

CRYO CELL INTERNATIONAL INC

Form 10-Q

July 15, 2015

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U.S.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended May 31, 2015**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _____ to _____**

Commission File Number 0-23386

CRYO-CELL INTERNATIONAL, INC.

(Exact name of Registrant as Specified in its Charter)

DELAWARE
(State or other Jurisdiction of

22-3023093
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

700 Brooker Creek Blvd. Oldsmar, FL 34677

(Address of Principal Executive Offices) (Zip Code)

Issuer's phone number, including area code: (813) 749-2100

(Former name, former address and former fiscal year, if changed since last report).

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No Not Applicable

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 small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of July 6, 2015, 12,225,340 shares of \$0.01 par value common stock were issued and 9,665,734 were outstanding.

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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| | May 31, 2015 (unaudited) | November 30, 2014 |
|--|--------------------------------|----------------------|
| <u>ASSETS</u> | | |
| <u>Current Assets</u> | | |
| Cash and cash equivalents | \$ 3,914,021 | \$ 3,279,267 |
| Restricted cash | 204,252 | 204,141 |
| Marketable securities | 532,369 | 102,674 |
| Accounts receivable (net of allowance for doubtful accounts of \$2,151,200 and \$1,976,966, respectively) | 3,707,192 | 4,071,997 |
| Prepaid expenses | 822,083 | 710,754 |
| Other current assets | 126,864 | 123,126 |
| Total current assets | 9,306,781 | 8,491,959 |
| <u>Property and Equipment-net</u> | 881,260 | 953,415 |
| <u>Other Assets</u> | | |
| Investment in Saneron CCEL Therapeutics, Inc. | 684,000 | 684,000 |
| Deposits and other assets, net | 68,038 | 80,212 |
| Total other assets | 752,038 | 764,212 |
| Total assets | \$ 10,940,079 | \$ 10,209,586 |

LIABILITIES AND STOCKHOLDERS DEFICIT

| | | |
|--|-------------------|-------------------|
| <u>Current Liabilities</u> | | |
| Accounts payable | \$ 1,255,567 | \$ 992,910 |
| Accrued expenses | 1,277,925 | 1,471,699 |
| Deferred revenue | 6,577,368 | 6,662,552 |
| Total current liabilities | 9,110,860 | 9,127,161 |
| <u>Other Liabilities</u> | | |
| Deferred revenue, net of current portion | 10,224,446 | 9,509,088 |
| Long-term liability - revenue sharing agreements | 2,300,000 | 2,300,000 |
| Total other liabilities | 12,524,446 | 11,809,088 |

Commitments and contingencies (Note 6)

Stockholders Deficit

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| | | |
|---|---------------|---------------|
| Preferred stock (\$.01 par value, 500,000 authorized and none issued and outstanding) | | |
| Series A Junior participating preferred stock (\$.01 par value, 20,000 authorized and none issued and outstanding) | | |
| Common stock (\$.01 par value, 20,000,000 authorized; 12,225,340 issued and 9,666,203 outstanding as of May 31, 2015 and 11,921,285 issued and 9,706,174 outstanding as of November 30, 2014) | 122,254 | 119,213 |
| Additional paid-in capital | 28,100,486 | 27,842,106 |
| Treasury stock, at cost | (6,065,111) | (5,112,648) |
| Accumulated other comprehensive income | 226,276 | |
| Accumulated deficit | (33,079,132) | (33,575,334) |
| Total stockholders' deficit | (10,695,227) | (10,726,663) |
| Total liabilities and stockholders' deficit | \$ 10,940,079 | \$ 10,209,586 |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|-----------------|--------------------------|-----------------|
| | May 31, 2015 | May 31, 2014 | May 31, 2015 | May 31, 2014 |
| Revenue: | | | | |
| Processing and storage fees | \$ 4,844,477 | \$ 4,723,435 | \$ 9,518,446 | \$ 9,080,666 |
| Licensee and royalty income | 169,412 | 169,411 | 338,824 | 1,132,662 |
| Total revenue | 5,013,889 | 4,892,846 | 9,857,270 | 10,213,328 |
| Costs and Expenses: | | | | |
| Cost of sales | 1,377,387 | 1,489,705 | 2,651,374 | 2,824,066 |
| Selling, general and administrative expenses | 3,006,779 | 2,753,140 | 5,920,752 | 5,875,863 |
| Abandonment of patents | | 25,649 | | 25,649 |
| Research, development and related engineering | 10,531 | 18,323 | 22,519 | 32,691 |
| Depreciation and amortization | 17,101 | 43,699 | 35,343 | 88,204 |
| Total costs and expenses | 4,411,798 | 4,330,516 | 8,629,988 | 8,846,473 |
| Operating Income | 602,091 | 562,330 | 1,227,282 | 1,366,855 |
| Other Income (Expense): | | | | |
| Other income (expense) | 11,402 | 7,474 | 7,327 | 35,243 |
| Interest expense | (369,801) | (252,544) | (671,087) | (526,860) |
| Total other expense | (358,399) | (245,070) | (663,760) | (491,617) |
| Income before equity in losses of affiliate and income tax expense | 243,692 | 317,260 | 563,522 | 875,238 |
| Equity in losses of affiliate | (8,248) | (76,076) | (16,496) | (189,651) |
| Income before income tax expense | 235,444 | 241,184 | 547,026 | 685,587 |
| Income tax expense | (25,412) | (25,411) | (50,824) | (72,702) |
| Net Income | \$ 210,032 | \$ 215,773 | \$ 496,202 | \$ 612,885 |
| Net income per common share - basic | \$ 0.02 | \$ 0.02 | \$ 0.05 | \$ 0.06 |
| Weighted average common shares outstanding - basic | 9,809,127 | 10,250,471 | 9,816,762 | 10,467,914 |

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| | | | | |
|--|------------|------------|------------|------------|
| Net income per common share - diluted | \$ 0.02 | \$ 0.02 | \$ 0.05 | \$ 0.06 |
| Weighted average common shares outstanding - diluted | 10,042,604 | 10,406,607 | 10,049,315 | 10,595,590 |
| Other Comprehensive Income | | | | |
| Unrealized gain on marketable securities | \$ 226,276 | \$ | \$ 226,276 | \$ |
| Comprehensive Income | \$ 436,308 | \$ 215,773 | \$ 722,478 | \$ 612,885 |

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | For the Six Months Ended | |
|---|--------------------------|--------------------|
| | May 31, 2015 | May 31, 2014 |
| Net income | \$ 496,202 | \$ 612,885 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 114,028 | 191,675 |
| Abandonment of patents | | 25,649 |
| Compensatory element of stock options | 244,925 | 207,843 |
| Provision for doubtful accounts | 273,417 | 374,966 |
| Equity in losses of affiliate | 16,496 | 189,651 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 91,388 | (1,134,216) |
| Notes receivable | | 550,782 |
| Prepaid expenses and other current assets | (111,329) | 69,135 |
| Other current assets | (3,738) | |
| Deposits and other assets, net | 11,243 | 47,628 |
| Accounts payable | 262,657 | (34,801) |
| Accrued expenses | (193,774) | (580,174) |
| Deferred revenue | 630,174 | (159,266) |
| Net cash provided by operating activities | 1,831,689 | 361,757 |
| Cash flows from investing activities: | | |
| Release of restricted cash held in escrow | (111) | 764,098 |
| Purchases of property and equipment | (40,942) | (73,532) |
| Sales (purchases) of marketable securities and other investments, net | (203,419) | (102,650) |
| Investment in affiliate | | (112,500) |
| Net cash (used in) provided by investing activities | (244,472) | 475,416 |
| Cash flows from financing activities: | | |
| Treasury stock purchases | (952,463) | (1,407,278) |
| Proceeds from the exercise of stock options | | 48,665 |
| Net cash used in financing activities | (952,463) | (1,358,613) |
| Increase (decrease) in cash and cash equivalents | 634,754 | (521,440) |
| Cash and cash equivalents - beginning of period | 3,279,267 | 3,925,156 |

| | | |
|--|--------------|--------------|
| Cash and cash equivalents - end of period | \$ 3,914,021 | \$ 3,403,716 |
| Supplemental non-cash investing activities: | | |
| Unrealized gain on marketable securities | \$ 226,276 | \$ |

The accompanying notes are an integral part of these consolidated financial statements.

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015

(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of May 31, 2015 and November 30, 2014, the related Consolidated Statements of Comprehensive Income for the three and six months ended May 31, 2015 and May 31, 2014 and the Consolidated Statements of Cash Flows for the six months ended May 31, 2015 and 2014 have been prepared by Cryo-Cell International, Inc. and its subsidiaries (the Company or Cryo-Cell) pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain financial information and note disclosures, which are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's November 30, 2014 Annual Report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for all periods presented have been made. The results of operations for the three and six months ended May 31, 2015 are not necessarily indicative of the results expected for any interim period in the future or the entire year ending November 30, 2015.

