

THERMOGENESIS CORP  
Form 10-Q  
February 10, 2012

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SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2011.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 333-82900

ThermoGenesis Corp.  
(Exact name of registrant as specified in its charter)

Delaware  
(State of incorporation)

94-3018487  
(I.R.S. Employer Identification No.)

2711 Citrus Road  
Rancho Cordova, California 95742  
(Address of principal executive offices) (Zip Code)

(916) 858-5100  
(Registrant's telephone number, including area code)

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes  No

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

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                          | Outstanding at February 2, 2012 |
|--------------------------------|---------------------------------|
| Common stock, \$.001 par value | 16,406,366                      |

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## ThermoGenesis Corp.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## ThermoGenesis Corp.

## Condensed Consolidated Balance Sheets (Unaudited)

|  | December 31,<br>2011 | June 30,<br>2011 |
|--|----------------------|------------------|
| <b>ASSETS</b>  |                      |                  |
| Current assets:  |                      |                  |
| Cash and cash equivalents  | \$8,729,000          | \$12,309,000     |
| Accounts receivable, net of allowance for doubtful accounts of \$33,000 (\$36,000 at June 30, 2011)                            | 4,981,000            | 3,963,000        |
| Inventories  | 6,790,000            | 6,348,000        |
| Prepaid expenses and other current assets  | 170,000              | 420,000          |
| Total current assets   | 20,670,000           | 23,040,000       |
| Equipment at cost less accumulated depreciation of \$3,611,000 (\$3,409,000 at June 30, 2011)                                  | 1,589,000            | 1,310,000        |
| Other assets   | 48,000               | 49,000           |
|  | \$22,307,000         | \$24,399,000     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                      |                  |
| Current liabilities:   |                      |                  |
| Accounts payable   | \$1,648,000          | \$1,791,000      |
| Accrued payroll and related expenses   | 424,000              | 384,000          |
| Deferred revenue   | 282,000              | 235,000          |
| Other current liabilities  | 1,498,000            | 1,654,000        |
| Total current liabilities  | 3,852,000            | 4,064,000        |
| Deferred revenue   | 227,000              | 242,000          |
| Commitments and contingencies (Footnote 3)   |                      |                  |
| Stockholders' equity:  |                      |                  |
| Preferred stock, \$0.001 par value; 2,000,000 shares authorized; none outstanding  | --                   | --               |
| Common stock, \$0.001 par value; 80,000,000 shares authorized; 16,381,366 issued and outstanding (16,346,366 at June 30, 2011) | 16,000               | 16,000           |
| Paid in capital in excess of par   | 126,817,000          | 126,196,000      |
| Accumulated deficit  | (108,605,000)        | (106,119,000)    |
| Total stockholders' equity   | 18,228,000           | 20,093,000       |
|  | \$22,307,000         | \$24,399,000     |

See accompanying notes.



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ThermoGenesis Corp.  
Condensed Consolidated Statements of Operations (Unaudited)

|   | Three Months Ended |              | Six Months Ended |              |
|---|--------------------|--------------|------------------|--------------|
|   | December 31,       |              | December 31,     |              |
|   | 2011               | 2010         | 2011             | 2010         |
| Net revenues                                | \$4,775,000        | \$5,860,000  | \$9,634,000      | \$12,857,000 |
| Cost of revenues                            | 3,071,000          | 3,504,000    | 5,931,000        | 7,906,000    |
| Gross profit                                | 1,704,000          | 2,356,000    | 3,703,000        | 4,951,000    |
| Expenses:                                   |                    |              |                  |              |
| Selling, general and administrative         | 1,991,000          | 2,333,000    | 4,307,000        | 4,273,000    |
| Research and development                    | 1,037,000          | 774,000      | 1,960,000        | 1,499,000    |
| Total operating expenses                    | 3,028,000          | 3,107,000    | 6,267,000        | 5,772,000    |
| Interest and other income, net              | 46,000             | 265,000      | 78,000           | 267,000      |
| Net loss                                    | \$(1,278,000 )     | \$(486,000 ) | \$(2,486,000 )   | \$(554,000 ) |
| Per share data:                             |                    |              |                  |              |
| Basic and diluted net loss per common share | \$(0.08 )          | \$(0.03 )    | \$(0.15 )        | \$(0.04 )    |
| Shares used in computing per share data     | 16,378,033         | 14,048,649   | 16,370,533       | 14,035,960   |

See accompanying notes.

