October 30, 2009, the Company issued 5,880 shares of common stock, in lieu of fees paid for services performed by the Board of Directors. These shares were issued at a value of $4.30 per share.

During the three months ended December 31, 2009, the holders of the October 2007 Debentures converted $370,000 principal into 82,222 shares of the Company's common stock at a conversion price of $4.50 (See Note 6).

During the three months ended December 31, 2009, the Company issued 4,718 shares of common stock upon the cashless exercises of a total of 11,640 warrants at an average exercise price of $2.80 per share. In addition, during the nine months ended December 31, 2009, the Company issued 11,034 shares of common stock upon the cashless exercises of a total of 11,900 warrants at an average exercise price of $0.40 per share.

During the nine months ended December 31, 2009 the Company issued convertible debentures with an aggregate principal amount of $1,321,500. The Company paid $79,290 in commissions to the broker. In addition, the Company issued to the purchasers of the convertible debentures warrants to purchase an aggregate of 51,824 shares of common stock at an initial exercise price of $5.10.

During the nine months ended December 31, 2009, the Company issued 25,256 shares of common stock the resale of which was registered pursuant to Form S-8 in lieu of fees paid for services performed by consultants. On April 13, 2009 and June 11, 2009, the Company filed the related Forms S-8 with the SEC. These shares were issued at a value of $5.10 per share for a total cost of $118,806 which has been included in selling, general and administrative expenses for the nine months ended December 31, 2009.

During the three months ended December 31, 2009, there were 70,800 stock options with a weighted average fair value of $4.20 per share granted to employees and directors. During the nine months ended December 31, 2009 there were a total of 21,000 warrants and 80,800 stock options with a weighted average fair value of $4.70 per share granted to employees and directors (see Note 2).

During the three months ended December 31, 2009, the Company issued 16,253 warrants with a fair value of $63,396 or $3.90 per share for commissions due in connection with the Company's Private Placement Debentures. In addition, during the nine months ended December 31, 2009, the Company issued 20,000 warrants with a fair value of $87,448 or $4.40 per share in lieu of fees paid for services performed to various consultants for purchase of the Company's common stock (see Notes 6 and 7, respectively).

NOTE 10 - RELATED PARTY TRANSACTIONS

In August 2006, Peter Berry the Company's former Chief Executive Officer, agreed to convert his deferred salaries to a long-term note payable. Under the terms of this note, the Company began to make monthly payments of $3,000 to Mr. Berry in January 2007. In January 2008, these monthly payments increased to $6,000 and will remain at that amount until the loan is fully paid in December 2010. Interest of 6% per annum on the outstanding principal balance of the note began to accrue on January 1, 2008. As of December 31, 2009 and March 31, 2009, the total amount of deferred salaries and accrued interest under this arrangement was $134,473 and $157,688, respectively, of which $0 and $67,688, respectively was recorded as a long-term liability in the accompanying unaudited consolidated balance sheets. Interest expense related to this note was $1,997 and $6,785 for the three and nine months ended December 31, 2009, respectively, and $2,514 and $8,171 for the three and nine months ended December 31, 2008, respectively. Accrued interest related to this note payable amounted to $2,514 and $13,738 at December 31, 2009 and March 31, 2009, respectively, and is included in the note payable to officer in the accompanying unaudited consolidated balance sheets. In January 2009, Mr. Berry agreed to defer the monthly payments of the note due from January 31, 2009 through June 30, 2009. Effective August 26, 2009, pursuant to a letter agreement (i) we agreed to pay Mr. Berry the sum of $30,000 plus accrued interest representing past due payments from January to May 2009 previously waived by Mr. Berry, (ii) Mr. Berry agreed to waive payments due to him through December 2009, and (iii) we agreed to pay to Mr. Berry the sum of $42,000 plus accrued interest on January 1, 2010, representing payments due to him from June 2009 thru December 2009. As of December 31, 2009 and March 31, 2009 these unpaid payments totaled $113,950 and $18,000, respectively and are included in the current liability portion of the note payable in the accompanying unaudited consolidated balance sheets (see Note 5). Mr. Berry resigned his position as Chief Executive Officer in February 2009. Mr. Berry resigned his position from the Board on July 30, 2009. We are currently in default of our payment obligation to Mr. Berry under the foregoing Note Payable Agreement.

In May 2009, the Company issued 11,034 shares of common stock to Peter Berry, resulting from the cashless exercise of 11,900 warrants at an exercise price of $0.40 per share (see Note 9).

Since June 2005, the Company had retained the legal services of Gary C. Cannon, Attorney at Law, for a monthly retainer fee. From June 2005 to May 2009, Mr. Cannon also served as the Company's Secretary and a member of the Company's Board of Directors. Mr. Cannon continued to serve as Corporate Legal Counsel for the Company and served as a member of the Advisory Board. In December 2007, Mr. Cannon's monthly retainer for legal services was increased from $6,500 per month to $9,000 per month. The total amount paid to Mr. Cannon for retainer fees and out-of-pocket expenses for the nine months ended December 31, 2009 and 2008 was $34,000 and $81,000, respectively. From October 2008 through March 31, 2009 Mr. Cannon agreed to defer a portion of his monthly payments. As of December 31, 2009 and March 31, 2009 a total of $0 and $15,000, respectively, had been deferred and was included in accounts payable in the accompanying unaudited consolidated balance sheets. Board fees expensed for Mr. Cannon were $0 and $5,388 for the three and nine months ended December 31, 2009, respectively, and $34,000 and $81,000 for the three and nine months ended December 31, 2008, respectively. At December 31, 2009 and March 31, 2009, $15,788 and $15,000, respectively, of deferred board fees was included in accrued expenses. During the nine months ended December 31, 2009, Mr. Cannon was granted a total of 2,557 warrants with an average exercise price of $5.90 per share. For the nine months ended December 31, 2008, Mr. Cannon was granted a total of 1,800 warrants with an average exercise price of $9.50 per share. All warrants granted to Mr. Cannon were issued with an exercise price of greater than or equal to the stock price of the Company's shares on the grant date. On May 4, 2009, Gary Cannon resigned from the Company's Board of Directors and in July 2009 Mr. Cannon was given 30 days notice that he was terminated as the general legal counsel and advisor to the Company.

