

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, 2021

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 001-40767

CRYO-CELL INTERNATIONAL, INC.
(Exact name of Registrant as Specified in its Charter)

DELAWARE
(State or other Jurisdiction of
Incorporation or Organization)

22-3023093
(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).

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CCEL	The Nasdaq Stock Market LLC

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No Not Applicable

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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, 2021, 14,617,672 shares of \$0.01 par value common stock were issued and 8,529,647 were outstanding.

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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

	(Unaudited) August 31, 2021	November 30, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,700,806	\$ 10,361,125
Marketable securities	74,124	88,476
Accounts receivable (net of allowance for doubtful accounts of \$2,896,051 and \$2,781,668, respectively)	5,449,313	6,322,960
Prepaid expenses	513,009	611,627
Inventory, current portion	833,963	927,318
Other current assets	349,695	244,696
Total current assets	<u>14,920,910</u>	<u>18,556,202</u>
Property and Equipment-net		
	<u>3,028,268</u>	<u>1,640,774</u>
Other Assets		
Investment - Tianhe stock	308,000	308,000
Patent option agreement	—	350,000
Duke license agreement	14,891,995	—
Intangible assets, net	1,572,804	1,181,588
Inventory, net of current portion	10,855,900	11,064,034
Goodwill	1,941,411	1,941,411
Deferred tax assets	10,363,967	10,363,967
Operating lease right-of-use asset	992,346	299,089
Deposits and other assets, net	548,429	495,029
Total other assets	<u>41,474,852</u>	<u>26,003,118</u>
Total assets	<u>\$ 59,424,030</u>	<u>\$ 46,200,094</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	\$ 999,118	\$ 957,390
Accrued expenses	1,646,916	2,898,211
Current portion of note payable	2,663,676	3,100,000
Current portion of operating lease liability	306,817	275,570
Current portion of Duke license agreement liability	4,915,542	—
Deferred revenue	9,326,124	9,183,450
Total current liabilities	<u>19,858,193</u>	<u>16,414,621</u>
Other Liabilities		
Deferred revenue, net of current portion	30,395,653	27,200,910
Contingent consideration	905,743	1,509,852
Note payable, net of current portion and debt issuance costs	—	2,841,214
Operating lease long-term liability	690,347	23,632
Duke license agreement liability	1,900,352	—
Long-term liability - revenue sharing agreements	875,000	875,000
Total other liabilities	<u>34,767,095</u>	<u>32,450,608</u>
Total liabilities	<u>54,625,288</u>	<u>48,865,229</u>
Commitments and contingencies (Note 9)		
	—	—
Stockholders' Equity (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; 14,617,672 issued and 8,529,647 outstanding as of August 31, 2021 and 13,633,638 issued and 7,545,613 outstanding as of November 30, 2020)	146,177	136,336
Additional paid-in capital	41,314,923	36,581,600
Treasury stock, at cost	(20,563,357)	(20,563,357)
Accumulated deficit	(16,099,001)	(18,819,714)
Total stockholders' equity (deficit)	<u>4,798,742</u>	<u>(2,665,135)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 59,424,030</u>	<u>\$ 46,200,094</u>

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

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

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Revenue:				
Processing and storage fees	\$ 7,326,516	\$ 7,486,858	\$ 21,224,033	\$ 22,292,220
Public banking revenue	158,936	116,826	289,231	484,547
Licensee and royalty income	—	427,874	—	629,702
Product revenue	18,200	82,800	56,200	200,507
Total revenue	7,503,652	8,114,358	21,569,464	23,606,976
Costs and Expenses:				
Cost of sales	2,458,938	2,360,324	6,693,806	7,344,011
Selling, general and administrative expenses	3,493,794	3,375,807	10,075,502	10,804,404
Change in fair value of contingent consideration	(324,904)	(145,752)	(604,109)	(169,741)
Research, development and related engineering	10,004	1,248	19,431	16,791
Depreciation and amortization	269,482	42,510	558,167	130,034
Total costs and expenses	5,907,314	5,634,137	16,742,797	18,125,499
Operating Income	1,596,338	2,480,221	4,826,667	5,481,477
Other Expense:				
Gains (losses) on marketable securities	736	(134,626)	(14,352)	(133,250)
Other income	25	17	75	749
Interest expense	(335,870)	(338,675)	(957,479)	(1,069,345)
Loss on extinguishment of revenue sharing agreement	—	(1,070,900)	—	(1,070,900)
Total other expense	(335,109)	(1,544,184)	(971,756)	(2,272,746)
Income before income tax expense	1,261,229	936,037	3,854,911	3,208,731
Income tax expense	(404,735)	(151,570)	(1,134,198)	(783,960)
Net Income	\$ 856,494	\$ 784,467	\$ 2,720,713	\$ 2,424,771
Net income per common share - basic	\$ 0.10	\$ 0.10	\$ 0.34	\$ 0.32
Weighted average common shares outstanding - basic	8,452,374	7,545,613	7,996,278	7,544,124
Net income per common share - diluted	\$ 0.10	\$ 0.10	\$ 0.33	\$ 0.30
Weighted average common shares outstanding - diluted	8,692,331	8,179,465	8,217,454	8,137,463

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, 2021	August 31, 2020
Cash flows from operating activities:		
Net income	\$ 2,720,713	\$ 2,424,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	711,905	284,689
Loss on disposal of property and equipment	—	1,032
Change in fair value of contingent consideration	(604,109)	(169,741)
Losses on marketable securities	14,352	133,250
Compensatory element of stock options	233,869	450,746
Provision for doubtful accounts	271,460	501,312
Loss on extinguishment of revenue sharing agreements	—	1,070,900
Amortization of debt issuance costs	47,462	67,010
Amortization of operating lease right-of-use asset	211,434	197,079
Changes in assets and liabilities:		
Accounts receivable	602,187	(907,531)
Prepaid expenses	98,618	(99,169)
Inventory	301,489	237,728
Other current assets	(104,999)	(26,635)
Deposits and other assets, net	(24,716)	(52,103)
Accounts payable	41,728	(469,160)
Accrued expenses	(1,393,462)	(757,318)
Operating lease liability	(206,729)	(196,939)
Deferred revenue	3,337,417	2,799,957
Net cash provided by operating activities	6,258,619	5,489,878
Cash flows from investing activities:		
Purchases of property and equipment	(1,554,004)	(52,396)
Purchase of patent option agreement	—	(350,000)
Payment of Duke License Agreement	(5,106,224)	—
Liquidation of marketable securities	—	708,087
Net cash (used in) provided by investing activities	(6,660,228)	305,691
Cash flows from financing activities:		
Extinguishment of revenue sharing agreements	—	(1,900,000)
Repayments of note payable	(3,325,000)	(2,324,998)
Proceeds from the exercise of stock options	1,066,290	41,000
Payment of Cord:Use earnout	—	(45,000)
Net cash used in financing activities	(2,258,710)	(4,228,998)
Change in cash and cash equivalents	(2,660,319)	1,566,571
Cash and cash equivalents - beginning of period	10,361,125	6,541,037
Cash and cash equivalents - end of period	<u>\$ 7,700,806</u>	<u>\$ 8,107,608</u>
Supplemental non-cash operating activities:		
Operating lease liability and right-of-use asset due to adoption of ASC 842	\$ —	\$ 562,775
Lease liability arising from right-of-use asset	\$ 904,691	\$ —
Patent option agreement credit to purchase of patents and licenses	\$ 500,000	\$ —
Liabilities incurred for the purchase of patents and licenses	\$ 11,315,894	\$ —
Taxes payable upon net exercise of stock options	\$ 142,167	\$ —
Supplemental financing activities:		
Stock issued for the purchase of patents and licenses	\$ 3,585,172	\$ —

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	For the Three Months Ended August 31, 2021					
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at May 31, 2021	14,533,040	\$ 145,330	\$ 41,376,640	\$ (20,563,357)	\$ (16,955,495)	\$ 4,003,118
Common stock issued	84,632	847	(143,014)			(142,167)
Compensatory element of stock options			81,297			81,297
Net income					856,494	856,494
Balance at August 31, 2021	<u>14,617,672</u>	<u>\$ 146,177</u>	<u>\$ 41,314,923</u>	<u>\$ (20,563,357)</u>	<u>\$ (16,099,001)</u>	<u>\$ 4,798,742</u>

	For the Nine Months Ended August 31, 2021					
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at November 30, 2020	13,633,638	\$ 136,336	\$ 36,581,600	\$ (20,563,357)	\$ (18,819,714)	\$ (2,665,135)
Common stock issued	984,034	9,841	4,499,454			4,509,295
Compensatory element of stock options			233,869			233,869
Net income					2,720,713	2,720,713
Balance at August 31, 2021	<u>14,617,672</u>	<u>\$ 146,177</u>	<u>\$ 41,314,923</u>	<u>\$ (20,563,357)</u>	<u>\$ (16,099,001)</u>	<u>\$ 4,798,742</u>

	For the Three Months Ended August 31, 2020					
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at May 31, 2020	13,633,638	\$ 136,336	\$ 36,248,232	\$ (20,563,357)	\$ (20,804,006)	\$ (4,982,795)
Compensatory element of stock options			161,994			161,994
Net income					784,467	784,467
Balance at August 31, 2020	<u>13,633,638</u>	<u>\$ 136,336</u>	<u>\$ 36,410,226</u>	<u>\$ (20,563,357)</u>	<u>\$ (20,019,539)</u>	<u>\$ (4,036,334)</u>

	For the Nine Months Ended August 31, 2020					
	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at November 30, 2019	13,598,909	\$ 135,989	\$ 35,918,827	\$ (20,563,357)	\$ (22,444,310)	\$ (6,952,851)
Common stock issued	34,729	347	40,653			41,000
Compensatory element of stock options			450,746			450,746
Net income					2,424,771	2,424,771
Balance at August 31, 2020	<u>13,633,638</u>	<u>\$ 136,336</u>	<u>\$ 36,410,226</u>	<u>\$ (20,563,357)</u>	<u>\$ (20,019,539)</u>	<u>\$ (4,036,334)</u>

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, 2021
(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, 2021 and November 30, 2020, the related Consolidated Statements of Income for the three and nine months ended August 31, 2021 and August 31, 2020, Cash Flows for the nine months ended August 31, 2021 and 2020 and Stockholders’ Equity (Deficit) for the three and nine months ended August 31, 2021 and 2020 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, 2020 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, 2021 are not necessarily indicative of the results expected for any interim period in the future or the entire year ending November 30, 2021.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”). ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. ASC 606 also impacts certain other areas, such as the accounting for costs to obtain or fulfill a contract. ASC 606 also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Under ASC 606, revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised services are transferred to the customers. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring services to a customer (“transaction price”).

