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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 August 31, 2018

☐ **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	**22-3023093**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer 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 every Interactive Data File required to be submitted 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 such files. Yes ☒ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-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 ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of October 12, 2018, 13,596,409 shares of $0.01 par value common stock were issued and 7,800,833 were outstanding.

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(Unaudited) August 31, 2018	November 30, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 7,039,972	$ 6,279,154
Marketable securities	949,763	439,322
Accounts receivable (net of allowance for doubtful accounts of $2,214,373 and $2,098,991, respectively)	5,512,863	5,125,591
Prepaid expenses	597,041	372,152
Inventory, net	16,170,057	314,566
Other current assets	209,202	206,136
Total current assets	30,478,898	12,736,921
Property and Equipment-net	1,540,242	882,382
Other Assets		
Investment - Tiahne Stock	308,000	—
Intangible assets, net	1,368,231	226,418
Goodwill	2,007,976	—
Deferred tax assets	6,918,125	10,035,388
Deposits and other assets, net	28,888	28,888
Total other assets	10,631,220	10,290,694
Total assets	$ 42,650,360	$ 23,909,997
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 1,119,703	$ 1,928,542
Accrued expenses	2,482,920	2,582,475
Current portion of note payable	3,100,000	2,000,000
Deferred revenue	8,209,890	7,428,829
Total current liabilities	14,912,513	13,939,846
Other Liabilities		
Deferred revenue, net of current portion	19,873,999	15,752,864
Contingent Consideration	4,698,255	—
Note payable, net of current portion and debt issuance costs	11,589,093	5,295,183
Long-term liability - revenue sharing agreements	1,425,000	1,425,000
Total other liabilities	37,586,347	22,473,047
Total liabilities	52,498,860	36,412,893
Commitments and contingencies (Note 10)	—	—
Stockholders' Deficit		
Preferred stock ($.01 par value, 500,000 authorized and none issued and outstanding)	—	—
Series A Junior participating preferred stock ($.01 par value, 20,000 authorized and none issued and outstanding)	—	—
Common stock ($.01 par value, 20,000,000 authorized; 13,596,409 issued and 7,800,833 outstanding as of August 31, 2018 and 12,899,517 issued and 7,103,941 outstanding as of November 30, 2017)	135,965	128,995
Additional paid-in capital	35,360,801	31,373,048
Treasury stock, at cost	(19,571,113)	(19,571,113)
Accumulated other comprehensive income	446,120	40,865
Accumulated deficit	(26,220,273)	(24,474,691)
Total stockholders' deficit	(9,848,500)	(12,502,896)
Total liabilities and stockholders' deficit	$ 42,650,360	$ 23,909,997

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Revenue:				
Processing and storage fees	$7,237,053	$6,288,357	$19,732,575	$17,746,408
Public banking revenue	65,575	—	65,575	—
Licensee and royalty income	539,286	492,208	742,445	820,877
Product revenue	29,308	115,376	84,208	342,031
Total revenue	7,871,222	6,895,941	20,624,803	18,909,316
Costs and Expenses:				
Cost of sales	2,486,180	1,977,475	5,864,826	5,085,538
Selling, general and administrative expenses	4,390,614	3,432,648	11,513,190	9,942,562
Research, development and related engineering	22,234	226	64,927	23,682
Depreciation and amortization	52,072	33,359	124,865	96,925
Total costs and expenses	6,951,100	5,443,708	17,567,808	15,148,707
Operating Income	920,122	1,452,233	3,056,995	3,760,609
Other Expense:				
Other income (expense)	38,300	5,234	14,520	(59,467)
Interest expense	(410,366)	(314,890)	(995,437)	(937,248)
Total other expense	(372,066)	(309,656)	(980,917)	(996,715)
Income before income tax expense	548,056	1,142,577	2,076,078	2,763,894
Income tax expense	(303,072)	(490,558)	(3,821,660)	(1,128,012)
Net Income (Loss)	$ 244,984	$ 652,019	$ (1,745,582)	$ 1,635,882
Net income (loss) per common share - basic	$ 0.03	$ 0.09	$ (0.24)	$ 0.23
Weighted average common shares outstanding - basic	7,694,662	7,100,232	7,350,868	7,049,782
Net income (loss) per common share - diluted	$ 0.03	$ 0.08	$ (0.24)	$ 0.21
Weighted average common shares outstanding - diluted	8,375,675	7,794,855	7,350,868	7,663,366
Other Comprehensive Income				
Unrealized gain on marketable securities (net of tax)	$ 285,255	$ 34,038	$ 405,255	$ 60,678
Comprehensive Income (Loss)	$ 530,239	$ 686,057	$ (1,340,327)	$ 1,696,560

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended	
	August 31, 2018	August 31, 2017
Cash flows from operating activities:		
Net (loss) income	$ (1,745,582)	$ 1,635,882
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense	214,275	171,689
Loss on disposal of property and equipment	153,756	—
Compensatory element of stock options	323,798	709,173
Provision for doubtful accounts	539,365	(2,876)
Deferred income tax expense	3,117,263	73,512
Amortization of debt issuance costs	79,876	96,869
Changes in assets and liabilities:		
Accounts receivable	(805,183)	(805,398)
Prepaid expenses	(156,022)	(10,560)
Inventory	182,466	25,385
Other current assets	(3,066)	(104,669)
Deposits and other assets, net	—	(3,388)
Accounts payable	(808,839)	(122,237)
Accrued expenses	(99,555)	(727,969)
Deferred revenue	3,496,790	2,671,172
Net cash provided by operating activities	4,489,342	3,606,585
Cash flows from investing activities:		
Purchases of property and equipment	(408,297)	(55,182)
Purchase of intangible asset	(200,000)	—
(Purchases) sales of marketable securities and other investments, net	(105,186)	161,023
Purchase of Cord Use	(10,500,000)	—
Net cash (used in) provided by investing activities	(11,213,483)	105,841
Cash flows from financing activities:		
Treasury stock purchases	—	(446,621)
Repayments of note payable	(1,516,666)	(2,149,999)
Proceeds from the exercise of stock options	170,925	51,396
Proceeds from note payable	9,000,000	—
Issuance costs associated with the proceeds from the note payable	(169,300)	—
Net cash provided by (used in) financing activities	7,484,959	(2,545,224)
Increase in cash and cash equivalents	760,818	1,167,202
Cash and cash equivalents - beginning of period	6,279,154	3,499,881
Cash and cash equivalents - end of period	$ 7,039,972	$ 4,667,083
Supplemental non-cash investing activities:		
Unrealized gain on marketable securities, net of tax	$ 405,255	$ 60,678
Assets acquired and liabilities assumed in acquisitions:		
Assets acquired in acquisition	$ 20,103,661	$ —
Liabilities assumed in acquisition	$ 1,405,406	$ —

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2018
(Unaudited)

Note 1 – Description of Business, Basis of Presentation and Significant Accounting Policies

Cryo-Cell International, Inc. ("the Company" or "Cryo-Cell") was incorporated in Delaware on September 11, 1989 and is headquartered in Oldsmar, Florida. The Company is organized in three reportable segments, cellular processing and cryogenic cellular storage, with a current focus on the collection and preservation of umbilical cord blood stem cells for family use, the manufacture of PrepaCyte CB units, the processing technology used to process umbilical cord blood stem cells and cellular processing and cryogenic storage of umbilical cord blood stem cells for public use. Revenues recognized for the cellular processing and cryogenic cellular storage represent sales of the umbilical cord blood stem cells program to customers and income from licensees selling the umbilical cord blood stem cells program to customers outside the United States. Revenues recognized for the manufacture of PrepaCyte CB units represent sales of the PrepaCyte CB units to customers. Revenue recognized for the cryogenic storage of umbilical cord blood stem cells for public use is generated from the sale of the cord blood units to the National Marrow Donor Program ("NMDP"), which distributes the cord blood units to transplant centers located in the United States and around the world. The Company's headquarters facility in Oldsmar, Florida handles all aspects of its U.S.-based business operations including the processing and storage of specimens, including specimens obtained from certain of its licensees' customers. The specimens are stored in commercially available cryogenic storage equipment.

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of August 31, 2018 and November 30, 2017, the related Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended August 31, 2018 and August 31, 2017 and the Consolidated Statements of Cash Flows for the nine months ended August 31, 2018 and 2017 have been prepared by Cryo-Cell International, Inc. and its subsidiaries 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, 2017 Annual Report on Form 10-K. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for all periods presented have been made. The results of operations for the three and nine months ended August 31, 2018 are not necessarily indicative of the results expected for any interim period in the future or the entire year ending November 30, 2018.

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.

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 or 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.

The Company records revenue from the sale of the PrepaCyte CB product line upon shipment of the product to the Company's customers.

The Company records revenue for the Public Cord Blood Bank from the sales of cord blood stem cell unites upon shipment. The Company sells and provides units not likely to be of therapeutic use for research to qualified organizations and companies operating under Institutional Review Board approval. The Company recognizes revenue upon delivery of the unit.