Revenue Recognition

Revenue Recognition for Arrangements with Multiple Deliverables

For multi-element arrangements, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value (VSOE), (ii) third-party evidence of selling price (TPE), and (iii) best estimate of the selling price (ESP). VSOE generally exists only when the Company sells the deliverable separately and it is the price actually charged by the Company for that deliverable.

The Company has identified two deliverables generally contained in the arrangements involving the sale of its umbilical cord blood product. The first deliverable is the processing of a specimen. The second deliverable is either the annual storage of a specimen, the 21-year storage fee charged for a specimen or the life-time storage fee charged for a specimen. The Company has allocated revenue between these deliverables using the relative selling price method. The Company has VSOE for its annual storage fees as the Company renews storage fees annually with its customers on a stand-alone basis. Because the Company has neither VSOE nor TPE for the processing, 21-year storage and life-time storage deliverables, the allocation of revenue has been based on the Company's ESPs. Amounts allocated to processing a specimen are recognized at the time the processing of the specimen is complete. Amounts allocated to the storage of a specimen are recognized ratably over the contractual storage period. Any discounts given to the customer are recognized by applying the relative selling price method whereby after the Company determines the selling price to be allocated to each deliverable (processing and storage), the sum of the prices of the deliverables is then compared to the arrangement consideration, and any difference is applied to the separate deliverables ratably.

The Company's process for determining its ESP for deliverables without VSOE or TPE considers multiple factors that may vary depending upon the unique facts and circumstances related to each

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deliverable. Key factors considered by the Company in developing the ESPs for its processing, 21 year storage and life-time storage fee include the Company's historical pricing practices, as well as expected profit margins.

The Company records revenue from processing and storage of specimens and pursuant to agreements with licensees. The Company recognizes revenue from processing fees upon completion of processing and recognizes storage fees ratably over the contractual storage period as well as other income from royalties paid by licensees related to long-term storage contracts which the Company has under license agreements. Contracted storage periods are annual, twenty-one years and lifetime. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual storage fee, the twenty-one year storage fee and the life-time storage fee that is being recognized over the contractual storage period as well as royalties received from foreign licensees related to long-term storage contracts in which the Company has future obligations under the license agreement. The Company classifies deferred revenue as current if the Company expects to recognize the related revenue over the next 12 months. The Company also records revenue within processing and storage fees from shipping and handling billed to customers when earned. Shipping and handling costs that the Company incurs are expensed and included in cost of sales.

Income Taxes

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The Company has recorded a valuation allowance of \$10,187,000 and \$10,517,000 as of May 31, 2015 and November 30, 2014, respectively, as the Company does not believe it is more likely than not that all future income tax benefits will be realized. When the Company changes its determination as to the amount of deferred income tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to income tax expense in the period in which such determination is made. The ultimate realization of the Company's deferred income tax assets depends upon generating sufficient taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, the Company projects future levels of taxable income. This assessment requires significant judgment. The Company examines the evidence related to the recent history of income or losses, the economic conditions in which the Company operates and forecasts and projections to make that determination.

There was no U.S. income tax expense for the three and six months ended May 31, 2015 and May 31, 2014 due to the utilization or expected utilization of net operating losses and foreign tax credit carryforwards, which were not previously benefited in the Company's financial statements.

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recognized approximately \$25,000 and \$25,000 for the three months ended May 31, 2015 and 2014, respectively, of foreign income tax expense. The Company recognized approximately \$51,000 and \$73,000 for the six months ended May 31, 2015 and 2014, respectively, of foreign income tax expense. Foreign income tax expense is included in income tax expense in the accompanying consolidated statements of comprehensive income.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements

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is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Increases or decreases to the unrecognized tax benefits could result from management's belief that a position can or cannot be sustained upon examination based on subsequent information or potential lapse of the applicable statute of limitation for certain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. For the three and six months ended May 31, 2015 and May 31, 2014, the Company had no provisions for interest or penalties related to uncertain tax positions.

Long-Lived Assets

The Company evaluates the realizability of its long-lived assets, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment, such as reductions in demand or when significant economic slowdowns are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment and carrying value is in excess of fair value, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate. The Company did not note any impairment for the three and six months ended May 31, 2015 and 2014.

Due to tests performed during the six months ended May 31, 2014, management decided to discontinue pursuing certain patents and trademarks related to the Company's menstrual stem cell technology resulting in a write-off of approximately \$26,000 for abandoned patents and trademarks which is reflected as abandonment of patents in the accompanying consolidated statements of comprehensive income. Management believes that the impact to future operations will be immaterial and it will not impact the Company's core operations.

Stock Compensation

As of May 31, 2015, the Company has three stock-based compensation plans, which are described in Note 4 to the unaudited consolidated financial statements. The Company's third stock-based employee compensation plan became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting. The Company recognized approximately \$54,000 and \$56,000 for the three months ended May 31, 2015 and May 31, 2014, respectively, of stock compensation expense. The Company recognized approximately \$245,000 and \$208,000 for the six months ended May 31, 2015 and May 31, 2014, respectively, of stock compensation expense.

The Company recognizes stock-based compensation based on the fair value of the related awards. Under the fair value recognition guidance of stock-based compensation accounting rules, stock-based compensation expense is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The fair value of service-based vesting condition and performance-based vesting condition stock option awards is determined using the Black-Scholes valuation model. For stock option awards with only service-based vesting conditions and graded vesting features, the Company recognizes stock compensation expense based on the graded-vesting method. The Company recognizes compensation cost for awards with market-based vesting conditions on a graded-vesting basis over the derived service period calculated by the binomial valuation model. The use of these valuation models involve assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price, and forfeiture rate. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period.

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The estimation of stock awards that will ultimately vest requires judgment and to the extent that actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period they become known. The Company considered many factors when estimating forfeitures, including the recipient groups and historical experience. Actual results and future changes in estimates may differ substantially from current estimates.

Performance-based equity awards vest upon the achievement of certain financial performance goals, including revenue and income targets. Determining the appropriate amount to expense based on the anticipated achievement of the stated goals requires judgment, including forecasting future financial results. The estimate of the timing of the expense recognition is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revision is reflected in the period of the change. If the financial performance goals are not met, the award does not vest, so no compensation cost is recognized and any previously recognized stock-based compensation expense is reversed.

Equity awards with market-based vesting conditions vest upon the achievement of certain stock price targets. If the awards are forfeited prior to the completion of the derived service period, any recognized compensation is reversed. If the awards are forfeited after the completion of the derived service period, the compensation cost is not reversed, even if the awards never vest.

Fair Value of Financial Instruments

Management uses a fair value hierarchy, which gives the highest priority to quoted prices in active markets. The fair value of financial instruments is estimated based on market trading information, where available. Absent published market values for an instrument or other assets, management uses observable market data to arrive at its estimates of fair value. Management believes that the carrying amount of cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued expenses approximate fair value. The Company believes that the fair value of its revenue sharing agreements liability recorded on the balance sheet is between the recorded book value and up to the Company's settlement experience, due to the various terms and conditions associated with each Revenue Sharing Agreement.

The Company uses an accounting standard that defines fair value as 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 at the measurement date. 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. As a basis for considering such assumptions, the standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2015 and November 30, 2014, respectively, segregated among the appropriate levels within the fair value hierarchy:

| Description | Fair Value at May 31, 2015 | Fair Value Measurements at May 31, 2015 Using | | |
|-------------------------------|-------------------------------------|--|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Trading securities | \$ 115,406 | \$ 115,406 | | |
| Available-for-sale securities | 416,963 | 416,963 | | |
| Total | \$ 532,369 | \$ 532,369 | | |

| Description | Fair Value at November 30, 2014 | Fair Value Measurements at November 30, 2014 Using | | |
|--------------------|---------------------------------------|---|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Trading securities | \$ 102,674 | \$ 102,674 | | |

The following is a description of the valuation techniques used for these items, as well as the general classification of such items pursuant to the fair value hierarchy:

Trading securities Fair values for these investments are based on quoted prices in active markets and are therefore classified within Level 1 of the fair value hierarchy. For trading securities, there was \$3,768 and \$7,354 in unrealized holding gain, respectively, recorded in other income and expense on the accompanying consolidated statements of comprehensive income for the three months ended May 31, 2015 and 2014. For trading securities, there was (\$645) and \$22,879 in unrealized holding loss and gain, respectively, recorded in other income and expense on the accompanying consolidated statements of comprehensive income for the six months ended May 31, 2015 and 2014.

Available-for-sale securities - During the second quarter of fiscal 2015, management reevaluated its marketable securities and determined that there was a change in certain securities from trading to available-for-sale securities. These investments are classified as available for sale and consist of marketable equity securities that we intend to hold for an indefinite period of time. Investments are stated at fair value and unrealized holding gains and losses are reported as a component of accumulated other comprehensive income until realized. Realized gains or losses on disposition of investments are computed using the first in, first out (FIFO) method and reported as income or loss in the period of disposition in the accompanying consolidated statements of comprehensive income. For available-for-sale securities, there was \$226,276 and \$0 in unrealized holding gains, respectively, reported as comprehensive income on the accompanying consolidated statements of comprehensive income for the three months ended May 31, 2015 and 2014. For available-for-sale securities, there was \$226,276 and \$0 in unrealized holding gains, respectively, reported as comprehensive income on the accompanying consolidated statements of comprehensive income for the six month period ended May 31, 2015 and 2014. Additionally, there was \$7,361 in realized gains on the disposition of available for sale securities recorded in other income and expense on the accompanying consolidated statements of comprehensive income for the three and six months ended May 31, 2015.