At contract inception, if the contract is determined to be within the scope of ASC 606, the Company evaluates its contracts with customers using the five-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The Company evaluates its

contracts for legal enforceability at contract inception and subsequently throughout the Company's relationship with its customers. If legal enforceability with regards to the rights and obligations exist for both the Company and the customer, then the Company has an enforceable contract and revenue recognition is permitted subject to the satisfaction of the other criteria. If, at the outset of an arrangement, the Company determines that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met. The Company only applies the five-step model to contracts when it is probable that collection of the consideration that the Company is entitled to in exchange for the goods or services being transferred to the customer, will occur.

Contract modifications exist when the modification either creates new or changes in the existing enforceable rights and obligations. The Company's contracts are occasionally modified to account for changes in contract terms and conditions, which the Company refers to as an upgrade or downgrade. An upgrade occurs when a customer wants to pay for additional years of storage. A downgrade occurs when a customer originally entered into a long-term contract (such as twenty-one year or lifetime plan) but would like to change the term to a one-year contract. Upgrade modifications qualify for treatment as a separate contract as the additional services are distinct and the increase in contract price reflects the Company's stand-alone selling price for the additional services and will be accounted for on a prospective basis. Downgrade modifications do not qualify for treatment as a separate contract as there is no increase in price over the original contract, thus failing the separate contract criteria. As such, the Company separately considers downgrade modifications to determine if these should be accounted for as a termination of the existing contract and creation of a new contract (prospective method) or as part of the existing contract (cumulative catch-up adjustment). ASC 606 requires that an entity account for the contract modification as if it were a termination of the existing contract, and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification. As the services after the modification were previously determined to be distinct, the Company concluded that downgrade modifications qualify under this method and will be accounted for on a prospective basis. Although contract modifications do occur, they are infrequent.

Performance Obligations

At contract inception, the Company assesses the goods and services promised in the contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. The Company determined that the following distinct goods and services represent separate performance obligations involving the sale of its umbilical cord blood product:

- Collection and processing services
- Storage services
- Public cord blood banking
- License and royalties
- Sale of PrepaCyte CB product

a) Collection, Processing and Storage Fees

Processing and storage fees include the Company providing umbilical cord blood and tissue cellular processing and cryogenic cellular storage for private 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 who are selling the umbilical cord blood stem cells program to customers outside the United States.

The Company recognizes revenue from processing fees at the point in time of the successful completion of processing and recognizes storage fees over time, which is ratably over the contractual storage period as well as other

income from royalties paid by licensees related to long-term storage contracts which the Company has under license agreements. Contracted storage periods are annual, twenty-one years and life-time. The life-time storage plan is based on a life expectancy of 81 years, which is the current estimate by the Center for Disease Control for United States women's life expectancy and concluded that additional data analysis would result in an immaterial difference in revenue. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual, the twenty-one-year and the life-time storage fees that are being recognized over the contractual storage period as well as royalties received from foreign licensees relating to long-term storage contracts for 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 from the balance sheet date.

Significant financing

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. For all plans being annual, twenty-one years and lifetime, the storage fee is paid at the beginning of the storage period (prepaid plans). Alternatively, the Company offers payment plans (including a stated service fee) for customers to pay over time for a period of one to twenty-four plus months. The one-time plan includes the collection kit, processing and testing, return medical courier service and twenty-one 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 customer. The Company concluded that a significant financing component is not present within either the prepaid or overtime payment plans. The Company has determined that the twenty-one year and life-time prepayment options do not include a significant financing component as the payment terms were structured primarily for reasons other than the provision of financing and to maximize profitability.

The Company has determined that the majority of plans that are paid over time are paid in less than a year. When considered over a twenty-four-month payment plan, the difference between the cash selling price and the consideration paid is nominal. As such, the Company believes that its payment plans do not include significant financing components as they are not significant in the aggregate when considered in the context of all contracts entered into nor significant at the individual contract level.

The Company elected to apply the practical expedient where the Company does not need to assess whether a significant financing component exists if the period between when it performs its obligations under the contract and when the customer pays is one year or less.

As of August 31, 2021, the total aggregate transaction price allocated to the unsatisfied performance obligations was recorded as deferred revenue amounting to \$39,721,777, which will be recognized ratably on a straight-line basis over the contractual period of which \$9,326,124, will be recognized over the next twelve months.

Variable consideration

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 1, 2017, the Company increased the payment warranty to \$100,000 to all new clients who choose the premium processing method, PrepaCyte CB. Additionally, under the Cryo-Cell Cares™ program, the Company will pay \$10,000 to the client to offset personal expenses if the umbilical cord blood product is used for bone marrow reconstitution in a myeloablative 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. In the processing and storage agreements, the Company provides limited rights which are offered to customers automatically upon contract execution. The Company has determined that the payment warranty represents variable consideration payable to the customer.

Based on the Company's historical experience to date, the Company has determined the payment warranty to be fully constrained under the most likely amount method. Consequently, the transaction price does not currently reflect any expectation of service level credits. At the end of each reporting period, the Company will update the estimated transaction price related to the payment warranty including updating its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Allocation of transaction price

As the Company's processing and storage agreements contain multiple performance obligations, ASC 606 requires an allocation of the transaction price based on the estimated relative standalone selling prices of the promised services underlying each performance obligation. The Company has selected an adjusted market assessment approach to estimate the stand-alone selling prices of the processing services and storage services and concluded that the published list price is the price that a customer in that market would be willing to pay for those goods or services. The Company also considered the fact that all customers are charged the list prices current at the time of their enrollment where the Company has separately stated list prices for processing and storage.

Costs to Obtain a Contract

The Company capitalizes commissions that are incremental in obtaining customer contracts and the costs incurred to fulfill a customer contract if those costs are not within the scope of another topic within the accounting literature and meet the specified criteria. These costs are deferred in other current or long-term assets and are expensed to selling, general and administrative expenses as the Company satisfies the performance obligations by transferring the service to the customer. These assets will be periodically assessed for impairment. As a practical expedient, the Company elected to recognize the incremental costs of obtaining its annual contracts as an expense when incurred, as the amortization period of the asset recognized would have been one year.

The Company has determined that payments under the Company's refer-a-friend program ("RAF program") are incremental costs of obtaining a contract as they provide an incentive for existing customers to refer new customers to the Company and is referred to as commission. The amount paid under the RAF program (either through issuance of credits to customers or check payments) which exceeds the typical commission payment to a sales representative is recorded as a reduction to revenue under ASC 606. During the three and nine months ended August 31, 2021, the Company recorded \$12,678 and \$34,383, respectively, in commission payments to customers under the RAF program as a reduction to revenue. During the three and nine months ended August 31, 2020, the Company recorded \$14,261 and \$37,405, respectively, in commission payments to customers under the RAF program as a reduction to revenue. For the three and nine months ended August 31, 2021, the Company capitalized additional contract acquisition costs of \$26,410 and \$72,147, respectively, net of amortization. For the three and nine months ended August 31, 2020, the Company capitalized additional contract acquisition costs of \$22,351 and \$68,152, respectively, net of amortization expense.

b) Public banking revenue

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. Control is transferred at the point in time when the shipment has occurred, at which time, the Company records revenue.

c) Licensee and royalty income

Licensee and royalty income consist of royalty income earned on the processing and storage of cord blood stem cell specimens by an affiliate where the Company has a License and Royalty Agreement. The Company records revenue from processing and storage of specimens and pursuant to agreements with licensees. The Company records the royalty revenue in same period that the related processing and storage is being completed by the affiliate.

d) Product Revenue

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

e) Shipping and handling

The Company elected to apply the practical expedient to account for shipping and handling activities performed after the control of a good has been transferred to the customer as a fulfillment cost. Shipping and handling costs that the Company incurs are therefore expensed and included in cost of sales.

The adoption of ASC 606 did not have an impact on the timing of revenue recognition for any of the Company's revenue streams.

Disaggregation of Revenue

The revenue as reflected in the statements of income is disaggregated by products and services.