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ThermoGenesis Corp.  
Condensed Consolidated Statements of Cash Flows (Unaudited)

|   | Six Months Ended<br>December 31, |              |
|---|----------------------------------|--------------|
|   | 2011                             | 2010         |
| Cash flows from operating activities:                                       |                                  |              |
| Net loss  | \$(2,486,000 )                   | \$(554,000 ) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                  |              |
| Depreciation and amortization   | 202,000                          | 248,000      |
| Stock based compensation expense  | 621,000                          | 607,000      |
| Gain on disposal of equipment   | --                               | (7,000 )     |
| Net change in operating assets and liabilities:                             |                                  |              |
| Accounts receivable, net  | (1,018,000 )                     | 841,000      |
| Inventories   | (322,000 )                       | (622,000 )   |
| Prepaid expenses and other current assets                                   | 130,000                          | 80,000       |
| Other assets  | 1,000                            | 40,000       |
| Accounts payable  | (143,000 )                       | (369,000 )   |
| Accrued payroll and related expenses  | 40,000                           | (47,000 )    |
| Deferred revenue  | 32,000                           | (516,000 )   |
| Other liabilities   | (156,000 )                       | (219,000 )   |
| Net cash used in operating activities                                       | (3,099,000 )                     | (518,000 )   |
| Cash flows from investing activities:                                       |                                  |              |
| Capital expenditures  | (481,000 )                       | (35,000 )    |
| Proceeds from sale of equipment   | --                               | 17,000       |
| Net cash used in investing activities                                       | (481,000 )                       | (18,000 )    |
| Cash flows from financing activities:                                       |                                  |              |
| Exercise of stock options   | --                               | 7,000        |
| Payments on capital lease obligations                                       | --                               | (1,000 )     |
| Net cash provided by financing activities                                   | --                               | 6,000        |
| Net decrease in cash and cash equivalents                                   | (3,580,000 )                     | (530,000 )   |
| Cash and cash equivalents at beginning of period                            | 12,309,000                       | 10,731,000   |
| Cash and cash equivalents at end of period                                  | \$8,729,000                      | \$10,201,000 |
| Supplemental non-cash financing and investing information:                  |                                  |              |
| Transfer of an other current asset to inventories                           | \$120,000                        | --           |

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ThermoGenesis Corp.  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization and Basis of Presentation

ThermoGenesis Corp. (the Company, we or our) designs, develops and commercializes medical products that enable the collection, processing and cryopreservation of stem cells and other cellular tissues used in the practice of regenerative medicine.

Interim Reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such Securities and Exchange Commission (SEC) rules and regulations and accounting principles applicable for interim periods. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Events subsequent to the balance sheet date have been evaluated for inclusion in the accompanying condensed consolidated financial statements through the date of issuance. Operating results for the six month period ended December 31, 2011 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Revenue Recognition

Revenues from the sale of our products are recognized when persuasive evidence of an arrangement exists, delivery has occurred (or services have been rendered), the price is fixed or determinable, and collectability is reasonably assured. We generally ship products F.O.B. shipping point. There is no conditional evaluation on any product sold and recognized as revenue. All foreign sales are denominated in U.S. dollars. Amounts billed in excess of revenue recognized are recorded as deferred revenue on the balance sheet.

Our sales are generally through distributors. There is no right of return provided for distributors. For sales of products made to distributors, we consider a number of factors in determining whether revenue is recognized upon transfer of title to the distributor, or when payment is received. These factors include, but are not limited to, whether the payment terms offered to the distributor are considered to be non-standard, the distributor history of adhering to the terms of its contractual arrangements with us, the level of inventories maintained by the distributor, whether we have a pattern of granting concessions for the benefit of the distributor, and whether there are other conditions that may indicate that the sale to the distributor is not substantive. We currently recognize revenue primarily on the sell-in method with our distributors.