Accounts Receivable

Accounts receivable consist of uncollateralized amounts due from clients that have enrolled and processed in the umbilical cord blood stem cell processing and storage programs and amounts due from license affiliates, and sublicensee territories. Accounts receivable are due within 30 days and are stated at amounts net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering the length of time accounts receivable are past due, the Company's previous loss history, and the client's current ability to pay its obligations. Therefore, if the financial condition of the Company's clients were to deteriorate beyond the estimates, the Company may have to increase the allowance for doubtful accounts which could have a negative impact on earnings. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories

As part of the Asset Purchase Agreement, (see Note 2), the Company has an agreement with Duke University ("Duke") expiring on January 31, 2020 for Duke to receive, process, and store cord blood units for the Public Cord Blood Bank ("Duke Services"). As of August 31, 2018, the Company had 5,917 cord blood units in inventory. These units are valued at the lower of cost or net realizable value. Costs include the cost of collecting, transporting, processing and storing the unit. Costs charged by Duke for their Duke Services are based on a monthly fixed fee for storing 12 blood units per month. The Company computes the cost per unit for these Duke Services and capitalizes the unit cost on all blood units shipped and stored in a year at Duke. If the Company ships and stores less than 144 blood units with Duke in a one-year period, a portion of these fixed costs are expensed and included in facility operating costs. Certain costs of collection incurred, such as the cost of collection staff and transportation costs incurred to ship Public Bank units from hospitals to the stem cell laboratory are allocated to banked units based on an average cost method. Costs incurred related to cord blood units that cannot be sold are expensed in the period incurred and are included in facility operating costs in the accompanying statements of operations. The Company records a reserve against inventory for units which have been processed and frozen but may not ultimately become distributable (see Note 3).

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 $1,605,000 and $2,316,000 as of August 31, 2018 and November 30, 2017, 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.

The Company recorded U.S. income taxes of approximately $245,000 and $437,000 for the three months ended August 31, 2018 and August 31, 2017, respectively. The Company recorded U.S. income taxes of approximately $3,741,000 and $1,039,000, for the nine months ended August 31, 2018 and August 31, 2017, respectively. Included in the $3,741,000 tax expense for the nine months ended August 31, 2018 is approximately $2,985,000 of expense related to the reduction of the federal tax rate to 21% as of January 1, 2018 as a result of the Tax Cuts and Jobs Act that was signed into law on December 22, 2017. The decrease in the federal tax rate caused a decrease in the Company's deferred tax asset which resulted in an increase in the income tax expense.

The Company records foreign income taxes withheld from installment payments ofnon-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 $58,000 and $53,000 for the three months ended August 31, 2018 and 2017, respectively, of foreign income tax expense. The Company recognized approximately $80,000 and $89,000 for the nine months ended August 31, 2018 and 2017, respectively, of foreign income tax expense. Foreign income tax expense is included in income tax expense in the accompanying consolidated statements of comprehensive income (loss).

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 benefits could result from management's belief that a position can or cannot be sustained upon examination based on subsequent information or potential lapse of the applicable statute of limitation for certain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. For the three and nine months ended August 31, 2018 and August 31, 2017, the Company had no provisions for interest or penalties related to uncertain tax positions.

Long-Lived Assets

The Company evaluates the realizability of its long-lived assets, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment, such as reductions in demand or when significant economic slowdowns are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment and carrying value is in excess of fair value, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate. The Company did not note any impairment for the three and nine months ended August 31, 2018 and 2017.

Goodwill

Goodwill represents the excess of the purchase price of the assets acquired from Cord:Use (Note 2) over the estimated fair value of the net tangible and identifiable assets acquired. The annual assessment of the reporting unit is performed as of September 1st, and an assessment is performed at other times if an event occurs or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value. Step one of the impairment assessment compares the fair value of the reporting unit to its carrying value and if the fair value exceeds its carrying value, goodwill is not impaired. If the carrying value exceeds the fair value, the implied fair value of goodwill is compared to the carrying value of goodwill. If the implied fair value exceeds the carrying value then goodwill is not impaired; otherwise, an impairment loss would be recorded by the amount the carrying value exceeds the implied fair value. As of August 31, 2018, and November 30, 2017, goodwill, is reflected on the consolidated balance sheets at $2,007,976 and $0.

Stock Compensation

As of August 31, 2018, the Company has two stock-based compensation plans, which are described in Note 8 to the unaudited consolidated financial statements. The Company's 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 $55,000 and $238,000 for the three months ended August 31, 2018 and August 31, 2017, respectively, of stock compensation expense. The Company recognized approximately $324,000 and $709,000 for the nine months ended August 31, 2018 and August 31, 2017 respectively, of stock compensation expense. The Company reversed $444,000 of stock compensation expense during the nine months ended August 31, 2018 as the Co-CEOs each opted to receive a lump sum cash payment in lieu of 30,000 shares of earned common stock pursuant to the terms of their Employment Agreements. The reversal had no impact on the accompanying consolidated statements of comprehensive income (loss) as other compensation expense was recognized to offset the reversal.

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. To value awards with market-based vesting conditions the Company uses a binomial valuation model. 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 involves 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.

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

The Company issues equity awards with market-based vesting conditions which 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 due to the short-term nature of these instruments. The Company believes that the fair value of its Revenue Sharing Agreements ("RSA") liability recorded on the balance sheet is between the recorded book value and up to the Company's previous settlement experience, due to the various terms and conditions associated with each RSA.

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 August 31, 2018 and November 30, 2017, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at August 31, 2018	Fair Value Measurements at August 31, 2018 Using Level 1	Level 2	Level 3
Assets:				
Trading securities	$ 108,928	$108,928	——	——
Available-for-sale securities	840,835	840,835	——	——
Total	$ 949,763	$949,763	——	——

Description	Fair Value at November 30, 2017	Fair Value Measurements at November 30, 2017 Using Level 1	Level 2	Level 3
Assets:				
Trading securities	$ 96,600	$ 96,600	——	——
Available-for-sale securities	342,722	342,722	——	——
Total	$ 439,322	$439,322	——	——

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 of identical securities in active markets and are therefore classified within Level 1 of the fair value hierarchy. For trading securities, there was $37,536 and $4,784 in unrealized holding gains recorded in other income and expense on the accompanying consolidated statements of comprehensive income (loss) for the three months ended August 31, 2018 and 2017. For trading securities, there was $12,328 and ($60,425) in unrealized holding gain and loss, respectively, recorded in other income on the accompanying consolidated statements of comprehensive income (loss) for the nine months ended August 31, 2018 and 2017.

Available-for-sale securities –These investments are classified as available for sale and consist of marketable equity securities that we intend to hold for an indefinite period of time. Investments are stated at fair value and unrealized holding gains and losses are reported as a component of accumulated other comprehensive income until realized. Realized gains or losses on disposition of investments are computed using the first in, first out (FIFO) method and reported as income or loss in the period of disposition in the accompanying consolidated statements of comprehensive income (loss). For available-for-sale securities, there was $285,255 and $34,038 in unrealized holding gains, net of tax, respectively, reported as comprehensive income (loss) on the accompanying statements of comprehensive income (loss) for the three months ended August 31, 2018 and 2017. For available-for-sale securities, there was $405,255 and $60,678 in unrealized holding gains, net of tax, respectively, reported as a component of comprehensive income (loss) on the accompanying consolidated statements of comprehensive income (loss) for the nine-month period ended August 31, 2018 and 2017.

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. Effective June 5, 2017, the Company increased the $75,000 payment warranty to a $100,000 payment warranty to all of its new clients that enroll in the Company's premium product, PrepaCyte CB. Clients that enroll in the standard product will receive a $75,000 payment warranty. Additionally, under the Cryo-Cell CaresTM program, the Company will pay $10,000 to the client to offset personal expenses if the umbilical cord blood product is used for bone marrow reconstitution in a myeloblative transplant procedure. The product warranty and the Cryo-Cell Cares program are available to clients who enroll under this structure for as long as the specimen is stored with the Company. The Company has not experienced any claims under the warranty program nor has it incurred costs related to these warranties. The Company does not maintain insurance for this warranty program and therefore maintains reserves to cover any estimated potential liabilities. The Company's reserve balance is based on the $100,000, $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 August 31, 2018 and November 30, 2017 the Company recorded reserves under these programs in the amounts of approximately $18,000 and $18,000, respectively, which are included in accrued expenses in the accompanying consolidated balance sheets.

Recently Issued Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards UpdateNo. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.* This update simplifies the accounting for nonemployee share-based payment transactions by expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within that reporting period. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In February 2018, the FASB issued Accounting Standards UpdateNo. 2018-02*, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update relates to the impacts of the tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Act"). The guidance permits the reclassification of certain income tax effects of the Act from Other Comprehensive Income to Retained Earnings (stranded tax effects). The guidance also requires certain new disclosures. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within that reporting period. Early adoption is permitted. Entities may adopt the guidance using one of two transition methods; retrospective to each period (or periods) in which the income tax effects of the Act related to the items remaining in Other Comprehensive Income are recognized or at the beginning of the period of adoption. The Company is currently evaluating the impact that the guidance may have on its Consolidated Financial Statements.

In May 2017, the FASB issued Accounting Standards UpdateNo. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting.* This update provides clarity, reduces the diversity in practice, and the cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, although early adoption is permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In January 2017, the FASB issued Accounting Standards UpdateNo. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The update removes Step 2 from the goodwill impairment test. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, although early adoption is permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In December 2016, the FASB issued Accounting Standards UpdateNo. 2016-18, *Statement of Cash Flows (Topic 230). Restricted Cash.* This update clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance requires a reconciliation of totals in the statement of cash flows to the related cash and cash equivalents and restricted cash captions in the balance sheet. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017 with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In August 2016, the FASB issued Accounting Standards UpdateNo. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In June 2016, the FASB issued Accounting Standards UpdateNo. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In May 2016, the FASB issued Accounting Standards UpdateNo. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.* This update clarifies the objectives of collectability, sales and other taxes, noncash consideration, contract modifications at transition, completed contracts at transition and technical correction. The amendments in this update affect the guidance in Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is not yet effective but will become effective for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method nor has it determined the effect of the standard on its consolidated financial statements and related disclosures.