The following table provides information about assets and liabilities from contracts with customers:

	August 31, 2021	November 30, 2020
Contract assets (sales commissions)	\$ 519,541	\$ 466,141
Accounts receivables	\$ 5,449,313	\$ 6,322,960
Short-term contract liabilities (deferred revenue)	\$ 9,326,124	\$ 9,183,450
Long-term contract liabilities (deferred revenue)	\$ 30,395,653	\$ 27,200,910

The Company, in general, requires the customer to pay for processing and storage services at the time of processing. Contract assets include deferred contract acquisition costs, which will be amortized along with the associated revenue. Contract liabilities include payments received in advance of performance under the contract and are realized with the associated revenue recognized under the contract. Accounts receivable consists of amounts due from clients that have enrolled and processed in the umbilical cord blood stem cell processing and storage programs related to renewals of annual plans and amounts due from license affiliates, and sublicensee territories. The Company did not have asset impairment charges related to contract assets in the three and nine months ended August 31, 2021 and August 31, 2020.

The following table presents changes in the Company's contract assets and liabilities during the nine months ended August 31, 2021:

	Balance at December 1, 2020	Additions	Deductions	Balance at August 31, 2021
Contract assets (sales commissions)	\$ 466,141	\$ 72,421	\$ (19,021)	\$ 519,541
Accounts receivables	\$ 6,322,960	\$ 28,066,214	\$ (28,939,861)	\$ 5,449,313
Contract liabilities (deferred revenue)	\$ 36,384,360	\$ 13,482,055	\$ (10,144,638)	\$ 39,721,777

The following table presents changes in the Company’s contract assets and liabilities during the nine months ended August 31, 2020:

	Balance at December 1, 2019	Additions	Deductions	Balance at August 31, 2020
Contract assets (sales commissions)	\$ 398,535	\$ 68,152	\$ (16,049)	\$ 450,638
Accounts receivables	\$ 6,097,331	\$ 28,361,238	\$ (27,955,019)	\$ 6,503,550
Contract liabilities (deferred revenue)	\$ 32,508,511	\$ 13,045,728	\$ (10,245,771)	\$ 35,308,468

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

On June 11, 2018, Cryo-Cell completed its acquisition of substantially all of the assets 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”). As part of the Cord:Use Purchase Agreement, the Company has an agreement with Duke University (“Duke”) expiring on January 31, 2025 for Duke to receive, process, and store cord blood units for the Public Cord Blood Bank (“Duke Services”). As of August 31, 2021, the Company had approximately 6,000 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 processing and 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. The change in the number of expected units to be sold could have a significant impact on the estimated net realizable value of banked units which could have a material effect on the value of the inventory. 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). Due to changes in sales trends and estimated recoverability of cost capitalized into inventory, an impairment charge of \$1,284,238 was recognized during the fourth quarter of fiscal 2020 to reduce inventory from cost to net realizable value.

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 records a valuation allowance when it is “more likely than not” that all of the future income tax benefits will not 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 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, 2021 and August 31, 2020, 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, 2021 and 2020.

Goodwill

Goodwill represents the excess of the purchase price of the assets acquired from CordUse over the estimated fair value of the net tangible, intangible 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. The Company first performs a qualitative assessment to test goodwill for impairment and concludes if it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the qualitative assessment concludes that it is not more likely than not that the fair value is less than the carrying value, the two-step goodwill impairment test is not required. If the qualitative assessment concludes that it is more likely than not that the fair value of the reporting unit is less than the carrying value, then the two-step goodwill impairment test is required. 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.

Leases

Effective December 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842), using the modified retrospective approach and utilizing the effective date as its date of initial application. As a result, prior periods are presented in accordance with the previous guidance in ASC 840, Leases ("ASC 840"). The Company has elected to apply the 'package of practical expedients' which allows the Company to not reassess i) whether existing or expired arrangements contain a lease, ii) the lease classification of existing or expired leases, or iii) whether previous initial direct costs would qualify for capitalization under the new lease standard.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as a right-of-use (ROU) assets and as short-term and long-term lease liabilities, as applicable. The Company does not have any financing leases.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company believes it could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew.

Stock Compensation

As of August 31, 2021, the Company has two stock-based compensation plans, which are described in Note 7 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 \$234,000 and \$451,000 for the nine months ended August 31, 2021 and August 31, 2020 respectively, of stock compensation expense. The Company recognized approximately \$81,000 and \$162,000 for the three months ended August 31, 2021 and August 31, 2020, respectively, of stock compensation expense.

The Company recognizes stock-based compensation based on the fair value of the related awards. Under the fair value recognition guidance of stock-based compensation accounting rules, stock-based compensation expense is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. The fair value of service-based vesting condition and performance-based vesting condition stock option awards is determined using the Black-Scholes valuation model. For stock option awards with only service-based vesting conditions and graded vesting features, the Company recognizes stock compensation expense based on the graded-vesting method. 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, 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, 2021 and November 30, 2020, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at August 31, 2021	Fair Value Measurements at August 31, 2021 Using		
		Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 74,124	\$ 74,124	—	—
Total	\$ 74,124	\$ 74,124	—	—
Liabilities:				
Contingent consideration	\$ 905,743	—	—	\$ 905,743
Total	\$ 905,743	—	—	\$ 905,743
Contingent Consideration:				
Beginning Balance as of November 30, 2020	\$ 1,509,852			
Subtractions – Cord:Use earnout	—			
Fair value adjustment as of August 31, 2021	(604,109)			
Ending balance as of August 31, 2021	\$ 905,743			

Description	Fair Value at November 30, 2020	Fair Value Measurements at November 30, 2020 Using		
		Level 1	Level 2	Level 3
Assets:				
Marketable securities	\$ 88,476	\$ 88,476	—	—
Total	\$ 88,476	\$ 88,476	—	—
Liabilities				
Contingent consideration	\$ 1,509,852	—	—	\$ 1,509,852
Total	\$ 1,509,852	—	—	\$ 1,509,852

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:

Marketable securities - Equity securities with readily determinable fair values are measured at fair value with the changes in fair value recognized through net income. There was (\$135,000) and (\$133,000) in unrealized holding loss, respectively, recorded in other income and expense on the accompanying consolidated statements of income for the three and nine months ended August 31, 2020, respectively. There was approximately \$ 1,000 and (\$14,000) in holding gain (loss), respectively, recorded in other income and expense on the accompanying consolidated statements of income for the three and nine months ended August 31, 2021, respectively.

Contingent consideration - The contingent consideration is the earnout that Cord:Use is entitled to from the Company's sale of the public cord blood inventory from and after closing. The estimated fair value of the contingent earnout was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earnout payments. The analysis includes estimated annual sales of 16 units declining 3% annually and utilizes a risk adjusted discount rate of 5.25%, which are unobservable inputs. The resulting value captures the risk associated with the form of the payout structure. The risk-neutral method is applied, resulting in a value that captures the risk associated with the form of

the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability.

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 1, 2017, the Company increased the payment warranty to \$100,000 to all new clients who choose the premium processing method, PrepaCyte CB. Additionally, under the Cryo-Cell Cares™ program, the Company will pay \$10,000 to the client to offset personal expenses if the umbilical cord blood product is used for bone marrow reconstitution in a myeloablative 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.

As discussed above, the Company has determined that the payment warranty represents variable consideration payable to the customer. The Company has concluded the payment warranty be fully constrained under the most likely amount method, therefore, the transaction price does not reflect any expectation of service level credits. At the end of each reporting period, the Company shall update the estimated transaction price related to the payment guarantee including updating its assessment of whether an estimate of variable consideration is constrained to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance requires a modified retrospective transition method and early adoption is permitted. In November 2019, FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses, Derivatives and Hedging, and Leases* (“ASU 2019-10”), which defers the adoption of ASU 2016-13 for smaller reporting companies until periods beginning after December 15, 2022. The Company will continue to evaluate the impact of ASU 2016-13 on its consolidated financial statements.

Note 2 – Segment Reporting

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, and interest expense for the three months and nine months ended August 31, 2021 and August 31, 2020:

	For the three months ended August 31, 2021	For the three months ended August 31, 2020
Net revenue		
Umbilical cord blood and cord tissue stem cell service	\$ 7,326,516	\$ 7,914,732
PrepaCyte®-CB	18,200	82,800
Public cord blood banking	158,936	116,826
Total net revenue	\$ 7,503,652	\$ 8,114,358
Cost of sales		
Umbilical cord blood and cord tissue stem cell service	\$ 1,943,419	\$ 1,911,141
PrepaCyte®-CB	53,498	55,021
Public cord blood banking	462,021	394,162
Total cost of sales	\$ 2,458,938	\$ 2,360,324
Depreciation and amortization		
Umbilical cord blood and cord tissue stem cell service	\$ 262,229	\$ 35,616
PrepaCyte®-CB	6,894	6,894
Public cord blood banking	359	—
Total depreciation and amortization	\$ 269,482	\$ 42,510
Operating income		
Umbilical cord blood and cord tissue stem cell service	\$ 1,941,976	\$ 2,736,798
PrepaCyte®-CB	(42,193)	21,291
Public cord blood banking	(303,445)	(277,868)
Total operating income	\$ 1,596,338	\$ 2,480,221
Interest expense		
Umbilical cord blood and cord tissue stem cell service	\$ 335,870	\$ 338,675
PrepaCyte®-CB	—	—
Public cord blood banking	—	—
Total interest expense	\$ 335,870	\$ 338,675