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In December 2005, the Company began providing its customers that enrolled after December 2005 a payment warranty under which the Company agrees to pay \$50,000 to its client if the umbilical cord blood product retrieved is used for a stem cell transplant for the donor or an immediate family member and fails to engraft, subject to various restrictions. Effective February 1, 2012, the Company increased the \$50,000 payment warranty to a \$75,000 payment warranty to all of its new clients. Additionally, under the Cryo-Cell Cares™ program, the Company will pay \$10,000 to the client to offset personal expenses if the umbilical cord blood product is used for bone marrow reconstitution in a myeloblastic transplant procedure. The product warranty and the Cryo-Cell Cares program are available to clients who enroll under this structure for as long as the specimen is stored with the Company. The Company has not experienced any claims under the warranty program nor has it incurred costs related to these warranties. The Company does not maintain insurance for this warranty program and therefore maintains reserves to cover any estimated potential liabilities. The Company's reserve balance is based on the \$75,000 or \$50,000 (as applicable) maximum payment and the \$10,000 maximum expense reimbursement multiplied by formulas to determine the projected number of units requiring a payout. The Company determined the estimated expected usage and engraftment failure rates based on an analysis of the historical usage and failure rates and the historical usage and failure rates in other private and public cord blood banks based on published data. The Company's estimates of expected usage and engraftment failure could change as a result of changes in actual usage rates or failure rates and such changes would require an adjustment to the established reserves. The historical usage and failure rates have been very low and a small increase in the number of transplants or engraftment failures could cause a significant increase in the estimated rates used in determining the Company's reserve. In addition, the reserve will increase as additional umbilical cord blood specimens are stored which are subject to the warranty. As of May 31, 2015 and November 30, 2014 the Company recorded reserves under these programs in the amounts of approximately \$17,000 and \$17,000, respectively, which are included in accrued expenses in the accompanying consolidated balance sheets.

Recently Issued Accounting Pronouncements

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period* (ASU 2014-12). This update requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition in determining expense recognition for the award. As a result, this type of performance condition may delay expense recognition until achievement of the performance target is probable. ASU 2014-12 is effective for reporting periods beginning after December 15, 2015, and early adoption is permitted. We will adopt ASU 2014-12 effective December 1, 2016 and it is not anticipated to have a material impact on our financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update is effective for annual and interim periods beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect this guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Table of Contents**Note 2 Income per Common Share**

The following table sets forth the calculation of basic and diluted net income per common share:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------------|------------------|-----------------|
| | May 31, 2015 | May 31, 2014 | May 31, 2015 | May 31, 2014 |
| Numerator: | | | | |
| Net Income | \$ 210,032 | \$ 215,773 | \$ 496,202 | \$ 612,885 |
| Denominator: | | | | |
| Weighted-average shares outstanding-basic | 9,809,127 | 10,250,471 | 9,816,762 | 10,467,914 |
| Dilutive common shares issuable upon exercise of stock options | 233,477 | 156,136 | 232,553 | 127,676 |
| Weighted-average shares-diluted | 10,042,604 | 10,406,607 | 10,049,315 | 10,595,590 |
| Net income per common share: | | | | |
| Basic | \$ 0.02 | \$ 0.02 | \$ 0.05 | \$ 0.06 |
| Diluted | \$ 0.02 | \$ 0.02 | \$ 0.05 | \$ 0.06 |

For the three and six months ended May 31, 2015, the Company excluded the effect of 271,000 and 271,000, respectively, outstanding options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

For the three and six months ended May 31, 2014, the Company excluded the effect of 296,001 and 419,334, respectively, outstanding options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

Note 3 Investment in Saneron CCEL Therapeutics, Inc. (Saneron)

As of May 31, 2015 and November 30, 2014, the Company had an ownership interest of approximately 33% in Saneron, which is accounted for under the equity method of accounting. As of May 31, 2015 and November 30, 2014, the net Saneron investment, which represents underlying goodwill, is reflected on the consolidated balance sheets at \$684,000. As of May 31, 2015 and November 30, 2014, management reviewed the Saneron investment to determine if there were any indicators that would imply that the investment was impaired. Based on management's review, there were no indicators of impairment and the investment was not impaired as of May 31, 2015 and November 30, 2014.

In October 2013, the Company entered into a Convertible Promissory Note Purchase Agreement with Saneron. Cryo-Cell will loan Saneron in quarterly payments an aggregate amount up to \$300,000, subject to certain conditions. The initial loan amount was \$150,000 to be paid in four quarterly installments of \$37,500 per quarter. If after the initial loan amount, Saneron has made best efforts, satisfactory to Cryo-Cell in its sole discretion, to have started independently or via serving as a sponsor of a clinical trial related to its U-CORD-CELL program, then Cryo-Cell will agree to lend Saneron an

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additional \$150,000 through a series of four additional quarterly payments of \$37,500. Upon receipt of each quarterly payment, Saneron will deliver a convertible promissory note (Note) that matures five years from the date of the Note. Upon maturity of any Note, Saneron will have the option to repay all or a portion of the loan in cash or convert the outstanding principal and accrued interest under the applicable Note(s) into shares of Saneron common stock. The Company has made five payments of \$37,500 through November 30, 2014. The Company has made no additional payments since November 30, 2014 and through May 31, 2015.

For the three and six months ended May 31, 2015, the Company recorded equity in losses of Saneron operations of \$8,248 and \$16,496 which solely related to certain stock and warrant awards in Saneron common stock that were granted by Saneron at below fair value to certain employees, consultants and members of Saneron management who represent owners of Saneron and serve on its board of directors. For the three and six months ended May 31, 2014, the Company recorded equity in losses of Saneron operations of \$76,076 and \$189,651. For the three and six months ended May 31, 2014, \$37,500 and \$112,500, respectively, was related to valuation allowances associated with the Note entered into as discussed above and \$38,576 and \$77,151, respectively, related to certain stock and warrant awards in Saneron common stock that were granted by Saneron at below fair value to certain employees, consultants and members of Saneron management who represent owners of Saneron and serve on its board of directors.

Note 4 Stockholder s Equity

Employee Stock Incentive Plan

The Company maintains the 2000 Stock Incentive Plan as amended (the 2000 Plan) that has reserved 2,250,000 shares of the Company s common stock for issuance pursuant to stock options or restricted stock. Options issued under the Plan have a term ranging from five to seven years from the date of grant and have a vesting period ranging from immediately upon issuance to three years from the date of grant. The options are exercisable for a period of 90 days after termination. As of May 31, 2015 and November 30, 2014, there were 2,500 and 2,500 shares outstanding under the 2000 Plan, respectively. No further options will be issued under the 2000 Plan.

The Company also maintains the 2006 Stock Incentive Plan (the 2006 Plan). The 2006 Plan has reserved 1,000,000 shares of the Company s common stock for issuance pursuant to stock options, restricted stock, stock-appreciation rights (commonly referred to as SARs), and other stock awards (i.e. performance shares and performance units). As of May 31, 2015 and November 30, 2014, there were 582,264 and 594,766 shares outstanding under the 2006 Plan, respectively. As of May 31, 2015, there were 272,845 shares available for future issuance under the 2006 Plan.

The Company also maintains the 2012 Equity Incentive Plan (the 2012 Plan) which became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting on July 10, 2012. The 2012 Plan originally reserved 1,500,000 shares of the Company s common stock for issuance pursuant to stock options, restricted stock, SARs, and other stock awards (i.e. performance shares and performance units). In May 2012, the Board of Directors approved an amendment to the 2012 Plan to increase the number of shares of the Company s common stock reserved for issuance to 2,500,000 shares. As of May 31, 2015, there were 400,000 service-based options issued, 129,729 service-based restricted common shares granted, 116,240 performance-based and 58,120 market-based restricted common shares granted under the 2012 plan. As of November 30, 2014, there were 400,000 service-based options issued, 129,729 service-based restricted common shares granted, 58,120 performance-based and 58,120 market-based restricted common shares granted under the 2012 plan. As of May 31, 2015, there were 1,795,911 shares available for future issuance under the 2012 Plan.

Table of Contents*Service-based vesting condition options*

The fair value of each option award is estimated on the date of the grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company's stock over the most recent period commensurate with the expected life of the Company's stock options. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected term of options granted to employees is calculated, in accordance with the simplified method for plain vanilla stock options allowed under GAAP. Expected dividends are based on the historical trend of the Company not issuing dividends.

There were no options granted during the three and six months ended May 31, 2015 and May 31, 2014, respectively.