In April 2016, the FASB issued Accounting Standards UpdateNo. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* This update clarifies how an entity identifies performance obligations related to customer contracts as well as help to improve the operability and understanding of the licensing implementation guidance. The amendments in this update affect the guidance in Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is not yet effective but will become effective for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method nor has it determined the effect of the standard on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards UpdateNo. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).* This update amends the principal-versus-agent implementation guidance and illustrations in the Board's new revenue standard (ASC 606). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard's principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard's control principle. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on our financial statements.

In February 2016, the FASB issued Accounting Standards UpdateNo. 2016-02, *Leases (Topic 842).* This update requires organizations that lease assets with lease terms of more than 12 months to recognize assets and liabilities for the rights and obligations created by those leases on their balance sheets. It also requires new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated balance sheets and related disclosures.

In January 2016, the FASB issued Accounting Standards UpdateNo. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This update requires all equity investments to be measured at fair value with changes in fair value recognized in net income, requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, and eliminates the requirement for public entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The new standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is currently evaluating the impact of the new standard on our financial statements.

In May 2014, the FASB issued Accounting Standards UpdateNo. 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. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which defers the effective date of the guidance in Accounting Standards Update No. 2014-09 by one year. This update is now effective for annual and interim periods beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application is permitted for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. This update permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard its consolidated financial statements and related disclosures.

Note 2 – Acquisition

On June 11, 2018, Cryo-Cell completed its acquisition of substantially all of the assets (the "Cord Purchase") of Cord:Use Cord Blood Bank, Inc., a Florida corporation ("Cord:Use"), in accordance with the definitive Asset Purchase Agreement between Cryo-Cell and Cord:Use (the "Purchase Agreement"), including without limitation Cord:Use's inventory of public cord blood units existing as of the closing date (the "Public Cord Blood Inventory") and Cord:Use's shares of common stock of Tianhe Stem Cell Biotechnologies, Inc., an Illinois corporation (the "Tianhe Capital Stock"). Cord:Use was in the business of public and private cord blood and tissue, collection, processing, storage and banking.

The aggregate consideration payable at closing under the Purchase Agreement was $14,000,000, with $10,500,000 paid in cash and the balance paid through the delivery to Seller of 465,426 shares of Cryo-Cell's common stock, par value $0.01 per share ("Common Stock"), at $7.52 per share. In addition, Cryo-Cell assumed certain limited liabilities incurred by Cord:Use in connection with its business that were unpaid as of the closing date and that directly relate to the services to be provided after closing by Cryo-Cell. Cryo-Cell also assumed certain of Cord:Use's contracts and the obligations arising therefrom after the closing.

Additionally, Cord:Use is entitled to an earnout from Cryo-Cell's sale of the Public Cord Blood Inventory from and after closing. Each calendar year after the closing, Cryo-Cell shall pay to Cord:Use 75% of all gross revenues, net of any returns, received from the sale of public cord blood inventory in excess of $500,000. Such payments shall be made quarterly, within 30 days of the end of the last month of each calendar quarter, until the public cord blood inventory is exhausted. In addition, each calendar year after closing, until the public cord blood inventory is exhausted, for every $500,000 of retained gross revenues, net of any returns, received and retained by Cryo-Cell in excess of the initial $500,000 retained by Cryo-Cell during such year, Cryo-Cell shall deliver $200,000 worth of Cryo-Cell Common stock to Cord:Use, up to an aggregate value of $5,000,000. Cord:Use is also entitled to a portion of the gross profits generated, or deemed to have been generated, by Cryo-Cell from its ownership of the Tianhe Capital Stock.

The following summarizes the fair value of the consideration of the Acquisition:

Consideration	
Cash	$10,500,000
Cryo-Cell common stock	3,500,000
Cord blood inventory earnout	4,698,255
Consideration	$18,698,255

The following summarizes the preliminary allocation of the total purchase price for the Acquisition:

Accounts receivable	$ 121,454
Inventory	16,037,957
Prepaid expenses	68,867
Property and equipment	568,407
Other asset—Tiahne capital stock	308,000
Brand	31,000
Customer relationships	960,000
Total identifiable net assets acquired	18,095,685
Less: Deferred revenue	(1,405,406)
Goodwill	2,007,976
Total	$18,698,255

The goodwill is attributable to the private and public cord blood banking business. Goodwill includes the fair value of the assembled workforce. The fair value of the assembled workforce was estimated by applying a cost approach, representing a level 2 measurement. It is anticipated that all of the goodwill recognized will be deductible for income tax purposes and is currently under evaluation.

The property and equipment are stated at an estimate of fair value.

The Tiahne capital stock is an investment that is valued based on fair value. Cord:Use had a supply and equity participation agreement with Tiahne who is engaged in medical and life science research that involves the use of stem cells derived from umbilical cord blood units in clinical trials for humans.

The fair value of the company brand and customer relationships were estimated by applying an income approach, representing a level 3 measurement. The fair value estimates are based on (1) an assumed discount rate of 19%, (2) long-term sustainable growth rate of 3%, (3) market royalty rate of 1% and (4) one and thirty-year lives for the brand and customer relationships, respectively.

The fair values of the assets acquired includes public cord blood banking inventory of $16,037,957 which the Company expects to sell to outside customers. The Company also acquired accounts receivable of $121,454 and prepaid expenses of $68,867.

The fair values of the license agreement and customer relationships reflect the anticipated cash flows over their expected lives.

The fair value of deferred revenue is valued based on the cost method. Deferred revenues arepre-payment fees for future storage of umbilical cord blood and/or cord tissue specimens. The short and long term deferred revenue is $208,298 and $1,197,108, respectively.

Unaudited Pro forma Results

The following table provides the Company's consolidated unaudited pro forma revenues, net income per basic and diluted common share had the results of the acquired businesses' operations been included in its operations commencing on December 1, 2016, based on available information related to the respective operations. This proforma information is presented is not necessarily indicative either of the combined results of operations that actually would have been realized by the Company had the acquisition been consummated at the beginning of the period for which the pro forma information is presented, or of future results and does not account for any operation improvements to be made by the Company post-acquisition.

	Three months ended August 31,		Nine months ended August 31,	
	2018	2017	2018	2017
Revenue	$ 7,871,222	$ 8,212,179	$ 22,794,591	$ 22,858,031
Net income (loss)	$ 244,984	($ 83,925)	($ 3,797,189)	($ 594,359)
Earnings (loss) per share:				
Basic	$ 0.03	($ 0.01)	($ 0.52)	($ 0.08)
Diluted	$ 0.03	($ 0.01)	($ 0.52)	($ 0.08)

Note 3 – Inventory

Inventory is comprised of public cord blood banking specimens, collection kits, finished goods,work-in-process and raw materials. Collection kits are used in the collection and processing of umbilical cord blood and cord tissue stem cells, finished goods include products purchased or assumed for resale and for the use in the Company's processing and storage service. Inventory in the Public Cord Blood Bank includes finished goods that are specimens that are available for resale. The Company considers inventory in the Public Cord Blood Bank that has not completed all testing to determine viability to be work in process. The components of inventory at August 31, 2018 and November 30, 2017 are as follows:

	As of August 31, 2018	As of November 30, 2017
Raw materials	$ —	$ —
Work-in-process	132,506	97,210
Work-in-process – Public Bank	14,296	—
Finished goods	168,052	210,854
Finished goods – Public Bank	15,835,197	—
Collection kits	27,724	14,220
Inventory reserve	(7,718)	(7,718)
Total inventory	$ 16,170,057	$ 314,566

Note 4 – Intangible Assets

The Company incurs certain legal and related costs in connection with patent and trademark applications. If a future economic benefit is anticipated from the resulting patent or trademark or an alternate future use is available to the Company, such costs are capitalized and amortized over the expected life of the patent or trademark. The Company's assessment of future economic benefit involves considerable management judgment. A different conclusion could result in the reduction of the carrying value of these assets.

Intangible assets were as follows as of August 31, 2018 and November 30, 2017:

	Useful lives	August 31, 2018	November 30, 2017
Patents	10-20 years	$ 234,570	$ 34,570
Less: Accumulated amortization		(20,697)	(11,800)
License agreement	10 years	470,000	470,000
Less: Intangible asset impairment		(185,000)	(185,000)
Less: Accumulated amortization		(115,611)	(91,861)
Customer relationships	15 years	41,000	41,000
Less: Intangible asset impairment		(26,267)	(26,267)
Less: Accumulated amortization		(5,014)	(4,224)
Brand	1 year	31,000	—
Less: Accumulated amortization		(7,750)	—
Customer relationships	30 years	960,000	—
Less: Accumulated amortization		(8,000)	—
Net Intangible Assets		$ 1,368,231	$ 226,418

Amortization expense of intangibles was approximately $27,000 and $9,000 for the three months ended August 31, 2018 and August 31, 2017, respectively. Amortization expense of intangibles was approximately $49,000 and $26,000 for the nine months ended August 31, 2018 and August 31, 2017, respectively.