As of December 31, 2009 and March 31, 2009, the Company had aggregate principal balances of $1,049,500 and $1,279,500, respectively, in outstanding unsecured indebtedness owed to five related parties, including four former members of the 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 commenced April 1, 2006 of $2,500, and which increased by an aggregate of $2,500 every nine months to the current maximum aggregate payment of $10,000 per month. Any remaining unpaid principal and accrued interest is due at maturity on various dates through March 1, 2015. Related-party interest expense under these notes was $15,785 and $48,923 for the three and nine months ended December 31, 2009, respectively, and $17,694 and $54,432 for the three and nine months ended December 31, 2008, respectively. Accrued interest, which is included in related party notes payable in the accompanying unaudited consolidated balance sheets, related to these notes amounted to $603,292 and $554,260 as of December 31, 2009 and March 31, 2009, respectively. The Company had not made the required payments under the related party notes which were due on October 1, November 1, and December 1, 2009. However, pursuant to the note agreements, the Company has a 120-day grace period to pay missed payments before the notes are in default. In January 2010, the Company paid the September 1 note payments due on these related party notes, resulting in a current portion of related party notes payable of $160,000 as compared to a balance of $150,000 if the payment had been made as of December 31, 2009 and resulted in a default of the 120 day grace period. Per the agreement, in the event of default the unpaid balance shall become immediately due and payable at the election of the noteholder. The noteholders did not exercise this election and accepted payment on January 4, 2010. Management expects to continue to pay all payments due prior to the expiration of the 120-day grace periods.

NOTE 10 - RELATED PARTY TRANSACTIONS, continued

On July 20, 2009, Dee Kelly informed the Company's Board of her intent to terminate the consulting agreement between Dee Kelly Financial Services and the Company and resign as the Company's Chief Financial Officer and Vice President of Finance effective August 20, 2009, the expiration date of the thirty (30) day notice period provided for in the consulting agreement. The Company also entered into a Settlement and Mutual General Release of Claims (the "Release Agreement") with Ms. Kelly on July 24, 2009, that governs the terms of her departure and that provides, in exchange for a general release by Ms. Kelly, for the following: (i) the Company will pay to Ms. Kelly on July 31, 2009, the sum of $14,000 representing the amount of deferred compensation owed to Ms. Kelly as of July 24, 2009, which the Company and Ms. Kelly had previously agreed to defer; and (ii) a general release of claims by the Company in favor of Ms. Kelly. The Release Agreement also contains other customary provisions.

In August 2009, the Company issued 600 warrants in lieu of payment to Gary C. Cannon, who then served as Corporate Legal Counsel for the Company and as a member of the Advisory Board, to purchase shares of the Company's common stock at an exercise price of $5.10 per share and 5 year term. The exercise prices of these warrants are greater than or equal to the stock price of the Company's shares as of the date of grant. The fair market value of the warrants of $2,799 based on the Black-Scholes pricing model was recorded as consulting and compensation expense and included in selling, general and administrative expenses in the period ended December 31, 2009.

NOTE 11 - SUBSEQUENT EVENTS

On January 7, 2010, the Company's Board of Directors, pursuant to the Company's bylaws, elected John H. Bonde to the Board of Directors. Mr. Bonde was also appointed to serve as a member of the Audit Committee.

There have been no related party transactions between Company and Mr. Bonde, and there were no arrangements or understandings between Mr. Bonde and any other person pursuant to which he was selected as a director. Except for the grant to Mr. Bonde of an option to purchase 3,407 shares of the Company's common stock at an exercise price of $5.70 per share, which option will vest in three quarterly installments commencing on January 31, 2010, Mr. Bonde is not a party to and does not currently participate in any material Company plan, contract, or arrangement, nor has he received any grant or award from the Company in connection with his election to the Board of Directors. In addition to the foregoing stock option grant, Mr. Bonde will also receive a quarterly cash board fee in the amount of $15,000.

During January 2010, the holders of the October 2007 Debentures converted $200,000 principal into 44,444 shares of the Company's common stock at a conversion price of $4.50.

On January 12, 2010, the Company entered into an Amendment to Debentures and Warrants, Agreement and Waiver (the "2010 Amendment") with the Holders of the Company Debentures, which was amended on February 1, 2010.

NOTE 11 – SUBSEQUENT EVENTS, continued

The Company's management negotiated the 2010 Amendment with the Holders of the Debentures in order to (i) restructure the conversion and payment terms of the Debentures which will allow the Company upon completion of the Public Offering (defined below) to eliminate this outstanding debt obligation from its balance sheet, and (ii) remove certain anti-dilution rights with respect to the warrants and other agreements which, due to a recent mandatorily adopted accounting principle, required the Company to account for the outstanding warrants as a liability instead of equity, thereby significantly impacting the Company's ability to meet one of the NASDAQ Capital Market listing requirements. As a result, the fair value of the Company's outstanding warrants and embedded conversion features of its Debentures will be reclassified from liabilities to equity.

Pursuant to the 2010 Amendment, the Holders agreed to defer until March 1, 2010 the Registrant's obligation to make the January 1, 2010 and February 1, 2010 debenture amortization payments (each in the aggregate amount of $200,000). In addition, subject to the Registrant's consummation of a public offering for gross proceeds of not less than $10,000,000 at a per unit price (each unit consisting of one share of common stock and one warrant to purchase one share of common stock) of not less than $4.00 per unit ("Public Offering") and obtaining the listing of the Registrant's common stock and warrants offered thereby on the NASDAQ Capital Market by no later than March 1, 2010, the Holders have consented to the Public Offering and the Registrant's effecting a reverse stock split of its outstanding common stock at a ratio not to exceed 15-to-1 (the maximum ratio previously approved by the Registrant's stockholders at its 2009 Annual Stockholders Meeting). Additionally, the Holders have agreed, subject to the Public Offering among other items, to the following:

1. each Holder will convert $1,357,215 in principal amount of the outstanding principal balance of such holder's debenture in exchange for a number of shares of common stock determined by dividing such principal amount by that portion of the unit offering price being allocated to the share of common stock contained in the unit, or 93.75% of the unit offering price (provided, however, that such conversion price shall not exceed and will be capped at $10.00 per share;