Stock option activity for options with only service-based vesting conditions for the six months ended May 31, 2015, was as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|----------------------------------|----------|--|---|---------------------------------|
| Outstanding at November 30, 2014 | 997,266 | \$ 2.14 | 5.84 | \$ 661,466 |
| Granted | | | | |
| Exercised | | | | |
| Expired/forfeited | (12,502) | 2.09 | | 3,409 |
| Outstanding at May 31, 2015 | 984,764 | \$ 2.14 | 5.40 | \$ 348,536 |
| Exercisable at May 31, 2015 | 976,428 | \$ 2.14 | 5.40 | \$ 348,069 |

The aggregate intrinsic value represents the total value of the difference between the Company's closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options that would have been received by the option holders had all option holders exercised their options on either November 30, 2014 or May 31, 2015, as applicable. The intrinsic value of the Company's stock options changes based on the closing price of the Company's stock.

There were no options exercised during the six months ended May 31, 2015.

During the six months ended May 31, 2014 the Company issued 32,496 common shares to option holders who exercised options for \$48,665.

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Significant option groups outstanding and exercisable at May 31, 2015 and related price and contractual life information are as follows:

| Range of Exercise Prices | Outstanding | Outstanding | Weighted | Exercise Price | Exercisable | Weighted | |
|--------------------------|-------------|-------------|--------------|----------------|-------------|----------|----------|
| | | Weighted | | | Weighted | | Weighted |
| | | Average | Average | | Outstanding | Average | |
| | | Remaining | Contractual | | | | |
| | | Contractual | Life (Years) | | | | |
| \$0.42 to \$1.00 | 2,500 | 0.21 | \$ | 0.68 | 2,500 | \$ | 0.68 |
| \$1.01 to \$ 2.00 | 466,764 | 5.98 | \$ | 1.72 | 465,931 | \$ | 1.72 |
| \$2.01 to \$ 3.00 | 515,500 | 4.90 | \$ | 2.53 | 507,997 | \$ | 2.53 |
| | 984,764 | 5.40 | \$ | 2.14 | 976,428 | \$ | 2.14 |

A summary of the status of the Company's non-vested options as of May 31, 2015, and changes during the six months ended May 31, 2015, is presented below:

| | Shares | Weighted Average Grant-Date Fair Value |
|---------------------------------|----------|--|
| Non-vested at November 30, 2014 | 27,083 | \$ 1.64 |
| Granted | | |
| Vested | (18,747) | 1.66 |
| Forfeited | | |
| Non-vested at May 31, 2015 | 8,336 | \$ 1.59 |

As of May 31, 2015, there was approximately \$9,300 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2000 Plan, the 2006 Plan and the 2012 Plan. The cost is expected to be recognized over a weighted-average period of .25 years as of May 31, 2015. The total fair value of shares vested during the six months ended May 31, 2015 was approximately \$31,000.

Restricted common shares

During the first fiscal quarter of 2014, the Company entered into Amended and Restated Employment Agreements (Employment Agreements) with each of the Company's Co-CEOs. Per the Employment Agreements, each of the Co-CEOs is to receive base grant equity awards in the form of restricted shares of the Company's common stock. As of December 1, 2013, David Portnoy and Mark Portnoy were granted 70,270 and 59,459 shares of the Company's common stock, respectively. The shares shall be issued under the Company's 2012 Stock Plan and will vest 1/3 upon grant, 1/3 on December 1, 2014 and the remaining 1/3 on December 1, 2015. The fair value of the shares vested as of May 31, 2015 was \$200,000 and is reflected as selling, general and administration expenses in the accompanying consolidated statement of comprehensive income. As of May 31, 2015, there was approximately \$40,000 of total

unrecognized compensation cost, which will be recognized during fiscal year 2015, related to the non-vested shares of restricted common stock.

The Employment Agreements also provide for the grant of restricted shares of the Company's common stock based on certain performance measures being attained by each of the Company's Co-CEOs. The Employment Agreements state if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2014, then no later than February 15, 2015, the Company will grant up to 186,487 and 162,163 shares of restricted common shares, respectively, based on certain performance thresholds, as defined in the agreements. The Company issued David Portnoy 93,244 shares and Mark Portnoy 81,082 shares during the first quarter of fiscal 2015. In addition, if David Portnoy

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and Mark Portnoy are employed by the Company on November 30, 2015, then no later than February 15, 2016, the Company will grant up to an additional 186,487 and 162,163 shares of restricted common shares, respectively, based on similar performance thresholds, as defined in the agreements. As of May 31, 2015, there was approximately \$47,000 of total unrecognized compensation cost, which will be recognized during fiscal 2015, related to the non-vested market-based shares of restricted common stock.

Preferred Stock Rights Plan

On November 26, 2014, the Board of Directors of the Company declared a dividend payable December 5, 2014 of one preferred share purchase right (a Right) for each share of common stock, par value \$0.01 per share, of the Company (a Common Share) outstanding as of the close of business on December 5, 2014 (the Record Date) and authorized the issuance of one Right for each additional Common Share that becomes outstanding between the Record Date and the earliest of the close of business on the Distribution Date (hereinafter defined), the Redemption Date (hereinafter defined), and the close of business on the Final Expiration Date (hereinafter defined), and for certain additional Common Shares that become outstanding after the Distribution Date, such as upon the exercise of stock options or conversion or exchange of securities or notes.

The Rights will be issued pursuant to a Rights Agreement dated as of December 5, 2014 (the Rights Agreement), between the Company and Continental Stock and Transfer Trust, as Rights Agent (the Rights Agent). The Rights will not and are not intended to prevent an acquisition of the Company that the Board of Directors of the Company considers favorable to and in the best interests of all shareholders of the Company. Rather, because the exercise of the Rights may cause substantial dilution to an Acquiring Person (hereinafter defined) unless the Rights are redeemed by the Board of Directors before an acquisition transaction, the Rights Agreement ensures that the Board of Directors has the ability to negotiate with an Acquiring Person on behalf of unaffiliated shareholders. A description of the material terms and general effect of the Rights Agreement is set forth below.

Each Right represents the right to purchase from the Company one one-thousandth (1/1,000) of a share of Series A Junior Participating Preferred Stock (the Preferred Shares), subject to adjustment as provided in the Rights Agreement. This fraction of a Preferred Share is substantially similar to a Common Share, in that the Rights Agreement provides for each Preferred Share to have the voting, liquidation and dividend rights that are equivalent to 1,000 times the rights of a Common Share.

Initially, the Rights are not exercisable, are transferable only in connection with the transfer of Common Shares, and, generally, are evidenced only by the certificates for Common Shares. The holders of Rights will, solely by reason of their ownership of Rights, have no rights as shareholders of the Company, including, without limitation, the right to vote or to receive dividends. The Rights will become exercisable and trade separately from the Common Shares upon the Distribution Date (the Distribution Date), which takes place upon the earlier of:

- (i) The tenth day after the earlier of either the public announcement or public disclosure of facts indicating that a person has become an Acquiring Person; or
- (ii) The tenth business day (or such later date as may be determined by the Board of Directors of the Company prior to any person becoming an Acquiring Person) after the date of the commencement or announcement of the intention to commence a tender or exchange offer, the consummation of which would result in any person becoming an Acquiring Person.

For the purposes of the Rights Agreement, an Acquiring Person is any person who, together with all affiliates and associates, becomes the Beneficial Owner (as defined in the Rights Agreement) of 20% or more of the outstanding Common Shares, other than: the Company; any subsidiary of the Company; any

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employee benefit plan of the Company or of any subsidiary of the Company, or any entity holding Common Shares pursuant to any such plan; any person who becomes the Beneficial Owner of 20% or more of outstanding Common Shares solely as a result of an acquisition of Common Shares by the Company, until such person thereafter becomes the Beneficial Owner (other than through a dividend or stock split) of an additional 0.25% or more of the outstanding Common Shares; any person who, the Board determines in good faith, inadvertently crossed the ownership threshold and then promptly sells down below the threshold (unless such divestiture requirement is waived by the Board); any person, along with its affiliates and associates, that, as of the time of the adoption of the Rights Agreement, is the Beneficial Owner of 20% or more of the Common Shares, until such person increases their ownership to 22.5% or above; and any person who or which is the Beneficial Owner of the common shares of an existing shareholder who is the Beneficial Owner of 20% or more of the Common Shares, until such person increases their percentage ownership by 0.25% or more.

In the event that a person becomes an Acquiring Person, the Board of Directors of the Company may elect to exchange any then-unexercised Rights (other than those of an Acquiring Person, which Rights become void), in whole or in part, for Common Shares at an exchange ratio of one Common Share per Right (subject to adjustment as provided in the Rights Agreement). In lieu of fractional Common Shares, the Company will pay to the Rights holders an amount of cash equal to the same fraction of the current per share market value of a whole Common Share, based upon the closing market price of the last trading day prior to exchange. If the Board of Directors determines, before the Distribution Date, to effect an exchange, the Board may delay the occurrence of the Distribution Date, provided that the Distribution Date must occur no later than 20 days after the earlier of the public announcement or public disclosure of facts indicating that an Acquiring Person has become such. However, notwithstanding the foregoing, the Board of Directors may not effect such an exchange at any time after an Acquiring Person, together with all affiliates and associates, becomes the Beneficial Owner of a majority of the outstanding Common Shares.

