

CRYO CELL INTERNATIONAL INC

Form 10-Q

April 14, 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 February 28, 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 April 8, 2015, 12,225,340 shares of \$0.01 par value common stock were issued and 9,916,306 were outstanding.

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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	February 28, 2015 (unaudited)	November 30, 2014
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 3,550,243	\$ 3,279,267
Restricted cash	204,197	204,141
Marketable securities	98,261	102,674
Accounts receivable (net of allowance for doubtful accounts of \$2,032,416 and \$1,976,966, respectively)	4,200,003	4,071,997
Prepaid expenses	664,674	710,754
Other current assets	129,626	123,126
Total current assets	8,847,004	8,491,959
<u>Property and Equipment-net</u>	918,190	953,415
<u>Other Assets</u>		
Investment in Saneron CCEL Therapeutics, Inc.	684,000	684,000
Deposits and other assets, net	70,171	80,212
Total other assets	754,171	764,212
Total assets	\$ 10,519,365	\$ 10,209,586
<u>LIABILITIES AND STOCKHOLDERS DEFICIT</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 1,335,709	\$ 992,910
Accrued expenses	907,075	1,471,699
Deferred revenue	6,460,146	6,662,552
Total current liabilities	8,702,930	9,127,161
<u>Other Liabilities</u>		
Deferred revenue, net of current portion	9,797,209	9,509,088
Long-term liability - revenue sharing agreements	2,300,000	2,300,000
Total other liabilities	12,097,209	11,809,088

Commitments and contingencies (Note 6)

Stockholders Deficit

Preferred stock (\$.01 par value, 500,000 authorized and none issued and outstanding), and 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 9,993,808 outstanding as of February 28, 2015 and 11,921,285 issued and 9,706,174 outstanding as of November 30, 2014)	119,213	119,213
Additional paid-in capital	28,040,867	27,842,106
Treasury stock, at cost	(5,151,690)	(5,112,648)
Accumulated deficit	(33,289,164)	(33,575,334)
Total stockholders deficit	(10,280,774)	(10,726,663)
Total liabilities and stockholders deficit	\$ 10,519,365	\$ 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 OPERATIONS**

(Unaudited)

	For the Three Months Ended	
	February 28, 2015	February 28, 2014
Revenue:		
Processing and storage fees	\$ 4,673,969	\$ 4,357,231
Licensee income	169,412	963,251
 Total revenue	 4,843,381	 5,320,482
Costs and Expenses:		
Cost of sales	1,273,987	1,334,361
Selling, general and administrative expenses	2,913,973	3,122,723
Research, development and related engineering	11,988	14,368
Depreciation and amortization	18,242	44,505
 Total costs and expenses	 4,218,190	 4,515,957
 Operating Income	 625,191	 804,525
Other Income (Expense):		
Other income (expense)	(4,075)	27,769
Interest expense	(301,286)	(274,316)
 Total other expense	 (305,361)	 (246,547)
 Income before equity in losses of affiliate and income tax expense	 319,830	 557,978
Equity in losses of affiliate	(8,248)	(113,575)
 Income before income tax expense	 311,582	 444,403
Income tax expense	(25,412)	(47,291)
 Net Income	 \$ 286,170	 \$ 397,112
 Net income per common share - basic	 \$ 0.03	 \$ 0.04

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Weighted average common shares outstanding - basic	9,824,566	10,690,188
Net income per common share - diluted	\$ 0.03	\$ 0.04
Weighted average common shares outstanding - diluted	10,058,649	10,764,158