Note 5 – Notes Payable

On May 20, 2016, the Company entered into a Credit Agreement ("Agreement") with Texas Capital Bank, National Association ("TCB") for a term loan of $8.0 million in senior credit facilities. The proceeds of the term loan were used by the Company to fund repurchases of the Company's common stock. Subject to the terms of the Agreement, on May 20, 2016, TCB advanced the Company $100.00. On July 1, 2016, TCB advanced the remaining principal amount of $7,999,900 per a promissory note dated May 20, 2016 between the Company and TCB, at a rate of 3.75% per annum plus LIBOR, payable monthly with a maturity date of July 2021. On August 26, 2016, the Company entered into a First Amendment to Credit Agreement with TCB. Pursuant to terms of the First Amendment to Credit Agreement, on August 26, 2016, TCB made an additional advance to the Company in principal amount of $2,133,433 per an Amended and Restated Promissory Note dated August 26, 2016 between the Company and TCB. The additional proceeds of the term loan were used by the Company to fund the extinguishment of revenue sharing agreements. On June 11, 2018, the Company entered into a Second Amendment to Credit Agreement with TCB. Pursuant to the terms of the Second Amendment to Credit Agreement, TCB increased the current outstanding principal amount of the loan from TCB by $9,000,000 to finance a portion of the purchase price of the Cord:Use

Purchase. In connection therewith, Cryo-Cell executed and delivered to TCB a Second Amended and Restated Promissory Note, in the principal amount of $15,500,000. As of August 31, 2018, and November 30, 2017, principal paid to date is $4,149,667 and $2,633,000, respectively, at a rate of 3.35% per annum plus LIBOR, payable monthly with a maturity date of June 2023. As of the three and nine months ended August 31, 2018, the Company paid interest of $204,609 and $393,254, respectively, which is reflected in interest expense on the accompanying consolidated statements of comprehensive (loss) income. As of the three month and nine months ended August 31, 2017, the Company paid interest of $102,868 and $309,385, respectively, which is reflected in interest expense on the accompanying consolidated statements of comprehensive income (loss).

On May 20, 2016, the Company also entered into a Subordination Agreement with TCB and CrowdOut Capital LLC ("CrowdOut") for a subordinated loan of the principal amount of $650,000, which amount CrowdOut advanced to the Company on May 20, 2016. The proceeds of the subordinated loan were used by the Company to fund repurchases of the Company's common stock. Per a promissory note dated May 20, 2016 between the Company and CrowdOut, interest at 12% per annum on the principal sum of $650,000 is payable monthly with a maturity date of July 2021, at which time, the principal amount of $650,000 was payable. On June 5, 2017, the principal sum of $650,000 plus interest of $867 was paid to CrowdOut and the subordinated loan was paid in full. As of the three and nine months ended August 31, 2018, the Company paid interest of $0 and $0, respectively. As of the three and nine months ended August 31, 2017, the Company paid interest of $867 and $40,300, respectively which is reflected in interest expense on the accompanying consolidated statements of comprehensive income.

Collateral of the term and subordinated loans includes all money, securities and property of the Company.

The Company incurred debt issuance costs related to the term loan in the amount of $548,085 which is recorded as a direct reduction of the carrying amount of the note payable and amortized over the life of the loan. As of the three and nine months ended August 31, 2018, $28,337 and $79,876, respectively, of the debt issuance costs were amortized and are reflected in interest expense on the accompanying consolidated statements of comprehensive income. As of the three and nine months ended August 31, 2017, $30,427 and $96,869, respectively, of the debt issuance costs were amortized and are reflected in interest expense on the accompanying consolidated statements of comprehensive income.

As of August 31, 2018 and November 30, 2017, the note payable obligation was as follows:

	August 31, 2018	November 30, 2017
Note payable	$ 14,983,433	$ 7,500,100
Unamortized debt issuance costs	(294,340)	(204,917)
Net note payable	$ 14,689,093	$ 7,295,183
Current portion of note payable	$ 3,100,000	$ 2,000,000
Long-term note payable, net of debt issuance costs	11,589,093	5,295,183
Total	$ 14,689,093	$ 7,295,183

Interest expense on the note payable for the three and nine months ended August 31, 2018 was as follows:

	For the three months ended August 31, 2018	For the nine months ended August 31, 2018
Interest expense on notes payable	$ 204,609	$ 393,254
Debt issuance costs	28,337	79,876
Total interest expense	$ 232,946	$ 473,130

	For the three months ended August 31, 2017	For the nine months ended August 31, 2017
Interest expense on notes payable	$ 103,735	$ 349,685
Debt issuance costs	30,427	96,869
Total interest expense	$ 134,162	$ 446,554

Note 6 – Segment Reporting

During the third quarter of fiscal 2018, the Company purchased the assets and assumed contracts that Cord: Use used in the operation of its cord blood business (See Note 2). The Company evaluated and determined that this acquisition qualifies as a separate segment.

The Company is organized in three reportable segments:

1. The cellular processing and cryogenic storage of umbilical cord blood and cord tissue stem cells for family use. Revenue is generated from the initial processing and testing fees and the annual storage fees charged each year for storage (the "Umbilical cord blood and cord tissue stem cell service").

2. The manufacture of Prepacyte® CB units, the processing technology used to process umbilical cord blood stem cells. Revenue is generated from the sales of the Prepacyte® CB units (the "Prepacyte®-CB").

3. The cellular processing and cryogenic storage of umbilical cord blood stem cells for public use. Revenue is generated from the sale of the cord blood units to the National Marrow Donor Program ("NMDP") , which distributes the cord blood units to transplant centers located in the United States, and around the world.

The following table shows, by segment: net revenue, cost of sales, depreciation and amortization, operating profit, interest expense, and income tax (expense) benefit for the three months and nine months ended August 31, 2018:

	For the three months ended August 31, 2018	For the nine months ended August 31, 2018
Net revenue		
Umbilical cord blood and cord tissue stem cell service	$ 7,776,339	$ 20,475,020
Prepacyte®-CB	29,308	84,208
Public cord blood banking	65,575	65,575
Total net revenue	$ 7,871,222	$ 20,624,803
Cost of sales		
Umbilical cord blood and cord tissue stem cell service	$ 2,149,778	$ 5,431,359
Prepacyte®-CB	27,740	124,805
Public cord blood banking	308,662	308,662
Total cost of sales	$ 2,486,180	$ 5,864,826
Depreciation and amortization		
Umbilical cord blood and cord tissue stem cell service	$ 43,008	$ 97,674
Prepacyte®-CB	9,064	27,191
Public cord blood banking	—	—
Total depreciation and amortization	$ 52,072	$ 124,865
Operating (loss) income		
Umbilical cord blood and cord tissue stem cell service	$ 1,170,704	$ 3,521,625
Prepacyte®-CB	(7,496)	(67,788)
Public cord blood banking	(243,086)	(243,087)
Total operating income	$ 920,122	$ 3,056,995
Interest expense		
Umbilical cord blood and cord tissue stem cell service	$ 410,366	$ 995,437
Prepacyte®-CB	—	—
Public cord blood banking	—	—
Total interest expense	$ 410,366	$ 995,437
Income tax expense		
Umbilical cord blood and cord tissue stem cell service	$ (303,072)	$ (3,821,660)
Prepacyte®-CB	—	—
Public cord blood banking	—	—
Total income tax expense	$ (303,072)	$ (3,821,660)

The following table shows the assets by segment as of August 31, 2018 and November 30, 2017:

	As of August 31, 2018	As of November 30, 2017
Assets		
Umbilical cord blood and cord tissue stem cell service	$ 26,300,294	$ 23,360,715
Prepacyte®-CB	469,998	549,282
Public cord blood banking	15,880,068	—
Total assets	$ 42,650,360	$ 23,909,997

The following table shows, by segment: net revenue, cost of sales, depreciation and amortization, operating profit, interest expense, and income tax (expense) benefit for the three months and nine months ended August 31, 2017:

	For the three months For the three months ended August 31, 2017	For the nine months ended August 31, 2017
Net revenue		
Umbilical cord blood and cord tissue stem cell service	$ 6,780,565	$ 18,567,285
Prepacyte®-CB	115,376	342,031
Public cord blood banking	—	—
Total net revenue	$ 6,895,941	$ 18,909,316
Cost of sales		
Umbilical cord blood and cord tissue stem cell service	$ 1,771,403	$ 4,681,276
Prepacyte®-CB	206,072	404,262
Public cord blood banking	—	—
Total cost of sales	$ 1,977,475	$ 5,085,538
Depreciation and amortization		
Umbilical cord blood and cord tissue stem cell service	$ 24,295	$ 69,734
Prepacyte®-CB	9,064	27,191
Public cord blood banking	—	—
Total depreciation and amortization	$ 33,359	$ 96,925
Operating (loss) income		
Umbilical cord blood and cord tissue stem cell service	$ 1,552,168	$ 3,850,206
Prepacyte®-CB	(99,935)	(89,597)
Public cord blood banking	—	—
Total operating income	$ 1,452,233	$ 3,760,609
Interest expense		
Umbilical cord blood and cord tissue stem cell service	$ 314,890	$ 937,248
Prepacyte®-CB	—	—
Public cord blood banking	—	—
Total interest expense	$ 314,890	$ 937,248
Income tax expense		
Umbilical cord blood and cord tissue stem cell service	$ (490,558)	$ (1,128,012)
Prepacyte®-CB	—	—
Public cord blood banking	—	—
Total income tax expense	$ (490,558)	$ (1,128,012)

Note 7 – Income (Loss) per Common Share

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

	Three Months Ended		Nine Months Ended	
	August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
Numerator:				
Net Income (Loss)	$ 244,984	$ 652,019	($ 1,745,582)	$ 1,635,882
Denominator:				
Weighted-average shares outstanding-basic	7,694,662	7,100,232	7,350,868	7,049,782
Dilutive common shares issuable upon exercise of stock options	681,013	694,623	—	613,584
Weighted-average shares-diluted	8,375,675	7,794,855	7,350,868	7,663,366
Net income (loss) per common share:				
Basic	$ 0.03	$ 0.09	($ 0.24)	$ 0.23
Diluted	$ 0.03	$ 0.08	($ 0.24)	$ 0.21

For the three and nine months ended August 31, 2018, the Company excluded the effect of all options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

For the three and nine months ended August 31, 2017, the Company excluded the effect of 22,500 and 22,500 options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

Note 8 – Stockholders' Equity

Employee Stock Incentive Plan

The Company 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 August 31, 2018 and November 30, 2017, there were 380,000 and 457,250 options issued, but not yet exercised, under the 2006 Plan, respectively. As of August 31, 2018, there were 322,429 shares available for future issuance under the 2006 Plan.