The Board of Directors may, at its option, at any time prior to a person becoming an Acquiring Person, redeem the Rights in whole, but not in part, at a price of \$0.01 per Right (the Redemption Price) (the date of such action by the Board of Directors being the Redemption Date). Immediately upon the action of the Board of Directors electing to redeem the Rights, without any further action and without any notice, the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive the Redemption Price.

Assuming that the Board of Directors has not elected to exchange or redeem the Rights, in the event that, after any person becomes an Acquiring Person, (i) the Company merges into another entity, (ii) another entity merges into the Company and all of the outstanding Common Shares do not remain outstanding after such merger, or (iii) the Company sells 50% or more of its assets, each holder of a Right will, upon exercise, become entitled to receive the number of common shares of the acquiring entity having a value equal to (x) multiplying the Purchase Price of a Right by the number of Rights exercisable by the holder, and dividing that product by (y) 50% of the current per share market price of the common shares of the acquiring entity. The acquiring entity is required to assume the obligations of the Company under the Rights Agreement and to reserve sufficient shares of its common stock to satisfy its obligations under the Rights Agreement. Pursuant to the Rights Agreement, the Company will not enter into any consolidation, merger or sale, unless it enters into a supplemental agreement with the acquiring entity for the benefit of the Rights holders.

Any of the terms of the Rights may be amended or terminated by the Board of Directors at any time, without the consent of the holders of the Rights, except that after such time as any person becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the Rights (other than the Acquiring Person).

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The Rights will expire on December 5, 2017, unless earlier redeemed, exchanged, terminated, or unless the expiration date is extended.

Note 5 License Agreements

The Company enters into two types of licensing agreements and in both types, the Company earns revenue on the initial license fees. Under the technology agreements, the Company earns processing and storage royalties from the affiliates that process in their own facility. Under the marketing agreements, the Company earns processing and storage revenues from affiliates that store specimens in the Company's facility in Oldsmar, Florida.

Technology Agreements

The Company has entered into a definitive License and Royalty Agreement with Asia Cryo-Cell Private Limited to establish and market its umbilical cord blood program in India.

The Company has entered into definitive License and Royalty Agreements with Asia Cryo-Cell Private Limited and S-Evans Bio-Sciences, Inc. to establish and market its menstrual stem cell program in India and China, respectively.

The Company previously had a License and Royalty Agreement with Cryo-Cell de Mexico (Mexico) and on August 19, 2011, the Company received notification from Mexico that they were terminating the license agreement effective immediately due to an alleged breach of the license agreement. On October 17, 2011, the Company and Mexico entered into an amendment to the license agreement whereby the termination has been revoked and Mexico would pay the Company \$1,863,000 in 37 monthly installments of \$50,000 beginning on October 17, 2011 with a final payment of \$13,000. In December 2013, Mexico paid the balance due of \$563,000 in full, which is reflected in the consolidated statement of comprehensive income as of February 28, 2014 as licensee and interest income. Mexico has no other continuing obligations to the Company for royalties or other license payments and the agreement is terminated. The amendment has and is expected to result in a reduction of licensee and royalty income in future periods.

Marketing Agreements

The Company has definitive license agreements to market the Company's umbilical cord blood stem cell programs in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Pakistan. In October 2012, the Company sent a notice of termination to the Company's Venezuelan affiliate for failure to meet its payment obligation in accordance with the contract. Subsequent to the notice of termination, payment was received for outstanding processing and storage fees due from Venezuela. The Company is in the process of discussing a new agreement. The Company continues to accept umbilical cord blood stem cell specimens to be processed and stored during the negotiations. In December 2012, the Company sent a notice of termination to the Company's affiliate in Ecuador for failure to meet its payment obligation in accordance with the contract. Subsequent to the notice of termination, payment was received for outstanding processing and storage fees due from Ecuador. In August 2013, the Company was notified that its affiliate in Ecuador was closed by the National Institute of Organic Donation (INDOT). As a result, the Company recorded an allowance for uncollectible receivables for the \$150,000 processing and storage fee receivable due from Ecuador in the third quarter of fiscal 2013. During the fourth quarter of fiscal 2013, the Company began to bill the Ecuadorian clients directly for cord blood specimens that are stored at the Company's facility in Oldsmar, Florida.

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The following table details the initial license fees for the technology and marketing agreements and processing and storage royalties earned under the technology agreements for the three and six months ended May 31, 2015 and May 31, 2014. The initial license fees and processing and storage royalties are reflected in licensee and royalty income in the accompanying consolidated statements of comprehensive income.

| | Three Months Ended May 31, 2015 | Six Months Ended May 31, 2015 |
|--------|---|--|
| | Process and Storage Royalties | |
| India | \$ 169,412 | \$ 338,824 |
| Total | \$ 169,412 | \$ 338,824 |
| | Three Months Ended May 31, 2014 | Six Months Ended May 31, 2014 |
| | Process and Storage Royalties | |
| India | \$ 169,411 | \$ 338,823 |
| Mexico | | 793,839 |
| Total | \$ 169,411 | \$ 1,132,662 |

Note 6 Legal Proceedings

On February 25, 2011, a Complaint and Demand for Jury Trial was filed against the Company in the United States District Court, Middle District of Florida, Tampa Division, styled: Charles D. Nyberg; Mary J. Nyberg; and Red Rock Partners, an Arizona general partnership vs. Cryo-Cell International, Inc., Case No. 8:11-CV-399-T-30AEP. The Complaint was amended on May 25, 2011 and served on the Company on May 26, 2011. The Complaint alleged that the Company had underpaid amounts owed to plaintiffs Florida and Texas Revenue Sharing Agreements with the Company. The Complaint did not specify the amount claimed, other than stating that it was more than \$75,000 which is the jurisdictional amount of the court the complaint was filed in.

On November 15, 2013, the parties came to a final settlement on this action. The terms of the settlement are confidential. Upon completion of the settlement, the claims in the lawsuit were dismissed with prejudice. In December 2013, the Company paid \$525,000 in full settlement.

On November 13, 2013, Plaintiff Ki Yong Choi filed a Verified Shareholder Derivative Complaint in the Circuit Court for the Thirteenth Judicial Circuit in and for Hillsborough County, Florida. The Complaint names as defendants all of the members of the Company's current Board of Directors, as well as former director Anthony Atala. The complaint also names the Company as a nominal defendant only. The complaint alleges that, since the election of the Company's Board of Directors in August 2011, the Company's Co-CEOs have pursued their own enrichment and

entrenchment at the expense of the Company and its shareholders. The complaint asserts claims against the Board of Directors for breach of fiduciary duty, abuse of control, corporate waste, and unjust enrichment and seeks, among other things, rescission of certain transactions between the Company and the Co-CEOs and damages from the Board of Directors. On February 14, 2014, all of the defendants filed motions to dismiss the complaint. The

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Company filed a motion to dismiss based on the plaintiff's failure to make a pre-suit demand on the Board of Directors or to establish that demand should be excused, as required by Delaware law. A hearing took place on July 9, 2014, and on July 28, 2014, the Court dismissed the case.

On October 11, 2013, a Complaint was filed by the Company in the Circuit Court of Hillsborough County, Florida, styled: Cryo-Cell International, Inc. v. Dilworth Paxson LLP et al, Case No. 13-CA-D09980. The Complaint alleged that Dilworth Paxson LLP and a partner for the firm were negligent and breached the duty of reasonable care owed to the Company. The Complaint alleges the defendants negligence led to the cancellation of the license agreement with Cryo-Cell de Mexico. The Company lost profits and income that would have been earned under the original agreement and was forced to renegotiate the terms of the agreement with terms far less lucrative to the Company. The defendants removed the case to the United States District Court for the Middle District of Florida as permitted because the parties are citizens of different states and the amount in controversy exceeds the jurisdictional minimum of \$75,000. The case now bears a case number of 8:13-Civ-2639-T-33AEP. On June 2, 2014, a confidential settlement was executed by both parties.

In addition, from time to time the Company is subject to proceedings, lawsuits, contract disputes and other claims in the normal course of its business. The Company believes that the ultimate resolution of current matters should not have a material adverse effect on the Company's business, consolidated financial position or results of comprehensive income. It is possible, however, that there could be an unfavorable ultimate outcome for or resolution which could be material to the Company's results of operations for a particular quarterly reporting period. Litigation is inherently uncertain and there can be no assurance that the Company will prevail. The Company does not include an estimate of legal fees and other related defense costs in its estimate of loss contingencies.

Note 7 Share Repurchase Plan

In December 2011, the Company's Board of Directors authorized management at its discretion to repurchase up to one million (1,000,000) shares of the Company's outstanding common stock. On June 6, 2012, the Board of Directors of the Company increased the number of shares of the Company's outstanding common stock that management is authorized to repurchase to up to three million (3,000,000) shares. On April 8, 2015, the Board of Directors of the Company increased the number of shares of the Company's outstanding common stock that management is authorized to repurchase to up to six million (6,000,000) shares. The repurchases must be effectuated through open market purchases, privately negotiated block trades, unsolicited negotiated transactions, and/or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission or in such other manner as will comply with the provisions of the Securities Exchange Act of 1934.