	For the nine months ended August 31, 2021	For the nine months ended August 31, 2020
Net revenue		
Umbilical cord blood and cord tissue stem cell service	\$ 21,224,033	\$ 22,921,922
PrepaCyte®-CB	56,200	200,507
Public cord blood banking	289,231	484,547
Total net revenue	\$ 21,569,464	\$ 23,606,976
Cost of sales		
Umbilical cord blood and cord tissue stem cell service	\$ 5,453,203	\$ 5,932,655
PrepaCyte®-CB	129,581	128,154
Public cord blood banking	1,111,022	1,283,202
Total cost of sales	\$ 6,693,806	\$ 7,344,011
Depreciation and amortization		
Umbilical cord blood and cord tissue stem cell service	\$ 536,823	\$ 109,351
PrepaCyte®-CB	20,683	20,683
Public cord blood banking	661	—
Total depreciation and amortization	\$ 558,167	\$ 130,034
Operating income		
Umbilical cord blood and cord tissue stem cell service	\$ 5,743,184	\$ 6,229,222
PrepaCyte®-CB	(94,065)	51,671
Public cord blood banking	(822,452)	(799,416)
Total operating income	\$ 4,826,667	\$ 5,481,477
Interest expense		
Umbilical cord blood and cord tissue stem cell service	\$ 957,479	\$ 1,069,345
PrepaCyte®-CB	—	—
Public cord blood banking	—	—
Total interest expense	\$ 957,479	\$ 1,069,345

The following table shows the assets by segment as of August 31, 2021 and November 30, 2020:

	As of August 31, 2021	As of November 30, 2020
Assets		
Umbilical cord blood and cord tissue stem cell service	\$ 47,637,754	\$ 34,215,780
PrepaCyte®-CB	243,312	302,683
Public cord blood banking	11,542,964	11,681,631
Total assets	\$ 59,424,030	\$ 46,200,094

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. Due to changes in sales trends and estimated recoverability of cost capitalized into inventory, an impairment charge of \$1,284,238 was recognized during the fourth quarter of fiscal 2020 to reduce inventory from cost to net realizable value. The components of inventory at August 31, 2021 and November 30, 2020 are as follows:

	August 31, 2021	November 30, 2020
Raw materials	\$ —	\$ —
Work-in-process	159,781	273,430
Work-in-process – Public Bank	—	—
Finished goods	77,185	63,327
Finished goods – Public Bank	11,425,667	11,629,307
Collection kits	34,948	33,006
Inventory reserve	(7,718)	(7,718)
Total inventory	<u>\$ 11,689,863</u>	<u>\$ 11,991,352</u>

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, 2021 and November 30, 2020:

	Useful lives	August 31, 2021	November 30, 2020
Patents and Domain Names	10-20 years	234,570	234,570
Less: Accumulated amortization		(55,868)	(47,150)
Patents - Acquired with Duke License Agreement	16 years	456,224	—
Less: Accumulated amortization		(14,257)	—
License agreement	10 years	470,000	470,000
Less: Intangible asset impairment		(185,000)	(185,000)
Less: Accumulated amortization		(195,879)	(178,443)
Customer relationships-PrepaCyte CB	15 years	41,000	41,000
Less: Intangible asset impairment		(26,267)	(26,267)
Less: Accumulated amortization		(7,719)	(7,122)
Brand	1 year	31,000	31,000
Less: Accumulated amortization		(31,000)	(31,000)
Customer relationships-Cord:Use	30 years	960,000	960,000
Less: Accumulated amortization		(104,000)	(80,000)
Net Intangible Assets		<u>\$ 1,572,804</u>	<u>\$ 1,181,588</u>

Amortization expense of intangibles was approximately \$24,000 and \$17,000 for the three months ended August 31, 2021 and August 31, 2020, respectively. Amortization expense of intangibles was approximately \$65,000 and \$51,000 for the nine months ended August 31, 2021 and August 31, 2020, respectively.

Note 5 – Notes Payable

On August 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 August 20, 2016, TCB advanced the Company \$100,000. On July 1, 2016, TCB advanced the remaining principal amount of \$7,999,900 per a promissory note dated August 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 extended to June 2022 with Second Amendment. 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 CordUse 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 the three and nine months ended August 31, 2021, the Company paid interest of \$25,862 and \$99,294, respectively, which is reflected in interest expense on the accompanying consolidated statements of income. As of the three and nine months ended August 31, 2020, the Company paid interest of \$63,560 and \$254,945, respectively, which is reflected in interest expense on the accompanying consolidated statements of 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 \$48,085 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, 2021, \$12,390 and \$47,462, respectively, of the debt issuance costs were amortized and are reflected in interest expense on the accompanying consolidated statements of income. As of the three and nine months ended August 31, 2020, \$20,193 and \$67,012, respectively, of the debt issuance costs were amortized and are reflected in interest expense on the accompanying consolidated statements of income.

As of August 31, 2021, and November 30, 2020, the note payable obligation was as follows:

	August 31, 2021	November 30, 2020
Note payable	\$ 2,683,433	\$ 6,008,433
Unamortized debt issuance costs	(19,757)	(67,219)
Net note payable	<u>\$ 2,663,676</u>	<u>\$ 5,941,214</u>
Current portion of note payable	\$ 2,663,676	\$ 3,100,000
Long-term note payable, net of debt issuance costs	—	2,841,214
Total	<u>\$ 2,663,676</u>	<u>\$ 5,941,214</u>

Interest expense on the note payable for the three and nine months ended August 31, 2021 and August 31, 2020 was as follows:

	For the three months ended August 31, 2021	For the nine months ended August 31, 2021
Interest expense on notes payable	\$ 25,862	\$ 99,294
Debt issuance costs	12,390	47,462
Total interest expense	<u>\$ 38,252</u>	<u>\$ 146,756</u>

	For the three months ended August 31, 2020	For the nine months ended August 31, 2020
Interest expense on notes payable	\$ 63,560	\$ 254,945
Debt issuance costs	20,193	67,012
Total interest expense	<u>\$ 83,753</u>	<u>\$ 321,957</u>

Note 6 – Income per Common Share

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

	Three Months Ended		Six Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Numerator:				
Net Income	\$ 856,494	\$ 784,467	\$ 2,720,713	\$ 2,424,771
Denominator:				
Weighted-average shares outstanding-basic	8,452,374	7,545,613	7,996,278	7,544,124
Dilutive common shares issuable upon exercise of stock options	239,957	633,852	221,176	593,339
Weighted-average shares-diluted	<u>8,692,331</u>	<u>8,179,465</u>	<u>8,217,454</u>	<u>8,137,463</u>
Net income per common share:				
Basic	\$ 0.10	\$ 0.10	\$ 0.34	\$ 0.32
Diluted	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.33</u>	<u>\$ 0.30</u>

For the three months ended August 31, 2021, the Company excluded the effect of 20,000 outstanding options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive. For the nine months ended August 31, 2021, the Company excluded the effect of 27,000 outstanding options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

For the three months ended August 31, 2020, the Company excluded the effect of 7,000 outstanding options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive. For the nine months ended August 31, 2020, the Company excluded the effect of 196,101 outstanding options from the computation of diluted earnings per share, as the effect of potentially dilutive shares from the outstanding stock options would be anti-dilutive.

Note 7 – 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, 2021, and November 30, 2020, there were 105,000 and 305,000 options issued, but not yet exercised, under the 2006 Plan, respectively. As of August 31, 2021, there were 0 shares available for future issuance under the 2006 Plan.

The Company 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 August 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. In October 2019, the Board of Directors approved amendments to the plan, subject to ratification by the stockholders, which occurred at the Company’s 2019 Annual Meeting of Stockholders on November 21, 2019. As of August 31, 2021, there were 463,143 service-based options issued, 129,729 service-based restricted common shares granted, 530,851 performance-based and 116,218 market-based restricted common shares granted under the 2012 Plan. As of November 30, 2020, there were 868,443 service-based options issued, 129,729 service-based restricted common shares granted, 530,851 performance-based and 116,218 market-based restricted common shares granted under the 2012 Plan. As of August 31, 2021, there were 542,310 shares available for future issuance under the 2012 Plan.

Service-based vesting condition options

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

There were 0 and 20,000 options granted during the three and nine months ended August 31, 2021, respectively.

There were 7,000 and 51,969 options granted during the three and nine months ended August 31, 2020, respectively.

Variables used to determine the fair value of the options granted for the three and nine months ended August 31, 2021 and August 31, 2020, respectively, are as follows:

	Three Months Ended August 31, 2021	Three Months Ended August 31, 2020	Nine Months Ended August 31, 2021	Nine Months Ended August 31, 2020
Weighted average values:				
Expected dividends	-	0%	0%	0%
Expected volatility	-	51.8%	49.85%	62.60%
Risk free interest rate	-	0.42%	1.35%	1.70%
Expected life	-	6 years	6 years	9 years

Stock option activity for options with only service-based vesting conditions for the nine months ended August 31, 2021, was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2020	1,174,943	\$ 3.72	3.42	\$ 4,502,324
Granted	20,000	9.50		42,000
Exercised	(625,300)	2.33		4,089,333
Expired/forfeited	—	—		—
Outstanding at August 31, 2021	<u>569,643</u>	\$ 5.45	5.24	<u>\$ 3,505,096</u>
Exercisable at August 31, 2021	<u>501,150</u>	\$ 5.05	5.02	<u>\$ 3,283,299</u>

The weighted average grant date fair value of options granted during the nine months ended August 31, 2021 and August 31, 2020 was \$4.56 and \$4.94, 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, 2021 or November 30, 2020, 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, 2021, the Company issued 84,632 and 574,300 common shares to option holders who exercised options for \$0 and \$1,066,000, respectively.