The Company also maintains the 2012 Equity Incentive Plan (the "2012 Plan") which became effective December 1, 2011 as approved by the Board of Directors and approved by the stockholders at the 2012 Annual Meeting on July 10, 2012. The 2012 Plan originally reserved 1,500,000 shares of the Company's common stock for issuance pursuant to stock options, restricted stock, SARs, and other stock awards (i.e. performance shares and performance units). In May 2012, the Board of Directors approved an amendment to the 2012 Plan to increase the number of shares of the Company's common stock reserved for issuance to 2,500,000 shares. As of August 31, 2018, there were 621,365 service-based options issued, 129,729 service-based restricted common shares granted, 823,415 performance-based and 116,240 market-based restricted common shares granted under the 2012 Plan. As of August 31, 2018, there were 809,251 shares available for future issuance under the 2012 Plan. In March 2018, the Company received notice that shares of the Company's common stock issued to certain executive officers pursuant to the Company's 2012 Stock Incentive Plan had purportedly been issued in excess of the shares reserved for issuance under the Plan. The Company has established an independent committee of the Board of Directors to review this issue.

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 0 and 51,636 options granted during the three and nine months ended August 31, 2018, respectively.

There were 22,500 options granted during the three and nine months ended August 31, 2017, respectively.

Variables used to determine the fair value of the options granted for the three and nine months ended August 31, 2018 and August 31, 2017, respectively, are as follows:

	Three Months Ended August 31, 2018	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2018	Nine Months Ended August 31, 2017
Weighted average values:				
Expected dividends	—	0%	0%	0%
Expected volatility	—	52.06%	50.8%	52.06%
Risk free interest rate	—	1.82%	2.67%	1.82%
Expected life	—	5 years	5 years	5 years

Stock option activity for options with only service-based vesting conditions for the nine months ended August 31, 2018, was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2017	1,026,979	$ 2.50	4.48	$ 5,706,107
Granted	51,636	7.85		29,774
Exercised	(63,750)	2.68		343,935
Expired/forfeited	(13,500)	2.18		84,435
Outstanding at August 31, 2018	1,001,365	$ 2.77	4.22	$ 5,664,941
Exercisable at August 31, 2018	961,111	$ 2.58	4.17	$ 5,619,667

The weighted average grant date fair value of options granted during the nine months ended August 31, 2018 and August 31, 2017 was $3.23 and $3.25, respectively.

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 August 31, 2018 or November 30, 2017, as applicable. The intrinsic value of the Company's stock options changes based on the closing price of the Company's stock.

During the three and nine months ended August 31, 2018, the Company issued 61,500 and 63,750 common shares to option holders who exercised options for $166,005 and $170,925, respectively.

During the three and nine months ended August 31, 2017, the Company issued 0 and 26,781 common shares to option holders who exercised options for $0 and $51,396, respectively.

Significant option groups outstanding and exercisable at August 31, 2018 and related price and contractual life information are as follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
$1.01 to $ 2.00	422,500	3.18	$ 1.73	422,500	$ 1.73
$2.01 to $ 3.00	275,000	2.57	2.70	275,000	2.70
$3.01 to $4.00	227,229	7.42	3.18	223,062	3.18
$6.01 to $7.00	25,000	8.59	6.95	23,334	6.98
$7.01 to $8.00	51,636	5.33	7.85	17,215	7.85
	1,001,365	4.22	$ 2.77	961,111	$ 2.58

A summary of the status of the Company's non-vested options as of August 31, 2018, and changes during the nine months ended August 31, 2018, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2017	39,168	$ 2.41
Granted	51,636	3.23
Vested	(50,550)	2.73
Forfeited	—	—
Non-vested at August 31, 2018	40,254	$ 3.06

As of August 31, 2018, there was approximately $110,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2006 Plan and the 2012 Plan. The cost is expected to be recognized over a weighted-average period of 1.24 years as of August 31, 2018. The total fair value of shares vested during the nine months ended August 31, 2018 was approximately $138,000.

During the second fiscal quarter of 2018, the Company entered into Amended and Restated Employment Agreements ("2018 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 qualified stock options of the Company's common stock. As of March 8, 2018, David Portnoy and Mark Portnoy were granted 23,636 and 20,000 stock options of the Company's common stock, respectively. The options were issued under the Company's 2012 Stock Plan and will vest 1/3 upon grant, 1/3 on December 1, 2018 and the remaining 1/3 on November 30, 2019. The fair value of the options vested as of August 31, 2018 was approximately $50,000 and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of comprehensive income. As of August 31, 2018, there was approximately $89,000 of total unrecognized compensation cost related to the non-vested options of common stock and these will continue to vest as notated above and per the 2018 Employment Agreements through November 30, 2019.

During the second fiscal quarter of 2018, the Company entered into an Amendment Agreement ("CIO Agreement") with the Company's CIO. Per the CIO Agreement, the CIO is to receive a base grant equity award in the form of qualified stock options of the Company's common stock. As of May 21, 2018, Oleg Mikulinsky was granted 8,000 stock options of the Company's common stock. The options were issued under the Company's 2012 Stock Plan and will vest 1/3 upon grant, 1/3 on December 1, 2018 and the remaining 1/3 on November 30, 2019. The fair value of the options vested as of August 31, 2018 was approximately $9,000 and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of comprehensive income. As of August 31, 2018, there was approximately $19,000 of total unrecognized compensation cost related to the non-vested options of common stock and these will continue to vest as notated above and per the CIO Agreement through November 30, 2019.

Performance and market-based vesting condition options

Per the 2018 Employment Agreements, based upon certain performance criteria, the Company shall grant David Portnoy and Mark Portnoy a percentage of up to 47,273 and 40,000, respectively, of qualified stock options of the Company's common stock. The fair value of these options as of August 31, 2018 was approximately $110,000 and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of comprehensive income (loss). As of August 31, 2018, there was approximately $37,000 of total unrecognized compensation cost related to these options of common stock as notated above and per the 2018 Employment Agreements.

Per the Amendment Agreement, based upon certain performance criteria, the Company shall grant Oleg Mikulinsky a percentage of up to 8,000 of qualified stock options of the Company's common stock. The fair value of these options as of August 31, 2018 was approximately $10,000 and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of comprehensive income (loss). As of August 31, 2018, there was approximately $3,000 of total unrecognized compensation cost related to these options of common stock as notated above and per the 2018 Employment Agreements.

There were no performance-based or market-based vesting condition options granted during the three and nine months ended August 31, 2017.

Restricted common shares

As of April 15, 2016, the Company entered into Amended and Restated Employment Agreements ("Employment Agreements") with each of the Company's Co-CEOs. The Employment Agreements provide for the grant of shares of the Company's common stock based on certain performance measures being attained by each of the Company's Co-CEOs during fiscal year 2016 and fiscal year 2017. The Employment Agreements state if David Portnoy and Mark Portnoy are employed by the Company on November 30, 2016 and November 30, 2017, then no later than February 28, 2017 and February 28, 2018, respectively, the Company will grant up to 186,487 and 162,163 shares of common stock for each fiscal year. Based upon the performance measures attained as of November 30, 2016, the Company granted 183,145 and 159,257 shares of common stock to David Portnoy and Mark Portnoy, respectively. There was $0 of total unrecognized compensation cost as of August 31, 2018 and August 31, 2017, respectively. Based upon the performance measures being attained as of November 30, 2017, David Portnoy and Mark Portnoy earned a total of 121,801 and 105,915 shares of common stock, respectively. Pursuant to the terms of the Employment Agreements, the Co-CEOs each opted to receive a lump sum cash payment in lieu of 30,000 shares of earned common stock which amounted to approximately $444,000. The Company then granted the remaining earned shares of 91,801 and 75,915 to David Portnoy and Mark Portnoy, respectively. The fair value of the shares granted was approximately $756,000. There was $0 and $181,000 of total unrecognized compensation cost as of August 31, 2018 and August 31, 2017, respectively.

As of April 18, 2016, the Company entered into a second Amendment Agreement (the "Amendment"), with the Company's CIO Oleg Mikulinsky effective December 1, 2015, amending certain terms of the Amendment Agreement dated May 1, 2013 and Mikulinsky Employment Agreement dated March 5, 2012. The Amendment provides for the grant of shares of the Company's common stock based on certain performance measures being attained by the Company during fiscal year 2016 and fiscal year 2017. The Amendment states if Executive is employed by the Company on November 30, 2016 and November 30, 2017, then no later than February 28, 2017 and February 28, 2018, respectively, the Company will grant Executive up to 20,000 shares of restricted stock based on performance as set forth in the Amendment per each fiscal year. Based upon performance measures being attained as of November 30, 2016, the Company granted 19,620 shares of common stock to Oleg Mikulinksy. There was $0 of total unrecognized compensation cost as of August 31, 2018 and August 31, 2017, respectively. Based upon performance measures being attained as of November 30, 2017, the Company will grant a total of 14,729 shares of common stock to Oleg Mikulinksy. The fair value of the shares to be granted is approximately $80,000. There was $0 and $80,000 of total unrecognized compensation cost as of August 31, 2018 and August 31, 2017, respectively.