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Three Months Ended	
	February 28, 2015	February 28, 2014
Net income	\$ 286,170	\$ 397,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	58,994	95,813
Compensatory element of stock options	190,513	152,236
Provision for doubtful accounts	140,505	161,891
Equity in losses of affiliate	8,248	113,575
Changes in assets and liabilities:		
Accounts receivable	(268,511)	(529,649)
Notes receivable		550,782
Prepaid expenses and other current assets	46,080	77,758
Other current assets	(6,500)	
Deposits and other assets, net	9,575	42,628
Accounts payable	342,799	231,176
Accrued expenses	(564,624)	(713,994)
Deferred revenue	85,715	(686,024)
Net cash provided by (used in) operating activities	328,964	(106,696)
Cash flows from investing activities:		
Release of restricted cash held in escrow	(56)	24,166
Purchases of property and equipment	(23,303)	(11,025)
Sales (purchases) of marketable securities and other investments, net	4,413	(61,685)
Investment in affiliate		(75,000)
Net cash used in investing activities	(18,946)	(123,544)
Cash flows from financing activities:		
Treasury stock purchases	(39,042)	(451,913)
Net cash used in financing activities	(39,042)	(451,913)
Increase (decrease) in cash and cash equivalents	270,976	(682,153)
Cash and cash equivalents - beginning of period	3,279,267	3,925,156

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Cash and cash equivalents - end of period	\$ 3,550,243	\$ 3,243,003
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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

February 28, 2015

(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of February 28, 2015 and November 30, 2014, the related Consolidated Statements of Operations and Cash Flows for the three months ended February 28, 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 months ended February 28, 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 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.

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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 \$10,332,000 and \$10,517,000 as of February 28, 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 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 months ended February 28, 2015 and February 28, 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.

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 \$47,000 for the three months ended February 28, 2015 and February 28, 2014, respectively, of foreign income tax expense. Foreign income tax expense is included in income tax expense in the accompanying consolidated statements of operations.

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 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

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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 months ended February 28, 2015 and February 28, 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 months ended February 28, 2015 and 2014.

Stock Compensation

As of February 28, 2015, the Company has three stock-based compensation plans, which are described in Note 4 to the 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 \$191,000 and \$152,000 for the three months ended February 28, 2015 and February 28, 2014, respectively, of stock-based 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.

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

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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.

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of February 28, 2015 and November 30, 2014, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at February 28, 2015	Fair Value Measurements at February 28, 2015 Using		
		Level 1	Level 2	Level 3
Assets:				
Trading Securities	\$ 98,261	\$ 98,261		

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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.

There was (\$4,400) and \$15,525 in unrealized holding loss and gain, respectively, recorded in other income and expense on the accompanying consolidated statements of operations for the three months ended February 28, 2015 and 2014.

Product Warranty and Cryo-Cell Cares™ Program

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 was paying \$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. Effective October 13, 2014, the Company no longer offers the Cryo-Cell Cares™ program to new clients. The product warranty is 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 February 28, 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.

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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, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. 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.

Note 2 – Income per Common Share

Net income per common share data are based on net income. The following table sets forth the calculation of basic and diluted earnings per share:

	For the three months ended February 28, 2015	For the three months ended February 28, 2014
Numerator:		
Net Income	\$ 286,170	\$ 397,112
Denominator:		
Weighted-average shares outstanding-basic	9,824,566	10,690,188
Dilutive common shares issuable upon exercise of stock options	234,083	73,970
Weighted-average shares-diluted	10,058,649	10,764,158
Earnings per share:		
Basic	\$ 0.03	\$ 0.04
Diluted	\$ 0.03	\$ 0.04

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For the three months ended February 28, 2015, the Company excluded the effect of 271,000 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 months ended February 28, 2014, the Company excluded the effect of 551,334 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.

Table of Contents**Note 3 Investment in Saneron CCEL Therapeutics, Inc. (Saneron)**

As of February 28, 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 February 28, 2015 and November 30, 2014, the net Saneron investment, which represents goodwill, is reflected on the consolidated balance sheets at approximately \$684,000. As of February 28, 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 February 28, 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 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 through February 28, 2015.

