

THERMOGENESIS CORP

Form 10-Q

May 07, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2009.

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

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

(Do not check if a smaller reporting company)

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

Yes No

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

Class	Outstanding as of May 4, 2009
Common stock, \$.001 par value	56,092,960

ThermoGenesis Corp.
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Condensed Consolidated Balance Sheets (Unaudited)**

	March 31, 2009	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,632,000	\$ 4,384,000
Short-term investments	11,041,000	20,903,000
Accounts receivable, net of allowance for doubtful accounts of \$19,000 (\$31,000 at June 30, 2008)	4,949,000	5,976,000
Inventories	5,601,000	5,131,000
Other current assets	291,000	367,000
Total current assets	28,514,000	36,761,000
Equipment at cost less accumulated depreciation of \$3,232,000 (\$2,950,000 at June 30, 2008)	1,378,000	1,450,000
Other assets	569,000	71,000
	\$ 30,461,000	\$ 38,282,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,965,000	\$ 4,186,000
Accrued payroll and related expenses	697,000	564,000
Deferred revenue	785,000	801,000
Other current liabilities	1,098,000	1,232,000
Total current liabilities	4,545,000	6,783,000
Deferred revenue	487,000	974,000
Commitments and contingencies		
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; 56,092,960 issued and outstanding (56,027,960 at June 30, 2008)	56,000	56,000
Paid in capital in excess of par	120,648,000	120,278,000
Accumulated deficit	(95,275,000)	(89,809,000)
Total stockholders equity	25,429,000	30,525,000

\$ 30,461,000 \$ 38,282,000

See accompanying notes.

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ThermoGenesis Corp.
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
Net revenues	\$ 5,148,000	\$ 5,645,000	\$ 15,776,000	\$ 14,764,000
Cost of revenues	3,354,000	4,144,000	10,489,000	10,144,000
Gross profit	1,794,000	1,501,000	5,287,000	4,620,000
Expenses:				
Selling, general and administrative	1,917,000	2,550,000	7,037,000	7,327,000
Research and development	1,018,000	1,902,000	3,916,000	5,015,000
Total operating expenses	2,935,000	4,452,000	10,953,000	12,342,000
Interest and other income, net	49,000	271,000	200,000	1,025,000
Net loss	\$ (1,092,000)	\$ (2,680,000)	\$ (5,466,000)	\$ (6,697,000)
Per share data:				
Basic and diluted net loss per common share	\$ (0.02)	\$ (0.05)	\$ (0.10)	\$ (0.12)
Shares used in computing per share data	56,092,960	55,701,175	56,049,627	55,687,286

See accompanying notes.

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ThermoGenesis Corp.
Condensed Consolidated Statements of Cash Flows (Unaudited)
Nine Months Ended March 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net loss	\$ (5,466,000)	\$ (6,697,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	362,000	402,000
Stock based compensation expense	370,000	1,618,000
Accretion of discount on short-term investments	(157,000)	(782,000)
Net change in operating assets and liabilities:		
Accounts receivable, net	1,027,000	(339,000)
Inventories	(470,000)	245,000
Other current assets	76,000	172,000
Other assets	(447,000)	49,000
Accounts payable	(2,221,000)	402,000
Accrued payroll and related expenses	133,000	(121,000)
Deferred revenue	(503,000)	(545,000)
Other current liabilities	(123,000)	522,000
Net cash used in operating activities	(7,419,000)	(5,074,000)
Cash flows from investing activities:		
Capital expenditures	(341,000)	(296,000)
Purchase of investments	(16,981,000)	(27,460,000)
Maturities of investments	27,000,000	38,000,000
Net cash provided by investing activities	9,678,000	10,244,000
Cash flows from financing activities:		
Payments on capital lease obligations	(11,000)	(14,000)
Exercise of stock options and warrants		266,000
Net cash (used in) provided by financing activities	(11,000)	252,000
Net increase in cash and cash equivalents	2,248,000	5,422,000
Cash and cash equivalents at beginning of period	4,384,000	5,730,000
Cash and cash equivalents at end of period	\$ 6,632,000	\$ 11,152,000

Supplemental non-cash flow information:

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Transfer of inventory to equipment	\$	157,000
Transfer of equipment to inventory	\$	18,000
Transfer of equipment to other assets	\$	51,000

See accompanying notes.

