U.S. Securities And Exchange Commission
Washington, D.C. 20549

FORM 10-KSB

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended NOVEMBER 30, 1997

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number 000-23386

CRYO-CELL INTERNATIONAL, INC.
(Name of Small Business Issuer in its charter)

| | |
|---|---|
| DELAWARE | 22-3023093 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

3165 MCMULLEN BOOTH ROAD, BLDG. 5, CLEARWATER, FL 33761
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (813) 723-0333

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| NONE | |

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

COMMON STOCK, PAR VALUE $.01 PER SHARE
(Title of class)

Check whether Issuer: (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the past 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form or any amendment to this Form 10-KSB [ ]

Issuer's Revenues for its most recent fiscal year: $417,913

As of January 31, 1998, the aggregate market value of the voting stock held by non-affiliates of the Issuer was approximately $20,778,086. The market value of Common Stock of the Issuer, par value $0.01 per share, was computed by reference to the average of the closing bid and asked prices of the Issuer's Common Stock on such date which was 3 15/16.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes____No____.

The number of shares outstanding of the Issuer's Common Stock, par value $0.01 per share, as of January 31, 1998: 7,186,501.

DOCUMENTS INCORPORATED BY REFERENCE

Documents incorporated by reference: The information required by Part III of Form 10-KSB is incorporated by reference to the Issuer's definitive proxy statement relating to the 1998 Annual Meeting of Shareholders which is expected to be filed with Securities and Exchange Commission on or about March 30, 1998.

Transitional Small Business Disclosure Format (check one): Yes [ ]; No [X]



FORWARD LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements within the meanings of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis or Plan of Operation -- Factors That May Affect Future Results and Market Price of Stock." 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. (the "Company") 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 Quarterly Reports on Form 10-Q to be filed by the Company in 1998 and any Current Reports on Form 8-K filed by the Company.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

INTRODUCTION

CRYO-CELL International, Inc., is a Delaware Corporation, incorporated on September 11, 1989. It is engaged in cellular storage and the design and development of cellular storage devices. During the period since its inception, the Company's activities have principally involved the design and development of its cellular storage unit ("CCEL Cellular Storage Unit") and in securing patents on the same. The Company has initiated the development of a cellular banking network which the Company refers to as its Lifespan/SM/ Program (described below in more detail).

When placed in operation in the field, the Company believes that the cellular storage unit will provide the user with an improved ability to store cells or other material in liquid nitrogen, its vapors or other media. The unit is controlled by a computer system which robotically inserts vials in pre-selected storage areas inside the chamber. Additionally, the stored material can be robotically inserted or retrieved by computer on an individual basis without all of the remaining specimens being exposed to ambient temperature. The Company is the assignee of all patents on the units.

BACKGROUND

Nearly fifty years ago researchers discovered that cells could be cryopreserved at an extremely low temperature and all cellular activity would cease until the specimens were thawed. Historically, cryopreservation was required for organ transplants, blood banks and medical research. Today cryopreservation is an integral component of evolving cellular therapies.



CELL BANKING

Stem cells are the building blocks of our blood and immune systems. They form the white cells that fight infection, red cells that carry oxygen throughout the body and platelets that promote healing. Stem cells are the main ingredient found in bone marrow where they continue to generate cells throughout our lives. Stem cells can be kept alive in a cryogenic environment and then infused into a patient. They can be returned to the individual from whom they were taken (autologous) or donated to someone else (allogeneic). The opportunity to use an individual's own marrow for a transplant is dependent upon whether the cancer has entered the marrow system (metastasized). Otherwise, a marrow donor needs to be identified to provide the needed bone marrow. The availability of a marrow donor or stem cell specimen allows physicians to administer larger doses of chemotherapy or radiation in an effort to eradicate the disease.

Stem cells can be found in umbilical cord and placenta blood ("cord blood stem cells") which can be collected and stored after a baby is born. Recent advances have provided the techniques to separate the stem cells found in these two sources. As of the end of 1997, over 400 (compared to approximately 300 at the end of 1996) cord blood transplants have been performed. The Company believes that parents will want to save and store these cells for potential future use by their child. These stem cells could also have a 1 in 4 chance of being compatible for use by a sibling. Moreover, researchers believe they may be utilized by parents in the future.

The Company believes that the market for cord blood stem cells is enhanced by the current focus on reducing prohibitive health care costs. With the costs of bone marrow matches and transplants, newborn's U-Cord cells could be stored as a practice of preventative medicine. New medical technology is constantly evolving which may provide new uses for cryopreserved cord blood stem cells.

Another significant application for cellular storage is the storage of cancerous tumor tissue taken from a newly diagnosed patient prior to commencing treatment. This tissue could serve several functions in support of the treatment process. First, it may provide a vehicle for the doctor to test the effects of a proposed course of treatment on the diseased tissue prior to administering it to the patient. Secondly, the effects of a course of treatment could be monitored by comparing tumor cells gathered after the treatment to those stored from prior to the commencement of treatment.

Sperm storage is another potential use of the Company's unit. Male cancer patients of child bearing age can store sperm to protect their ability to have children in the event they are rendered impotent due to chemotherapy or radiation treatment.

CCEL CELLULAR STORAGE UNITS

Currently available units from other providers of cryopreservation systems are manually operated and can expose the laboratory technician to liquid nitrogen when inserting or retrieving specimens. Moreover, exposes the remaining stored specimens to ambient temperature. CRYO-CELL has designed and holds patents on a system which we believe makes use of the latest in computer and robotics technology.

The Company's technology involves patented, multi-faceted cellular storage units. The Company believes its technology provides an improved method for storing human cells, such as cord blood, tumor tissue, sperm and other cells in liquid nitrogen and/or liquid nitrogen vapor.

The unit is currently assembled by an independent manufacturer utilizing the Company's patented design. The Company has been advised by Underwriters Laboratories ("U/L") that we have passed all required inspections and the unit is now U/L listed. In order to affix the U/L label to all units



that are deployed in the future, they must contain the same parts, operating capabilities and features as in the tested CCEL II model.

To harvest the umbilical cord stem cells, a medical professional removes the blood from the umbilical cord and the placenta utilizing the Umbilical Cord Blood Collection Kit ("Kit") developed by CRYO-CELL. The Kit contains everything needed to collect specimens, including both instructions for the medical professional and for delivery of the specimens to the processing center. The Kit is being manufactured by an independent organization and is provided to the client as part of the Company's $275 initial year fee.