During the three and nine months ended August 31, 2020, the Company issued 0 and 20,000 common shares to option holders who exercised options for \$0 and \$41,000, respectively.

Significant option groups outstanding and exercisable at August 31, 2021 and related price and contractual life information are as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
\$1.01 to \$ 2.00	22,500	1.88	\$ 1.95	22,500	\$ 1.95
\$2.01 to \$ 3.00	45,000	1.88	2.22	45,000	2.22
\$3.01 to \$4.00	204,729	4.48	3.14	204,729	3.14
\$6.01 to \$7.00	3,833	4.84	6.52	3,388	6.51
\$7.01 to \$8.00	266,581	6.55	7.64	224,133	7.62
\$9.01 to \$10.00	27,000	6.44	9.40	1,400	9.10
	<u>569,643</u>	5.24	\$ 5.45	<u>501,150</u>	\$ 5.05

A summary of the status of the Company's non-vested options as of August 31, 2021, and changes during the nine months ended August 31, 2021, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2020	93,380	\$ 4.65
Granted	20,000	4.56
Vested	(44,887)	5.00
Forfeited	—	—
Non-vested at August 31, 2021	<u>68,493</u>	<u>\$ 4.39</u>

As of August 31, 2021, there was approximately \$175,000 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 3.15 years as of August 31, 2021. The total fair value of shares vested during the nine months ended August 31, 2021 was approximately \$224,000.

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 December 20, 2019, 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, 2020 and the remaining 1/3 on November 30, 2021. The fair value of the options that vested through the three and nine months ended August 31, 2021 was approximately \$29,000 and \$85,000, respectively, and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of income. As of August 31, 2021, there was approximately \$28,000 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, 2021.

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. For market-based vesting condition options, accounting principles do not require that the market condition be met in order for the compensation cost to be recognized. Fair value of these options has been determined using a Monte Carlo valuation approach. There were no market-based vesting condition options for the nine months ended August 31, 2021 or August 31, 2020, respectively. For performance-based vesting condition options, the Company estimates the fair value of qualified stock options that met certain performance targets by the end of the fiscal 2018 requisite service period using a Black-Scholes valuation model. As of August 30, 2019, the Company granted David Portnoy and Mark Portnoy 26,243 and 22,222 of non-qualified stock options of the Company's common stock based upon certain performance criteria met by the end of the fiscal 2018 service period. These options were issued under the Company's 2012 Stock Plan and will vest 1/3 upon date of grant, 1/3 on December 1, 2019 and 1/3 on November 30, 2020. The fair value of these options vested through the nine months ended August 31, 2021 and August 31, 2020 was approximately \$0 and \$121,000 and is reflected as selling, general and administrative expenses in the accompanying consolidated statements of income. As of August 31, 2021, there was \$0 of total unrecognized compensation cost as the options were fully vested.

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. For market-based vesting condition options, accounting principles do not require that the market condition be met in order for the compensation cost to be recognized. Fair value of these options has been determined using a Monte Carlo valuation. There were no market-based vesting condition options for the nine months ended August 31, 2021 and August 31, 2020,

respectively. For performance-based vesting condition options, the Company estimated the fair value of the qualified stock options that met certain performance targets by the end of the fiscal 2018 requisite service period using a Black-Scholes valuation model. As of September 4, 2019, the Company granted Oleg Mikulinsky 4,444 of qualified stock options of the Company's common stock based upon certain performance criteria met by the end of the fiscal 2018 service period and per the Amendment Agreement. These options were issued under the Company's 2012 Stock Plan and will vest 1/3 upon date of grant, 1/3 on December 1, 2019 and 1/3 on November 30, 2020. The fair of these options that vested through the nine months ended August 31, 2021 and August 31, 2020 was approximately \$200 and \$10,000 and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of income. As of February 27, 2020, the Company granted Oleg Mikulinsky 1,333 of qualified stock options of the Company's common stock based upon certain performance criteria met by the end of the fiscal 2019 service period and per the Amendment Agreement. These options were issued under the Company's 2012 Stock Plan and will vest 1/3 upon date of grant, 1/3 on December 1, 2020 and 1/3 on November 30, 2021. The fair value of the options vested through the nine months ended August 31, 2021 and August 31, 2020 was \$2,500 and \$2,000, respectively, and is reflected as selling, general and administrative expenses in the accompanying consolidated statement of income. As of August 31, 2021, there was approximately \$800 of total unrecognized compensation cost related to the non-vested options of common stock.

Note 8 – 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 \$1,000,000 cap on the amount of royalties 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. The cap(s) are calculated based on LifeCell's fiscal year end, March 31st. As of November 30, 2020, the Company had reached the \$10,000,000 cap and recorded all royalties that were due. Since inception of the License and Royalty Agreement, the Company has recorded \$10,000,000 in royalty income due under the terms of the License and Royalty Agreement, of which, LifeCell has paid the Company \$9,700,000 as of August 31, 2021. The balance of \$300,000 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, 2021 and August 31, 2020. The initial license fees and processing and storage royalties are reflected in licensee and royalty income in the accompanying consolidated statements of income.

	Processing and Storage Royalties	
	Three Months Ended August 31, 2021	Nine Months Ended August 31, 2021
License and royalty income	\$ —	\$ —
Total	\$ —	\$ —
	Three Months Ended August 31, 2020	Nine Months Ended August 31, 2020
License and royalty income	\$ 427,874	\$ 629,702
Total	\$ 427,874	\$ 629,702

Note 9 – Commitments and Contingencies

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.

On August 31, 2020 (the “Effective Date”), the Company entered into a Termination Agreement (“Termination Agreement”) with the Erie Group (the “Erie Group”), pursuant to which all such parties terminated all of their respective rights, duties, obligations, options and liabilities to each other arising out of our related to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement, Addendum thereto, Addition to such Addendum, and Amendment to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement among the Company and the Erie Group (collectively, the “SATS Agreement”). Additionally, pursuant to the terms of the Termination Agreement, the Company made a payment of \$1,939,748 on the Effective Date and the parties released each other from all claims related to the SATS Agreement and agreed to dismiss with prejudice to foregoing complaint. Pursuant to the terms of the Agreement, the Erie Group will no longer have the rights to share in a portion of the Company’s storage revenues derived from specimens which originated in the state of Illinois and its five contiguous states (see Note 14)

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 10 – 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 nine million (9,000,000) 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, 2021, the Company had repurchased an aggregate of 6,093,535 shares of the Company's common stock at an average price of \$37 per share through open market and privately negotiated transactions under the Company's share repurchase plan. The Company did not purchase any of the Company's common stock during the nine months ended August 31, 2021 and August 31, 2020.

The repurchased shares will be held as treasury stock at cost and have been removed from common shares outstanding as of August 31, 2021 and November 30, 2020. As of August 31, 2021 and November 30, 2020, 6,093,535 and 6,093,535 shares, respectively, were held as treasury stock.

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

Note 11 – Leases

Effective December 1, 2019, the Company adopted ASU 2016-02, Leases (Topic 842), using the modified retrospective approach and utilizing the effective date as its date of initial application. As a result, prior periods are presented in accordance with the previous guidance in ASC 840, Leases ("ASC 840"). The Company has elected to apply the 'package of practical expedients' which allows the Company to not reassess i) whether existing or expired arrangements contain a lease, ii) the lease classification of existing or expired leases, or iii) whether previous initial direct costs would qualify for capitalization under the new lease standard.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as a right-of-use (ROU) assets and as short-term and long-term lease liabilities, as applicable. The Company does not have any financing leases.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company believes it could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew.

In January 2021, the Company exercised its right to extend a lease for 36 months that resulted in an increase of \$780,070 to operating lease right-of-use asset and of \$780,070 to operating lease liabilities.

In April 2021, the Company entered into a new lease for 24 months that resulted in an increase of \$86,549 to operating lease right-of-use asset and of \$86,549 to operating lease liabilities. Further, the Company adjusted the interest rate used to discount the lease payments to its current incremental borrowing rate and this resulted in an additional increase of \$38,072 to operating lease right-of-use asset and of \$38,072 to operating lease liabilities.