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Revenue arrangements with multiple deliverables are divided into units of accounting if certain criteria are met, including whether the deliverable item(s) has value to the customer on a stand-alone basis. Revenue for each unit of accounting is recognized as the unit of accounting is delivered. Arrangement consideration is allocated to each unit of accounting based upon the relative estimated selling prices of the separate units of accounting contained within an arrangement containing multiple deliverables. Estimated selling prices are determined using vendor specific objective evidence of value (VSOE), when available, or an estimate of selling price when VSOE is not available for a given unit of accounting. Significant inputs for the estimates of the selling price of separate units of accounting include market and pricing trends and a customer's geographic location. We account for training and installation, and service agreements as separate units of accounting.

Service revenue generated from contracts for providing maintenance of equipment is amortized over the life of the agreement. All other service revenue is recognized at the time the service is completed.

For licensing agreements pursuant to which we receive up-front licensing fees for products or technologies that will be provided by us over the term of the arrangements, we defer the up-front fees and recognize the fees as revenue on a straight-line method over the term of the respective license. For license agreements that require no continuing performance on our part, license fee revenue is recognized immediately upon grant of the license.

Shipping and handling fees billed to customers are included in net revenues, while the related costs are included in cost of revenues.

**Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short duration.

In accordance with Accounting Standards Codifications (ASC) ASC 820 "Fair Values Measurements and Disclosures" (ASC 820), we measure our cash equivalents at fair value. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on management's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. As of December 31, 2011, we did not have any Level 2 or 3 financial instruments.

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Level 1 assets measured at fair value on a recurring basis include the following as of December 31, 2011:

|                    | Quoted Prices in<br>Active Markets<br>(Level 1) | Total Fair Value as<br>of December 31,<br>2011 |
|--------------------|---|--|
| Cash equivalents   |   |  |
| Money market funds | \$ 1,059,000                                    | \$ 1,059,000                                   |

## Segment Reporting

We operate in a single segment providing medical devices and disposables to hospitals and blood banks throughout the world which utilize the equipment to process blood components.

## Net Loss per Share

Net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding. The calculation of the basic and diluted net loss per share is the same for all periods presented, as the effect of the potential common stock equivalents is anti-dilutive due to our net loss position for all periods presented. Anti-dilutive securities, which consist of warrants, stock options and common stock restricted awards that were not included in diluted net loss per common share were 3,361,350 and 1,337,205 as of December 31, 2011 and 2010, respectively.

## 2. Inventories

Inventories consisted of the following at:

|                 | December 31, 2011 | June 30, 2011 |
|-----------------|-------------------|---------------|
| Raw materials   | \$ 1,859,000      | \$ 1,945,000  |
| Work in process | 2,736,000         | 1,731,000     |
| Finished goods  | 2,195,000         | 2,672,000     |
|                 | \$ 6,790,000      | \$ 6,348,000  |

## 3. Commitments and Contingencies

## Contingencies

The Company and a co-licensor are engaged in discussions regarding the sharing of royalties received by both parties on third party sales of certain disposable bag sets. There are no agreements in effect between the licensors related to royalty payments. The co-licensor believes they are due a share of past royalties. The Company does not concur and has opposed any formal claim to share past royalties received and; therefore, has not made an accrual as of December 31, 2011. The parties have entered into discussions regarding an appropriate sharing methodology for royalties received beginning in fiscal 2012.

## Warranty

We offer a warranty on all of our products of one to two years, except disposable products which we warrant through their expiration date. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

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The warranty liability is included in other current liabilities in the unaudited consolidated balance sheet. The change in the warranty liability for the six months ended December 31, 2011 is summarized in the following table:

|   |            |
|---|------------|
| Balance at July 1, 2011   | \$ 608,000 |
| Warranties issued during the period   | 79,000     |
| Settlements made during the period  | (301,000)  |
| Changes in liability for pre-existing warranties during the period, including expirations | (18,000 )  |
| Balance at December 31, 2011  | \$ 368,000 |

## 4. Stockholders' Equity

## Stock Based Compensation

We recorded stock-based compensation of \$255,000 and \$621,000 for the three and six months ended December 31, 2011 and \$425,000 and \$607,000 for the three and six months ended December 31, 2010, respectively.