LIFESPAN/SM/ CENTERS

A key factor of the CRYO-CELL business strategy is its Lifespan/SM/ Cellular Storage Program. This program is intended to establish a network of Lifespan/SM/ Centers through partnerships with hospitals and medical centers. Under the Lifespan/SM/ program, the Company provides certain technology, equipment and maintenance to the medical facility without charge. The Lifespan/SM/ participant provides the space and utilities, liquid nitrogen supply, technician, etc. CRYO-CELL will be responsible for the billing activities. Typically, the revenues from a Lifespan/SM/ project will be divided 75% to the Company and 25% to the Lifespan/SM/ participant. This arrangement enables the Lifespan/SM/ facility to expand their cellular storage capabilities, offer new services and create a source of ongoing revenue.

The Company has initiated its Lifespan/SM/ Cellular Storage Program. In September, 1997 the Company signed an agreement with Washington Hospital Center in Washington, D.C., serving the greater metropolitan Washington area, including suburban Virginia and Maryland. The number of births in this area exceeds 60,000 annually.

Tenet HealthSystem Hospitals, Inc., the second largest proprietary hospital system in the U.S. which operates over 120 hospitals, has agreed to participate as a Lifespan/SM/ Center and Single-Unit Revenue Sharing Partner. Tenet is expanding its lab facilities to implement the CRYO-CELL Lifespan/SM/ Program. The first facility is expected to be opened for processing in March, 1998 at Tenet's St. Vincent Hospital in Worcester, Massachusetts.

In March 1997, the Company signed an agreement with St. Peter's Medical Center in New Brunswick, New Jersey to be the exclusive CRYO-CELL Storage Center in the State of New Jersey. The state of New Jersey has approximately 120,000 births annually. The facility is expected to open in the spring of 1998.

CRYO-CELL established a Lifespan/SM/ Center in 1996 at Reproductive Genetics Laboratory at the Illinois Masonic Medical Center in Chicago. This is a World Health Organization ("WHO") Collaborating Center for Prevention of Genetic Disorders. The Company is storing this Lifespan/SM/ Center's specimens in a standard CryoMed unit on an interim basis until our proprietary equipment is installed.

The Company's strategic plan is to develop an international cellular banking network based on its patented technologies. The Company is focusing on building alliances through its Lifespan/SM/ Program as well as its Revenue Sharing Program with university/medical centers and other organizations in the United States and overseas.

MARKETING CELLULAR STORAGE SERVICE

Over four million babies are born in the United States annually. The Company has targeted the stem cell cryopreservation market as its initial focus.



CRYO-CELL has entered into an agreement with the Lamaze Publishing Company to sponsor the Lamaze tutorial tape. The agreement calls for Lamaze to distribute the videotape to nearly two million women in their third trimester of pregnancy. Over 90% of first time mothers and 45% of the pre-natal market avail themselves of the Lamaze Institute for Family Education proven instruction program. The tutorial tape, which will be distributed by over 10,000 instructors, will discuss the importance of cord blood storage and refer viewers to the full page ad the company has placed in the Lamaze Parents Magazine, which will be distributed to 2.4 million expectant mothers. The Company has also committed to a second Lamaze program which will now bring the total coverage to 3.6 million expectant mothers for the tutorial tape and 4.8 million expectant mothers for the Lamaze Parents Magazine over a two year period. In addition, the Company has signed a two year commitment with Revista Lamaze para Padres Special Delivery Magazine Onsert Program to reach nearly one million Hispanic mothers-to-be with a hand delivered Spanish translation of the CRYO-CELL brochure. The Company feels this is an extremely important marketing campaign because it is known that ethnic minorities are generally underrepresented in the National Marrow Donor Registry. The Company has exclusivity in the cord blood storage field and first right of refusal for renewal of the agreement.

CRYO-CELL has entered into an agreement with Bio-Stor International, Inc. which will market processing and cellular storage for CRYO-CELL at no additional expenditure to the company. CRYO-CELL will receive 19% equity in Bio-Stor. For a $1,000,000 (one million dollar) payment to CRYO-CELL, Bio-Stor receives the rights to market the CRYO-CELL technology. Each time Bio-Stor marketing activities fill 33,000 spaces in a CCEL multi-faceted cellular storage unit at the headquarters lab, they have the right to market an additional 33,000 spaces for new specimens. Bio-Stor is required to pay another $1,000,000 (one million dollars) to CCEL for each active Revenue Sharing Market Agreement. In addition, CRYO-CELL could receive an additional $3,000,000 to $5,000,000 from a successful Bio-Stor Initial Public Offering. The success of this agreement is largely dependent upon the successful completion of the initial public offering by Bio-Stor which is uncertain.

CRYO-CELL has established a Medical & Scientific Advisory Board comprised of more than 20 researchers, physicians and scientists from various fields such as oncology, stem cell research, hematology, genetic research, assisted reproduction and other specialties. Many of the Company's Advisory Board members are heads of their departments and are committed to cellular storage as part of new services to improve patient care and save lives.

The Company markets its cellular banking services by targeting expectant parents through direct information to obstetricians, pediatricians, Lamaze instructors, childbirth educators, certified nurse-midwifes and other related healthcare professionals. In addition, the Company exhibits at conferences, trade shows and other media which focus on the expectant parent market.

REVENUE SHARING AGREEMENTS

ARIZONA. On February 28, 1995, the Company entered into a Revenue Sharing

Agreement with two private investors. The revenue interest entitles the investors to a 50% share of the Net Revenues (defined as the revenues after expenses for running the Lifespan/SM/ Program) from all cellular storage activities in Arizona. In exchange, the Company received a total of $1,800,000 in negotiable demand notes to be paid in 25% annual installments ($450,000 plus interest at prime rate) annually, commencing April 30, 1996.

In January, 1996, the notes were restructured to provide for an accelerated payment of the $450,000, originally due April 30, 1996, to January of 1996. This was in exchange for the payment of future amounts to be due and payable out of revenues generated from the Lifespan/SM/ Program. Since the restructuring made the repayment of the $1,350,000 note based upon future revenue, the Company does not carry the note as a receivable and has not recorded this portion of the income.



ILLINOIS. In 1996, the Company signed agreements with a group of investors entitling them to an on-going 50% share in CRYO-CELL's portion of net revenues generated by the Cellular Storage Unit located in the Illinois Masonic Medical Center. The revenue generated by this Single Unit Revenue Sharing Agreement was $1,000,000.