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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) designs, manufactures and markets automated and semi-automated devices and single-use processing disposables that enable hospitals and blood banks to manufacture a therapeutic dose of stem cells, wound healing proteins or growth factors from a single unit of cord blood or the patient's bone marrow or peripheral blood in less than one hour.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the parent company, ThermoGenesis, and its wholly-owned subsidiary, Vantus. All significant intercompany balances and transactions have been eliminated in consolidation.

Interim Reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 SEC rules and regulations and accounting principles applicable for interim periods. All sales, domestic and foreign, are denominated in U.S. dollars and therefore currency fluctuations are believed to have no impact on the Company's net revenues. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending June 30, 2009. 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, 2008.

Revenue Recognition

The Company recognizes revenue including multiple element arrangements, in accordance with the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition* and the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) 00-21, *Revenue Agreements with Multiple Deliverables*. Revenues from the sale of the Company's 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 collectibility is reasonably assured. The Company generally ships 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. The Company's foreign sales are generally through distributors. There is no right of return provided for distributors. For sales of products made to distributors, the Company considers 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 the Company, the level of inventories maintained by the distributor, whether the Company has 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. The Company currently recognizes revenue primarily on the sell-in method with its distributors.

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Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered item has value to the customer on a stand-alone basis and whether there is objective and reliable evidence of the fair value of any undelivered items. Revenue is recognized as specific elements indicated in sales contracts are executed. If an element is essential to the functionality of an arrangement, the entire arrangement's revenue is deferred until that essential element is delivered. The fair value of each undelivered element that is not essential to the functionality of the system is deferred until performance or delivery occurs. The fair value of an undelivered element is based on vendor specific objective evidence or third party evidence of fair value as appropriate. Costs associated with inconsequential or perfunctory elements in multiple element arrangements are accrued at the time of revenue recognition. The Company accounts for training and installation as a separate element of a multiple element arrangement. The Company therefore recognizes the fair value of training and installation services upon their completion when the Company is obligated to perform such services.

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.

Milestone payments the Company receives under research and development arrangements are recognized as revenue upon achievement of the milestone events, which represent the culmination of the earnings process, and when collectibility is reasonably assured. Milestone payments are triggered by the results of the Company's development efforts. Accordingly, the milestone payments are substantially at risk at the inception of the contract, and the amounts of the payments assigned thereto are commensurate with the milestone achieved. Upon the achievement of a milestone event, which may include acceptance by the counterparty, the Company has no future performance obligations related to that milestone as the milestone payments received by the Company are nonrefundable.

For licensing agreements pursuant to which the Company receives up-front licensing fees for products or technologies that will be provided by the Company over the term of the arrangements, the Company defers the up-front fees and recognizes 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 the Company's 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 Company adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS No. 157) effective July 1, 2008 for financial assets and liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and financial liabilities that are measured and reported on a fair value basis and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. There was no impact for adoption of SFAS No. 157 to the Company's consolidated financial statements.

SFAS No. 157 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.

Assets measured at fair value on a recurring basis include the following as of March 31, 2009:

Fair Value Measurements at March 31, 2009		
	Using Significant	
Quoted Prices	Other	Significant

	in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of March 31, 2009
Cash equivalents				
Money market funds	\$ 1,849,000	\$	\$	\$ 1,849,000
Certificates of deposit	\$ 3,900,000	\$	\$	\$ 3,900,000
Short-term investments				
Certificates of deposit	\$ 4,000,000			\$ 4,000,000

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Segment Reporting

The Company operates 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 to common stockholders by the weighted average number of common shares outstanding. The calculation of the basic and diluted earnings per share is the same for all periods presented, as the effect of the potential common stock equivalents is anti-dilutive due to the Company's net loss position for all periods presented. Anti-dilutive securities, which consist of stock options and common stock restricted awards that were not included in diluted net loss per common share were 3,653,106 and 3,427,770 as of March 31, 2009 and 2008, respectively.