Note 9 – 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 LifeCell International Private Limited, formerly Asia Cryo-Cell Private Limited, ("LifeCell") to establish and market its umbilical cord blood and menstrual stem cell programs in India.

Per the License and Royalty Agreement with Lifecell, there is a $1 Million cap on the amount of royalties due to the Company per year and a $10 Million cap on the amount of royalties due to the Company for the term of the License and Royalty Agreement. Since inception of the License and Royalty Agreement, the Company has recorded approximately $6,700,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company approximately $6,200,000 as of August 31, 2018. The balance of approximately $500,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets.

Marketing Agreements

The Company has definitive license agreements to market the Company's umbilical cord blood stem cell programs in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and Pakistan.

The following table details the initial license fees for the technology agreements and processing and storage royalties earned under the technology agreements for the three and nine months ended August 31, 2018 and August 31, 2017. The initial license fees and processing and storage royalties are reflected in licensee and royalty income in the accompanying consolidated statements of comprehensive income (loss).

Processing and Storage Royalties	Three Months Ended August 31, 2018	Nine Months Ended August 31, 2018
License and royalty income	$ 539,286	$ 742,445
Total	$ 539,286	$ 742,445

	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2017
License and royalty income	$ 492,208	$ 820,877
Total	$ 492,208	$ 820,877

Note 10 – Legal Proceedings

On December 3, 2015, a complaint styled *Gary T. Brotherson, M.D., et al. v. Cryo-Cell International, Inc.,* Case No. 15-007461-CI, Circuit Court, Sixth Judicial Circuit, Pinellas County, Florida, was served on the Company, naming it as defendant and alleging, among other things, that the Company breached certain agreements with plaintiffs and seeking damages in excess of $15,000, the jurisdictional amount of the court in which the action is pending. On January 12, 2016, the Company served its answer, affirmative defenses, and counterclaim against the plaintiffs. The Company believes the plaintiffs' claims are without merit and it intends to contest the action vigorously. At this time, it is not possible for the Company to estimate the loss or the range of possible loss in the event of an unfavorable outcome, as the ultimate resolution of the complaint is uncertain at this time. No amounts have been accrued as of August 31, 2018.

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 11 – 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). On April 8, 2015, the Board of Directors of the Company increased the number of shares of the Company's outstanding common stock that management is authorized to repurchase to up to six million (6,000,000) shares. On October 6, 2016, 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 eight million (8,000,000) shares. The repurchases must be effectuated through open market purchases, privately negotiated block trades, unsolicited negotiated transactions, and/or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission or in such other manner as will comply with the provisions of the Securities Exchange Act of 1934.

As of August 31, 2018, the Company had repurchased an aggregate of 5,801,086 shares of the Company's common stock at an average price of $3.37 per share through open market and privately negotiated transactions. The Company purchased 0 and 86,915 shares of the Company's common stock during the nine months ended August 31, 2018 and August 31, 2017, respectively, at an average price of $0.00 per share and $5.14 per share, respectively.

The repurchased shares will be held as treasury stock at cost and have been removed from common shares outstanding as of August 31, 2018 and November 30, 2017. As of August 31, 2018 and November 30, 2017, 5,801,086 and 5,801,086 shares, respectively, were held as treasury stock.

Subsequent to the August 31, 2018 balance sheet date, the Company has not repurchased any additional shares of the Company's common stock.

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

Forward Looking Statements

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

(i) our future performance and operating results;

(ii) our future operating plans;

(iii) our liquidity and capital resources; and

(iv) our financial condition, accounting policies and management judgments.

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

(i) any adverse effect or limitations caused by recent increases in government regulation of stem cell storage facilities;

(ii) any increased competition in our business including increasing competition from public cord blood banks particularly in overseas markets but also in the U.S.;

(iii) any decrease or slowdown in the number of people seeking to store umbilical cord blood stem cells or decrease in the number of people paying annual storage fees;

(iv) any new services relating to other types of stem cells that have not yet been offered commercially, and there is no assurance that other stem cell services will be launched or will gain market acceptance;

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

(vi) any unique risks posed by our international activities, including but not limited to local business laws or practices that diminish our affiliates' ability to effectively compete in their local markets;

(vii) any technological or medical breakthroughs that would render our business of stem cell preservation obsolete;

(viii) any material failure or malfunction in our storage facilities; or any natural disaster or act of terrorism that adversely affects stored specimens;

(ix) any adverse results to our prospects, financial condition or reputation arising from any material failure or compromise of our information systems;

(x) the costs associated with defending or prosecuting litigation matters, particularly including litigation related to intellectual property, and any material adverse result from such matters;

(xi) the success of our licensing agreements and their ability to provide us with royalty fees;

(xii) any difficulties and increased expense in enforcing our international licensing agreements;

(xiii) any adverse performance by or relations with any of our licensees;

(xiv) any inability to enter into new licensing arrangements including arrangements withnon-refundable upfront fees;

(xv) any inability to realize cost savings as a result of recent acquisitions;

(xvi) any inability to realize a return on an investment;

(xvii) any increased U.S. income tax expense as a result of inability to utilize or exhaustion of net operating losses;

(xviii) any adverse impact on our revenues and operating margins as a result of discounting of our services in order to generate new business in tough economic times where consumers are selective with discretionary spending;

(xix) the success of our global expansion initiatives;

(xx) our actual future ownership stake in future therapies emerging from our collaborative research partnerships;

(xxi) our ability to minimize our future costs related to R&D initiatives and collaborations and the success of such initiatives and collaborations;

(xxii) any inability to successfully identify and consummate strategic acquisitions;

(xxiii) any inability to realize benefits from any strategic acquisitions;

(xxiv) the Company's ability to realize a profit on the acquisition of PrepaCyte-CBand Cord:Use;

(xxv) the costs associated with proxy contests and its impact on our business and

(xxvi) 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 Form10-Q to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

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

Overview

The Company is engaged in cellular processing and cryogenic storage, with a current focus on the collection and preservation of umbilical cord blood stem cells for family use. The Company's principal sources of revenues are service fees for cord blood processing and preservation for new customers and recurring annual storage fees. Effective April 2016, the Company offers two pricing models, a standard plan and premium plan. The Company charges fees of $1,600 for the standard plan and $1,950 for the premium plan to new clients for the collection kit, processing, 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 $150 for new clients that enroll in the standard and premium plans; 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 $4,599 for the standard plan and $4,949 for the premium plan and $6,000 for the standard plan and $7,000 for the premium plan, 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.

On June 11, 2018, Cryo-Cell completed its acquisition of substantially all of the assets (the "Cord Purchase") of Cord:Use Cord Blood Bank, Inc., a Florida corporation ("Cord:Use"), in accordance with the definitive Asset Purchase Agreement between Cryo-Cell and Cord:Use (the "Purchase Agreement"), including without limitation Cord:Use's inventory of public cord blood units existing as of the closing date (the "Public Cord Blood Inventory") and Cord:Use's shares of common stock of Tianhe Stem Cell Biotechnologies, Inc., an Illinois corporation (the "Tianhe Capital Stock"). Cord:Use was in the business of public and private cord blood and tissue, collection, processing, storage and banking. The aggregate consideration payable at closing under the Purchase Agreement was $14,000,000, with $10,500,000 paid in cash and the balance paid through the delivery to Seller of 465,426 shares of Cryo-Cell's common stock, par value $0.01 per share ("Common Stock"), at $7.52 per share. In addition, Cryo-Cell assumed certain limited liabilities incurred by Cord:Use in connection with its business that were unpaid as of the closing date and that directly relate to the services to be provided after closing by Cryo-Cell. Cryo-Cell also assumed certain of Cord:Use's contracts and the obligations arising therefrom after the closing. Additionally, Cord:Use is entitled to an earnout from Cryo-Cell's sale of the Public Cord Blood Inventory from and after closing. Each calendar year after the closing, Cryo-Cell shall pay to Cord:Use 75% of all gross revenues, net of any returns, received from the sale of public cord blood inventory in excess of $500,000. Such payments shall be made quarterly, within 30 days of the end of the last month of each calendar quarter, until the public cord blood inventory is exhausted. In addition, each calendar year after closing, until the public cord blood inventory is exhausted, for every $500,000 of retained gross revenues, net of any returns, received and retained by Cryo-Cell in excess of the initial $500,000 retained by Cryo-Cell during such year, Cryo-Cell shall deliver $200,000 worth of Cryo-Cell Common stock to Cord:Use, up to an aggregate value of $5,000,000. Cord:Use is also entitled to a portion of the gross profits generated, or deemed to have been generated, by Cryo-Cell from its ownership of the Tianhe Capital Stock.

During the nine months ended August 31, 2018, total revenue increased 9% as compared to the same period in 2017 which is mainly due to an 11% increase in processing and storage fees, as a result of a 14% increase in the number of new cord blood specimens processed in the first nine months of fiscal 2018 versus the same period in 2017. The Company reported a net loss of ($1,746,000) or ($0.24) per basic common share for the nine months ended August 31, 2018 compared to net income of approximately $1,636,000 or $0.23 per basic common share for the same period in 2017. Net loss for the nine months ended August 31, 2018 principally resulted from a 15% increase in cost of sales, a 16% increase in selling, general and administrative expenses and approximately $2,985,000 of income tax expense related to the reduction of the federal tax rate to 21% as of January 1, 2018 as a result of the Tax Cuts and Jobs Act that was signed into law on December 22, 2017. The decrease in the federal tax rate caused a decrease in the Company's deferred tax asset which resulted in an increase in the income tax expense. This was partially offset by 9% increase in revenue.