BIO-STOR. On November 11, 1997, the Company and Bio-Stor International, Inc., signed a modification to their Agreement of April 12, 1996. The amended agreement is intended to create an organization to join CRYO-CELL in marketing its cellular storage service throughout the United States. CRYO-CELL agrees to share in the net revenue from 33,000 spaces in each of three locations for $3,000,000. A non-refundable deposit of $1,000,000 was the condition for obtaining these revenue sharing rights. In the event the total $3,000,000 can not be raised, all proceeds paid will be applied to individual Revenue Sharing Agreements for locations designated by CRYO-CELL.

Bio-Stor issued a promissory note dated April 29, 1996, and due on June 1, 1996, in the amount of $900,000 representing 90% of the non-refundable deposit ($1,000,000). The $900,000 has been received by the Company as of the balance sheet date and the remaining $100,000 will be paid out of the Bio-Stor initial public offering. The balance of the $2,100,000 will be paid by November 11, 1998 out of the proceeds of the Bio-Stor initial public offering. An additional extension of up to 180 days will be granted if Bio-Stor files for their IPO with the SEC within the 12 month time frame.

Under the modified agreement, Bio-Stor purchased an Active Revenue Sharing Marketing Partnership for cellular storage business that is generated by Bio-Stor. CRYO-CELL received a non-recourse promissory note in the amount of $1,000,000 from Bio-Stor payable upon completion of Bio-Stor's initial public offering. This promissory note is not reflected in CRYO-CELL's financial statements since payment is contingent upon a successful initial public offering.

CRYO-CELL also granted Bio-Stor a one year option for an Active Revenue Sharing Marketing Partnership for "multi-faceted" cellular storage business that is generated by Bio-Stor for $1,000,000. The purchase option must be exercised at the time of the Bio-Stor IPO.

In addition, CRYO-CELL granted Bio-Stor a one year option to (1) purchase a 20% equity position of CRYO-CELL Europe (a corporation to be formed to service the European common markets) for $2,000,000 and to (2) purchase an equity position in CRYO-CELL Latin America (a corporation to be formed to service the Merco-Sur, which encompasses Argentina, Brazil, Paraguay, Uraguay and Chile) for $1,000,000 per 10% up to 20%.

In consideration of these modifications, CRYO-CELL will receive 19% equity position in Bio-Stor after the successful initial public offering. CRYO-CELL has granted Bio-Stor a voting trust with respect to these shares.

TENET HEALTHSYSTEM HOSPITALS, INC. On November 30, 1996, the Company signed dual joint venture agreements with OrNda HealthCorp, a Nashville based chain of 50 hospitals. Under the terms of the Lifespan/SM/ segment of the agreement, CRYO-CELL will provide OrNda, which at the time had $2.7 billion in annual revenues, the use of two CRYO-CELL patented Cellular Storage Units, each with an approximate 35,000 storage capacity. In addition to OrNda receiving 25% of the $50 per specimen annual cellular storage fees, CRYO-CELL will provide "pro-bono" spaces within units for important research in cryopreservation of stem cells for the future medical benefit of OrNda's patients. In addition to the Lifespan/SM/ agreement, two "one-third" Revenue Sharing Agreements were purchased in which OrNda paid CRYO-CELL $666,666. OrNda was acquired by Tenet HealthSystem Hospitals, Inc. which agreed to be bound by the terms of the Lifespan and Single Unit Revenue Sharing Agreements.

GAMIDA-MEDEQUIP. AND VISCOUNT SECURITIES The Company entered into agreements with Gamida MedEquip. After the signatory deceased the agreement was terminated and the deposit refunded. In addition, the company signed an agreement with Sachem (Viscount Securities) which was not brought to fruition and was terminated. Sachem is entitled to storage revenue based upon their $400,000 non-refundable deposit which was paid in May 1997, in the form of 100,000 shares of a NASDAQ small cap stock. The Company is free to negotiate replacement agreements and intends to do so.

PATENTS

The Company has been granted patents with respect to its cellular storage unit. In addition the Company has filed several additional United States and foreign patents. There can be no assurances, however, that the pending patent applications will be issued as patents or, if issued, that the patents will provide the Company with significant protection against competitors. The Company has made application for the Lifespan/SM/ service mark.

COMPETITION

The Company is aware of several competitors in the marketplace. Each of these companies, Viacord, Cord Blood Registry and Corcell, charge a considerably higher price for their services than CRYO-CELL. Ultimately, the Company believes it will be able to successfully compete due to its marketing approach and the fact that it currently has the most affordable program in the United States.

RESEARCH AND DEVELOPMENT

The Company has expended $204,117 during fiscal 1997 , compared to $111,499 during fiscal 1996 on research and development. Additionally, more than $38,000 was spent to date to obtain Underwriters Laboratory's listing.

GOVERNMENT REGULATION

Since the inception of the development of the unit, it has been the opinion of management and legal counsel that the CCEL Cellular Storage Unit is a class I device and falls under the Food and Drug Administration's (FDA) regulations at 21 C.F.R. ss. 862.2050 ("general purpose laboratory equipment labeled and promoted for a specific medical use"). Devices regulated under 21 C.F.R. ss. 862.2050 are specifically exempt from the 510(k) notification requirements. There is no assurance that in the future the FDA would not classify the unit as a class II device requiring the Company to file for an equivalency in order to be able to continue commercial use of the unit.

If the Company is required to file for equivalency to existing equipment, the notification under section 510(k) of the Federal Drug Act will include statements that the cellular storage units for cryopreservation are substantially equivalent to cryopreservation units on the market prior to the enactment of the Medical Device Amendments of 1976. Total review time, according to statistics published in MDDI Reports (Medical Devices, Diagnostics & Instrumentation) by F-D-C- Reports Inc., for all 510(k)s approved by the FDA as of October 19, 1995, was 135 days, on average, with 1/2 being completed in 91 days or less. If the cryopreservation unit is so accepted as substantially equivalent by the FDA, marketing can continue. There is no assurance that the FDA will allow an equivalency.

While management believes FDA approval will not be necessary, in the event that the cryogenic unit is not accepted as substantially equivalent by the FDA it would require the Company to develop significant test data proving the reliability of the unit which would take a significant amount of time. Also, there can be no assurance that the Company will be granted the right to produce the unit for distribution in the U.S. or that if it is granted the right, it will be accomplished in a time frame that will



not negatively impact the potential future revenue of the Company.