Reclassifications

Certain amounts in the prior period's financial statements have been reclassified to conform with the 2009 presentation.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 allows entities to voluntarily choose to measure many financial assets and financial liabilities at fair value. The Company adopted SFAS No. 159 effective July 1, 2008 and has not elected the fair value option for its financial instruments. The adoption of SFAS No. 159 did not have an impact on the Company's consolidated results or financial condition.

In June 2007, the FASB ratified a consensus opinion reached by the EITF on EITF Issue 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* (EITF 07-3). The guidance in EITF 07-3 requires the Company to defer and capitalize nonrefundable advance payments made for goods or services to be used in research and development activities until the goods have been delivered or the related services have been performed. If the goods are no longer expected to be delivered nor the services expected to be performed, the Company would be required to expense the related capitalized advance payments. The consensus in EITF 07-3 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2007 and is applied prospectively to new contracts entered into on or after December 15, 2007. The Company adopted EITF 07-3 effective July 1, 2008. The adoption of EITF 07-3 did not have a material impact on the Company's results of operations or financial condition.

In December 2007, the FASB ratified EITF Issue No. 07-1, *Accounting for Collaborative Arrangements* (EITF 07-1). EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 also establishes the appropriate income statement presentation and classification for joint operating activities and payments between participants, as well as the sufficiency of the disclosures related to these arrangements. EITF 07-1 is effective for fiscal years beginning after December 15, 2008. EITF 07-1 shall be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date. The Company is currently assessing the potential impact, if any, the adoption of EITF 07-1 may have on its consolidated financial statements.

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In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* (SFAS No. 141R) which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value and requires the expensing of acquisition-related costs as incurred. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will assess the potential impact of the adoption of SFAS No. 141R if and when a future acquisition occurs.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS No 162 is effective 60 days following approval by the Securities and Exchange Commission of the Public Company Accounting Oversight Board's amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Company does not expect SFAS No. 162 to have a material impact on its financial statements. The Company is currently assessing the potential impact, if any, the adoption of SFAS No. 162 may have on its consolidated financial statements.

2. Investments

The Company intends and has the ability to hold its U.S. Treasury obligations to maturity, and therefore classifies its investments as held-to-maturity and carries such investments at amortized cost in accordance with the provisions of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

Held-to-maturity investments are not subject to the fair value requirements of FAS 157.

The following is a summary of held-to-maturity securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2009				
U.S. Treasury obligations	\$ 7,041,000	\$ 4,000		\$ 7,045,000
Maturity Date:				
Less than 90 days	\$ 7,041,000			\$ 7,045,000
June 30, 2008				
U.S. Treasury obligations	\$ 20,903,000		\$ 13,000	\$ 20,890,000

Table of Contents**3. Inventories**

Inventories consisted of the following at:

	March 31, 2009	June 30, 2008
Raw materials	\$ 1,513,000	\$ 1,869,000
Work in process	1,494,000	1,302,000
Finished goods	2,594,000	1,960,000
	\$ 5,601,000	\$ 5,131,000