As of May 31, 2015, the Company had repurchased a total of 2,559,137 shares of the Company's common stock at an average price of \$2.37 per share through open market and privately negotiated transactions. The Company purchased 344,026 and 636,531 shares of the Company's common stock during the six months ended May 31, 2015 and May 31, 2014, respectively, at an average price of \$2.77 per share and \$2.21 per share, respectively.

The repurchased shares will be held as treasury stock and have been removed from common shares outstanding as of May 31, 2015 and November 30, 2014. As of May 31, 2015 and November 30, 2014, 2,559,137 and 2,215,111 shares, respectively, were held as treasury stock.

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Subsequent to the balance sheet date, the Company repurchased an additional 469 shares of the Company's common stock at an average price of \$2.36 per share through open market and privately negotiated transactions.

Note 8 Subsequent Events

On June 11, 2015, subsequent to the balance sheet date, the Company entered into an Asset Purchase Agreement (the Agreement) with CytoMedical Design Group LLC (CytoMedical) pursuant to which the Company will purchase specified assets and assume certain liabilities used in CytoMedical's Prepacyte®-CB cord blood business. The Prepacyte-CB Processing System is used in cell processing laboratories to process and store stem cells from umbilical cord blood. The Agreement requires the Company to pay an initial payment of \$1,100,000 and a contingent payment of \$1,300,000 plus a cash payment equal to the value of the Inventory (as defined in the Agreement) on June 30, 2015, less any prepayment made by the Company to CytoMedical. As part of the closing on July 1, 2015, Cryo-Cell paid \$861,783 as required per the Disbursement of Funds Schedule in the Amended Agreement with CytoMedical, dated June 30, 2015. In addition, the Company signed a Promissory Note in the amount of \$1,300,000 with CytoMedical, dated June 30, 2015. As a result of the acquisition of the Prepacyte-CB Processing System, beginning in the third quarter of 2015, our consolidated results of operations will include the results of the Prepacyte-CB Processing System. We have not completed a detailed valuation analysis necessary to determine the final fair market values of the acquired net assets of the Prepacyte-CB Processing System, and any related income tax effects and the initial accounting for the business combination is incomplete at this time. We expect to finalize the acquisition accounting related to the transaction during the fourth quarter of 2015. Pro forma financial information for the Prepacyte-CB Processing System as of June 30, 2015 and June 30, 2014 and for the periods ended December 31, 2014 and December 31, 2013 is currently unavailable. We will furnish such pro forma information pursuant to FASB and SEC guidelines when it becomes available.

On June 30, 2015, subsequent to the Company's balance sheet date, the Company commenced a partial tender offer to purchase up to 750,000 shares of its common stock, at a price of \$3.25 per share. The maximum number of shares proposed to be purchased in the tender offer represents approximately 7.76% of Cryo-Cell's currently outstanding common shares (including shares of unvested restricted stock). On June 29, 2015, the last trading day prior to the commencement of the tender offer, the last sale price of Cryo-Cell's shares reported on the OTCBB was \$2.29 per share. The tender offer will expire on July 28, 2015. Tenders of shares of Cryo-Cell's common stock must be made on or prior to the expiration of the tender offer and may be withdrawn at any time on or prior to the expiration of the tender offer. Only shares properly tendered and not properly withdrawn pursuant to the tender offer will be purchased. The tender offer will be financed entirely with cash on hand. Cryo-Cell reserves the right, in its sole discretion, to purchase in the tender offer, subject to applicable law, an additional number of shares not to exceed 2% of the outstanding shares without amending or extending the tender offer.

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

This Form 10-Q, press releases and certain information provided periodically in writing or orally by the Company's officers or its agents may contain statements which constitute forward-looking statements. The terms Cryo-Cell International, Inc., Cryo-Cell, Company, we, our and us refer to Cryo-Cell International, Inc. The words expect, anticipate, believe, goal, strategy, plan, intend, estimate and similar expressions and variations thereof, if used, are intended to specifically identify forward-looking statements. Those statements appear in a number of places in this Form 10-Q and in other places, and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things:

- (i) our future performance and operating results;
- (ii) our future operating plans;
- (iii) our liquidity and capital resources; and
- (iv) our financial condition, accounting policies and management judgments.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include:

- (i) any adverse effect or limitations caused by recent increases in government regulation of stem cell storage facilities;
- (ii) any increased competition in our business including increasing competition from public cord blood banks particularly in overseas markets but also in the U.S.;
- (iii) any decrease or slowdown in the number of people seeking to store umbilical cord blood stem cells or decrease in the number of people paying annual storage fees;
- (iv) any new services relating to other types of stem cells that have not yet been offered commercially, and there is no assurance that other stem cell services will be launched or will gain market acceptance;
- (v)

any adverse impacts on revenue or operating margins due to the costs associated with increased growth in our business, including the possibility of unanticipated costs relating to the operation of our facility and costs relating to the commercial launch any new types of stem cells;

- (vi) any unique risks posed by our international activities, including but not limited to local business laws or practices that diminish our affiliates' ability to effectively compete in their local markets;
- (vii) any technological or medical breakthroughs that would render our business of stem cell preservation obsolete;
- (viii) any material failure or malfunction in our storage facilities; or any natural disaster or act of terrorism that adversely affects stored specimens;
- (ix) any adverse results to our prospects, financial condition or reputation arising from any material failure or compromise of our information systems;
- (x) the costs associated with defending or prosecuting litigation matters, particularly including litigation related to intellectual property, and any material adverse result from such matters;
- (xi) the success of our licensing agreements and their ability to provide us with royalty fees;
- (xii) any difficulties and increased expense in enforcing our international licensing agreements;
- (xiii) any adverse performance by or relations with any of our licensees;
- (xiv) any inability to enter into new licensing arrangements including arrangements with non-refundable upfront fees;

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- (xv) any inability to realize cost savings as a result of recent acquisitions;
- (xvi) any inability to realize a return on an investment;
- (xvii) any increased U.S. income tax expense as a result of inability to utilize or exhaustion of net operating losses;
- (xviii) any adverse impact on our revenues and operating margins as a result of discounting of our services in order to generate new business in tough economic times where consumers are selective with discretionary spending;
- (xix) the success of our global expansion initiatives;
- (xx) our actual future ownership stake in future therapies emerging from our collaborative research partnerships;
- (xxi) our ability to minimize our future costs related to R&D initiatives and collaborations and the success of such initiatives and collaborations;
- (xxii) any inability to successfully identify and consummate strategic acquisitions;
- (xxiii) any inability to realize benefits from any strategic acquisitions;
- (xxiv) the costs associated with proxy contests and its impact on our business and
- (xxv) other factors many of which are beyond our control.

We undertake no obligation to publicly update or revise the forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Cryo-Cell International, Inc. undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Annual Report on Form 10-K filed by the Company and any Current Reports on Form 8-K filed by the Company.

Overview

The Company is engaged in cellular processing and cryogenic storage, with a current focus on the collection and preservation of umbilical cord blood stem cells for family use. The Company's principal sources of revenues are service fees for cord blood processing and preservation for new customers and recurring annual storage fees. Effective February 4, 2015, the Company offers two pricing models, a promotional plan and one-year storage plan. The Company charges fees of \$1,250 for the promotional plan and \$1,950 for the one-year storage plan to new clients for the collection kit, processing and testing and return medical courier service, with discounts in the case of multiple children from the same family and in other circumstances. The Company charges an annual storage fee of \$250 for new clients that enroll in the promotional plan and an annual storage fee of \$150 for new clients that enroll in

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the one-year storage plan; storage fees for existing customers depend on the contracts with such customers. From February 1, 2012 through February 4, 2015, the Company charged fees of \$2,074 to new clients for the collection kit, processing and testing and return medical courier service, with discounts in the case of multiple children from the same family and in other circumstances. The Company charged an annual storage fee of \$125 for new clients; storage fees for existing customers depend on the contracts with such customers. The Company continues to offer a one-time payment plan for 21 years of storage and a life-time payment plan, pursuant to which the client is charged \$3,949 and \$6,000, respectively, less discounts in the case of multiple children from the same family and in other circumstances. The one-time plan includes the collection kit, processing and testing, return medical courier service and 21 years of pre-paid storage fees. The life-time plan includes the collection kit, processing and testing, return medical courier service and pre-paid storage fees for the life of the client. The Company also receives other income from licensing fees and royalties from global affiliates.

During the six months ended May 31, 2015, total revenue decreased 3% as compared to the same period in 2014. The Company reported net income of approximately \$496,000 or \$0.05 per basic common share for the six months ended May 31, 2015 compared to net income of approximately \$612,000 or \$0.06 per basic common share for the same period in 2014. The decrease in net income for the six months ended May 31, 2015 principally resulted from the decrease in total revenues as a result of Mexico paying off the remaining balance due under the amendment during the first quarter of fiscal 2014 and a 27% increase in interest expense, partially offset by a 6% decrease in cost of sales.