EMPLOYEES

At present there are 11 employees on the staff of the Company. Daniel D. Richard serves as the Chairman of the Board and Chief Executive Officer. The Company has negotiated an agreement for the services of an experienced individual who will serve as President and Chief Operating Officer commencing in April 1998.

In February 1998, Gerald F. Maass joined the Company as Executive Vice

President and General Manager. Mr. Maass resigned from a 10 year tenure with Johnson & Johnson (Critikon) where he served as International Director of Marketing. Mr. Maass' international contacts will be invaluable in the development of strategic alliances for the Company's proprietary technology in foreign markets. Along with extensive marketing experience, Mr. Maass also brings to CRYO-CELL experience in the medical technology field.

Additional employees and staff will be hired on an "as needed" basis. The Company believes its relationship with its employees to be excellent and therefore does not contemplate any labor disputes.

NET/TECH INTERNATIONAL, INC.

At November 30, 1997 CRYO-CELL owned 1,883,711 shares of Net/Tech International, Inc. common stock (Net/Tech NASD Bulletin Board symbol...NTTI) which represented 28% of the outstanding shares (6,689,210 shares total) of this company. Net/Tech has received a patent for a Hygiene Guard hand washing monitoring system. This system will monitor whether employees have washed their hands after using the restroom facilities prior to returning to their workplace. Net/Tech has obtained the Global Marketing rights to the Food Fresh and is completing their catalogue of more than 75 products which will enable restaurants, hotels, hospitals and processing centers to comply with federal and state health regulations pertaining to food safety.

ITEM 2. DESCRIPTION OF PROPERTY

The Company entered into a long term lease on a new, free-standing headquarters building containing 7,500 square feet. The facility contains executive offices, conference and training center, state of the art laboratory and supporting scientific offices.

ITEM 3. LEGAL PROCEEDINGS

In July of 1996, the Company filed suit in the Superior Court of the State of California, in San Francisco, naming Cord Blood Registry, Inc., Jesse Kramer, David T. Harris, The Board of Regents University of Arizona and other defendants. The multi-count lawsuit, seeking damages. The suits allege among other things: breach of contract, fraud and deceit, misrepresentation, unfair competition, and trade libel. In addition, the Company seeks damages, including punitive damages, resulting from the alleged misappropriation of funds belonging to CRYO-CELL in connection with cellular storage by its customers. The Company believes the suit has merit and the allegations can be proven. It has been established that the defendants have contractually indemnified each other. Their contract stipulates an insurance program which covers "the defendants' wrongful use of CRYO-CELL's material, the interference of a legitimate business arrangement between CRYO-CELL and the University of Arizona" and the disparagement of CRYO-CELL.



On March 28, 1997, the company was informed that the University of Arizona filed a cross claim to the CRYO-CELL lawsuit stating that CRYO-CELL has breached the contract and intentionally misled the University. CRYO-CELL believes there is no merit to these allegations and that the belated cross claim is part of the strategy by the University to motivate CRYO-CELL to settle the case. Litigation is proceeding.

On October 31, 1997, CRYO-CELL filed a multi-count lawsuit in United States District Court, Northern District of New York, Albany, New York, claiming that Stainless Design Corporation of Saugerties, New York, and one of its officers breached its contract among other things, with the Company in relation to the manufacture of cellular storage systems. Stainless Design Corporation filed a counterclaim on December 15, 1997 which among other things alleges that SDC was given a design they could not build. CRYO-CELL feels these allegations have no merit since the Company was assured by SDC that the unit would function as intended. Moreover, the unit has been subsequently listed by Underwriters Laboratory.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.



PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

In January of 1997, the Company's stock began trading on the NASDAQ Small Cap market. The Company's common stock traded on the Over-The-Counter market since January 10, 1991, the date of the Company's initial public offering. The following table shows, for the calendar periods indicated, the high and low closing bid quotations for the Company's common stock as reported by the Dow Jones Retrieval Service. The quotations represent inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

| | HIGH | LOW |
|---|---|---|
| 1996 | | |
| February 29, 1996 | 3 1/2 | 3 1/8 |
| May 31, 1996 | 5 1/2 | 4 3/8 |
| August 31, 1996 | 6 1/4 | 5 3/4 |
| November 30, 1996 | 4 1/8 | 3 15/16 |
| 1997 | | |
| February 28, 1997 | 6 1/4 | 6 |
| May 31, 1997 | 4 1/2 | 4 3/8 |
| August 31, 1997 | 3 23/32 | 3 1/4 |
| November 30, 1997 | 3 1/8 | 3 1/8 |

The Company has not declared any cash dividends on its common stock and does not expect to do so in the near future.

As of January 31, 1998, the Registrant had 368 shareholders of record, and management believes there are approximately 975 additional beneficial holders.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of the financial condition and results of operations of the Company for the two years ended November 30, 1997, should be read in conjunction with the financial statements and related notes as well as other information contained in this Annual Report on Form 10-KSB.

GENERAL

The Company is engaged in cellular storage and the design and development of cellular storage devices used in its storage programs. The Company has been financed primarily through both the private and public equity markets.

The revenue recognized to date has been almost exclusively from the sale of Revenue Sharing Agreements. Revenue Sharing Agreements can take considerable time to negotiate and come to fruition. Moreover, since such agreements can involve millions of dollars, there can be wide swings in revenue and earnings from quarter to quarter and possibly year to year.



RESULTS OF OPERATIONS

SALES. For the year ended November 30, 1997, the Company had revenues of $417,913 compared to $2,669,616 in the prior fiscal year. The majority of revenues in 1996 was from the sale of Revenue Sharing Agreements. The decrease reflects a lower level of Revenue Sharing Agreements that were brought to fruition during the fiscal year.

COST OF SALES. In the fiscal year ended November 30, 1997, cost of sales were $46,047 compared to $292,708 in the prior period. Cost of sales represents the assignment of a proportionate share of the cost of equipment associated with the Revenue Sharing Agreements to cost of sales. The cost of sales as a percentage of revenue remained fairly constant between the two years at 11%.

MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses during the twelve months ended November 30, 1997, were $1,625,082 as compared to $1,398,630 in 1996. The increase reflects the expense of market development, lab operations support and client services associated with the Lifespan/SM/ Centers and Revenue Sharing Agreements, the expense of voluntary regulatory approval for the Company's cellular storage unit, continued product development, and the establishment of an expanded management team to handle the anticipated growth.