4. Commitments and Contingencies**Import/Export Bonds**

The Company imports and exports products and components as a routine part of its business, and must comply with the rules and regulations of both the U.S. Food and Drug Administration (FDA) and the U.S. Department of Homeland Security Bureau of Customs and Border Protection (CBP). With products and components that require FDA approval, but prior to the receipt of such approval, previously, the Company entered the components into the U.S. under certain temporary import provisions and must provide documentation of re-export of such product or its destruction within specified time periods. If components or products have not been exported or destroyed within the period provided for by the regulations, the Port Director may make a demand in writing under the bond for the payment of defined damages. The Company has in the past used a continuous import bond (CIB) in the face amount of \$50,000 for these activities, which would provide payment of any damages up to the face amount of the bond. In November 2007, the Company was notified by CBP at the Port of San Francisco that it may be in breach of the temporary import agreement for components sold within the U.S. to our strategic partners who then export such components for use outside the U.S. The Company may be exposed to damages up to a maximum of the face amount of our continuous import bond for each year the non-compliant imports occurred, and the bond was in effect. For the quarter ended December 31, 2007, the Company recorded an estimated loss contingency in the amount of \$100,000, which was based on the face amounts of the bond described above. During the quarter ended December 31, 2008, the Company paid \$32,000 in penalties to settle the ten bonds issued for the first year of the CIB and released the unused portion of \$18,000. We have been advised by CBP that the documentation for the bonds for the second year of the CIB has been accepted and the bonds are considered closed as compliant. Accordingly, the Company released the \$50,000 during the quarter ended March 31, 2009.

Product Recall

In the second quarter of fiscal 2009, the Company initiated a voluntary recall of certain lots of the AXP disposable bag sets as they may contain sterile particulates from a supplied component that may be released into the sterile, non-pyrogenic fluid path. This recall was not a result of any reports of patient safety issues. The Company accrued \$520,000 in the cost of revenues line item for the quarter ended September 30, 2008 as its best estimate of the costs associated with this voluntary recall. During the quarter ended December 31, 2008, the Company shipped \$252,000 of product replacements and completed its testing of the subject lots. Based on the testing, it was determined that one lot previously reserved for did not have to be recalled. Therefore, the Company reversed \$115,000 during the quarter ended December 31, 2008. There was no shipment of product replacements during the quarter ended March 31, 2009. Therefore, the Company's accrual remains at \$153,000. The FDA has agreed with the Company's plan to remedy the recall and the Company has implemented this plan.

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The Company offers a one-year warranty on all of its products. The Company warrants disposable products through their expiration date. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's product liability during the period are as follows:

July 1, 2008 balance	\$ 507,000
Warranties issued during the period	230,000
Settlements made during the period	(614,000)
Changes in liability for pre-existing warranties during the period, including expirations	439,000
Balance at March 31, 2009	\$ 562,000

As a result of the voluntary recall of certain lots of the AXP disposable bag sets, the Company made revisions to its estimated warranty liability. These changes in estimates increased the Company's cost of revenues and net loss by \$520,000 and net loss per share of \$0.01 for the quarter ended September 30, 2008 and decreased the Company's cost of revenues and net loss by \$115,000 (no net loss per share impact) for the quarter ended December 31, 2008. There were no changes to the estimated warranty liability for the voluntary recall during the quarter ended March 31, 2009. In the prior fiscal year, as a result of various quality issues experienced by high usage customers of the AXP devices and docking stations, the Company made revisions to its estimated warranty liability for the six month period ended December 31, 2007 which increased the Company's cost of revenues and net loss (no net loss per share impact) by \$249,000. The Company did not record any significant change in estimate during the quarter ended September 30, 2007.

5. Stockholders' Equity**Stock Based Compensation**

The Company recorded stock-based compensation of \$142,000 and \$370,000 for the three and nine months ended March 31, 2009 and \$497,000 and \$1,618,000 for the three and nine months ended March 31, 2008.

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The following is a summary of option activity for the Company's stock option plans:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at June 30, 2008	2,994,937	\$ 2.64		
Granted	1,260,333	\$ 0.84		
Forfeited or Expired	(621,664)	\$ 2.93		
Exercised				
Outstanding at March 31, 2009	3,633,606	\$ 1.97	2.3	\$ 3,000
Vested and Expected to Vest at March 31, 2009	3,497,374	\$ 1.99	2.2	\$ 3,000
Exercisable at March 31, 2009	1,756,181	\$ 2.61	1.1	

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 for the 50,000 options that were in-the-money at March 31, 2009. There were no options exercised during the nine months ended March 31, 2009. During the nine months ended March 31, 2008, the aggregate intrinsic value of options exercised under the Company's stock option plans was \$248,000, determined as of the date of option exercise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Forward-Looking Statements**