2. the Company will issue to each Holder an unregistered five-year warrant to purchase a number of shares of common stock equal to the number of shares of common stock that such Holder would have received if the foregoing debenture conversion had been at the current contractual conversion rate of $4.50 per share less the number of shares of common stock the holder actually receives based on the revised conversion price. The exercise price of the warrant shall be equal to the revised conversion price; provided, however that it shall not exceed $10.00 per share;

3. the Company's repayment in full, from the net proceeds of the Public Offering and within five days following the consummation thereof, of the remaining outstanding principal balance of the holders' debentures following the foregoing conversion (estimated to be $3,066,995 in the aggregate);

4. the release of the Holder's security interest in the Company's and its subsidiary's assets, including all intellectual property; and

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

Subject to the occurrence of the foregoing, the Company has agreed to reduce the exercise price of the warrants held by the Holders (other than the warrants to be issued pursuant to the 2010 Amendment) from $4.50 per share to $4.00 per share.

On January 31, 2010, the Company issued an aggregate of 1,800 stock options to three members of its advisory board for services rendered. The options have an exercise price of $8.30 and a 7 year life.

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:

THE COMPANY HAS MADE SOME STATEMENTS IN THIS FORM 10-Q, INCLUDING SOME UNDER "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," AND ELSEWHERE, WHICH ARE FORWARD-LOOKING STATEMENTS. THESE STATEMENTS MAY DISCUSS THE COMPANY'S FUTURE EXPECTATIONS, CONTAIN PROJECTIONS OF ITS PLAN OF OPERATION OR FINANCIAL CONDITION OR STATE OTHER FORWARD-LOOKING INFORMATION. IN THIS FORM 10-Q, FORWARD-LOOKING STATEMENTS ARE GENERALLY IDENTIFIED BY WORDS SUCH AS "ANTICIPATE", "PLAN", "BELIEVE", "EXPECT", "ESTIMATE", AND THE LIKE. FORWARD-LOOKING STATEMENTS INVOLVE FUTURE RISKS AND UNCERTAINTIES, AND THERE ARE FACTORS THAT COULD CAUSE ACTUAL RESULTS OR PLANS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THE STATEMENTS. THE FORWARD LOOKING INFORMATION IS BASED ON VARIOUS FACTORS AND IS DERIVED USING NUMEROUS ASSUMPTIONS. A READER, WHETHER INVESTING IN THE COMPANY'S SECURITIES OR NOT, SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH APPLY ONLY AS OF THE DATE OF THIS FORM 10-Q. IMPORTANT FACTORS THAT MAY CAUSE ACTUAL RESULTS TO DIFFER FROM PROJECTIONS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

- THE SUCCESS OR FAILURE OF MANAGEMENT'S EFFORTS TO IMPLEMENT THE COMPANY'S PLAN OF OPERATIONS;
- THE COMPANY'S ABILITY TO FUND ITS OPERATING EXPENSES;
- THE COMPANY'S ABILITY TO COMPETE WITH OTHER COMPANIES THAT HAVE A SIMILAR PLAN OF OPERATION;
- THE EFFECT OF CHANGING ECONOMIC CONDITIONS IMPACTING THE COMPANY'S PLAN OF OPERATION; AND
- THE COMPANY'S ABILITY TO MEET THE OTHER RISKS AS MAY BE DESCRIBED IN ITS FUTURE FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.

THE COMPANY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

General Overview

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 consolidated balance sheets as of December 31, 2009 (unaudited) and March 31, 2009 (audited) and the related unaudited consolidated statements of operations for the three and nine months ended December 31, 2009 and 2008, the unaudited consolidated statements of cash flows for the three and nine months ended December 31, 2009 and 2008 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, 2009 and 2008 and for the years then ended included in the Company's Annual Report on Form 10-K for the year ended March 31, 2009. The Company cautions readers that important facts and factors described in this MD&A and elsewhere in this document sometimes have affected, and in the future could affect, the Company's actual results, and could cause the Company's actual results during fiscal year 2010 and beyond to differ materially from those expressed in any forward-looking statements made by, or on behalf of the Company.

The Company is a provider of an innovative cold chain frozen shipping system dedicated to providing superior, affordable cryogenic shipping solutions that ensure the safety, status and temperature of high value, temperature sensitive materials. The Company has developed a line of cost-effective reusable cryogenic transport containers (referred to as a "shipper") capable of transporting biological, environmental and other temperature sensitive materials at temperatures below 0° Celsius. These dry vapor shippers are one of the first significant alternatives to using dry ice and achieve 10-plus day holding times compared to one to two day holding times with dry ice (assuming no re-icing during transit). The Company's value proposition comes from both providing safe transportation and an environmentally friendly, long lasting shipper, and through its value-added services that offer a simple hassle-free solution for its customers. These value-added services include an internet-based web portal that enables the customer to initiate shipping service, track the progress and status of a shipment, and provide in-transit temperature monitoring of the shipper. CryoPort also provides a fully ready charged shipper containing all freight bills, customs documents and regulatory paperwork for the entire journey of the shipper to its customers at their pick up location.

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

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

During its early years, the Company's limited revenue was derived from the sale of our reusable product line. The Company's current business plan focuses on *per-use* leasing of the shipping container and value-added services that will be used by us to provide an end-to-end and cost-optimized shipping solution to life science companies moving pharmaceutical and biological samples in clinical trials and pharmaceutical distribution.

Going Concern

As reported in the Report of Independent Registered Public Accounting Firm on the Company's March 31, 2009 and 2008 financial statements, the Company has incurred recurring losses and negative cash flows from operations since inception. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

There are significant uncertainties which negatively affect the Company's operations. These are principally related to (i) the expected ramp up of sales of the new CryoPort Express® System, (ii) the absence of any commitment or firm orders from key customers in the Company's target markets, and (iii) the success in bringing additional products concurrently under development to market with the Company's key customers. Moreover, there is no assurance as to when, if ever, the Company will be able to conduct the Company's operations on a profitable basis. The Company's limited historical sales for the Company's reusable product, limited introductory sales to date of the CryoPort Express® System and the lack of any purchase requirements in the existing distribution agreements, make it impossible to identify any trends in the Company's business prospects.