LOAN SETTLEMENT EXPENSE. Loan settlement expense during the twelve months ended November 30, 1997, was $0 as compared to $95,251 in 1996. The 1996 figure represents final adjustments associated with the conversion of a loan to Net/Tech International, Inc., into Net/Tech common stock.

RESEARCH, DEVELOPMENT AND RELATED ENGINEERING EXPENSES. Research, Development and Related expenses during the twelve months ended November 30, 1997, were

$204,117 as compared to $111,499 in 1996. The increase reflects the continued development of the Company's second generation cellular storage unit, as well as, the research and development of the Company's additional cellular storage systems.

OTHER. During the twelve months ended November 30, 1997, the Company realized a gain of $443,153 on the sale of common stock of Net/Tech International, Inc., compared to $150,000 in 1996. During fiscal 1997, the Company wrote off $4,239 compared to $146,506 in 1996 for patents no longer considered necessary by the Company. During fiscal 1997, the Company wrote off $172,843 associated with discontinued equipment. During fiscal 1997, the Company recognized the equity in the loss of its unconsolidated affiliate (Net/Tech International, Inc.) of $402,245 as compared to $79,629 in the 1996.

MATERIAL FOURTH QUARTER ADJUSTMENTS. The results for the fourth quarter ending November 30, 1997, include the following adjustments: (1) the loss recorded in the equity of Net/Tech of $402,245, (2) the prototype no longer considered useful (added $172,843 to Expenses), (3) Research and Development charges of $114,622, and (4) the assignment of a proportionate share of cellular storage unit cost to the related Revenue Sharing Agreement revenue (cost of sales expense of $40,143). Taken together, these fourth quarter items had a significant adverse effect on fourth quarter earnings.

LIQUIDITY AND CAPITAL RESOURCES

At November 30, 1997, the Company had cash and cash equivalents of $814,516 as compared to $1,079,531 at the end of fiscal 1996. The decrease in cash and cash equivalents was a result of the funding of operations.

To date, the Company's sources of cash have been from the issuance of its own equities, the sale of Revenue Sharing Agreements, the borrowing on a revolving line of credit, and the sale of subsidiary



stock. The sale of subsidiary shares alone generated $472,738 in fiscal year 1997.

The Company's cash flows used for investing activities was $747,913 for the year ended November 30, 1997 compared to $123,663 for the preceding year. This $624,250 increase was a result of increased spending for the Company's new state of the art laboratory and expenditures related to its cellular storage units.

Future capital expenditures are dependent on the rate at which the Company opens additional storage centers. The Company anticipates that cash reserves, cash flows from operations and the sale of subsidiary stock in fiscal, 1998 will be sufficient to fund its growth. Cash flows from operations will depend primarily on the sale of additional Revenue Sharing Agreements and the results of an extensive umbilical cord blood cellular storage marketing campaign with Lamaze publications.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND MARKET PRICE OF STOCK

The Company operates in a rapidly changing environment that involves numerous risks, some of which are beyond the Company's control. The following discussion highlights some of the risks the Company faces.

MARKET ACCEPTANCE FOR CRYOPRESERVED STEM CELLS. The cryopreserved stem cell market is a relatively new market and while the Company believes it will gain increasing popularity, there can be no assurance that the growth of this market will meet the Company's expectations.

ACCEPTANCE OF THE COMPANY'S CELLULAR STORAGE TECHNOLOGY. Although the Company believes that its patented cellular storage technology will be accepted, there can be no assurance that the Company's cryopreservation technology will function in an operational setting in the manner as intended or develop a profit center for the Company.

POSSIBLE NEED FOR ADDITIONAL CAPITAL. The Company believes it will generate sufficient revenues to fund its operations. However, should the Company's sources of revenue, primarily the Revenue Sharing Agreements, not materialize as management anticipates, the Company may seek additional capital from public or private sources. There can be no assurance that such capital will be available or, if available, that the terms of its availability will not be adverse to the existing shareholders of the business.

COMPETITIVE ENVIRONMENT. In the Company's opinion, the potential life saving need for cryopreserved stem cells is likely to attract additional competitors in the market. The Company believes its storage and marketing edge will enable it to offer a more affordable service than its competitors. However, there can be no assurance that competitors with more financial and technical resources will not adversely affect the Company's business.

UNEVEN PATTERN OF QUARTERLY OPERATING RESULTS. The Company's revenue in general, and in particular its Revenue Sharing Agreement revenues, are difficult to forecast and can vary from quarter to quarter due to various factors, including (1) the relatively long sales cycles for these Agreements, and (2) the size and timing of individual Agreement transactions. Accordingly, the Company's quarterly results are difficult to predict and delays can cause quarterly revenues and net income to fall significantly short of anticipated levels.

MANAGEMENT OF GROWTH. The Company anticipates rapid growth in capitalizing on the opportunity in cryopreserved stem cells. The Company's future operating results will depend on management's ability to manage growth, continuously hire and retain qualified employees, forecast revenues and control expenses. An unexpected decline in the growth rate of revenues without a corresponding and timely slowdown in expense growth could have a material adverse effect on the Company's business, results of



operations or financial condition.

HIRING AND RETENTION OF EMPLOYEES. The Company's continued growth and success depends to a significant extent on the continued service of senior management and other key employees and the hiring of new qualified employees. There can be no assurances that the Company will be successful in continuously recruiting new personnel and in retaining existing personnel. The loss of one or more key employees or the Company's inability to attract additional qualified employees or retain other employees could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company may experience increased compensation costs in order to compete for skilled employees.

ENFORCEMENT OF THE COMPANY'S INTELLECTUAL PROPERTY RIGHTS. The Company relies on a combination of the protections provided under applicable patent, copyright, trademark and trade secret laws. It also relies on confidentiality procedures and licensing arrangements to establish and protect its rights in its products and services. Despite the Company's efforts to protect these rights, it may be possible for unauthorized third parties to copy certain portions of the Company's products or to reverse engineer or obtain and use technology or other information that the Company regards as proprietary. In addition, the laws of certain countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States. Accordingly there can be no assurance that the Company will be able to protect its proprietary technology against unauthorized third party copying or use, which could adversely affect the Company's competitive position.

INTERNATIONAL SALES. Although international sales have not been a factor to date, the Company believes this market to offer attractive potential. Such growth in international business will be subject to the risks attendant thereto, including the general economic conditions in each country, the overlap of different tax structures, the difficulty in managing an organization spread over various countries, changes in regulatory requirements, compliance with a variety of foreign laws and regulations and longer payment cycles in certain countries.