This report contains forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. 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. The Company's actual results, performance or achievements could differ materially from the results expressed in, or implied by these forward-looking statements. The Company wishes to caution readers of the important factors, among others, that in some cases have affected, and in the future could affect the Company's actual results and could cause actual results for fiscal year 2009, 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, the risks associated with initiating manufacturing for new products, and the risk factors listed from time to time in the Company's SEC reports, including, in particular, the factors and discussion in the Company's Form 10-K for its last fiscal year.

Overview

We are a leading supplier of innovative products and services that process and store adult stem cells. Our products concentrate and store stem cells of a single donor which can be administered to that donor or a matched patient. Our devices and disposables are intended for use by physicians, researchers, hospitals and blood banks. These stem cells

typically originate from the blood or tissue from donated cord blood or
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the bone marrow of the patient to be treated. The stem cell therapy market is a broad, rapidly growing field of medicine that involves the collection, purification, manipulation and administration of stem cells, to treat serious injuries or diseases such as malignant or genetic blood diseases, tailored to individual patients. This methodology of personalized treatment is considerably different than practices with generic conventional pharmaceutical drugs. Pharmaceutical drugs are produced in large quantities and are effective on most patients with similar underlying medical conditions. Additionally, these drugs typically consist of inert materials that can be stored in medicine cabinets at room temperature. In contrast, personalized cell therapies are manufactured one at a time, are intended for a single patient and must be used immediately or, if stored, require precision freezing and extremely low storage temperatures (-196°C in some cases) in order to preserve the viability of the cells.

Our Products

The **BioArchive System** is an automated cryogenic system used in stem cell therapy to cryopreserve and archive stem cells and tissue for future transplant and treatment. The BioArchive System, which can store up to 3,626 units of stem cells, is the only fully automated system that integrates controlled rate freezing, quarantine and long term cryogenic storage. The robotic storage and retrieval of these stem cell units improves cell viability, provides precise inventory management and minimizes the possibility of human error. We have sold more than 190 BioArchive Systems to date to private and public cord blood banks and stem cell research institutes in more than 25 countries. The BioArchive System serves the human stem cell storage market.

The **AutoXpress Platform** or AXP is an innovative product which automates the isolation and concentration of stem cells from cord blood in a functionally closed sterile disposable set in preparation for cryopreservation and long term storage. The AXP Platform consists of a microprocessor controlled electromechanical device which includes optical sensors and accelerometers and a dedicated disposable bag set. During the centrifugation step, the AXP automatically concentrates the stem cells in the cord blood by removing excess plasma and red blood cells. The benefits of the AXP technology are its ability to efficiently isolate and concentrate stem cells with minimal operator time and electronic documentation of the processing for Current Good Manufacturing Practice (cGMP) compliance. As a result, cord blood banks are able to achieve improved operating efficiency as compared to manual processing methods. In addition to labor savings, the AXP is also considerably faster than manual methods. At the end of the centrifugation of the AXP, the concentrated stem cells are delivered into an integral freezing container. After the cryopreservation solution is added to the AXP freezing bag using the integral sterile filter, the concentrated stem cells are ready to be frozen and stored with the BioArchive System until needed for a stem cell transplantation.

The **MarrowXpress** or MXP, an extension of the AXP, defines a new processing standard for isolating and retrieving stem cells from bone marrow aspirate. It is an automated, closed, sterile system that volume-reduces blood to a user-defined volume while retaining over 90% of the mononuclear cells. Self-powered and microprocessor-controlled, the MarrowXpress Platform contains flow control optical sensors which achieve precise separation. In June 2008, we received the CE-Mark, enabling commercial sales in Europe. In July 2008, we received authorization from the FDA to begin marketing the MXP for use in the clinical laboratory or intraoperatively at the point-of-care for preparation of a cell concentrate from bone marrow. In September 2008, the Company announced an agreement with Celling Technologies, a subsidiary of Spine-Smith, LLC, to distribute the MXP for orthopedic applications. The product was launched in December 2008.