The following is a summary of option activity for our stock option plans:

|  | Number of<br>Shares | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Life | Aggregate<br>Intrinsic<br>Value |
|--|---------------------|---|--|---------------------------------|
| Outstanding at June 30, 2011                     | 1,464,807           | \$ 3.75                                   |  |                                 |
| Granted  | 123,750             | \$ 1.98                                   |  |                                 |
| Forfeited  | (14,457 )           | \$ 7.49                                   |  |                                 |
| Expired  | (87,750 )           | \$ 9.64                                   |  |                                 |
| Outstanding at December 31, 2011                 | 1,486,350           | \$ 3.22                                   | 2.6  | --                              |
| Vested and Expected to Vest at December 31, 2011 | 1,369,678           | \$ 3.20                                   | 2.5  | --                              |
| Exercisable at December 31, 2011                 | 594,560             | \$ 4.20                                   | 1.7  | --                              |

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock. There were no options that were in-the-money at December 31, 2011. During the three months ended December 31, 2010, the aggregate intrinsic value of options exercised under the Company's stock option plans was \$1,000, determined as of the date of option exercise. There were no options exercised during the six months ended December 31, 2011.

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## Common Stock Restricted Awards

For the six months ended December 31, 2011, the Company's Compensation Committee granted 720,000 shares of restricted common stock to director level and executive members of management, vesting in three equal installments on the first, second and third anniversary of the grant date.

The following is a summary of restricted stock activity granted to employees during the six months ended December 31, 2011:

|                                  | Number of<br>Shares | Weighted<br>Average<br>Grant Date<br>Fair Value |
|----------------------------------|---------------------|---|
| Balance at June 30, 2011         | 30,000              | \$ 2.25   |
| Granted                          | 720,000             | \$ 1.89   |
| Vested                           | --                  |   |
| Forfeited                        | --                  |   |
| Outstanding at December 31, 2011 | 750,000             | \$ 1.90   |

## 5. Subsequent Event

Effective January 27, 2012, our Chief Executive Officer tendered his resignation. Simultaneously, we effected a reorganization and cost cutting initiative which resulted in the elimination of eight additional positions. We have offered severance benefits to the terminated employees, and anticipate recording one-time restructuring expenses of approximately \$500,000 in the third quarter of fiscal 2012.

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

## Forward-Looking Statements

This report contains forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements contained herein. When used in this report, the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by these forward-looking statements. We wish to caution readers of the important factors, among others, that in some cases have affected, and in the future could affect our actual results and could cause actual results for fiscal year 2012 and beyond, to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. These factors include without limitation, the ability to obtain capital and other financing in the amounts and at the times needed to complete clinical trials and product marketing for new products, market acceptance of new products, regulatory approval and time frames for such approval of new products and new claims for existing products, realization of forecasted income and expenses, initiatives by competitors, price pressures, failure to meet FDA regulations governing our products and operations and recalls associated with such regulations, the risks associated with initiating manufacturing for new products, and the risk factors listed from time to time in our SEC reports, including, in particular, the factors and discussion in our Form 10-K for fiscal year 2011.

## Overview

ThermoGenesis designs, develops and commercializes cell processing products that enable the practice of regenerative medicine. Our products automate the volume reduction and cryopreservation of adult stem cell concentrates from cord blood and bone marrow for use in laboratory and point of care settings. We were founded in 1986 and are located in Rancho Cordova, California. Our growth strategy is to expand our offerings in regenerative medicine while

partnering with other pioneers in the stem cell arena to accelerate our worldwide penetration in this potentially explosive market. However, the continuing global debt crisis and other economic conditions have impacted the growth of our revenues over the past several quarters.

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### Our Products

#### Cord Blood

- The AXP System is a medical device with an accompanying disposable bag set that isolates and retrieves stem cells from umbilical cord blood. The AXP System provides cord blood banks with an aseptic, automated method to concentrate adult stem cells which reduces the overall processing and labor costs with a reduced risk of contamination under GMP conditions. The AXP System retains over 97% of the mononuclear cells (“MNCs”). High MNC recovery has significant clinical importance to patient transplant survival rates. Self-powered and microprocessor-controlled, the AXP device contains flow control optical sensors that achieve precise cell separation.
- The BioArchive System is a robotic cryogenic medical device used to cryopreserve and archive stem cells for future transplant and treatment. The BioArchive System is designed to store over 3,600 stem cell samples. It is the only fully-automated, commercially available system on the market that integrates controlled-rate freezing, sample management and long term cryogenic storage in liquid nitrogen. The robotic storage and retrieval of these stem cell units improves cell viability, provides precise inventory management and minimizes the possibility of human error.