ITEM 7. FINANCIAL STATEMENTS

The financial statements and supplementary data listed in the accompanying Index to Financial Statements are attached as part of this report.

CRYO-CELL INTERNATIONAL, INC.

LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of CRYO-CELL International, Inc. are included in Item 7:

Consolidated Notes to Financial Statements F10

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
CRYO-CELL International, Inc.

We have audited the accompanying consolidated balance sheets of CRYO-CELL International, Inc. and subsidiaries as of November 30, 1997 and 1996, and the related consolidated statements of income (loss), shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CRYO-CELL International, Inc. and subsidiaries as of November 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

MIRSKY, FURST & ASSOCIATES, P.A.

Fort Lee, New Jersey
March 11, 1998



<TABLE>
<CAPTION>

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

ASSETS

| | NOVEMBER 30, 1997 | NOVEMBER 30, 1996 |
|---|---|---|
| <S> | <C> | <C> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 814,156 | $1,079,531 |
| Receivables and advances (net of allowance for doubtful accounts of $4,338 in 1997 and $2,500 in 1996) | 62,637 | 673,533 |
| Marketable securities | 225,000 | -- |
| Refundable income taxes | 21,338 | -- |
| Loan origination fees, net | 44,116 | -- |
| Prepaid expenses and other current assets | 57,676 | 36,467 |
| Total current assets | 1,224,923 | 1,789,531 |
| PROPERTY AND EQUIPMENT | | |
| Property and equipment, net | 2,466,152 | 2,001,746 |
| Other Assets | | |
| Intangible assets (net of amortization of $35,696 and $30,531, respectively) | 68,512 | 67,630 |

| | | |
|---|---|---|
| Deposits with vendors and others | 28,788 | 5,971 |
| Investment in unconsolidated affiliate | 191,698 | 50,138 |
| Total other assets | 288,998 | 123,739 |
| TOTAL ASSETS | $3,980,073 | $3,915,016 |

</TABLE>

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



<TABLE>
<CAPTION>

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

LIABILITIES AND STOCKHOLDERS' EQUITY

| <S> | NOVEMBER 30, 1997 <C> | NOVEMBER 30, 1996 <C> |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 289,159 | $ 86,435 |
| Accrued expenses and withholdings | 104,194 | 93,823 |
| Income tax payable | -- | 37,334 |
| Short term borrowings | 500,000 | -- |
| Current portion of obligations under capital leases | 2,350 | 8,296 |
| Total current liabilities | 895,703 | 225,888 |
| OTHER LIABILITIES | | |
| Unearned revenue and deposits | 8,708 | 30,000 |
| Obligations under capital leases-net of current portion | 4,542 | -- |
| Total other liabilities | 13,250 | 30,000 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock (500,000 $.01 par value authorized; 0 issued and outstanding) | -- | -- |
| Common stock (15,000,000 $.01 par value common shares authorized; 7,186,501 at November 30, 1997 and 7,151,984 at November 30, 1996 issued and outstanding) | 71,865 | 71,520 |
| Additional paid-in capital | 7,702,791 | 6,473,085 |
| Unrealized losses on marketable securities | (175,000) | -- |
| Accumulated deficit | (4,528,536) | (2,885,477) |
| Total stockholders' equity | 3,071,120 | 3,659,128 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 3,980,073 | $ 3,915,016 |

</TABLE>

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



<TABLE>
<CAPTION>

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED

| <S> | NOVEMBER 30, 1997 <C> | NOVEMBER 30, 1996 <C> |
|---|---|---|
| Revenue | $ 417,913 | $ 2,669,616 |
| COSTS AND EXPENSES: | | |
| Cost of sales | 46,047 | 292,708 |
| Marketing, general & administrative expenses | 1,625,082 | 1,398,630 |
| Loan settlement expense | -- | 95,251 |
| Research, development and relating engineering | 204,117 | 111,499 |
| Non-recurring charges | -- | 146,506 |
| Impairment of prototype | 172,843 | -- |
| Depreciation and amortization | 95,052 | 53,357 |
| Total cost and expenses | 2,143,141 | 2,097,951 |
| OPERATING PROFIT (LOSS) | (1,725,228) | 571,665 |
| OTHER INCOME AND (EXPENSE): | | |
| Interest Income/Other Income | 49,986 | 27,668 |
| Interest Expense | (8,677) | (14,135) |
| Gain on sale of unconsolidated affiliate's stock | 443,152 | 150,000 |
| Total other income | 484,461 | 163,533 |
| INCOME (LOSS) BEFORE EQUITY IN NET LOSS OF UNCONSOLIDATED AFFILIATE | (1,240,767) | 735,198 |
| Provision for income taxes | | (44,829) |
| Equity in net loss of unconsolidated affiliate | (402,292) | (79,629) |
| NET INCOME (LOSS) | $(1,643,059) | $ 610,740 |
| NET INCOME (LOSS) PER SHARE | ($ 0.23) | $ 0.09 |
| Number of Shares Used In Computation | 7,164,515 | 7,176,428 |

</TABLE>

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



<TABLE>
<CAPTION>

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

| | NOVEMBER 30, 1997 | NOVEMBER 30, 1996 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <S> | <C> | <C> |
| Net Income(loss) | $(1,643,059) | $ 610,740 |
| Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 95,051 | 53,357 |
| Interest income credited to affiliate loan | -- | 6,857 |
| Marketable securities received in lieu of cash (1) | (400,000) | -- |
| Write off of patents and trademarks | 4,239 | 146,506 |
| Impairment of prototype | 172,843 | -- |
| Valuation allowance on Revenue Sharing Agreement sold | 40,143 | -- |
| Loan settlement expense | -- | 95,251 |
| Allowance for bad debts | 1,838 | 2,500 |
| Gain on sale of unconsolidated affiliate's stock | (443,152) | (150,000) |
| Equity in loss of unconsolidated affiliate | 402,292 | 79,629 |
| Payment of consulting and professional services with stock (2) | 34,535 | 208,053 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 609,058 | (694,333) |
| Notes receivable | -- | 455,000 |
| Refundable income taxes | (21,338) | -- |
| Loan origination fees | (10,000) | -- |

| | | |
|---|---|---|
| Prepaid expenses and other current assets | (21,209) | (36,467) |
| Deposits | (22,817) | -- |
| Accounts payable | 202,723 | 12,402 |
| Accrued expenses (3) | 23,075 | 335,680 |
| Other securities investments | -- | -- |
| Income taxes payable | (37,334) | 37,334 |
| Unearned revenue and deposits | (21,292) | 12,575 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | (1,034,404) | 1,175,084 |