The Company has not generated significant revenues from operations and has no assurance of any future revenues. The Company generated revenues from operations of $35,124, incurred a net loss of $16,705,151 and used cash of $2,586,470 in its operating activities during the year ended March 31, 2009. The Company generated revenues from operations of $42,888, had net loss of $5,085,376, and used cash of $1,941,693 in its operating activities during the nine months ended December 31, 2009. In addition, the Company had a working capital deficit of $19,197,473, and had cash and cash equivalents of $647,308 at December 31, 2009. The Company's working capital deficit at December 31, 2009 included $13,740,633 of derivative liabilities, the balance of which represented the fair value of warrants and embedded conversion features related to the Company's convertible debentures and were reclassified from equity during the nine months ended December 31, 2009 (see Note 7 in the accompanying unaudited consolidated financial statements). Currently management has projected that cash on hand, including cash borrowed under the convertible debentures issued in the first, second and third quarter of fiscal 2010, will be sufficient to allow the Company to continue its operations into the fourth quarter of fiscal 2010. These matters raise substantial doubt about the Company's ability to continue as a going concern.

The Company's management has recognized that the Company must obtain additional capital for the commercialization of the CryoPort Express® System and the eventual achievement of sustained profitable operations. In response to this need for capital, in March 2009 the Company entered into an Agency Agreement with a broker to raise capital in a private placement offering of one-year convertible debentures under Regulation D (the "Private Placement Debentures"). From March through December 30, 2009, the Company had raised gross proceeds of $1,381,500 under the Private Placement Debentures (see Note 6 to the accompanying unaudited consolidated financial statements). In addition, the Company has received additional proceeds of $1,437,100 from the exercises of warrants. As a result of these recent financings, the Company had aggregate cash and cash equivalents of $647,308 as of December 31, 2009, which will be used to fund the working capital required for minimal operations as well as the sales and marketing efforts to continue the Company's commercialization of the CryoPort Express® System until additional capital is obtained. Management's plans include obtaining additional capital through equity and 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 or that the Company will be successful in its efforts to negotiate extension of its existing debt. The accompanying unaudited consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management is committed to minimizing current cash usage and securing significant financings to fully execute its business plan and grow at the desired rate to achieve sustainable profitable operations. To further facilitate the ability of the Company to continue as a going concern, the Company's management has begun taking the following steps:

1) Focusing additional effort on the commercialization of the CryoPort Express® System. Management has begun initiating meetings with potential customers for the use of the CryoPort Express.

2) Aggressively seeking additional capital sources for significant long-term funding of approximately $15,000,000 to allow the Company to fully commercialize the CryoPort Express® System and to achieve and sustain profitable operations. On October 6, 2009 the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-1 (File No. 333-162350) for a possible underwritten public offering of units, each unit to consist of one share of common and warrant to purchase one share of common stock. Management cannot assure you that this contemplated offering will be consummated, or if consummated, whether the proceeds from such offering will be sufficient to fund the Company's planned operations.

3) Pursue and complete a strategic partnership with large freight carriers to be able to provide a one call simple and reliable solution to shipping frozen samples. The partnership will also facilitate the ability of the Company to rapidly call on and achieve sales with the largest target customers. In this regard, on January 13, 2010 the Company entered into an agreement with FedEx to lease the Company's cryogenic shippers based on orders placed by FedEx for FedEx's customers. Pursuant to the agreement, FedEx has agreed to pay the Company (i) a fixed per lease transaction fee per shipper leased (generally measured as up to a maximum period of 14 days), the amount of which will depend upon whether the shipper is being transported within a specific designated region or from one designated region to another designated region, and (ii) additional fees for any other goods or services ordered in connection with such lease transaction.

4) Minimizing operating and financing expenditures through stringent cost containment measures to ensure the availability of funds until additional funding is secured, then continue to minimize expenditures until sufficient revenues are generated and cash collections adequately support the continued business operations. The Company's largest expenses for the nine months ended December 31, 2009, relate to non-cash expenses including (i) $4,806,547 non-cash expense included in interest expense relating to the amortization of discounts on convertible debentures and (ii) non-cash expense recorded in selling, general and administrative costs of $724,388 related to the valuations of common stock shares and warrants issued in lieu of cash for consulting services as well as for directors' and employee compensation. For the nine months ended December 31, 2009, the Company also incurred cash expenses of (i) approximately $197,500 for the audit fees and consulting services related to the filing of the Company's annual and quarterly reports and compliance with the Sarbanes-Oxley requirements and (ii) approximately $181,000 additional research and development costs related to the development of the web based system to be used as a vital function of the CryoPort Express® System. The remaining operating expenses for the period ended December 31, 2009 related primarily to minimal overhead costs including personnel costs, rent and utilities and meeting the legal and reporting requirements of a public company.

5) Utilizing part-time consultants and temporary employees and requiring employees to manage multiple roles and responsibilities whenever possible as the Company has historically utilized in its efforts to keep operating expenditures minimized.

6) Continuing to require that key employees and the Company's Board of Directors receive Company stock in lieu of cash as a portion of their compensation in an effort to minimize cash expenditures. With this strategy, the Company has established a team of experienced business professionals for advancing and launching the Company's products.

7) Maintaining basic levels for sales, engineering, and operating personnel and gradually adding critical key personnel only as affordable and necessary to support the expected revenue growth of the CryoPort Express® System and any further expansion of the Company's product offerings in the reusable and frozen shipping markets.

8) Adding other expenses such as customer service, administrative and operations staff only when commensurate with producing increased revenues.

9) Focusing current research and development efforts only on final and future development, production and distribution of the CryoPort Express® System.

10) Increasing sales efforts to focus on the bio-pharmaceutical, clinical trials and cold-chain distribution industries in order to identify and call on the top potential customers for the CryoPort Express® System.