#### Bone Marrow

- The MarrowXpress® or MXP System, a sister product of the AXP and its accompanying disposable bag set isolates and concentrates stem cells from bone marrow aspirate and its initial application is for the preparation of cells for regeneration of bone in spinal fusion procedures. The product is an automated, closed, sterile system that volume-reduces blood from bone marrow to a user-defined volume in 30 minutes, while retaining over 90% of the MNCs, a clinically important cell fraction. Self-powered and microprocessor-controlled, the MXP System contains flow control optical sensors that achieve precise cell separation.
- The Res-Q 60 BMC, is a rapid, reliable, and easy to use product for cell processing at the point of care. The product is a centrifuge-based disposable device designed for the isolation and extraction of specific stem cell populations from bone marrow. The key advantages of the Res-Q 60 BMC include (a) delivering a high number of target cells from a small sample of bone marrow, and (b) providing a disposable that is highly portable and packaged for the sterile field. These features allow the physician to process bone marrow and return the cells to the patient in 15 minutes. We filed a 510(k) application in November 2011.

#### PRP

- The Res-Q 60 PRP, is designed to be used for the safe and rapid preparation of autologous platelet rich plasma (“PRP”) from a small sample of blood at the point of care. The product allows PRP to be mixed with autograft and/or allograft bone prior to application to a bony defect in the body. The Res-Q 60 PRP received FDA 510(k) clearance in June of 2011.

On January 10, 2012, we entered into an Exclusive Distributor Agreement and License with Arthrex, Inc. for the exclusive rights to sell, distribute, and service our Res-Q60 technology for use in the preparation of autologous PRP and BMC.

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Other

The Company has begun efforts to divest or discontinue the following product lines which are not strategically aligned with our regenerative medicine strategy.

- The ThermoLine® product line includes the ultra-rapid plasma ThermoLine Freezer and ultra-rapid plasma ThermoLine Thawer. We offer two models of plasma freezers, which vary primarily by capacity and condenser type. The ThermoLine freezer optimizes plasma freezing through its unique liquid heat transfer and uniform freezing technologies that can freeze units of blood plasma in approximately 30 minutes. These products are suited for medium to large laboratories. The Company is in the process of winding down the ThermoLine product line.
- The CryoSeal® System is an automated system serving the wound market used to prepare an autologous hemostatic surgical sealant from a patient's own blood or from a single donor in approximately one hour. We received a Premarket Approval ("PMA") to market the CryoSeal in liver resection surgeries in July 2007.

On June 16, 2010 we reached an agreement with Asahi Kasei Medical Co., Ltd. ("Asahi") in which Asahi paid us \$1 million to provide CryoSeal products and clinical support services until such time as Asahi assumes manufacturing of the product line in Japan or December 31, 2012, whichever comes first. As part of the \$1 million payment, we granted Asahi an option to acquire the CryoSeal product line, which may be exercised over the next five years. On August 31, 2011, the Ministry of Health, Labour and Welfare ("MHLW") in Japan approved the CryoSeal to market. Asahi has placed a final order of 25 CryoSeal devices and associated disposables. This order may be impacted as the CP-3 CryoSeal disposables are manufactured in a facility in Thailand which was flooded in October 2011. The facility is undergoing infrastructure and production equipment restoration.

The following is management's discussion and analysis of certain significant factors which have affected our financial condition and results of operations during the period included in the accompanying consolidated financial statements.

Critical Accounting Policies

Management's discussion and analysis of its financial condition and results of operations is based upon the condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, warranties, contingencies and litigation. We base our 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 for 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. For a full discussion of our accounting estimates and assumptions that we have identified as critical in the preparation of our condensed consolidated financial statements, please refer to our 2011 Annual Report on Form 10-K.

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## Results of Operations

Results of Operations for the Three Months Ended December 31, 2011 as Compared to the Three Months Ended December 31, 2010

## Net Revenues:

Revenues for the three months ended December 31, 2011 were \$4,775,000 compared to \$5,860,000 for the three months ended December 31, 2010, a decrease of \$1,085,000 or 19%. BioArchive device revenues decreased as there were four fewer devices sold during the current quarter than in the prior year quarter. The global economy has tightened capital budgets and this has impacted our BioArchive device sales. In addition, difficult economic conditions have slowed the rate of cord blood collections globally, which has decreased the unit volume sell through amounts to customers over the past year. As a result, we have experienced declining revenues most of the last six quarters. Although we cannot guarantee, we believe we are now at a quarterly revenue level that we should sustain for the near term. As global economic conditions improve and we receive product approvals in new territories, we expect our revenues to increase accordingly.