For the three months ended February 28, 2015 and February 28, 2014, the Company recorded equity in losses of Saneron operations of approximately \$8,000 and \$114,000, respectively. For the three months ended February 28, 2015, \$8,000 was related to certain stock awards that were granted by Saneron at below fair market 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 months ended February 28, 2014, \$75,000 was related to additional investments (see above) made by the Company into Saneron and \$39,000 was related to certain stock awards that were granted by Saneron at below fair market 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

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 2000 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 February 28, 2015 and November 30, 2014, there were 2,500 and 2,500 options 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) under which it 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 stock awards (i.e. performance options to purchase shares and performance units). As of February 28, 2015 and November 30, 2014, there were 588,931 and 594,766 options issued, but not yet exercised, under the 2006 Plan, respectively. As of February 28, 2015, there were 267,845 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

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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 February 28, 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 February 28, 2015, there were 1,795,911 shares available for future issuance under the 2012 Plan.

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 months ended February 28, 2015 and February 28, 2014, respectively.

Stock option activity for the three months ended February 28, 2015, was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2014	997,266	\$ 2.14	5.84	\$ 661,466
Granted				
Exercised				
Expired/forfeited	5,835	2.26		1,125
Outstanding at February 28, 2015	991,431	\$ 2.14	5.61	\$ 414,408
Exercisable at February 28, 2015	975,804	\$ 2.14	5.61	\$ 412,827

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 February 28, 2015 or February 28, 2014, 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 three months ended February 28, 2015 and February 28, 2014.

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Significant option groups exercisable at February 28, 2015 and related price and contractual life information are as follows:

Range of Exercise Prices	Outstanding	Outstanding Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable	
				Outstanding	Weighted Average Exercise Price
\$0.42 to \$1.00	2,500	.45	\$ 0.68	2,500	\$ 0.68
\$1.01 to \$ 2.00	469,264	6.20	\$ 1.72	468,431	\$ 1.72
\$2.01 to \$ 3.00	519,667	5.11	\$ 2.53	504,873	\$ 2.53
	991,431	5.61	\$ 2.14	975,804	\$ 2.14

A summary of the status of the Company's non-vested options as of February 28, 2015, and changes during the three months ended February 28, 2015, is presented below:

	Options	Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2014	27,083	\$ 1.64
Granted		
Vested	(11,456)	1.67
Forfeited		
Non-vested at February 28, 2015	15,627	\$ 1.61

As of February 28, 2015 there was approximately \$18,500 of total unrecognized compensation cost related to non-vested service related share-based compensation arrangements granted under the 2000 Plan, 2006 Plan and the 2012 Plan. The cost is expected to be recognized over a weighted-average period of .51 years as of February 28, 2015. The total fair value of shares vested during the three months ended February 28, 2015 was approximately \$19,000.

Performance and market-based vesting condition options

There were no performance-based or market-based vesting condition options granted during the three months ended February 28, 2015 and 2014. As of February 28, 2015, there were no performance or market-based vesting condition options outstanding.

Restricted common shares

During the first quarter 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.

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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 February 28, 2015 was \$160,000 and is reflected as selling, general and administration expenses in the accompanying consolidated statement of operations. As of February 28, 2015, there was approximately \$60,000 of total unrecognized compensation cost 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. In addition, if David Portnoy 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 February 28, 2015, certain market and performance thresholds were met during fiscal year 2014 and the Board agreed to grant David Portnoy and Mark Portnoy 31,087 and 27,033 shares of restricted common shares, respectively. The fair value of these shares as of February 28, 2015 was \$134,000 and is reflected as selling, general and administrative expense in the accompanying consolidated statement of operations.

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

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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 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.

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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).

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. The amendment is expected to result in a reduction of licensee income in future periods. In December 2013, Mexico paid the balance due of \$563,000 in full, which is reflected in the consolidated statement of operations 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.

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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.

The following table details the initial license fees for the technology and marketing agreements and processing and storage royalties earned for the technology agreements for the three months ended February 28, 2015 and February 28, 2014. The initial license fees and processing and storage royalties are reflected in licensee income in the accompanying consolidated statements of operations.