The **Res-Q** product is intended for bone marrow stem cell processing for the human market. The cell concentrates from bone marrow have been studied as a means to treat ischemic vascular diseases and to enhance wound healing. We have developed a rapid, reliable, and easier to use method to achieve a higher recovery of stem cells from these sources. Res-Q technology represents our response for such a

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point of care device. The technology is a next generation centrifuge-based disposable device designed for the isolation and extraction of specific stem cell populations at the point-of-care. The Company anticipates launch of the Res-Q product in June 2009.

The **CryoSeal® FS System** (CryoSeal) produces a second-generation surgical sealant which harvests the two interactive protein component solutions of a fibrin sealant: (1) the wound healing proteins of fibrinogen, fibronectin, Factor VIII, von Willebrands Factor and Factor XIII and (2) the activating enzyme, thrombin, from the patient's own blood. When combined at the bleeding wound site, the two components form an adhesive gel that stops bleeding and bonds tissue. This advanced surgical sealant may be manufactured in either hospitals or blood centers and competes with conventional fibrin sealants, sourced from pools of plasma purchased from up to ten thousand individuals. We believe that there is a market for our 100% autologous CryoSeal System due to its safety advantages over conventional, non-autologous fibrin sealants that carry the risk of contamination by blood-borne pathogens from other donors, and that this market may extend beyond the typical wound care applications to include use of the technology in the delivery of stem cells for cell therapeutics. Therefore, we are evaluating alternatives for commercialization of our CryoSeal System including new strategic partnering and licensing, distribution channel partners, potential acquirers of the technology and the potential use of the technology in the delivery of stem cells.

The **ThermoLine** products for ultra rapid freezing and thawing of blood components, which the Company distributes to blood banks and hospitals, is the Company's legacy product line. The Company is exploring options to decrease the cost of manufacturing, including outside contract manufacturing and possible divestiture.

The following is Management's discussion and analysis of certain significant factors which have affected the Company's 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 are based upon the Company's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires the Company 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, the Company evaluates its estimates, including those related to bad debts, inventories, warranties, contingencies and litigation. 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 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 the Company has identified as critical in the preparation of our condensed consolidated financial statements, please refer to our 2008 Annual Report on form 10-K.

Table of Contents**Results of Operations for the Three Months Ended March 31, 2009 as Compared to the Three Months Ended March 31, 2008****Net Revenues:**

Revenues for the three months ended March 31, 2009 were \$5,148,000 compared to \$5,645,000 for the three months ended March 31, 2008, a decrease of \$497,000 or 9%. Our decrease in revenues is primarily a result of the slowing global economy which has impacted the majority of our product lines. Revenues from the BioArchive and CryoSeal product lines, both devices and disposables, decreased \$340,000 and \$230,000, respectively, from the three months ended March 31, 2008 to the three months ended March 31, 2009 and AXP devices decreased \$200,000. Offsetting these decreases was an increase in royalty revenue of \$180,000 on sales of certain BioArchive disposables distributed by the manufacturer and an increase of \$132,000 in AXP disposable revenue primarily due to price increases.

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

	March 31,	
	2009	2008
United States	49	41
Asia	64	57
Europe	51	45
Rest of World	35	29
	199	172

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

	March 31,	
	2009	2008
AXP	\$ 1,918,000	\$ 1,786,000
BioArchive	831,000	1,044,000
CryoSeal	87,000	218,000
	\$ 2,836,000	\$ 3,048,000
Percentage of total Company revenues	55%	54%

Gross Profit:

The Company's gross profit was \$1,794,000 or 35% of net revenues for the three months ended March 31, 2009, as compared to \$1,501,000 or 27% for the corresponding fiscal 2008 period. The increase in gross profit is primarily due to the \$386,000 of costs incurred for the quarter ended March 31, 2008 as a result of the voluntary recall of AXP disposable bag sets. There were no corresponding costs for the quarter ended March 31, 2009. Also increasing gross margin was higher royalty revenue of \$180,000 which has a full profit margin and a reduction in warranty expenses of \$140,000 primarily due to lower warranty costs for the BioArchive devices.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses were \$1,917,000 for the three months ended March 31, 2009, compared to \$2,550,000 for the comparable fiscal 2008 period, a decrease of \$633,000 or 25%. The decrease is primarily due to lower legal fees as there were \$300,000 of legal fees incurred during the quarter ended March 31, 2008 associated with the GE Healthcare distribution agreement negotiations and

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for consultation during the voluntary recall effort. Additionally, salaries and benefits decreased \$220,000 primarily due to four open management positions during the quarter ended March 31, 2009. The Company does not plan to replace the positions, except for the Chief Executive Officer which occurred in April 2009.

Research and Development Expenses:

Included in this line item are Engineering, Regulatory Affairs, Scientific and Clinical Affairs.

Research and development expenses for the three months ended March 31, 2009, were \$1,018,000 compared to \$1,902,000 for the corresponding fiscal 2008 period, a decrease of \$884,000 or 46%. The decrease is primarily due to a decrease in stock compensation expense of \$420,000 as the restricted stock awarded to the company's former Chief Technology Architect fully vested in April 2008, a decrease of \$290,000 in expenses associated with the Vantus subsidiary which was formed in February 2008 and a reduction of \$210,000 of expenses for new product development.

Results of Operations for the Nine Months Ended March 31, 2009 as Compared to the Nine Months Ended March 31, 2008**Net Revenues:**

Revenues for the nine months ended March 31, 2009 were \$15,776,000, compared to \$14,764,000 for the nine months ended March 31, 2008, an increase of \$1,012,000 or 7%. The increase in revenues was driven by the AXP and BioArchive disposables. Revenues generated from AXP disposables increased \$1,393,000 due to higher volume and price increases. Additionally, revenues from BioArchive disposables increased \$181,000 over the nine months ended March 31, 2008 primarily due to increased sales of manual processing bag sets in new accounts and competitive conversion in Southeast Asia and Latin America. Revenues from BioArchive devices increased \$220,000, primarily due to the sale of one additional device during the nine months ended March 31, 2009. Additionally, revenues generated from ThermoLine sales increased \$240,000 primarily due to the sale of ten freezers to two different customers. Offsetting these increases is a decrease in CryoSeal revenues, both devices and disposables of \$1,070,000. The Company's largest CryoSeal distributors are in countries that have been affected by a decline in domestic currencies against the strengthening dollar.

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

	March 31,	
	2009	2008
AXP	\$ 5,281,000	\$ 3,888,000
BioArchive	2,808,000	2,627,000
CryoSeal	262,000	1,002,000
	\$ 8,351,000	\$ 7,517,000
Percentage of total Company revenues	53%	51%

Gross Profit:

The Company's gross profit was \$5,287,000 or 34% of net revenues for the nine months ended March 31, 2009, as compared to \$4,620,000 or 31% for the corresponding fiscal 2008 period. The increase in gross margin for the nine months ended March 31, 2009 was primarily due to lower average overhead costs per unit as our production volume of devices increased and higher royalty revenue which has a full profit margin.

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Selling, General and Administrative Expenses:

Selling, general and administrative expenses were \$7,037,000 for the nine months ended March 31, 2009, compared to \$7,327,000 for the comparable fiscal 2008 period, a decrease of \$290,000 or 4%. As discussed above, the decrease is primarily due to decreases in legal fees of \$200,000 and salary and benefits of \$340,000. These decreases were offset by an increase in severance expense of \$330,000 primarily due to the severance accrual to the Company's former Chief Executive Officer.

Research and Development Expenses:

Included in this line item are Engineering, Regulatory Affairs, Scientific and Clinical Affairs.