At May 31, 2015, the Company had cash and cash equivalents of \$3,914,021. The Company's cash increased by approximately \$635,000 during the first six months of fiscal 2015, primarily as a result of approximately \$1,800,000 of cash provided by operations offset by approximately \$244,000 of cash used to purchase property and equipment and marketable securities and approximately \$952,000 used for stock repurchases. As of May 31, 2015, the Company had no long-term indebtedness.

Consistent with its fiduciary duties, the board of directors and management has reviewed and will continue to review strategic options and opportunities for the Company, in order to maximize shareholder value. These options may include strategic mergers or acquisitions, a deregistration of the Company's common stock under the Securities Exchange Act of 1934 or a going-private transaction.

Results of Operations - Six Month Period Ended May 31, 2015 Compared to the Six Month Period Ended May 31, 2014

Revenues. Revenues for the six months ended May 31, 2015 were \$9,857,270 as compared to \$10,213,328 for the same period in 2014. The decrease in revenue was primarily attributable to a 70% decrease in licensee income offset by a 5% increase in processing and storage fees.

Processing and Storage Fees. The increase in processing and storage fee revenue is primarily attributable to a 10% increase in recurring annual storage fee revenue which is due to the continuing increase in the Company's client base. The Company's number of new cord blood specimens processed during the six months ended May 31, 2015 was relatively flat compared to the same period in 2014.

Licensee and Royalty Income. Licensee and royalty income for the six months ended May 31, 2015, was \$338,824 as compared to \$1,132,662 for the 2014 period. Licensee and royalty income for the six months ended May 31, 2015 consists of royalty income earned on the processing and storage of specimens in India where the Company has a definitive License and Royalty Agreement. Licensee and royalty income for the six months ended May 31, 2014 consists of \$794,000 related to Mexico which is a result of Mexico paying off the remaining balance due under the amendment during the first quarter of fiscal 2014. The remaining licensee and royalty income consists of royalty

income earned on the processing and storage of specimens in India. Mexico has no other continuing obligations to the Company for royalties or other license payments and the agreement is terminated. The amendment has resulted in a reduction of licensee and royalty income.

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Cost of Sales. Cost of sales for the six months ended May 31, 2015 was \$2,651,374 as compared to \$2,824,066 for the same period in 2014, representing a 6% decrease. Cost of sales was 27% of revenues for the six months ended May 31, 2015 and 28% for the six months ended May 31, 2014. Cost of sales includes wages and supplies associated with process enhancements to the existing production procedures and quality systems in the processing of cord blood specimens at the Company's facility in Oldsmar, Florida and depreciation expense of approximately \$79,000 and \$103,000 for the six months ended May 31, 2015 and 2014, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the six months ended May 31, 2015 were \$5,920,752 as compared to \$5,875,863 for the 2014 period representing a slight increase. These expenses are primarily comprised of selling and marketing, salaries and wages for personnel and professional fees.

Abandonment of Patents. During the six months ended May 31, 2014, management decided to discontinue pursuing certain patents and trademarks resulting in a write-off of approximately \$26,000 for abandoned patents and trademarks related to the Company's menstrual stem cell technology which is reflected as abandonment of patents in the accompanying consolidated statement of comprehensive income. The impact to future operations is considered immaterial and is not expected to impact the Company's core operations.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the six months ended May 31, 2015 were \$22,519 as compared to \$32,691 for the 2014 period.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the six months ended May 31, 2015 was \$35,343 compared to \$88,204 for the 2014 period. The decrease is due to full depreciation of historical assets.

Interest Expense. Interest expense during the six months ended May 31, 2015, was \$671,087 compared to \$526,860 during the comparable period in 2014. Interest expense is mainly comprised of amounts due to the parties to the Company's revenue sharing agreements (RSAs) based on the Company's storage revenue.

Equity in Losses of Affiliate. Equity in losses of affiliate was \$16,496 for the six months ended May 31, 2015, compared to \$189,651 for the 2014 period. Equity in losses of affiliate for the six months ended May 31, 2015, solely related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees. Equity in losses of affiliate for the six months ended May 31, 2014 consists of \$112,500 related to additional investments made by the Company into Saneron and \$77,151 related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees.

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Income Taxes. The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recorded \$50,824 and \$72,702 for the six months ended May 31, 2015 and May 31, 2014, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of comprehensive income.

The Company did not record U.S. income tax expense or benefit during the six months ended May 31, 2015 and for the same period in 2014, due to the utilization of net operating losses and foreign tax credit carryforwards, which were not previously benefited in the Company's financial statements. During the first fiscal quarter of 2015, the Company came out of a 36-month cumulative net loss position. The second fiscal quarter of 2015 represents the first quarter since the Company came out of the net loss position. Management is evaluating all positive and negative evidence in its determination as to the amount of deferred tax assets that may be realized in future periods. This evaluation will continue during the remainder of the fiscal year.

Results of Operations - Three Month Period Ended May 31, 2015 Compared to the Three Month Period Ended May 31, 2014

Revenues. Revenues for the three months ended May 31, 2015 were \$5,013,889 as compared to \$4,892,846 for the same period in 2014. The increase in revenue was primarily attributable to a 3% increase in processing and storage fees due to an increase in the average selling price per specimen.

Processing and Storage Fees. The increase in processing and storage fee revenue is primarily attributable to a 7% increase in recurring annual storage fee revenue which is due to the continuing increase in the Company's client base. The Company also had a 4% decrease in the number of new cord blood specimens processed for three months ended May 31, 2015 versus the same period in 2014.

Licensee and Royalty Income. Licensee and royalty income for the three months ended May 31, 2015, was \$169,412 as compared to \$169,411 for the 2014 period. Licensee and royalty income for the three months ended May 31, 2015 and May 31, 2014 consisted of royalty income earned on the processing and storage of cord blood stem cell specimens in India where the Company has a definitive license agreement.

Cost of Sales. Cost of sales for the three months ended May 31, 2015 was \$1,377,387 as compared to \$1,489,705 for the same period in 2014, representing an 8% decrease. The decrease is primarily attributable to a decrease in laboratory salary expense. Cost of sales was 27% of revenues for the three months ended May 31, 2015 and 30% for the three months ended May 31, 2014. Cost of sales includes wages and supplies associated with process enhancements to the existing production procedures and quality systems in the processing of cord blood specimens at the Company's facility in Oldsmar, Florida and depreciation expense of approximately \$38,000 and \$52,000 for the three months ended May 31, 2015 and 2014, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended May 31, 2015 were \$3,006,779 as compared to \$2,753,140 for the 2014 period representing an 8% increase. Selling, general and administrative expenses is primarily comprised of selling and marketing expenses, salaries and wages for personnel and professional fees.

Abandonment of Patents. During the three months ended May 31, 2014 management decided to discontinue pursuing certain patents and trademarks resulting in a write-off of approximately \$26,000 for abandoned patents and trademarks related to the Company's menstrual stem cell technology which is reflected as abandonment of patents in the accompanying consolidated statement of comprehensive income. The impact to future operations is immaterial and it

will not impact the Company's core operations.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended May 31, 2015 were \$10,531 as compared to \$18,323 for the 2014 period.

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Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the three months ended May 31, 2015 was \$17,101 compared to \$43,699 for the 2014 period. The decrease is due to full depreciation of historical assets.

Interest Expense. Interest expense during the three months ended May 31, 2015, was \$369,801 compared to \$252,544 during the comparable period in 2014. Interest expense is mainly comprised of payments made to the other parties to the Company's RSAs based on the Company's storage revenue.

Equity in Losses of Affiliate. Equity in losses of affiliate was \$8,248 for the three months ended May 31, 2015, compared to \$76,076 for the 2014 period. Equity in losses of affiliate for the three months ended May 31, 2015 related solely to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees. Equity in losses of affiliate for the three months ended May 31, 2014 consists of \$37,500 related to additional investments made by the Company into Saneron and \$38,576 related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees.

Income Taxes. The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recorded \$25,412 and \$25,411 for the three months ended May 31, 2015 and 2014, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of comprehensive income.

The Company did not record U.S. income tax expense or benefit during the three months ended May 31, 2015 and for the same period in 2014, due to the utilization of net operating losses and foreign tax credit carryforwards, which were not previously benefited in the Company's financial statements. During the first fiscal quarter of 2015, the Company came out of a 36-month cumulative net loss position. The second fiscal quarter of 2015 represents the first quarter since the Company came out of the net loss position. Management is evaluating all positive and negative evidence in its determination as to the amount of deferred tax assets that may be realized in future periods. This evaluation will continue during the remainder of the fiscal year.

Liquidity and Capital Resources

Through May 31, 2015, the Company's principal source of cash has been from sales of its umbilical cord blood program to customers and royalties from licensees. The Company does not expect a change in its principal source of cash flow.