	For the three months ended					
	February 28, 2015			February 28, 2014		
	License Fee	Process and Storage Royalties	Total	License Fee	Process and Storage Royalties	Total
India	\$	\$ 169,412	\$ 169,412	\$	\$ 169,412	\$ 169,412
Mexico					793,839	793,839
Total	\$	\$ 169,412	\$ 169,412	\$	\$ 963,251	\$ 963,251

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.

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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.

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 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, subsequent to the balance sheet date, 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.

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As of February 28, 2015, the Company had repurchased 2,231,532 shares of the Company's common stock at an average price of \$2.31 per share through open market and privately negotiated transactions. The Company purchased 16,421 and 217,751 shares of the Company's common stock during the first quarters of fiscal 2015 and 2014, respectively, at an average price of \$2.38 per share and \$2.08 per share, respectively.

The repurchased shares will be held as treasury stock at cost and have been removed from common shares outstanding as of February 28, 2015 and November 30, 2014. As of February 28, 2015 and November 30, 2014, 2,231,532 and 2,215,111 shares, respectively, were held as treasury stock.

Subsequent to the balance sheet date, the Company repurchased an additional 77,502 shares of the Company's common stock at an average price of \$2.54 per share through open market and privately negotiated transactions.

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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 the following:

- (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 of the placental stem cell service offering or any other 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;

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- (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;
- (xv) any inability to realize cost savings as a result of potential 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.

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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 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.

In August 2011, there was a change in control of the board of directors. Upon gaining control of the Company, new management conducted a thorough review of the Company's operations and determined that the best use of corporate resources was to refocus on the Company's umbilical cord blood and cord tissue business while continuing to evaluate the menstrual stem cell technology. The Company recently decided to cease offering a commercial menstrual stem cell service for the time being due to a lack of market acceptance.

During the three months ended February 28, 2015, the Company's revenues decreased 9% as compared to the same period in 2014. The Company reported net income of approximately \$286,000, or \$0.03 per basic common share for the three months ended February 28, 2015 compared to net income of approximately \$397,000 or \$0.04 per basic common share for the same period in 2014. The decrease in net income for the three months ended February 28, 2015 principally resulted from the 9% decrease in revenues. This was partially offset by a 5% decrease in cost of sales and a 7% decrease in selling, general and administrative expenses.

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At February 28, 2015, the Company had cash and cash equivalents of \$3,550,243. The Company's cash increased by approximately \$271,000 during the first three months of fiscal 2015, primarily as a result of approximately \$329,000 of cash provided by operations offset by approximately \$23,000 of cash used to purchase property and equipment and approximately \$39,000 used for stock repurchase. As of February 28, 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

Revenues. Revenues for the three months ended February 28, 2015 were \$4,843,381 as compared to \$5,320,482 for the same period in 2014, a 9% decrease. The decrease in revenue was primarily attributable to an 82% decrease in licensee income offset by a 7% increase in processing and storage fees.

Processing and Storage Fees. The increase in processing and storage fee revenue is primarily attributable to a 13% increase in recurring annual storage fee revenue. The Company had a 4% increase in the number of new cord blood specimens processed in the first quarter of fiscal 2015 versus the same period in 2014.

Licensee Income. Licensee income for the three months ended February 28, 2015, was \$169,412 as compared to \$963,251 for the 2014 period. Licensee income for the three months ended February 28, 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 income for the three months ended February 28, 2014 consists of \$794,000 related to Mexico which is a result of Mexico paying off the remaining balance due under the amendment (see Note 5) during the first quarter fiscal 2014. The remaining licensee income consists of royalty income earned on the processing and storage of specimens in India where the Company has a definitive License and Royalty Agreement. Mexico has no other continuing obligations to the Company for royalties or other license payments and the agreement is terminated. The amendment will result in a reduction of licensee income in future periods.