The following table presents the right-of-use asset and short-term and long-term lease liabilities amounts recorded on the consolidated balance sheets as of August 31, 2021:

	August 31, 2021	November 30, 2020
Assets		
Operating lease right-of-use asset	\$ 992,346	\$ 299,089
Liabilities		
Current portion of operating lease liabilities	\$ 306,817	\$ 275,570
Operating lease long term liabilities	690,347	23,632
Total lease liability	<u>\$ 997,164</u>	<u>\$ 299,202</u>

The maturity of the Company's lease liabilities at August 31, 2021 were as follows:

Fiscal Year Ending November 30,	Future Operating Lease Payments
2021 (remaining 3 months)	\$ 82,545
2022	339,182
2023	313,996
2024	295,086
2025	24,590
Less: Imputed interest	(58,235)
Present value of lease liabilities	<u>\$ 997,164</u>

The remaining lease term and discount rates are as follows:

	August 31, 2021
Lease Term and Discount Rate	
Remaining lease term (years)	
Operating lease	3.3
Discount rate (percentage)	
Operating lease	3.5 %

Supplemental cash flow information related to leases is as follows:

	Three Months Ended August 31, 2021	Nine Months Ended August 31, 2021
Operating cash outflows from operating leases	\$ 82,545	\$ 229,675
	Three Months Ended August 31, 2020	Nine Months Ended August 31, 2020
Operating cash outflows from operating leases	\$ 65,754	\$ 196,940

Note 12 – COVID-19

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (“COVID-19”) outbreak. The Company faces various risks related to health epidemics, pandemics and similar outbreaks, including the global outbreak of COVID-19. The Company believes it has taken appropriate steps to minimize the risk to our employees and to maintain normal business operations and continues to actively monitor the global outbreak and spread of COVID-19 and continues to take steps to mitigate the potential risks to us posed by its spread and related circumstances and impacts. Due to the change in consumer buying patterns as a result of COVID-19, the Company has experienced a decline in new client and public banking sales resulting in a decrease in revenues for the three and nine months ended August 31, 2021 compared to the three and nine months ended August 31, 2020. While the ultimate health and economic impact of COVID-19 remains highly uncertain, we expect that our business operations and results of operations, including our net sales, earnings and cash flows, may continue to be impacted by decreases in new client and public banking sales. We cannot predict the timing and speed of the recovery, and any delay in the recovery could significantly impact our future results.

Note 13 – Patent Option and Technology License Agreement

Effective June 9, 2020, the Company entered into a Patent Option Agreement (the “Option”) with Duke University (“Duke”). The Option grants Cryo-Cell the exclusive option to obtain an exclusive license to certain of Duke’s patent rights to make, have made, use, import, offer for sale, sell and otherwise commercially exploit (with the right to sublicense) certain licensed products and to practice certain licensed processes, and the exclusive right to use certain regulatory data and technical information in connection with such licensed patent rights, in the treatment, prevention, cure, reduction, mitigation or other management of diseases in humans, except, with regard to certain patent rights, in certain excluded fields of use and in certain territories, as well as a limited license to make, have made or use certain products, processes, data and information for the purpose of evaluating the market potential for such products and processes in the designated field of use, subject to Duke’s reserved rights to practice the licensed rights for all research, public service, internal (including clinical) and/or educational purposes. This exclusive Option is for a period of nine months from the effective date of the Option. As consideration for the Option, the Company paid Duke a non-refundable, option fee of \$ 350,000 during June 2020. The Option was subject to extension by the Company for an additional nine months by payment of \$150,000 on or before the expiration of the initial nine-month option period. On December 1, 2020, the Company made the extension payment of \$150,000. Such option fee, plus the extension fee, was fully credited against the license fee under the future license agreement. In connection with the option, Cryo-Cell anticipates opening a clinic to help patients have greater access to cord blood treatments established by Duke University under the FDA granted Expanded Access Program.

On February 23, 2021, the Company entered into a Patent and Technology License Agreement (the “Agreement”) with Duke, pursuant to which Duke has granted to the Company an exclusive license to make, have made, use, import,

offer for sale, sell and otherwise commercially exploit (with the right to sublicense) certain licensed products and to practice certain licensed processes, and the exclusive right to use certain regulatory data and technical information in connection with such licensed patent rights, in the treatment, prevention, cure, reduction, mitigation or other management of certain diseases in humans, except, with regard to certain patent rights, in certain excluded fields of use and in certain territories, subject to Duke's reserved rights to practice the licensed rights for all research, public service, internal (including clinical) and/or educational purposes.

The Agreement extends until expiration of the last Royalty Term, unless sooner terminated as provided in the Agreement. Royalty Term generally means the period beginning on the first commercial sale of each licensed product or licensed process and ending 15 years thereafter. Upon expiration of the applicable Royalty Term with respect to a particular licensed product or licensed processes, the licenses and rights granted by Duke to the Company under the Agreement with respect to such product or process become fully paid-up, royalty-free, perpetual and irrevocable.

The Company is required to pay Duke a license fee equal to \$12,000,000, of which \$5,000,000 was due within 14 days of February 23, 2021 (of which \$500,000 has previously been paid through the crediting of the previously paid \$350,000 option fee plus \$150,000, extension fee, as described above), \$5,000,000 must be paid on the first anniversary of February 23, 2021, and \$2,000,000 must be paid on the second anniversary of February 23, 2021. In addition, during the Royalty Term, subject to certain minimum royalties, the Company is required to pay Duke royalties based on a portion of net sales varying from 7% - 12.5% based on volume. On March 8, 2021, the Company transferred \$4,889,410 to Duke which included the first payment due of \$5,000,000, less \$500,000 previously paid and \$389,410 in costs related to the patents.

Unless the Agreement is terminated or renegotiated as permitted per the Agreement, the Company is also required to pay Duke minimum annual royalties beginning on the second anniversary of the effective date. The minimum annual royalties are as follows:

- Year 2: \$500,000
- Year 3: \$1,000,000
- Year 4: \$2,500,000
- Year 5 and each year thereafter during the term of this Agreement: \$5,000,000

In addition, the Company is required to pay Duke certain milestone payments, as follows:

- \$2,000,000 upon initiation of the first Phase III clinical trial for an indication other than Autism Spectrum Disorder, for a licensed product comprising cord tissue; and
- A number of shares of the Company's common stock equal to the corresponding percentage of the Company's fully-diluted equity ownership outstanding as of February 23, 2021 as follows:
 - (1) 5.0% upon execution of the Agreement;
 - (2) 2.5% upon cumulative net sales of licensed product and licensed process of \$ 10,000,000;
 - (3) 2.5% upon cumulative net sales of licensed product and licensed process of \$ 75,000,000
 - (4) 2.5% at each of the following market cap of the Company (based on a rolling 30-day average closing market cap) triggers:
 - Equal to or greater than \$300,000,000, provided such trigger occurs within 18 months of February 23, 2021; and
 - Equal to or greater than \$500,000,000, provided such trigger occurs within 24 months of February 23, 2021.

During the first quarter of fiscal 2021, the Company capitalized \$15,132,189 as a Duke license agreement which represented the costs to obtain the Agreement and also recorded a corresponding liability to Duke for the license agreement. The costs that were capitalized as a Duke license agreement includes the present value of the \$12,000,000 license fee, \$3,585,170 of the Company's common stock transferred to Duke and certain acquisition costs. The Company is amortizing these costs over 16 years. As of the three and nine months ended August 31, 2021, the Company recorded \$240,193 and \$480,387, respectively, in amortization expense which is reflected in amortization expense on the accompanying consolidated statements of income.

Note 14 – Cancellation of Revenue Sharing Agreement

On August 31, 2020 (the "Effective Date"), the Company entered into a Termination Agreement ("Termination Agreement") with the Erie Group (the "Erie Group"), pursuant to which all such parties terminated all of their respective rights, duties, obligations, options and liabilities to each other arising out of our related to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement, Addendum thereto, Addition to such Addendum, and Amendment to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement among the Company and the Erie Group (collectively, the "SATS Agreement"). Additionally, pursuant to the terms of the Termination Agreement, the Company made a payment of \$1,939,748 on the Effective Date and the parties released each other from all claims related to the SATS Agreement and agreed to dismiss with prejudice the previously disclosed complaint (See Note 9). Pursuant to the terms of the Agreement, the Erie Group will no longer have the rights to share in a portion of the Company's storage revenues derived from specimens which originated in the state of Illinois and its five contiguous states. The payment amount of \$1,939,748 was offset by the carrying amount of the long-term liability related to the SATS in the amount of \$50,000 and accrued expenses in the amount of \$279,100 to reflect the extinguishment of revenue sharing agreements in the amount of \$1,070,900 for the three and nine months ended August 31, 2020.

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 with non-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-CB;
- (xxv) the Company's ability to realize a profit on the acquisition of Cord:Use,
- (xxvi) the costs associated with proxy contests and its impact on our business,
- (xxvii) the impact of the COVID-19 pandemic on our sales, operations and supply chain and
- (xxviii) other factors many of which are beyond our control.

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

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

Overview

The Company is engaged in cellular processing and cryogenic storage, with a current focus on the collection and preservation of umbilical cord blood stem cells for family use. The Company's principal sources of revenues are service fees for cord blood processing and preservation for new customers and recurring annual storage fees. Effective April 2016, the Company offers two pricing models, a standard plan and premium plan. The Company charges fees of \$1,675 for the standard plan and \$2,025 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 \$175 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 18 years of storage and a lifetime payment plan, pursuant to which the client is charged \$4,650 for the standard plan and \$5,000 for the premium plan and approximately \$5,800 for the standard plan and approximately \$6,100 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 18 years of prepaid storage fees. The lifetime plan includes the collection kit, processing and testing, return medical courier service and prepaid 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 is required to 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 are to 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 is to 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.

As disclosed in Note 13, on February 23, 2021, the Company entered into a Patent and Technology License Agreement (the “Agreement”) with Duke University (“Duke”). The Agreement grants the Company the rights to proprietary processes and regulatory data related to cord blood and cord tissue developed at Duke. The Company plans to explore, test, and administer these treatments to patients with conditions for which there are limited FDA approved therapies, including cerebral palsy, autism, multiple sclerosis and COVID-19. These treatments utilize the unique immunomodulatory and potential regenerative properties derived from cord blood and cord tissue. Per the Agreement, the Company has been granted exclusive commercial rights to Duke’s intellectual property assets, FDA regulatory data, clinical expertise and manufacturing protocols associated with various applications of cord blood and cord tissue stem cells. Through this Agreement, the Company intends to expand to a triad of core business units to include its cord blood bank, biopharmaceutical manufacturing (once BLA(s) or Emergency Use Authorization(s) are approved by the FDA), and infusion clinic(s) services, initially under the rights granted to Duke through the FDAs Expanded Access Program.