At May 31, 2015, the Company had cash and cash equivalents of \$3,914,021 as compared to \$3,279,267 at November 30, 2014. The increase in cash and cash equivalents during the six months ended May 31, 2015 was primarily attributable to the following:

Net cash provided by operating activities for the six months ended May 31, 2015 was \$1,831,689 principally due to an increase in the Company's new clients choosing the prepaid storage plans versus the annual storage fee plan and a 6% decrease in cost of sales.

Net cash provided by operating activities for the six months ended May 31, 2014 was \$361,757 principally due to an 8% increase in revenues which was partially offset by a 4% increase in selling, general and administrative expenses and a 6% increase in cost of sales.

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Net cash used in investing activities for the six months ended May 31, 2015 was \$244,472, which was primarily attributable the sales and purchases of marketable securities and other investments of \$203,419.

Net cash provided by investing activities for the six months ended May 31, 2014 was \$475,416, which was primarily attributable to the transfer of \$764,098 from the trust which was offset by \$176,182 of purchases of property and equipment and marketable securities and the investment of \$112,500 into Saneron (see above).

Net cash used in financing activities for the six months ended May 31, 2015 was \$952,463, which was primarily attributable the stock repurchase plan pursuant to which the Company has repurchased 344,026 shares of the Company's common stock.

Net cash used in financing activities for the six months ended May 31, 2014 was \$1,358,613, which was primarily attributable the stock repurchase plan pursuant to which the Company has repurchased 636,531 shares of the Company's common stock for approximately \$1,407,000.

The Company does not have a line of credit.

The Company anticipates making discretionary capital expenditures of approximately \$500,000 over the next twelve months for software enhancements and purchases of property and equipment. The Company anticipates funding future property and equipment purchases with cash-on-hand and cash flows from future operations.

The Company anticipates that its cash and cash equivalents, marketable securities and cash flows from future operations will be sufficient to fund its known cash needs for at least the next 12 months. Cash flows from operations will depend primarily upon increasing revenues from sales of its umbilical cord blood and cord tissue cellular storage services, and managing discretionary expenses. If expected increases in revenues are not realized, or if expenses are higher than anticipated, the Company may be required to reduce or defer cash expenditures or otherwise manage its cash resources during the next 12 months so that they are sufficient to meet the Company's cash needs for that period. In addition, the Company may consider seeking equity or debt financing if deemed appropriate for its plan of operations, and if such financing can be obtained on acceptable terms. There is no assurance that any reductions in expenditures, if necessary, will not have an adverse effect on the Company's business operations, including sales activities and the development of new services and technology.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. For a full discussion of our accounting policies please refer to Note 1 to the Consolidated Financial Statements included in our 2014 Annual Report on Form 10-K filed with the SEC. Our most critical accounting policies and estimates include: recognition of revenue and the related allowance for doubtful accounts, stock-based compensation, income taxes and license and revenue sharing agreements. We continually evaluate our judgments, estimates and assumptions. We base our estimates on the terms of underlying agreements, historical experience and other factors that we

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believe are reasonable based on the circumstances, the results of which form our management's basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our 2014 Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. This update is effective for annual and interim periods beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect this guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period* (ASU 2014-12). This update requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition in determining expense recognition for the award. As a result, this type of performance condition may delay expense recognition until achievement of the performance target is probable. ASU 2014-12 is effective for reporting periods beginning after December 15, 2015, and early adoption is permitted. We will adopt ASU 2014-12 effective December 1, 2016 and it is not anticipated to have a material impact on our financial statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on their most recent review, as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are not effective, and that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's

management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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As previously disclosed in the Company's 10-Q filed February 28, 2015, the Company's principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures and internal controls over financial reporting were not effective, due to a material weakness surrounding the Company's identification and application of the appropriate accounting treatment for non-routine transactions and related documentation thereof. The Company's controls over non-routine transactions were not conducive to identify certain items with sufficient precision.

Management has undertaken steps to design and implement more effective internal controls, including the implementation of a review process of non-routine transactions and has engaged qualified consultants to assist the Company with the application of the appropriate accounting treatment of non-routine transactions when necessary. Management will address this remediation plan further in the Company's third quarter Form 10-Q.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the three months ended May 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our co-CEOs and CFO, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CEO and CFO Certifications

Appearing as exhibits 31.1, 31.2 and 31.3 to this report there are Certifications of the Co-CEOs and the CFO. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certifications). This Item of this report is the information concerning the evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 25, 2011, a Complaint and Demand for Jury Trial was filed against the Company in the United States District Court, Middle District of Florida, Tampa Division, styled: Charles D. Nyberg; Mary J. Nyberg; and Red Rock Partners, an Arizona general partnership vs. Cryo-Cell International, Inc., Case No. 8:11-CV-399-T-30AEP. The Complaint was amended on May 25, 2011 and served on the Company on May 26, 2011. The Complaint alleged that the Company had underpaid amounts owed to plaintiffs Florida and Texas Revenue Sharing Agreements with the Company. The Complaint did not specify the amount claimed, other than stating that it was more than \$75,000 which is the jurisdictional amount of the court the complaint was filed in.

On November 15, 2013, the parties came to a final settlement on this action. The terms of the settlement are confidential. Upon completion of the settlement, the claims in the lawsuit were dismissed with prejudice. In December 2013, the Company paid \$525,000 in full settlement.

On November 13, 2013, Plaintiff Ki Yong Choi filed a Verified Shareholder Derivative Complaint in the Circuit Court for the Thirteenth Judicial Circuit in and for Hillsborough County, Florida. The Complaint names as defendants all of the members of the Company's current Board of Directors, as well as former director Anthony Atala. The complaint also names the Company as a nominal defendant only. The complaint alleges that, since the election of the Company's Board of Directors in August 2011, the Company's Co-CEOs have pursued their own enrichment and entrenchment at the expense of the Company and its shareholders. The complaint asserts claims against the Board of Directors for breach of fiduciary duty, abuse of control, corporate waste, and unjust enrichment and seeks, among other things, rescission of certain transactions between the Company and the Co-CEOs and damages from the Board of Directors. On February 14, 2014, all of the defendants filed motions to dismiss the complaint. The Company filed a motion to dismiss based on the plaintiff's failure to make a pre-suit demand on the Board of Directors or to establish that demand should be excused, as required by Delaware law. A hearing took place on July 9, 2014, and on July 28, 2014, the Court dismissed the case.

On October 11, 2013, a Complaint was filed by the Company in the Circuit Court of Hillsborough County, Florida, styled: Cryo-Cell International, Inc. v. Dilworth Paxson LLP et al, Case No. 13-CA-D09980. The Complaint alleged that Dilworth Paxson LLP and a partner for the firm were negligent and breached the duty of reasonable care owed to the Company. The Complaint alleges the defendants negligence led to the cancellation of the license agreement with Cryo-Cell de Mexico. The Company lost profits and income that would have been earned under the original agreement and was forced to renegotiate the terms of the agreement with terms far less lucrative to the Company. The defendants removed the case to the United States District Court for the Middle District of Florida as permitted because the parties are citizens of different states and the amount in controversy exceeds the jurisdictional minimum of \$75,000. The case now bears a case number of 8:13-Civ-2639-T-33AEP. On June 2, 2014, a confidential settlement was executed by both parties.

On March 10, 2015, a Complaint was filed by the Company in the Pinellas County Court, Florida, styled: Cryo-Cell International, Inc. v Cord Blood America, Inc. The Complaint was filed in order to compel Cord Blood of America, Inc., a Florida corporation (CBAI), to hold an annual meeting of shareholders for the purpose of electing directors.

In addition, from time to time the Company is subject to proceedings, lawsuits, contract disputes and other claims in the normal course of its business. The Company believes that the ultimate resolution of current matters should not have a material adverse effect on the Company's business, consolidated financial position or results of operations. It is

possible, however, that there could be an unfavorable

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ultimate outcome for or resolution which could be material to the Company's results of operations for a particular quarterly reporting period. Litigation is inherently uncertain and there can be no assurance that the Company will prevail. The Company does not include an estimate of legal fees and other related defense costs in its estimate of loss contingencies.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
ISSUER PURCHASE OF EQUITY SECURITIES

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs |
|------------------|-------------------------------------|---------------------------------|--|--|
| March 1 31, 2015 | 58,552 | \$ 148,627 | 58,552 | 709,916 |
| April 1 30, 2015 | 259,344 | \$ 740,964 | 259,344 | 3,450,572 |
| May 1 31, 2015 | 9,709 | \$ 23,829 | 9,709 | 3,440,863 |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) Exhibits

| | |
|---------|---|
| 31.1 | Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.3 | Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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SIGNATURES

In accordance with Section 13 or 15(d) 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.

Cryo-Cell International, Inc.

/s/ DAVID PORTNOY
David Portnoy
Co-Chief Executive Officer

Cryo-Cell International, Inc.

/s/ MARK PORTNOY
Mark Portnoy
Co-Chief Executive Officer

Cryo-Cell International, Inc.

/s/ JILL M. TAYMANS
Jill M. Taymans
Vice President, Finance

Date: July 15, 2015