The following represents the Company's revenues for disposables by product line for the three months ended:

|                                      | December 31, |              |
|--------------------------------------|--------------|--------------|
|                                      | 2011         | 2010         |
| AXP                                  | \$ 1,882,000 | \$ 1,845,000 |
| BioArchive                           | 994,000      | 757,000      |
| Res-Q                                | 464,000      | 509,000      |
| MXP                                  | 29,000       | 96,000       |
| CryoSeal                             | 137,000      | 183,000      |
|                                      | \$ 3,506,000 | \$ 3,390,000 |
| Percentage of total Company revenues | 73 %         | 58 %         |

The following represents the Company's cumulative BioArchive devices sold into the following geographies from inception through the dates indicated:

|               | December 31, |      |
|---------------|--------------|------|
|               | 2011         | 2010 |
| Asia          | 83           | 76   |
| Europe        | 66           | 62   |
| United States | 55           | 52   |
| Rest of World | 48           | 45   |
|               | 252          | 235  |

## Gross Profit:

The Company's gross profit was \$1,704,000 or 36% of net revenues for the three months ended December 31, 2011, as compared to \$2,356,000 or 40% of net revenues for the corresponding fiscal 2011 period. The decrease in gross profit is primarily due to the manufacturing inefficiencies which were experienced during the build of the CryoSeal devices for Asahi as we have not produced CryoSeal devices in some time.



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Selling, General and Administrative Expenses:

Selling, general and administrative expenses were \$1,991,000 for the three months ended December 31, 2011, compared to \$2,333,000 for the comparable fiscal 2011 period, a decrease of \$342,000 or 15%. The decrease is primarily due to a decrease in stock compensation expense of \$230,000 attributable to options granted in the prior year to the independent members of our board of directors and the amortization of the initial grant of restricted stock to Nanshan Memorial Medical Institute upon signing the distributor agreement. There were no similar transactions in the quarter ended December 31, 2011. Additionally, outside consultant expenses decreased \$140,000 primarily due to the fees paid to investment bankers in the prior year.

Research and Development Expenses:

Included in this line item are engineering, regulatory affairs, scientific and clinical affairs.

Research and development expenses were \$1,037,000 for the three months ended December 31, 2011, compared to \$774,000 for the corresponding fiscal 2011 period, an increase of \$263,000 or 34%. The majority of the increase is due to funding of clinical studies and higher salaries and benefits due to the hiring of a Senior Director of Regulatory Affairs and Vice President of Scientific Affairs.

Interest and Other Income, Net:

In October 2010, we were awarded \$244,000 in federal grant funding from the Department of Health and Human Services through the Patient Protection and Affordable Care Act. Grants were available for up to 50 percent of expenses directly related to qualifying products for therapies designed to treat or prevent diseases or other chronic conditions. Our award was for the development and commercialization of our Res-Q platform technology which occurred in fiscal 2009. We have no further obligations under the grant. The one-time payment of \$244,000 was recorded as other income in the quarter ended December 31, 2010.

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Results of Operations for the Six Months Ended December 31, 2011 as Compared to the Six Months Ended December 31, 2010

## Net Revenues:

Revenues for the six months ended December 31, 2011 were \$9,634,000, compared to \$12,857,000 for the six months ended December 31, 2010, a decrease of \$3,223,000 or 25%. BioArchive device revenues decreased as there were seven fewer devices sold during the six months ended December 31, 2011 than in the corresponding period of the prior year. The global economy has tightened capital budgets and this has impacted our BioArchive device sales, especially in Europe. Additionally, sales of AXP disposables decreased due to a one-time inventory build of AXP disposables by GE Healthcare ("GEHC") during the first quarter of the prior year as well as lower bag set sell-through volumes to customers than in the same prior year period.