During the first quarter of fiscal 2021, the Company capitalized \$15,132,189 as a Duke license agreement which represented the costs to obtain the Agreement and also recorded a corresponding liability to Duke for the license agreement (see Note 13). As of August 31, 2021, the balance was \$14,891,995, net of amortization, and is reflected as Duke License Agreement on the accompanying consolidated balance sheets.

During the nine months ended August 31, 2021, total revenue decreased 9% as compared to the same period in 2020. The Company reported net income of approximately \$2,721,000 or \$0.34 per basic common share for the nine months ended August 31, 2021 compared to net income of \$2,425,000 or \$0.32 per basic common share for the nine months ended August 31, 2020. Net income for the nine months ended August 31, 2021 principally resulted from a 9% decrease in cost of

sales, a 7% decrease in selling, general and administrative expenses, a 10% decrease in interest expense and a 40% decrease in the Contingent Consideration (described below) which were offset by a 9% decrease in revenue.

At August 31, 2021, the Company had cash and cash equivalents of \$7,700,806. The Company's cash decreased approximately \$2,700,000 during the first nine months of fiscal 2021. Cash provided by operations was approximately \$6,259,000 and the Company received approximately \$1,100,000 from the exercise of stock options, which were offset by \$1,554,004 used for the purchase of property and equipment, \$5,106,224 paid to Duke as part of the Patent Option Agreement (see Note 13) and \$3,325,000 used to repay the note payable.

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus ("COVID-19") outbreak. The Company faces various risks related to health epidemics, pandemics and similar outbreaks, including the global outbreak of COVID-19. The Company believes it has taken appropriate steps to minimize the risk to our employees and to maintain normal business operations and continues to actively monitor the global outbreak and spread of COVID-19 and continues to take steps to mitigate the potential risks to us posed by its spread and related circumstances and impacts. Due to the change in consumer buying patterns as a result of COVID-19, the Company has experienced a decline in new client and public banking sales resulting in a decrease in revenues for the three and nine months ended August 31, 2021 compared to the three months ended August 31, 2020. While the ultimate health and economic impact of COVID-19 remains highly uncertain, we expect that our business operations and results of operations, including our net sales, earnings and cash flows, may continue to be impacted by decreases in new client and public banking sales. We cannot predict the timing and speed of the recovery, and any delay in the recovery could significantly impact our future results.

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 revenue sharing agreements ("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, 2021 Compared to the Nine-Month Period Ended August 31, 2020

Revenue. Revenue for the nine months ended August 31, 2021 was \$21,569,464 as compared to \$23,606,976 for the same period in 2020. The decrease in revenue was in part due to a 5% decrease in processing and storage fees.

Processing and Storage Fees. Processing and storage fee revenue is attributable to a 9% increase in recurring annual storage fee revenue offset by an 8% decrease in the number of new domestic cord blood specimens processed in the first nine months of fiscal 2021 versus the same period in 2020.

Product Revenue. For the nine months ended August 31, 2021, revenue from the product sales was \$56,200 compared to \$200,507 for the nine months ended August 31, 2020. The decrease in revenue is due to what the Company believes is a temporary change in customer demand.

Public Cord Blood Banking Revenue. For the nine months ended August 31, 2021, revenue from the public cord blood banking sales was \$289,231 compared to \$484,547 for the nine months ended August 31, 2020. The decrease in revenue is due to the volatility of customer demand.

Licensee Income. Licensee income for the nine months ended August 31, 2021 was \$0 as compared to \$629,702 for the 2020 period. Licensee and royalty income for the nine months ended August 31, 2021 and August 31, 2020 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 \$10,000,000 in royalty income due under the terms of the License and Royalty Agreement, of which, LifeCell has paid the Company approximately \$9,700,000 as of August 31, 2021. The balance of approximately \$300,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets. As of August 31, 2021, the Company has recognized all of the licensee income due under the License and Royalty Agreement with LifeCell.

Cost of Sales. Cost of sales for the nine months ended August 31, 2021 was \$6,693,806 as compared to \$7,344,011 for the same period in 2020, representing a 9% decrease. Cost of sales includes wages and supplies associated with process enhancements to the existing production procedures and quality systems in the processing of cord blood specimens at the Company's facility in Oldsmar, Florida and depreciation expense of approximately \$154,000 and \$155,000 for the nine months ended August 31, 2021 and 2020, respectively. Cost of Sales also includes \$129,581 and \$128,153 for the nine months ended August 31, 2021 and August 31, 2020, respectively, related to the costs associated with production of the PrepaCyte®-CB processing and storage system. Also included in Cost of Sales is \$1,111,022 and \$1,283,203 for the nine months ended August 31, 2021 and August 31, 2020, respectively, related to the public banks. The decrease in cost of sales for the nine months ended August 31, 2021 versus August 31, 2020 is due to the decrease in the number of new domestic cord blood specimens processed during the nine months ended August 31, 2021 versus August 31, 2020.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended August 31, 2021 were \$10,075,502 as compared to \$10,804,404 for the 2020 period representing a 7% decrease. These expenses are primarily comprised of selling and marketing expenses, salaries and wages for personnel and professional fees. The decrease in selling, general and administrative expenses is primarily attributable to a \$586,000 or a 13% decrease in selling expenses, a \$230,000 or a 46% decrease in bad debt expense and a \$217,000 or a 48% decrease in stock compensation expense for the nine months ended August 31, 2021 versus the nine months ended August 31, 2020. These expenses are offset by an increase for the nine months ended August 31, 2021 of \$254,000 in expenses associated with the development of the Cryo-Cell Institute for Cellular Therapies' and \$131,000 in patent maintenance costs associated with the Duke License Agreement (see Note 13) versus the same period in 2020.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the nine months ended August 31, 2021 were \$19,431 as compared to \$16,791 for the 2020 period.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the nine months ended August 31, 2021 was \$558,167 compared to \$130,034 for the 2020 period. The increase in depreciation and amortization is the result of the Duke License Agreement as described above (see Note 13).

Change in the Fair Value of Contingent Consideration. Change in the fair value of the contingent consideration for the nine months ended August 31, 2021 was a decrease of \$604,109 compared to a decrease of \$169,741 for the 2020 period. The contingent consideration is the earnout that Cord:Use is entitled to from the Company's sale of the public cord blood inventory from and after closing, described above. The contingent consideration was remeasured to fair value as of August 31, 2021. The estimated fair value of the contingent earnout was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earnout payments. The resulting value captures the risk associated with the form of the payout structure. The risk-neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability.

Interest Expense. Interest expense during the nine months ended August 31, 2021, was \$957,479 compared to \$1,069,345 during the comparable period in 2020, of which, \$146,756 and \$321,957, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association as described in Note 5. Interest expense is also comprised of \$695,591 and \$747,388 as of the nine months ended August 31, 2021 and 2020, respectively, for amounts due to the parties to the Company's revenue sharing agreements based on the Company's storage revenue collected. The remaining interest expense for the nine months ended August 31, 2021 is due to the accretion of the outstanding liability due to Duke per the Agreement, see Note 13.

Extinguishment of Revenue Sharing Agreement. On August 31, 2020, the Company entered into a Termination Agreement with the Erie Group pursuant to which all such parties terminated all of their respective rights, duties, obligations, options, and liabilities to each other arising out of or related to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement, Addendum thereto, Addition to such Addendum, and Amendment to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement among the Company and the Erie Group (collectively, the “SATS Agreement”). Additionally, pursuant to the terms of the Termination Agreement, the Company made a payment of \$1,939,748 on the Effective Date and the parties released each other from all claims related to the SATS Agreement and to dismiss with prejudice the previously disclosed complaint (See Note 9). Pursuant to the terms of the Agreement, the Erie Group will no longer have the rights to share in a portion of the Company’s storage revenues derived from specimens which originated in the state of Illinois and its five contiguous states. The payment amount of \$1,939,748 was offset by the carrying amount of the long-term liability related to the SATS in the amount of \$550,000 and accrued expenses in the amount of \$279,100 to reflect the extinguishment of revenue sharing agreements in the amount of \$1,070,900 for the nine months ended August 31, 2020.

Income Taxes. U.S. income tax expense for the nine months ended August 31, 2021 was \$1,134,198 compared to \$715,858 for the nine months ended August 31, 2020.

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

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recorded \$0 and \$68,102 for the nine months ended August 31, 2021 and 2020, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of income.

Results of Operations - Three Month Period Ended August 31, 2021 Compared to the Three-Month Period Ended August 31, 2020

Revenue. Revenue for the three months ended August 31, 2021 was \$7,503,652 as compared to \$8,114,358 for the same period in 2020, a decrease of 8%.

Processing and Storage Fees. For the three months ended August 31, 2021, processing and storage fees revenue was \$7,326,516 compared to \$7,486,858 for the three months ended August 31, 2020, a 2% decrease. Processing and storage fee revenue is attributable to an 8% increase in recurring annual storage fee revenue offset by a less than 1% decrease in the number of new domestic cord blood specimens processed in the third quarter of fiscal 2021 versus the same period in 2020. The average selling price in the third quarter of fiscal 2021 was 37% less than in the same period in 2020.