Cost of Sales. Cost of sales for the three months ended February 28, 2015 was \$1,273,987 as compared to \$1,334,361 for the same period in 2014, representing a 5% decrease. 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 \$41,000 and \$51,000 for the three months ended February 28, 2015 and February 28, 2014, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended February 28, 2015 were \$2,913,973 as compared to \$3,122,723 for the 2014 period representing a 7% decrease. These expenses are primarily comprised of expenses for consumer advertising, salaries and wages for personnel and professional fees. The decrease in selling, general and administrative expenses is primarily due to approximately \$205,000 in legal fees during the first quarter of fiscal 2014 related to a shareholder derivative complaint filed in November 2013, which was excluded from the Company's directors and officers insurance policy.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended February 28, 2015 were \$11,988 as compared to \$14,368 for the three months ended February 28, 2014. The expenses for each period primarily relate to the Company's cord tissue service.

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Depreciation and Amortization. Depreciation and Amortization (not included in Cost of Sales) for the three months ended February 28, 2015 was \$18,242 compared to \$44,505 for the 2014 period.

Equity in Losses of Affiliate. Equity in losses of affiliate was \$8,248 for the three months ended February 28, 2015, compared to \$113,575 for the 2014 period. Equity in losses of affiliate for the three months ended February 28, 2015 is 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 three months ended February 28, 2014 consists of \$75,000 related to additional investments made by the Company into Saneron and \$38,575 related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees.

Income Taxes. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The ultimate realization of our deferred tax assets depends upon generating sufficient future taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, we must project future levels of taxable income. This assessment requires significant judgment. We examine the evidence related to the recent history of tax losses, the economic conditions in which we operate and our forecasts and projections to make that determination.

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 approximately \$25,000 and \$47,000 for the three months ended February 28, 2015 and February 28, 2014, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of operations.

There was no U.S. income tax expense for the three months ended February 28, 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.

Liquidity and Capital Resources

Through February 28, 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 February 28, 2015, the Company had cash and cash equivalents of \$3,550,243 as compared to \$3,279,267 at November 30, 2014. The increase in cash and cash equivalents during the three months ended February 28, 2015 was primarily attributable to the following:

Net cash provided by operating activities for the three months ended February 28, 2015 was \$328,964, which was primarily attributable to the Company's operating results.

Net cash used in operating activities for the three months ended February 28, 2014 was \$106,696, which was primarily attributable to the Company's operating results.

Net cash used in investing activities for the three months ended February 28, 2015 was \$18,946, which was primarily attributable to the purchases of property and equipment.

Net cash used in investing activities for the three months ended February 28, 2014 was \$123,544, which was primarily attributable to the purchases of marketable securities and other investments.

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Net cash used by financing activities for the three months ended February 28, 2015 was \$39,042 which was attributable to the stock repurchase plan pursuant to which the Company has repurchased 16,421 shares of the Company's common stock.

Net cash used by financing activities for the three months ended February 28, 2014 was \$451,913 which was attributable to the stock repurchase plan pursuant to which the Company has repurchased 217,751 shares of the Company's common stock.

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 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.

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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, 2016, which will require us to adopt these provisions in the first quarter of fiscal 2018. 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 reasonable 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 were 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 ineffective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

As previously disclosed in the Company's 10-Q filed October 15, 2014, 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.

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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 in the Company's second quarter Form 10Q.

Changes in Internal Control Over Financial Reporting

There were no other changes in the Company's internal controls over financial reporting during the three months ended February 28, 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.

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.

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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 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.

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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
December 1 31, 2014	5,000	\$ 2.40	5,000	779,889
January 1 31, 2015	2,500	\$ 2.27	2,500	777,389
February 1 28, 2015	8,921	\$ 2.40	8,921	768,468

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 (<i>filed herewith</i>).
31.2	Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (<i>filed herewith</i>).
31.3	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (<i>filed herewith</i>).
32	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, Chief Financial
Officer

Date: April 14, 2015