Research and development expenses for the nine months ended March 31, 2009, were \$3,916,000 compared to \$5,015,000 for the corresponding fiscal 2008 period, a decrease of \$1,099,000 or 22%. The decrease is primarily due to a decrease in stock compensation expense of \$1,097,000 as the restricted stock awarded to the company's former Chief Technology Architect fully vested in April 2008.

Liquidity and Capital Resources

At March 31, 2009, the Company had cash, cash equivalents and short-term investments of \$17,673,000 and working capital of \$23,969,000. This compares to cash, cash equivalents and short-term investments of \$25,287,000 and working capital of \$29,978,000 at June 30, 2008. The cash was used to fund operations, capital expenditures and other strategic initiatives 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 \$108,000,000, net of expenses, through common and preferred stock financings and option and warrant exercises.

Net cash used in operating activities for the nine months ended March 31, 2009 was \$7,419,000, compared to \$5,074,000 for the corresponding period in fiscal 2008, an increase of \$2,345,000 or 46%. The increase is primarily due to the net loss of \$5,466,000 which included the accretion of discount on short-term investments of \$157,000, offset by depreciation and stock based compensation expense of \$362,000 and \$370,000, respectively. Accounts payable used \$2,221,000 of cash due to paying vendors for purchases made late in the prior fiscal year, primarily for disposable products. Accounts receivable generated \$1,027,000 in cash for the nine months ended March 31, 2009. We believe that our currently available cash, cash equivalents and short-term investments, will be sufficient to satisfy our operating and working capital requirements for at least the next twelve months. We have experienced some slowing in our customers' spending as a result of deterioration in credit markets. As we anticipate this trend to continue into fiscal 2010, we have reduced expenses without sacrificing development plans we consider essential to our near term revenue growth and do not anticipate we will have to seek additional debt or equity capital.

Off-Balance Sheet Arrangements

As of March 31, 2009, the Company has no off-balance sheet arrangements.

Backlog

The Company's cancelable backlog at March 31, 2009 was \$910,000.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in interest rates, foreign exchange rates and commodity prices. There have been no material changes in the Company's exposure to market risk since the 2008 fiscal year end.

Our exposure to interest rate risk at March 31, 2009 is related to the investment of our excess cash into highly liquid, short-term financial investments. We invest in money market funds, certificates of deposit and U.S. Treasury obligations in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. Our investment policy specifies credit quality standards for our investments. We do not hold auction-rate or mortgage-backed securities. Due to the short-term nature of our investments, we have assessed that there is no material exposure to interest rate risk arising from them.

All sales, including those involving foreign entities, are denominated in U.S. dollars and as a result, we have experienced no significant foreign exchange gains and losses to date. We have not engaged in foreign currency hedging activities to date, and have no intention of doing so. Our future revenues may be negatively impacted in periods of a strengthening U.S. dollar. We have not entered into any derivative financial instruments or derivative commodity instruments.

Item 4. 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 Principal Executive Officer along with the Company's Principal Financial Officer, of the effectiveness of the design and operation of the Company's 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, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. The Company believes 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, the Company may have disagreements or disputes with distributors, vendors or employees. These disputes are seen by the Company's management as a normal part of business, and there are no currently pending actions nor any threatened actions that management believes would have a significant material impact on the Company's financial position, results of operations or cash flows.

Item 1A. Risk Factors.

In addition to the 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 year ended June 30, 2008, which could materially affect our business, financial condition or future results. There have been no material changes from those risk factors, other than the addition of any risk factors listed below. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

The Continuing Crisis in the U.S. and World Financial and Securities Markets Could Have a Material Adverse Effect on our Customers' Business and Effect our Operations and Revenues.

The current economic crisis heightens the risk that our customers may lack the funding or credit facilities that they may have previously used for acquiring our products. Such credit or funding restrictions could delay or lower our revenues.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits:

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

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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: May 6, 2009

/s/ J. Melville Engle
J. Melville Engle
Chief Executive Officer
(Principal Executive Officer)

Dated: May 6, 2009

/s/ Matthew T. Plavan
Matthew T. Plavan
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

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