Research and Development

The Company has completed the research and development efforts associated with initial phases of the web-based order entry and tracking system and the CryoPort Express® Shippers, a line of use-and-return dry cryogenic shippers, the essential components of the Company's CryoPort Express® System which has been developed to provide a one-call total solution for the transport of biological and pharmaceutical materials. The Company continues to provide ongoing research associated with the CryoPort Express® System, as it develops improvements in both the manufacturing processes and product materials and in the web-based customer service portal for the purpose of achieving additional cost efficiencies and customer functionality. As with any research effort, there is uncertainty and risk associated with whether these efforts will produce results in a timely manner so as to enhance the Company's market position. For the nine months ended December 31, 2009 and 2008, research and development costs were $270,217 and $229,536, respectively. Company sponsored research and development costs related to future products and redesign of present products are expensed as incurred and include such costs as salaries, employee benefits, costs determined utilizing the Black-Scholes option-pricing model for options issued to the Scientific Advisory Board and prototype design and materials costs.

The Company's research and development efforts are focused on continually improving the features of the CryoPort Express® System 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 the CryoPort Express® System. 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.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, however, in the past the estimates and assumptions have been materially accurate and have not required any significant changes. Specific sensitivity of each of the estimates and assumptions to change based on other outcomes that are reasonably likely to occur and would have a material effect is identified individually in each of the discussions of the critical accounting policies described below. Should the Company experience significant changes in the estimates or assumptions which would cause a material change to the amounts used in the preparation of the Company's financial statements, material quantitative information will be made available to investors as soon as it is reasonably available.

The Company believes the following critical accounting policies, among others, affect the Company's more significant judgments and estimates used in the preparation of the Company's unaudited consolidated financial statements:

Allowance for Doubtful Accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance for doubtful accounts is based on specific identification of customer accounts and the Company's best estimate of the likelihood of potential loss, taking into account such factors as the financial condition and payment history of major customers. The Company evaluates the collectability of the Company's receivables at least quarterly. Such costs of allowance for doubtful accounts is subject to estimates based on the historical actual costs of bad debt experienced, total accounts receivable amounts, age of accounts receivable and any knowledge of the customers' ability or inability to pay outstanding balances. If the financial condition of the Company's customers were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required. The differences could be material and could significantly impact cash flows from operating activities.

Inventory. The Company writes down its inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand, future pricing and market conditions. Inventory reserve costs are subject to estimates made by the Company based on historical experience, inventory quantities, age of inventory and any known expectations for product changes. If actual future demands, future pricing or market conditions are less favorable than those projected by management, additional inventory write-downs may be required and the differences could be material. Such differences might significantly impact cash flows from operating activities. Once established, write-downs are considered permanent adjustments to the cost basis of the obsolete or unmarketable inventories.

During its early years, the Company's limited revenue was derived from the sale of our reusable product line. The Company's current business plan focuses on per-use leasing of the shipping container and value-added services that will be used by us to provide an end-to-end and cost-optimized shipping solution.

The Company provides shipping containers to its customers and charges a fee in exchange for the use of the container. The Company' 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. As a result, during the quarter ended September 30, 2009, the Company reclassified the containers from inventory to fixed assets upon commencement of the loaned-container program.

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 using the Black-Scholes option pricing model.

Impairment of Long-Lived Assets. The Company assesses the recoverability of its long-lived assets by determining whether the depreciation and amortization of long-lived assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of long-lived asset impairment is measured based on fair value and is charged to operations in the period in which long-lived asset impairment is determined by management. Manufacturing fixed assets are subject to obsolescence potential as result of changes in customer demands, manufacturing process changes and changes in materials used. The Company is not currently aware of any such changes that would cause impairment to the value of its manufacturing fixed assets.

Deferred Financing Costs. Deferred financing costs represent costs incurred in connection with the issuance of the convertible notes payable. Deferred financing costs are being amortized over the term of the financing instrument on a straight-line basis, which approximates the effective interest method.

Revenue Recognition. Four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists; (ii) delivery has occurred or service has been rendered; (iii) the price is fixed or determinable; and (iv) collection is reasonably assured. The Company records a provision for claims based upon historical experience. Actual claims in any future period may differ from the Company's estimates. During its early years, the Company's limited revenue was derived from the sale of our reusable product line. The Company's current business plan focuses on per-use leasing of the shipping container and value-added services that will be used by us to provide an end-to-end and cost-optimized shipping solution.

The Company provides shipping containers to their customers and charges a fee in exchange for the use of the container. The Company' 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. As a result, during the quarter ended September 30, 2009, the Company reclassified the containers from inventory to fixed assets upon commencement of the loaned-container program.

Stock-Based Compensation. The Company accounts for share-based payments to employees and directors in the consolidated financial statements based upon their fair values. The Company uses the Black-Scholes option pricing model to estimate the grant-date fair value of share-based awards. Fair value is determined at the date of grant. The consolidated financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. The estimated average forfeiture rate for the periods ended December 31, 2009 and 2008 was zero as the Company has not had a significant history of forfeitures and does not expect forfeitures in the future.

All transactions in which goods or services are the consideration received by non-employees for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the third-party performance is complete or the date on which it is probable that performance will occur.

Derivative Liabilities. Our issued and outstanding common stock purchase warrants and embedded conversion features previously treated as equity pursuant to the derivative treatment exemption were no longer afforded equity treatment, and the fair value of these common stock purchase warrants and embedded conversion features, some of which have exercise price reset features and some that were issued with convertible debt, from equity to liability status as if these warrants were treated as a derivative liability since their date of issue. The common stock purchase warrants were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. The warrants do not qualify for hedge accounting, and as such, all future changes in the fair value of these warrants will be recognized currently in earnings until such time as the warrants are exercised or expire. These common stock purchase warrants do not trade in an active securities market, and as such, we estimate the fair value of these warrants using the Black-Scholes option pricing model.

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. In those circumstances, the convertible debt will be 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 method.

Results of Operations

Three months ended December 31, 2009 compared to three months ended December 31, 2008:

Net sales. During the three months ended December 31, 2009, the Company generated shipper revenues of $20,707 compared to shipper revenues of $9,207 in the same period of the prior year, an increase of $11,500 (125%).The low revenues in both periods were primarily due to the Company's shift initiated in mid-2006 in its sales and marketing focus from the reusable shipper product line. The Company discontinued sales of the reusable shippers to allow resources to focus on further development and launch of the CryoPort Express® System and its introduction into the biopharmaceutical industry sector during fiscal 2009, which resulted in the increase in sales period over period. The slow increase in shipper revenues was also the result of delays in the Company securing adequate funding for the manufacturing and full commercialization of the CryoPort Express® System.