At August 31, 2018, the Company had cash and cash equivalents of $7,039,972. The Company's cash increased approximately $761,000 during the first nine months of fiscal 2018. Cash provided by operations was approximately $4,489,000 which was offset by $10,500,000 was used for the purchase of Cord:Use, approximately $700,000 was used for the purchase of property and equipment and intangibles and approximately $1,500,000 used to repay the note payable. On May 20, 2016, the Company entered into a Credit Agreement ("Agreement") with Texas Capital Bank, National Association ("TCB") for a term loan of $8.0 million in senior credit facilities. The proceeds of the term loan were used by the Company to fund repurchases of the Company's common stock. Subject to the terms of the Agreement, on May 20, 2016, TCB advanced the Company $100.00. On July 1, 2016, TCB advanced the remaining principal amount of $7,999,900 per a promissory note dated May 20, 2016 between the Company and TCB. On May 20, 2016, the Company entered into a Subordination Agreement with Texas Capital Bank and CrowdOut Capital LLC ("CrowdOut") for a subordinated loan of the principal amount of $650,000, which amount CrowdOut advanced to the Company on May 20, 2016. The proceeds of the subordinated loan were to be used by the Company to fund continued repurchases of the Company's common stock. During the third quarter of fiscal 2017, the Company paid CrowdOut the principal sum of $650,000 plus interest of $867. The subordinated loan is paid in full.

On August 26, 2016, the Company entered into a First Amendment to Credit Agreement with TCB. Pursuant to terms of the First Amendment to Credit Agreement, on August 26, 2016, TCB made an additional advance to the Company in principal amount of $2,133,433 per an Amended and Restated Promissory Note dated August 26, 2016 between the Company and TCB. The proceeds of the term loan were used by the Company to fund the extinguishment of revenue sharing agreements.

On June 11, 2018, the Company entered into a Second Amendment to Credit Agreement with TCB. Pursuant to the terms of the Second Amendment to Credit Agreement, TCB made an additional advance to the Company in principal amount of $9,000,000 per an Amended and Restated Promissory Note dated June 11, 2018 between the Company and TCB in the principal amount of $15,500,000. The proceeds were used to finance a portion of the purchase price of the Cord:Use purchase.

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, but are not limited to, strategic mergers or acquisitions, investments in other public and/or private companies, repurchases of RSA interests, a deregistration of the Company's common stock under the Securities Exchange Act of 1934 or a going-private transaction. These options may or may not be related to the Company's current business. In order to undertake any of the aforementioned activities, the Company may take on substantial debt or equity capital which could increase the risk of investment in the Company.

Results of Operations – Nine Month Period Ended August 31, 2018 Compared to the Nine Month Period Ended August 31, 2017

Revenue. Revenue for the nine months ended August 31, 2018 was $20,624,803 as compared to $18,909,316 for the same period in 2017. The increase in revenue was primarily attributable to an 11% increase in processing and storage fees.

Processing and Storage Fees. The increase in processing and storage fee revenue is attributable to a 9% increase in domestic recurring annual storage fee revenue and a 14% increase in the number of new cord blood specimens processed in the first nine months of fiscal 2018 versus the same period in 2017.

Product Revenue. For the nine months ended August 31, 2018, revenue from the product sales was $84,208 compared to $342,031 for the nine months ended August 31, 2017.

Public Cord Blood Banking Revenue. On June 11, 2018, the Company entered into an Asset Purchase Agreement as described in Note 2. For the nine months ended August 31, 2018, revenue from the public cord blood banking sales was $65,575 compared to $0 for the nine months ended August 31, 2017.

Licensee Income. Licensee income for the nine months ended August 31, 2018 was $742,445 as compared to $820,877 for the 2017 period. Licensee and royalty income for the nine months ended August 31, 2018 and August 31, 2017 consists of royalty income earned on the processing and storage of specimens in India where the Company has a definitive License and Royalty Agreement.

Per the License and Royalty Agreement with Lifecell, there is a $1,000,000 cap on the amount of royalty due to the Company per year and a $10,000,000 cap on the amount of royalties due to the Company for the term of the License and Royalty Agreement. Since inception of the License and Royalty Agreement, the Company has recorded approximately $6,700,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company approximately $6,200,000 as of August 31, 2018. The balance of approximately $500,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets.

Cost of Sales. Cost of sales for the nine months ended August 31, 2018 was $5,864,826 as compared to $5,085,538 for the same period in 2017, representing a 15% increase. 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 $89,000 and $75,000 for the nine months ended August 31, 2018 and 2017, respectively. Cost of Sales also includes $124,805 and $404,262 for the nine months ended August 31, 2018 and August 31, 2017, respectively, related to the costs associated with production of the Prepacyte®-CB processing and storage system. On July 12, 2017, the Company entered into a First Amendment to License Agreement (the "Amendment") to pay $100,000 as royalties for the licenses granted and per the Amendment the license will be fully paid and no further royalty payments or license fees will be due or owed now or in the future. As of the nine months ended August 31, 2018 and August 31, 2017, royalty expense associated with Prepacyte®-CB included in Cost of Sales is $0 and $112,830, respectively. Also included in Cost of Sales is $308,662 and $0 for the nine months ended August 31, 2018 and August 31, 2017, respectively, related to the public banking due to the Purchase Agreement with Cord:Use. The increase in cost of sales for the nine months ended August 31, 2018 versus August 31, 2017 is due to the increased costs due to the public cord blood bank and the increased costs associated with the 14% increase in the number of new domestic cord blood specimens processed in the first nine months of fiscal 2018 versus the same period in 2017.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended August 31, 2018 were $11,513,190 as compared to $9,942,562 for the 2017 period representing a 16% increase. These expenses are primarily comprised of selling and marketing expenses, salaries and wages for personnel and professional fees. The increase in selling, general and administrative expenses is in part due to costs associated with the Purchase Agreement with CordUse. As of the nine months ended August 31, 2018 and August 31, 2107, $735,000 and $0, respectively, of selling, general and administrative expenses are associated with the CordUse purchase. These expenses are non-recurring expenses related to the acquisition of CordUse. The increase in selling, general and administrative expenses is also due to an increase in the bad debt expense of $542,000 and an increase of $470,000 in salaries and wages.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the nine months ended August 31, 2018 were $64,927 as compared to $23,682 for the 2017 period.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the nine months ended August 31, 2018 was $124,865 compared to $96,925 for the 2017 period.

Interest Expense. Interest expense during the nine months ended August 31, 2018, was $995,437 compared to $937,248 during the comparable period in 2017, of which, $473,130 and $446,555, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association and CrowdOut Capital LLC as described in Note 5. The remaining interest expense is comprised of amounts due to the parties to the Company's revenue sharing agreements based on the Company's storage revenue collected.

Income Taxes. U.S. income tax expense for the nine months ended August 31, 2018 was $3,741,365 compared to $1,039,234 for the nine months ended August 31, 2017. Included in the $3,821,660 tax expense for the nine months ended August 31, 2018 is approximately $2,985,000 of expense related to the reduction of the federal tax rate to 21% as of January 1, 2018 as a result of the Tax Cuts and Jobs Act that was signed into law on December 22, 2017. The decrease in the federal tax rate caused a decrease in the Company's deferred tax asset which resulted in an increase in the income tax expense.

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 ofnon-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 $80,295 and $88,778 for the nine months ended August 31, 2018 and 2017, respectively, of foreign income tax expense which is included in income tax expense in the accompanying consolidated statements of comprehensive income (loss).

Results of Operations - Three Month Period Ended August 31, 2018 Compared to the Three-Month Period Ended August 31, 2017

Revenue. Revenue for the three months ended August 31, 2018 was $7,871,222 as compared to $6,895,941 for the same period in 2017, an increase of 14%. The increase in revenue was primarily attributable to an 15% increase in processing and storage fees.

Processing and Storage Fees. The increase in processing and storage fee revenue is primarily attributable to a 22% increase in the number of new domestic cord blood specimens processed for three months ended August 31, 2018 versus the same period in 2017.

Product Revenue. For the three months ended August 31, 2018, revenue from the product sales was $29,308 compared to $115,376 for the three months ended August 31, 2017.

Public Cord Blood Banking Revenue. On June 11, 2018, the Company entered into an Asset Purchase Agreement as described in Note 2. For the three months ended August 31, 2018, revenue from the public cord blood banking sales was $65,575 compared to $0 for the three months ended August 31, 2017.

Licensee Income. Licensee income for the three months ended August 31, 2018, was $539,286 as compared to $492,208 for the 2017 quarter. Licensee income for the three months ended August 31, 2018 and August 31, 2017 consisted of royalty income earned on the processing and storage of cord blood stem cell specimens in India where the Company has a definitive License and Royalty Agreement.

Per the License and Royalty Agreement with Lifecell, there is a $1,000,000 cap on the amount of royalty due to the Company per year and a $10,000,000 cap on the amount of royalties due to the Company for the term of the License and Royalty Agreement. Since inception of the License and Royalty Agreement, the Company has recorded approximately $6,700,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company approximately $6,200,000 as of August 31, 2018. The balance of approximately $500,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets.