The following represents the Company's revenues for disposables by product line for the six months ended:

|                                      | December 31, |              |
|--------------------------------------|--------------|--------------|
|                                      | 2011         | 2010         |
| AXP                                  | \$ 3,912,000 | \$ 4,665,000 |
| BioArchive                           | 1,841,000    | 1,438,000    |
| Res-Q                                | 895,000      | 1,208,000    |
| MXP                                  | 58,000       | 198,000      |
| CryoSeal                             | 292,000      | 268,000      |
|                                      | \$ 6,998,000 | \$ 7,777,000 |
| Percentage of total Company revenues | 73 %         | 60 %         |

## Gross Profit:

The Company's gross profit was \$3,703,000 or 38% of net revenues for the six months ended December 31, 2011, as compared to \$4,951,000 or 39% of net revenues for the corresponding fiscal 2011 period. The decrease in gross profit is primarily due to manufacturing inefficiencies which were experienced during the build of the CryoSeal devices for Asahi as discussed above.

## Selling, General and Administrative Expenses:

Selling, general and administrative expenses were \$4,307,000 for the six months ended December 31, 2011, compared to \$4,273,000 for the comparable fiscal 2011 period, an increase of \$34,000. The slight increase is due to higher salaries and benefits primarily due to hiring a Vice President of Business Development and marketing personnel, offset by a decrease in outside consultant expenses primarily due to the fees paid to investment bankers in the prior year.

## Research and Development Expenses:

Included in this line item are engineering, regulatory affairs, scientific and clinical affairs.

Research and development expenses were \$1,960,000 for the six months ended December 31, 2011, compared to \$1,499,000 for the corresponding fiscal 2011 period, an increase of \$461,000. The increase is primarily due to funding of clinical studies and higher salaries and benefits primarily due to the hiring of a Senior Director of Regulatory Affairs and Vice President of Scientific Affairs.

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### Impact of Inflation

Our operations have not been materially affected by inflation or changing prices because most contracts are short term in nature.

### Liquidity and Capital Resources

At December 31, 2011, we had cash and cash equivalents of \$8,729,000 and working capital of \$16,818,000. This compares to cash and cash equivalents of \$12,309,000 and working capital of \$18,976,000 at June 30, 2011. The cash was used to fund operations and other cash needs of the Company. In addition to product revenues, the Company has primarily financed operations through the private and public placement of equity securities and has raised approximately \$112,000,000, net of expenses, through common and preferred stock financings and option and warrant exercises.

Net cash used in operating activities for the six months ended December 31, 2011 was \$3,099,000, primarily due to the net loss of \$2,486,000, offset by depreciation and stock based compensation expense of \$202,000 and \$621,000, respectively. Accounts receivable utilized \$1,018,000 of cash primarily due to three accounts with large past due balances which were paid by February 1, 2012.

As of January 27, 2012, the Company effected a reorganization and cost cutting initiative designed to better align resources with its current and expected near term revenue streams and to reduce its overall operating expenses by approximately \$2 million per year. Although the Company believes this will result in greater near term cash preservation, the Company may be required to seek additional capital during the next 12 months should it not be able to maintain compliance with, or obtain forbearance of, its financial covenants. See Part I Item 1-Business, Cord Blood Registry Systems, Inc. set forth in our annual report on Form 10-K for fiscal year ended June 30, 2011. Notwithstanding the aforementioned, we believe our currently available cash and cash equivalents and cash generated from operations will be sufficient to satisfy our operating and working capital requirements for at least the next twelve months. Our ability to fund our longer-term cash needs is subject to various risks, many of which are beyond our control. Further, with current performance trends, we intend to focus on potential near term business opportunities, which may include possible product line acquisitions, technology or strategic partner arrangements, any of which may have potential for near term revenue growth. In addition, should we change distributors and take on the responsibility for maintaining significant product inventory levels for certain end user customers, we may need to raise additional funding. Should we require additional funding, such as additional capital investments, we may need to raise the required additional funds through bank borrowings or public or private sales of debt or equity securities. We cannot assure that such funding will be available in needed quantities or on terms favorable to us, if at all. See Part II Item 1A – Risk Factors set forth below and Part I Item 1A – Risk Factors set forth in our annual report on Form 10-K for fiscal year ended June 30, 2011.

### Off-Balance Sheet Arrangements

As of December 31, 2011, we had no off-balance sheet arrangements.