Cost of sales. Cost of sales for the three month period ended December 31, 2009 decreased $33,785 (20%) to $132,418 from $166,203 for the three month period ended December 31, 2008 primarily due to the Company's efforts to minimize overall costs and as a result of decreased fixed overhead manufacturing costs due to the Company refocusing its manufacturing operation for the CryoPort Express® System. During both periods, cost of sales exceeded sales due to fixed manufacturing costs and plant underutilization.

Gross loss. Gross loss for the three month period ended December 31, 2009 decreased by $45,285 (29%) to $111,711, compared to $156,996 for the three month period ended December 31, 2008. The decrease in gross loss is due to higher revenues and decreased fixed overhead manufacturing costs which resulted from the Company refocusing its manufacturing operations as discussed above.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by $139,373 (25%) to $690,043 for the three month period ended December 31, 2009 as compared to $550,670 for the three month period ended December 31, 2008 due primarily to a $130,421 (28%) increase in general and administrative expenses from $466,454 for the three month period ended December 31, 2008 to $596,875 for the three month period ended December 31, 2009 and by a $8,952 (11%) increase in sales and marketing expenses from $84,216 for the three month period ended December 31, 2008 to $93,168 for the three month period ended December 31, 2009. The increase in general and administrative expenses was due to an increase in outside services associated with audit fees and consulting services related to the quarterly filings and the annual shareholders meeting.

Research and development expenses. Research and development expenses increased by $76,134 (573%) to $89,426 for the three month period ended December 31, 2009 as compared to $13,292 for the three month period ended December 31, 2008. Current year expenses included consulting costs associated with software development for the web based system to be used with the CryoPort Express® Shipper, and other research and development activity related to the CryoPort Express® System, as the Company strove to develop improvements in both the manufacturing processes and product materials for the purpose of achieving additional product cost efficiencies.

Interest expense. Interest expense increased $429,990 to $1,169,337 for the three month period ended December 31, 2009 as compared to $739,347 for the three month period ended December 31, 2008. This increase was due to $387,484 of amortized debt discount and $41,827 of amortized financing fees. These increases were partially offset by a reduction in interest expense for related party notes payable and notes payable to officers as the result of the payments made against the principal balances of these notes payable.

Interest income. The Company recorded interest income of $2,834 for the three month period ended December 31, 2009 as compared to $6,224 for the three month period ended December 31, 2008. Prior period interest income included the impact of increased cash balances related to the funds received in connection with the convertible debentures issued in October 2007 and May 2008.

Change in fair value of derivative liabilities. The Company recognized a gain on the change in fair market value of derivatives of $4,508,352 during the three months ended December 31, 2009 compared to $0 in the three months ended December 31, 2008. The gain was due to a change in accounting principle, which resulted in a reclassification of the fair value of warrants and embedded conversion features from equity to derivative liabilities that are marked to fair value at each reporting period. The impact of the change in accounting principle and change in market value of the derivative liabilities during the current period resulted in the recognition of a gain (see Note 2 to the accompanying unaudited consolidated financial statements).

Net Income (Loss). As a result of the factors described above, the net income for the three months ended December 31, 2009 was $2,450,669 or $0.50 per share compared to a net loss of $(1,454,081) or $(0.35) per share for the three months ended December 31, 2008. Loss from operations for the three months ended December 31, 2009 increased $170,222 to $891,180 compared to $720,958 for the three months ended December 31, 2008.

Nine months ended December 31, 2009 compared to nine months ended December 31, 2008:

Net sales. During the nine months ended December 31, 2009, the Company generated $42,888 from shipper revenues compared to shipper revenues of $28,613 in the same period of the prior year, an increase of $14,275 (50%). The low revenues in both years was primarily due to the Company's shift initiated in mid-2006 in its sales and marketing focus from the reusable shipper product line. The Company discontinued sales of the reusable shippers to allow resources to focus on further development and launch of the CryoPort Express® System and its introduction into the biopharmaceutical industry sector during fiscal 2009, which resulted in the slight increase in sales year over year. The slow increase in product sales was also the result of delays in the Company securing adequate funding for the manufacturing and full commercialization of the CryoPort Express®.

Cost of sales. Cost of sales for the nine month period ended December 31, 2009 increased $39,328 (9%) to $458,862 from $419,534 for the nine month period ended December 31, 2008 primarily as the result of increased fixed overhead manufacturing costs which resulted from the Company's discontinuation of the reusable shippers and refocusing its manufacturing operation for the CryoPort Express® System. During both periods, cost of sales exceeded sales due to fixed manufacturing costs and plant underutilization.

Gross loss. Gross loss for the nine month period ended December 31, 2009 increased by $25,053 (6%) to $415,974 compared to $390,921 for the nine month period ended December 31, 2008. The increase in gross loss is due to low revenues and increased fixed overhead manufacturing costs which resulted from the Company refocusing its manufacturing operations.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by $307,144 (16%) to $2,197,545 for the nine month period ended December 31, 2009 as compared to $1,890,401 for the nine month period ended December 31, 2008 due primarily to a $319,556 (20%) increase in general and administrative expenses from $1,590,602 for the nine month period ended December 31, 2008 to $1,910,158 for the nine month period ended December 31, 2009 and by a $12,412 (4%) decrease in sales and marketing expenses from $299,799 for the nine month period ended December 31, 2008 to $287,387 for the nine month period ended December 31, 2009. The increase in general and administrative expenses was due to increases in legal and accounting fees, consulting fees and travel expenses. The increase in legal fees was associated with the Company's strategic partnering activities and debt restructuring. The decrease in selling expenses was primarily related to a decrease in advertising and promotional costs, consulting and travel costs due to a reduction over prior year costs for additional market research, product development and the development of customer relationships for the commercialization of the CryoPort Express® System. These increases in general and administrative expenses were partially offset by the Company's efforts to minimize overall costs and diversion of resources to the focus on market development and sales ramp up of the CryoPort Express® System.