Product Revenue. For the three months ended August 31, 2021, revenue from the product sales was \$18,200 compared to \$82,800 for the three months ended August 31, 2020. The decrease in revenue is due to what the Company believes is a temporary change in customer demand.

Public Cord Blood Banking Revenue. For the three months ended August 31, 2021, revenue from the public cord blood banking sales was \$158,936 compared to \$116,826 for the three months ended August 31, 2020. The decrease in revenue is due to the volatility of customer demand.

Licensee Income. Licensee income for the three months ended August 31, 2021, was \$0 as compared to \$427,874 for the 2020 quarter. Licensee income for the three months ended August 31, 2021 and August 31, 2020 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 \$10,000,000 in royalty income due under the terms of the License and Royalty Agreement, of which, Lifecell has paid the Company approximately \$9,700,000 as of August 31, 2021. The balance of approximately \$300,000 is reflected as Accounts Receivable on the accompanying consolidated balance sheets. As of August 31, 2021, the Company has recognized all of the licensee income due under the License and Royalty Agreement with Lifecell.

Cost of Sales. Cost of sales for the three months ended August 31, 2021 was \$2,458,938 as compared to \$2,360,324 for the same period in 2020, representing a 4% 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 \$51,000 and \$51,000 for the three months ended August 31, 2021 and 2020, respectively. Also, included in cost of sales is \$53,498 and \$55,021 related to the costs associated with production of the Prepacyte®-CB processing and storage system for the three months ended August 31, 2021 and August 31, 2020, respectively. Public cord blood banking costs included in cost of sales for the three months ended August 31, 2021 and 2020, are \$462,021 and \$394,162, respectively. The increase in cost of sales for the three months ended August 31, 2021 versus August 31, 2020 is due to the increase in the cost of lab supplies associated with the current economic trends and the increase in costs due to the public cord blood bank.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended August 31, 2021 were \$3,493,794 as compared to \$3,375,807 for the 2020 period, representing a 3% 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 primarily attributable to approximately \$167,000 in expenses associated with the development of the Cryo-Cell Institute for Cellular Therapies' and \$104,000 in patent maintenance costs associated with the Duke License Agreement (see Note 13). Also attributable to the increase for the three months ended August 31, 2021 versus August 31, 2020 is approximately \$67,000 or a 67% increase in bad debt, offset by an 8% or a \$108,000 decrease in selling expenses.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended August 31, 2021 were \$10,004 as compared to \$1,248 for the 2020 period.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the three months ended August 31, 2021 was \$269,482 compared to \$42,510 for the 2020 period. The increase in depreciation and amortization is the result of the Duke License Agreement as described above (see Note 13).

Change in the Fair Value of Contingent Consideration. Change in the fair value of the contingent consideration for the three months ended August 31, 2021 was a decrease of \$324,904 compared to a decrease of \$145,752 for the 2020 period. The contingent consideration is the earnout that CordUse is entitled to from the Company's sale of the public cord blood inventory from and after closing, described above. The contingent consideration was remeasured to fair value as of August 31, 2021. The estimated fair value of the contingent earnout was determined using a Monte Carlo analysis examining the frequency and mean value of the resulting earnout payments. The resulting value captures the risk associated with the form of the payout structure. The risk-neutral method is applied, resulting in a value that captures the risk associated with the form of the payout structure and the projection risk. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the estimated value of the liability.

Interest Expense. Interest expense during the three months ended August 31, 2021, was \$335,870 compared to \$338,675 during the comparable quarter in 2020. Interest expense for the three months ended August 31, 2021 and August 31, 2020 consists of \$38,252 and \$87,753, respectively, related to the credit and subordination agreements with Texas Capital Bank, National Association as described in Note 5. Interest expense is also comprised of \$239,806 and \$215,173 as of the three months ended August 31, 2021 and 2020, respectively, for amounts due to the parties to the Company's revenue sharing agreements based on the Company's storage revenue collected. The remaining interest expense for the three months ended August 31, 2021 is due to the accretion of the outstanding liability due to Duke per the Agreement, see Note 13.

Extinguishment of Revenue Sharing Agreement. On August 31, 2020, the Company entered into a Termination Agreement with the Erie Group pursuant to which all such parties terminated all of their respective rights, duties, obligations, options, and liabilities to each other arising out of or related to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement, Addendum thereto, Addition to such Addendum, and Amendment to the Cryo-Cell International, Inc. Space and Time Sharing (SATS) Lease Agreement among the Company and the Erie Group (collectively, the “SATS Agreement”). Additionally, pursuant to the terms of the Termination Agreement, the Company made a payment of \$1,939,748 on the Effective Date and the parties released each other from all claims related to the SATS Agreement and to dismiss with prejudice the previously disclosed complaint (See Note 9). Pursuant to the terms of the Agreement, the Erie Group will no longer have the rights to share in a portion of the Company’s storage revenues derived from specimens which originated in the state of Illinois and its five contiguous states. The payment amount of \$1,939,748 was offset by the carrying amount of the long-term liability related to the SATS in the amount of \$550,000 and accrued expenses in the amount of \$279,100 to reflect the extinguishment of revenue sharing agreements in the amount of \$1,070,900 for the three months ended August 31, 2020.

Income Taxes. U.S. income tax expense for the three months ended August 31, 2021 and August 31, 2020 was \$404,735 and \$105,296, 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 of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recorded \$0 and \$46,274 for the three months ended August 31, 2021 and 2020, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of income.

Liquidity and Capital Resources

On August 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 August 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 August 20, 2016 between the Company and TCB.

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, 2021, the Company had cash and cash equivalents of \$7,700,806 as compared to \$10,361,125 at November 30, 2020. The decrease in cash and cash equivalents during the nine months ended August 31, 2021 was primarily attributable to the following:

Net cash provided by operating activities for the nine months ended August 31, 2021 was \$6,258,619, which was attributable to the Company's operating activities.

Net cash provided by operating activities for the nine months ended August 31, 2020 was \$5,489,878, which was attributable to the Company's operating activities.

Net cash used in investing activities for the nine months ended August 31, 2021 was \$6,660,228 which was primarily attributable \$1,510,150 used to purchase real estate for the Company's Institute of Cellular Therapies in North Carolina, \$43,854 used to the purchase equipment and software and \$5,106,224 used as part of the Patent Option and Technology License Agreement with Duke (See Note 13).

Net cash provided by investing activities for the nine months ended August 31, 2020 was \$305,691 which was attributable to cash received due to the liquidation of marketable securities in the amount of \$708,087, offset by \$52,396 used to purchase property and equipment and \$350,000 used as part of the Patent Option Agreement with Duke (See Note 13).

Net cash used in financing activities for the nine months ended August 31, 2021 was \$2,258,710 which was primarily attributable to the payments of \$3,325,000 to repay the note payable described above offset by the receipt of \$1,066,290 from the exercise of stock options.

Net cash used in financing activities for the nine months ended August 31, 2020 was \$4,228,998, which was primarily attributable to the payments of \$2,324,998 to repay the note payable described above, \$1,900,000 used to terminate a revenue sharing agreement (See Note 14), and \$45,000 used to pay the Cord:Use earnout (See Note 1) which are offset by the receipt of \$41,000 from the exercise of stock options.

The Company does not have a line of credit.

The Company anticipates making discretionary capital expenditures of approximately \$10,000,000 over the next twelve months for software enhancements, purchases of property and equipment and obligations under the Patent and Technology License Agreement with Duke University. 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. In the future, the Company anticipates using a substantial amount of cash to fund clinical trials related to the Patent and Technology License Agreement with Duke University (see Note 13.).

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 2020 Annual Report on Form 10-K filed with the SEC on March 1, 2021. 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 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 2020 Annual Report on Form 10-K. Please refer to Note 1 to the Consolidated Financial Statements.

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 officers and principal financial officer have concluded that the Company's disclosure controls and procedures were not fully 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 officers 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.

During the second quarter fiscal 2021, the Company's principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures and internal controls and procedures and internal controls over financial reporting were not effective, due to a material weakness surrounding the Company's interpretation of a non-routine transaction. The Company's controls over non-routine transactions were not conducive to identify certain items with sufficient precision. Management has undertaken steps to design and implement more effective internal controls, including a more comprehensive review process of non-routine transactions.

Changes in Internal Control Over Financial Reporting

The changes in the Company's internal control over financial reporting described in the previous paragraph were implemented during the quarter ended August 31, 2021.

There were no other changes in the Company's internal controls over financial reporting during the nine months ended August 31, 2021 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

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

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, 2021	—	—	—	1,906,465
July 1 – 31, 2021	—	—	—	1,906,465
August 1 – 31, 2021	—	—	—	1,906,465

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 Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL 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, 2021

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 Rules 13a-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, 2021

/s/ David Portnoy

David Portnoy

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 Rules 13a-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, 2021

/s/ Mark Portnoy

Mark Portnoy

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 Rules 13a-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, 2021

/s/ Jill M. Taymans

Jill M. Taymans

**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 Form 10-Q for the quarter ended August 31, 2021 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, 2021

/s/ Mark Portnoy

Mark Portnoy

Co-Chief Executive Officer

October 15, 2021

/s/ Jill M. Taymans

Jill M. Taymans

Vice President, Finance (Chief Financial Officer)

October 15, 2021