### Backlog

Our cancelable backlog at December 31, 2011 was \$2,578,000, of which \$1,900,000 represents orders from Asahi for CryoSeal devices and disposables. We intend to fulfill the device order of \$750,000, however, the remainder of the order is in question due to the flooding of the facility that manufactures the CP-3 disposables. Our backlog consists of product orders for which a customer purchase order has been received and is scheduled for shipment within the next twelve months. Orders are subject to cancellation or rescheduling by the customer, sometimes with a cancellation charge. Due to timing of order placement, product lead times, changes in product delivery schedules and cancellations, and because sales will often reflect orders shipped in the same quarter received, our backlog at any particular date is not necessarily indicative of sales for any succeeding period.



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Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting Company as defined by Rule 12b-2 of the Securities and Exchange Act of 1934 and are not required to provide information under this item.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer along with our Chief Financial Officer (in this case the same person), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of our fiscal quarter pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our Chief Executive Officer/Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There were no changes in our internal controls over financial reporting that occurred during the three months ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within any company have been detected.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the normal course of operations, we may have disagreements or disputes with distributors, vendors or employees. Such potential disputes are seen by management as a normal part of business.

There are currently neither any pending actions nor any threatened actions that management believes would have a significant material impact on our financial position, results of operations or cash flows.

Item 1A. Risk Factors.

In addition to the risk factors discussed below and other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which could materially affect our business, financial condition or future results. There have been no material changes from those risk factors, other than the risk factors listed below. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known or knowable to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Our Business is Indirectly Subject to Customer and Distributor Inventory Requirements and Continuity of Inventory Purchasing. The GEHC AXP distribution agreement expires July 31, 2013, with automatic one year renewals, unless terminated by either party at any time with a 90 day advance notice. Contract termination would cause the sale of AXP disposable product inventory by GEHC, which would result in a surplus of product availability in the market. During the sell-off of product inventory by GEHC, our revenues could decline significantly, which would have a material adverse effect on our financial performance during those periods. We estimate the amount of such a revenue decline could be as much as \$1.5 million per quarter over two consecutive quarters. If termination occurred, we would attempt to mitigate the financial impact on working capital requirements by seeking other distribution partners, modifying customer contracts or seeking additional debt or equity financing.

If the Price of our Common Stock Does Not Meet the Requirements of the NASDAQ Capital Market Stock Exchange, Our Shares may be Delisted. Our Ability to Publicly or Privately Sell Equity Securities and the Liquidity of Our Common Stock Could be Adversely Affected if We Are Delisted. The listing standards of NASDAQ provide, among other things, that a company may be delisted if the bid price of its stock drops below \$1.00 for a period of 30 consecutive business days. The bid price of our stock has been below \$1.00 for a period of greater than 30 consecutive business days. As such, on December 28, 2011, we received a notice from the NASDAQ Listing Qualifications Department informing us that we must regain compliance with listing requirements or face delisting. In order to regain compliance, at any time before June 25, 2012, the bid price of our common stock must close at a price of at least \$1.00 per share for a minimum of 10 consecutive business days. The notice states that NASDAQ will provide us with written notification when our common stock has regained compliance.

If compliance cannot be demonstrated by June 25, 2012, then NASDAQ will decide whether we meet all applicable standards for initial listing on the Capital Market (except the bid price requirement) based on our most recent public filings and market information. The notice states that, if we meet these standards, then we will be granted an additional 180 calendar day compliance period. NASDAQ can deny the extension if it does not appear to them that it is possible for us to cure the deficiency. Delisting from NASDAQ could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities.



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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.  
None.

Item 3. Defaults upon Senior Securities.  
None.

Item 4. [Removed and Reserved].

Item 5. Other Information.  
None.

Item 6. Exhibits:

31.1 Certification by the Principal Executive/Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

101.INS XBRL Instance Document‡

101.SCH XBRL Taxonomy Extension Schema Document‡

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document‡

101.DEF XBRL Extension Definition‡

101.LAB XBRL Taxonomy Extension Label Linkbase Document‡

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document‡

Footnotes to Exhibit Index

‡XBRL information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.



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ThermoGenesis Corp.

Signatures

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

ThermoGenesis Corp.

(Registrant)

Dated: February 9, 2012

/s/ Matthew T. Plavan

Matthew T. Plavan

Chief Executive Officer/Chief Financial Officer

(Principal Executive Officer, Principal Financial Officer  
and Principal Accounting Officer)