</TABLE>

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



<TABLE>
<CAPTION>

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

| <S> | NOVEMBER 30, 1997 <C> | NOVEMBER 30, 1996 <C> |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment (4) | (568,515) | (105,113) |
| Payments for intangible assets | (11,714) | (18,550) |
| Manufacturing of cellular storage unit | (167,684) | -- |
| Proceeds from sale of investee stock | 472,738 | 150,000 |
| NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES | $ (275,175) | $ 26,337 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of common stock | 12,500 | 170,417 |
| Loan proceeds | -- | 88,662 |
| Loan advances to affiliated company | -- | 169,357 |
| Sale of stock options | 540,000 | -- |
| Borrowing on line of credit | 500,000 | -- |
| Loan repayments from affiliated company | -- | (169,357) |
| Repayment of debt | -- | (376,662) |
| Principal payments under capital leases | (8,296) | (15,843) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES: | 1,044,204 | (133,426) |
| Increase (decrease) in cash and cash equivalents | (265,375) | 1,067,995 |
| Cash and cash equivalents: | | |
| Beginning of year | $ 1,079,531 | $ 11,536 |
| End of period | $ 814,156 | $ 1,079,531 |

</TABLE>

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



CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

| | NOVEMBER 30, 1997 | NOVEMBER 30, 1996 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for: | | |
| Interest | $ 8,676 | $45,436 |

| | | |
|---|---|---|
| Income taxes | $64,772 | $ 7,496 |

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

1 The company received common stock with a fair market value of $400,000 in exchange for a Revenue Sharing Agreement.

2 Professional fees and consulting expenses of $34,535 and $208,053 were paid with the issuance of common stock in 1997 and 1996 respectively.

3 Professional fees of $12,750 were accrued in a prior period and paid with with the issuance of common stock in 1997.

4 The Company purchased a security system under a capital lease in the amount of $6,892.

Deposits for equipment in the amount of $600,000 were converted into equipment in 1996.

The Company received 517,211 shares of Net/Tech common stock as payment for advances and $6,857 interest income in 1996.

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



<TABLE>
<CAPTION>

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | COMMON STOCK | | ADDITIONAL | ACCUMULATED | UNREALIZED LOSSES ON MARKETABLE | TOTAL SHARE- HOLDERS' |
|---|---|---|---|---|---|---|
| | SHARES | AMOUNT | PAID-IN CAPITAL | DEFICIT | SECURITIES | EQUITY |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE NOVEMBER 30, 1994 | 6,607,560 | $66,076 | $4,099,684 | ($2,891,515) | $ -- | $1,274,245 |
| December 1, 1994 to November 30, 1995 | | | | | | |
| Shares issued at $2.99 per share | 67,000 | 670 | 199,330 | | | 200,000 |
| Shares issued at $4.00 per share | 50,000 | 500 | 199,500 | | | 200,000 |
| Shares issued at $5.00 per share For blood separation equipment | 200,000 | 2,000 | 998,000 | | | 1,000,000 |
| Shares issued at $3.50 per share | 30,000 | 300 | 104,700 | | | 105,000 |
| Shares issued at $3.95 per share | 60,000 | 600 | 236,557 | | | 237,157 |
| Shares issued at $4.04 per share For services provided | 25,000 | 250 | 100,750 | | | 101,000 |
| Shares issued at $2.50 per share For services provided | 3,230 | 32 | 8,043 | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | 8,075 |
| Shares issued at $2.50 per share | 2,500 | 25 | 6,225 | | | 6,250 |
| Shares issued at $2.00 per share | 10,000 | 100 | 19,883 | | | 19,983 |
| Net (Loss) | | | | (604,702) | | (604,702) |
| BALANCE NOVEMBER 30, 1995 | 7,055,290 | $70,553 | $5,972,672 | $(3,496,217) | $ -- | $ 2,547,008 |

</TABLE>

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



<TABLE>
<CAPTION>

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | COMMON STOCK | | ADDITIONAL | | UNREALIZED LOSSES ON | TOTAL SHARE- |
|---|---|---|---|---|---|---|
| | SHARES | AMOUNT | PAID-IN CAPITAL | ACCUMULATED DEFICIT | MARKETABLE SECURITIES | HOLDERS' EQUITY |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE NOVEMBER 30, 1995 | 7,055,290 | $70,553 | $5,972,672 | $(3,496,217) | $ -- | $2,547,008 |
| Shares issued upon exercise of options at $4.00 per share | 5,000 | 50 | 19,950 | | | 20,000 |
| Shares issued upon exercise of options at $3.00 per share | 50,000 | 500 | 149,500 | | | 150,000 |
| Shares issued for consulting services | 41,694 | 417 | 208,053 | | | 208,470 |
| Increase in carrying value accounting for Unconsolidated Affiliate | | | 122,910 | | | 122,910 |
| Net income | | | | 610,740 | | 610,740 |
| BALANCE NOVEMBER 30, 1996 | 7,151,984 | 71,520 | 6,473,085 | (2,885,477) | -- | 3,659,128 |
| Shares issued upon exercise of options at $2.50 per share | 5,000 | 50 | 12,450 | | | 12,500 |
| Shares issued for professional services | 4,732 | 47 | 12,703 | | | |

| | | | | |
|---|---|---|---|---|
| | | | | 12,750 |
| Sale of options at $1.00 per option with an exercise price of $6.00 per share | | | 540,000 | 540,000 |
| Shares issued at $6.32 per share for services provided | 731 | 7 | 4,611 | 4,619 |
| Shares issued at $5.65 per share for services provided | 926 | 9 | 5,225 | 5,234 |
| Shares issued at $4.73 per share for services provided | 976 | 9.76 | 4606.77 | 4,617 |