Research and development expenses. Research and development expenses increased by $40,681 (18%) to $270,217 for the nine month period ended December 31, 2009 as compared to $229,536 for the nine month period ended December 31, 2008. Current period expenses included consulting costs associated with software development for the web based system to be used with the CryoPort Express® Shipper, and other research and development activity related to the CryoPort Express® System, as the Company strove to develop improvements in both the manufacturing processes and product materials for the purpose of achieving additional product cost efficiencies.

Interest expense. Interest expense increased $3,359,378 to $5,312,593 for the nine month period ended December 31, 2009 as compared to $1,953,215 for the nine month period ended December 31, 2008. This increase was due to $3,166,437 of amortized debt discount, $39,477 of amortized financing fees, and $153,464 of accrued interest, primarily related to the convertible debentures issued in October 2007, May 2008 and the Private Placement Debentures that were issued during the nine month period ended December 31, 2009. These increases were partially offset by a reduction in interest expense for related party notes payable and notes payable to officers as the result of the payments made against the principal balances of the notes payable.

Interest income. The Company recorded interest income of $6,548 for the nine month period ended December 31, 2009 as compared to $30,232 for the nine month period ended December 31, 2008. Prior year interest income included the impact of increased cash balances related to the funds received in connection with the convertible debentures issued in October 2007 and May 2008.

Change in fair value of derivative liabilities. The Company recognized a gain on the change in fair market value of derivatives of $3,106,802 during the nine months ended December 31, 2009 compared to $0 in the nine months ended December 31, 2008. The gain was due to a change in accounting principle, which resulted in a reclassification of the fair value of warrants and embedded conversion features from equity to derivative liabilities that are marked to fair value at each reporting period. The impact of the change in accounting principle and change in market value of the derivative liabilities during the current period resulted in the recognition of a gain (see Note 2 to the accompanying unaudited consolidated financial statements).

Loss on Extinguishment of Debt. The Company incurred a loss on extinguishment of debt of $6,902,941 during the nine months ended December 31, 2008 as a result of the April 30, 2008 Amendment of the October 2007 Debentures which provided for a nine month deferral of principal payments. The loss consisted of a combination of the $5,858,344 increase in the fair market value of warrants issued in connection with the October 2007 Debentures as a result of the increase in the number of shares to be purchased under each of the October 2007 Warrants and to the decrease in the Exercise Price of the October 2007 Warrants from $9.00, $9.20 and $16.00 to $6.00 each, the elimination of the April 30, 2008 unamortized balance of deferred financing costs of $312,197 and the $732,400 reduction in the unamortized discount balance related to the October 2007 Debentures to reflect the present value of the debentures as of April 30, 2008 (see Note 6 of the accompanying unaudited consolidated financial statements). There was no loss on extinguishment of debt in the nine months ended December 31, 2009.

The Company incurred a gain on extinguishment of debt of $91,727 during the nine months ended December 31, 2008 as a result of the August 29, 2008 Amendment of the October Debentures which provided for an increase of $866,202 in the principal balance of the October Debentures for the interest that would have been paid September 30, 2008 and December 31, 2008 and for 15% of the aforementioned interest and the outstanding principal as of the date of the amendment. The gain consists of a combination of the $866,202 increase in principal offset by the $899,004 increase in the unamortized discount balance and the previously accrued interest of $58,925 related to the October Debentures to reflect the present value of the debentures as of August 29, 2008 (see Note 6 of the accompanying unaudited financial statements).

Net loss. As a result of the factors described above, the net loss for the nine months ended December 31, 2009 decreased by $6,160,479 to $5,085,376 or $1.10 per share compared to $11,245,855 or $2.73 per share for the nine months ended December 31, 2008. Loss from operations for the nine months ended December 31, 2009 increased $372,878 to $2,883,736 compared to $2,510,858 for the nine months ended December 31, 2008.

Liquidity and Capital Resources

As of December 31, 2009, the Company had cash and cash equivalents of $647,308 and negative working capital of $19,197,473. The Company's working capital deficit at December 31, 2009 included $13,740,633 of derivative liabilities, the balance of which represented the fair value of warrants and embedded conversion features related to the Company's convertible debentures and were reclassed from equity during the nine months ended December 31, 2009. As of March 31, 2009, the Company had cash and cash equivalents of $249,758 and negative working capital of $3,693,015.

Net cash used in operating activities was $1,941,693 for the nine months ended December 31, 2009, compared to net cash used in operating activities of $2,042,462 for the nine months ended December 31, 2008. Net loss for the nine months ended December 31, 2009 of $5,085,376 included a non-cash gain of $3,106,802 due to the change in valuation of our derivative liabilities and non-cash expenses of $5,713,914 due primarily to discount amortization related to our convertible debt instruments. Offsetting the cash impact of our net operating loss (excluding non-cash items) was an increase in accrued interest payable of $324,151 primarily due to our Private Placement Debentures and an increase in accounts payable of $121,003 due primarily to increased general and administrative expenses. Net cash used in operating activities of $2,042,462 for the nine months ended December 31, 2008 reflected a net operating loss of $11,245,855, which included a non-cash loss on extinguishment of debt of $6,811,214 and non-cash expenses of $2,327,125 due primarily to discount amortization related to our convertible debt instruments. In addition to our net operating loss and related cash impact, inventories increased by $411,252 and were offset by the positive cash impact of an increase in accrued interest payable related to our May 2008 debenture.

Net cash used in investing activities for the nine months ended December 31, 2009 was $30,255 compared to net cash provided by investing activities of $884 for the comparable period in 2008. Net cash used in investing activities for the nine months ended December 31, 2009 primarily reflected payment of trademark costs. Net cash provided by investing activities for the nine months ended December 31, 2008 was due to reduction in restricted cash offset by fixed asset and intangible purchases.

Net cash provided by financing activities for the nine months ended December 31, 2009 was 2,369,498 and was primarily related to gross proceeds from our Private Placement Debentures of $1,321,500 and gross proceeds from exercise of options and warrants of $1,437,100, which were partially offset by payment of deferred financing costs and payments on our related party notes payable. Net cash provided by financing activities of $586,713 for the nine months ended December 31, 2008 reflected gross proceeds from our May 2008 Debentures of $1,062,500, which were partially offset by payments for financing costs, repayments on convertible and related party notes payable.