Cost of Sales. Cost of sales for the three months ended August 31, 2018 was $2,486,180 as compared to $1,977,475 for the same period in 2017, representing a 26% increase. 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 $42,000 and $25,000 for the three months ended August 31, 2018 and 2017, respectively. Also, included in Cost of Sales is $27,740 and $206,072 related to the costs associated with production of the Prepacyte®-CB processing and storage system for the three months ended August 31, 2018 and August 31, 2017, respectively. On July 12, 2017, the Company entered into a First Amendment to License Agreement (the "Amendment") to pay $100,000 as royalties for the licenses granted and per the Amendment the license will be fully paid and no further royalty payments or license fees will be due or owed now or in the future. As of the three months ended August 31, 2018 and August 31, 2017, royalty expense associated with Prepacyte®-CB included in Cost of Sales is $0 and $94,800, respecitvely.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended August 31, 2018 were $4,390,614 as compared to $3,432,648 for the 2017 period, representing a 28% increase. Selling, general and administrative expenses is primarily comprised of expenses for selling and marketing expenses, salaries and wages for personnel and professional fees. The increase in selling, general and administrative expenses is in part due to costs associated with the Purchase Agreement with CordUse. As of the three months ended August 31, 2018 and August 31, 2107, $735,000 and $0, respectively, of selling, general and administrative expenses are associated with the CordUse purchase. These expenses are non-recurring expenses related to the acquisition of CordUse. The increase in selling, general and administrative expenses is also due to an increase of approximately $354,000 in bad debt expense and an increase of approximately $163,000 in salaries.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended August 31, 2018 were $22,234 as compared to $226 for the 2017 period.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the three months ended August 31, 2018 was $52,072 compared to $33,359 for the 2017 period.

Interest Expense. Interest expense during the three months ended August 31, 2018, was $410,366 compared to $314,890 during the comparable quarter in 2017. Interest expense for the three months ended August 31, 2018 and August 31, 2017 consists of $232,946 and $134,162, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association and CrowdOut Capital LLC as described in Note 5. The remaining interest expense is comprised of amounts due to the parties to the Company's revenue sharing agreements based on the Company's storage revenue collected.

Income Taxes. U.S. income tax expense for the three months ended August 31, 2018 and August 31, 2017 was $244,749 and $437,326, respectively.

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 ofnon-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 $58,323 and $53,232 for the three months ended August 31, 2018 and 2017, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of comprehensive income (loss).

Liquidity and Capital Resources

On May 20, 2016, the Company entered into a Credit Agreement ("Agreement") with Texas Capital Bank, National Association ("TCB") for a term loan of $8.0 million in senior credit facilities. The proceeds of the term loan were used by the Company to fund repurchases of the Company's common stock. Subject to the terms of the Agreement, on May 20, 2016, TCB advanced the Company $100.00. On July 1, 2016, TCB advanced the remaining principal amount of $7,999,900 per a promissory note dated May 20, 2016 between the Company and TCB. On May 20, 2016, the Company entered into a Subordination Agreement with Texas Capital Bank and CrowdOut Capital LLC ("CrowdOut") for a subordinated loan of the principal amount of $650,000, which amount CrowdOut advanced to the Company on May 20, 2016. The proceeds of the subordinated loan were to be used by the Company to fund continued repurchases of the Company's common stock. Per a promissory note dated May 20, 2016 between the Company and CrowdOut, interest at 12% per annum on the principal sum of $650,000 was payable monthly with a maturity date of July 2021, at which time, the principal amount of $650,000 was due. In June 2017, the Company repaid the subordinated principal plus interest of $650,867.

On August 26, 2016, the Company entered into a First Amendment to Credit Agreement with TCB. Pursuant to terms of the First Amendment to Credit Agreement, on August 26, 2016, TCB made an additional advance to the Company in principal amount of $2,133,433 per an Amended and Restated Promissory Note dated August 26, 2016 between the Company and TCB. The additional proceeds of the term loan were used by the Company to fund the extinguishment of revenue sharing agreements.

On June 11, 2018, the Company entered into a Second Amendment to Credit Agreement with TCB. Pursuant to the terms of the Second Amendment to Credit Agreement, TCB made an additional advance to the Company in principal amount of $9,000,000 per an Amended and Restated Promissory Note dated June 11, 2018 between the Company and TCB in the principal amount of $15,500,000. The proceeds were used to finance a portion of the purchase price of the Cord:Use Purchase.

Prior to the loans, the Company's principal source of cash has been from sales of its umbilical cord blood program to customers and royalties from licensees.

At August 31, 2018, the Company had cash and cash equivalents of $7,039,972 as compared to $6,279,154 at November 30, 2017. The increase in cash and cash equivalents during the nine months ended August 31, 2018 was primarily attributable to the following:

Net cash provided by operating activities for the nine months ended August 31, 2018 was $4,489,342, which was attributable to the Company's operating activities and an increase in the Company's new clients choosing the prepaid storage plans versus the annual storage fee plan.

Net cash provided by operating activities for the nine months ended August 31, 2017 was $3,606,585, which was attributable to the Company's operating activities and an increase in the Company's new clients choosing the prepaid storage plans versus the annual storage fee plan.

Net cash used in investing activities for the nine months ended August 31, 2018 was $11,213,483 which was primarily attributable to cash used to purchase CordUse in the amount of $10,500,000 and purchases of property, equipment and sales and purchases of marketable securities and other investments and intangibles of $713,483.

Net cash provided by investing activities for the nine months ended August 31, 2017 was $105,841 which was primarily attributable to sales and purchases of marketable securities and other investments in the amount of $161,023 partially offset by the purchases of property and equipment in the amount of $55,182.

Net cash provided by financing activities for the nine months ended August 31, 2018 was $7,484,959, which was primarily attributable to the payments of $1,516,666 to repay the note payable described above offset by the receipt of $170,925 from the exercise of stock options and $9,000,000 received as part of the Second Amendment to Credit Agreement with TCB described above.

Net cash used in financing activities for the nine months ended August 31, 2017 was $2,545,224, which was primarily attributable to the stock repurchase plan pursuant to which the Company has repurchased 86,915 shares of the Company's common stock for $446,621 and the repayments of the note payables for $2,149,999.

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 2017 Annual Report on Form 10-K filed with the SEC on February 28, 2018. 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 2017 Annual Report on Form10-K.

Recently Issued Accounting Pronouncements

See Note 1 to the Consolidated 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 are 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. In March 2018, the Company received notice that shares of the Company's common stock issued to certain executive officers pursuant to the Company's 2012 Stock Incentive Plan had purportedly been issued in excess of the shares reserved for issuance under the Plan. The Company has established an independent committee of the Board of Directors to review this issue. As part of this research, management is reviewing the Company's disclosure controls and procedures.

The Company has not made an amended 8-K filing with respect to the Current Reports on Form8-K that was filed on July 16, 2015 to announce the acquisition of Prepacyte. Accordingly, the Company is not deemed a timely filer. Management intends to subsequently make this amended 8-K filing to include the required pre-acquisition financial statements of Prepacyte as well as the required pro forma financial information.

Changes in Internal Control Over Financial Reporting

Other than as disclosed in "Evaluation of Disclosure Controls and Procedures" above with the respect to the matters reviewed in March 2018, there were no other changes in the Company's internal controls over financial reporting during the nine months ended August 31, 2018 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, control 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 December 3, 2015, a complaint styled *Gary T. Brotherson, M.D., et al. v. Cryo-Cell International, Inc.,* Case No. 15-007461-CI, Circuit Court, Sixth Judicial Circuit, Pinellas County, Florida, was served on the Company, naming it as defendant and alleging, among other things, that the Company breached certain agreements with plaintiffs and seeking damages in excess of $15,000, the jurisdictional amount of the court in which the action is pending. On January 12, 2016, the Company served its answer, affirmative defenses, and counterclaim against the plaintiffs. The Company believes the plaintiffs' claims are without merit and it intends to contest the action vigorously. At this time, it is not possible for the Company to estimate the loss or the range of possible loss in the event of an unfavorable outcome, as the ultimate resolution of the complaint is uncertain at this time. No amounts have been accrued as of August 31, 2018.

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.

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

On June 11, 2018, Cryo-Cell completed its acquisition of substantially all of the assets (the "Cord Purchase") of Cord:Use Cord Blood Bank, Inc., a Florida corporation ("Cord:Use"), in accordance with the definitive Asset Purchase Agreement between Cryo-Cell and Cord:Use (the "Purchase Agreement"). In connection therewith, Cryo-Cell issued to Cord: Use 465,426 unregistered shares of Cryo-Cell's common stock, par value $0.01 per share, at $7.52 per share.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
June 1 – 30, 2018	—	$ —	—	2,198,914
July 1 – 31, 2018	—	$ —	—	2,198,914
August 1 – 31, 2018	—	$ —	—	2,198,914

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

31.1	Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Co-CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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

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: October 15, 2018

EXHIBIT 31.1

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

I, David Portnoy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryo-Cell International, Inc. (the "Registrant");

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

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

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d – 15(f)) for the Registrant and have:

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

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

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

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

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

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

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

Dated: October 15, 2018

/s/ David Portnoy
David Portnoy

EXHIBIT 31.2

CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER

I, Mark Portnoy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryo-Cell International, Inc. (the "Registrant");

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

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

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d – 15(f)) for the Registrant and have:

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

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

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

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

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

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

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

Dated: October 15, 2018

/s/ Mark Portnoy
Mark Portnoy

EXHIBIT 31.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jill M. Taymans, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryo-Cell International, Inc. (the "Registrant");

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

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

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d – 15(f)) for the Registrant and have:

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

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

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

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

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

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

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

Dated: October 15, 2018

/s/ Jill M. Taymans
Jill M. Taymans

Exhibit 32.1

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

In connection with the Quarterly Report of Cryo-Cell International, Inc. (the "Company") on Form10-Q for the quarter ended August 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Portnoy, Co-Chief Executive Officer of the Company, I, Mark Portnoy, Co-Chief Executive Officer of the Company, and I, Jill M. Taymans, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

October 15, 2018

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

October 15, 2018

/s/ Jill M. Taymans
Jill M. Taymans
Vice President, Finance (Chief Financial Officer)

October 15, 2018