As discussed in Note 2 of the accompanying unaudited consolidated financial statements, there exists substantial doubt regarding the Company's ability to continue as a going concern. The Company will need to raise additional capital through one or more methods, including but not limited to, issuing additional equity, in order to fund our working capital needs and complete the commercial launch of our CryoPort Express® System. In this regard on October 6, 2009 the Company filed with the Securities and Exchange Commission a Registration Statement on Form S-1 (File No. 333-162350) for a possible underwritten public offering of units, each unit to consist of one share of common stock and warrant to purchase one share of common stock. Management cannot assure you that this contemplated offering will be consummated, or if consummated, whether the proceeds from such offering will be sufficient to fund the Company's planned operations.

Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification 855-10, Subsequent Events, or ASC 855-10, which establishes general standards for accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. The Company adopted ASC 855-10 and evaluated subsequent events through the issuance date of the financial statements. ASC 855-10 did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued ASC 105-10, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, or ASC 105-10. ASC 105-10 became the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernment entities. It also modified the GAAP hierarchy to include only two levels of GAAP; authoritative and non-authoritative. We adopted ASC 105-10 for the reporting in its 2009 second quarter. The adoption did not have a significant impact on its consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")). Based upon that evaluation, the CEO and CFO concluded that as of December 31, 2009, our disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company (or the Company's consolidated subsidiaries) required to be included in the Company's periodic filings with the SEC, subject to the various limitation on effectiveness set forth below under the heading "LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS," such that the information relating to the Company, required to be disclosed in SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

Our principal executive officer and principal financial officer also evaluated whether any change in our internal control over financial reporting, as such term is defined under Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, occurred during our most recent fiscal quarter covered by this report that has materially affected, or is likely to materially affect, our internal control over financial reporting.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS

The Company's management, including the CEO and CFO, does not expect that our disclosure controls and procedures on our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, and/or the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities

During the three months ended December 31, 2009 the Company granted to Larry Stambaugh a stock option to purchase 67,000 shares of the company's common stock at an exercise price of $4.50 per share.

During the three months ended December 31, 2009 the Company granted to Catherine Doll a stock option to purchase 2,000 shares of the company's common stock at an exercise price of $4.50 per share

During the three months ended December 31, 2009 the Company granted to each of three members of the advisory board a stock option to purchase 600 shares of the company's common stock at an exercise price of $4.30 per share

During the three months ended December 31, 2009, the Company issued warrants to purchase 16,253 shares of the Company's common stock with an exercise price of $5.10 per share for commissions due in connection with the Company's Private Placement Debentures.

During the three months ended December 31, 2009, the Company issued warrants to purchase 23,951 shares of the Company's common stock with an exercise price of $5.10 per share for commissions due in connection with an agreement to solicit the holders of certain warrants to exercise their rights to purchase shares of the Company's common stock.

During the three months ended December 31, 2009, the Company issued 5,880 shares of common stock, in lieu of fees paid for services performed by the Board of Directors. These shares were issued at a value of $4.30 per share.

The issuances 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 each transaction 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

None

Item 4. Submission of Matters to a Vote of Security Holders

Set forth below is information concerning each matter submitted to a vote at the Annual Meeting of Stockholders held on October 9, 2009.

Proposal No. 1: The stockholders elected three directors to serve for a term of one year expiring upon the 2010 Annual Meeting of Stockholders or until his or her successor has been duly elected and qualified.

Nominee	Votes For	Votes Withheld
Carlton M. Johnson	32,940,236	7,470,327
Adam M. Michelin	32,940,236	7,470,327
Larry G. Stambaugh	33,771,064	6,639,499

Proposal No. 2: The stockholders ratified the appointment of KMJ Corbin & Company LLP as our independent auditors for the fiscal year ended March 31, 2010 (with 34,922,216 votes for, 5,414,020 votes against, and 74,327 votes abstaining).

Proposal No. 3: The stockholders approved amendment to Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock to 250,000,000 (with 28,069,235 votes for, 11,066,070 votes against, and 1,275,258 votes abstaining).

Proposal No. 4: The stockholders did not approve amendment to Amended and Restated Articles of Incorporation to create class of undesignated (blank check) preferred stock consisting of 2,500,000 shares (with 16,792,543 votes for, 6,466,755 votes against, and 789,410 votes abstaining).

Proposal No. 5: The stockholders approved amendment to Amended and Restated Articles of Incorporation of effect a reverse stock split on shares of outstanding common stock of up to one for fifteen (15) but not less than one for two.(with 27,961,266 votes for, 11,641,342 votes against, and 807,954 votes abstaining).

Proposal No. 6: The stockholders approved the Company’s 2009 Stock Incentive Plan (with 16,998,014 votes for, 6,481,693 votes against, and 569,001 votes abstaining).

Item 5. Other Information

None

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.

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 16, 2010	By:	*/s/ Larry G. Stambaugh* Larry G. Stambaugh, Chairman, Chief Executive Officer
Dated: February 16, 2010	By:	*/s/ Catherine M. Doll* Catherine M. Doll, Chief Financial Officer (signed as both an officer duly authorized to sign on behalf of the Registrant and principal financial officer and Chief Accounting Officer)

EXHIBIT 31.1

CERTIFICATION
OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Larry G. Stambaugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryoport, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2010

/s/ Larry G. Stambaugh

LARRY G. STAMBAUGH
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION
OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Catherine M. Doll, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryoport, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2010

/s/ Catherine M. Doll

CATHERINE M. DOLL
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of the Cryoport, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Larry G. Stambaugh, Chief Executive Officer, President of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Larry G. Stambaugh

LARRY G. STAMBAUGH
Chief Executive Officer, President and Chairman

February 16, 2010

In connection with the Quarterly Report of the Cryoport, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Catherine M. Doll, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Catherine M. Doll

CATHERINE M. DOLL
Chief Financial Officer

February 16, 2010

A signed original of this written statement required by Section 906 has been provided to Cryoport, Inc and will be retained by Cryoport, Inc and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is being furnished pursuant to Rule 15(d) and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. This Certification shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.