</TABLE>

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



<TABLE>
<CAPTION>

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | COMMON STOCK SHARES | COMMON STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED DEFICIT | UNREALIZED LOSSES ON MARKETABLE SECURITIES | TOTAL SHARE-HOLDERS' EQUITY |
|---|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Shares issued at $5.13 per share for services provided | 889 | 9 | 4,554 | -- | -- | 4,562 |
| Shares issued at $3.25 per share | 17,500 | 175 | 56,700 | -- | -- | 56,875 |
| Shares issued at $4.68 per share for services provided | 1,127 | 11 | 5,264 | -- | -- | 5,276 |
| Shares issued at $4.13 per share for services provided | 1,142 | 11 | 4,716 | -- | -- | 4,727 |
| Shares issued at $3.83 per share for services provided | 789 | 8 | 3,020 | -- | -- | 3,028 |
| Shares issued at $3.51 per share for services provided | 705 | 7 | 2,466 | -- | -- | 2,473 |
| Increase in carrying value accounting for Unconsolidated Affiliate | -- | -- | 573,391 | -- | -- | 573,391 |
| Decrease in value of marketable securities | -- | -- | -- | -- | (175,000) | (175,000) |
| Net (Loss) | -- | -- | -- | (1,643,059) | -- | (1,643,059) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance November 30, 1997 | 7,186,501 | $71,865 | $7,702,791 | $(4,528,536) | $(175,000) | $ 3,071,120 |
| | ========= | ======= | ========== | =========== | ========= | =========== |

</TABLE>

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



CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The Company was incorporated in Delaware on September 11, 1989. The Company is engaged in cellular storage and the design and development of cellular storage devices used in its storage programs. The revenue recognized to date has been almost exclusively from the sale of Revenue Sharing Agreements.

The Company formed Safti-Cell, Incorporated, CCEL Immune System Technologies, Inc. , CCEL Expansion Technologies, Inc. and CCEL Bio-Therapies, Inc. in Delaware in calendar year 1993. As of November 30, 1997, no shares have been issued for any of these subsidiaries. CCEL Immune System Technologies, Inc. has opened a bank account but has had no activity in it for the year ended November 30, 1997, and none of the other subsidiaries has any financial activity but are all consolidated with the Company. The Company has retained these corporations for possible future use.

REVENUE RECOGNITION

Revenue is recognized when the Company enters into a Revenue Sharing Agreement and the payment pursuant to the agreement has been satisfactorily assured.

Equipment costs related to the agreement are expensed in the period in which the sale is recorded.

Cellular storage fees are recognized ratably over the storage period.

CONCENTRATION OF CREDIT RISKS

In fiscal 1997, substantially all of the Company's revenues were derived from the sale of one Revenue Sharing Agreement. In fiscal 1996, all of the Company's revenues were derived from four Revenue Sharing Agreements.

Financial instruments that potentially subject the Company to concentration of credit risk are principally cash and cash equivalent accounts in financial institutions, which often exceed the Federal Depository Insurance limit. The Company places its cash with high quality financial institutions and believes it is not exposed to any significant credit risk.

CRYO-CELL depends on one company for the manufacture of its cellular storage unit. However, the Company believes that alternative manufacturing sources are available.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS

Reclassifications have been made to the prior year's Consolidated Financial Statements to conform to the fiscal 1997 presentation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES - continued

CASH AND CASH EQUIVALENTS

Cash and equivalents consist of highly liquid investments with a maturity date at acquisition of three months or less.

MARKETABLE SECURITIES

The Company accounts for marketable securities in accordance with Statement of Financial Accounting standards No. 115, "Accounting for Certain Investments in debt and equity Securities." All of the Company's marketable securities are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses recorded as a component of stockholders' equity, The marketable securities are subject to concentration of credit risk in that one equity acquired in the sale of the Revenue Sharing Partnership comprises the entire category. This security is subject to the Rule 144 holding period.

RECEIVABLES AND ADVANCES

In fiscal 1997, receivables and advances consist primarily of amounts advanced to the Company's Lifespan affiliates. In fiscal 1996, receivables consisted of amounts related to the sale of Revenue Sharing Agreements.

INVESTMENT

As if November 30, 1997, the Company's owned approximately 28 percent of the outstanding common stock of Net/Tech International, Inc., ("Net/Tech") and accounts for this investment using the equity method.

The following is a summary of Net/Tech assets, liabilities and results of operations as of November 30, 1997:

| | NOVEMBER 30 1997 | NOVEMBER 30 1996 |
|---|---|---|
| Cash | $ 832,502 | $ 77,560 |
| Inventory | 41,479 | -- |
| Net Fixed Assets | 98,670 | 13,539 |
| Total Assets | 1,036,637 | 177,485 |
| Total Current Liabilities | 103,902 | 28,851 |
| Total Stockholders Equity (Deficit) | 805,976 | 145,370 |
| Net Loss for the Period | $1,226,144 | $198,241 |





NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES - continued

PROPERTY AND EQUIPMENT :

Property and Equipment are stated at cost. Depreciation is computed using a straight-line method over estimated useful lives. Leasehold Improvements are amortized over the shorter of the respective life of the lease or the useful life of the improvements.

Upon the sale or retirement of depreciable assets, the cost and related accumulated depreciation will be removed from the accounts and resulting profit or loss will be reflected in income. Expenditures for maintenance and repairs are charged to income as incurred.

Estimated useful lives are as follows:

| | |
|---|---|
| Machinery and Equipment | 5 - 10 years |
| Furniture and Fixtures | 5 - 7 years |

INTANGIBLE ASSETS

Costs incurred in connection with filing patent and trademarks applications are capitalized. Patents and trademarks granted are amortized on a straight line basis over a lifetime of 10 and 3 years, respectively. Abandoned patents are expensed in the year of abandonment.

LONG-LIVED ASSETS

In fiscal 1997, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of " ("SFAS 121"). Long lived assets and identifiable intangibles to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flows expected to result from uses of the assets and their eventual disposition. The adoption of SFAS No. 121 did not have a material impact on the results of operations or financial position of the Company.

RESEARCH AND DEVELOPMENT COSTS

Research, development and related engineering costs are expensed as incurred.

EARNINGS AND NET LOSS PER SHARE

Net income per common and common-equivalent share is computed using the weighted average number of common and dilutive common-equivalent shares outstanding. Dilutive common-equivalent shares consist of the incremental shares issuable upon the exercise of stock options (using the treasury stock method). Since the common stock equivalents were anti-dilutive in 1997 they were omitted in calculating the weighted average shares outstanding. Fully diluted earnings per share have not been presented because the additional dilution effect is immaterial.

In February, 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share," which replaces current Earnings Per Share (EPS) reporting for interim and annual periods ending after December 15, 1997 and requires a dual presentation of basic and diluted EPS. Adoption of SFA No. 128 is not expected to have a material impact in the Company's per share data.





NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES - continued

EMPLOYEES STOCK PLANS

The Company accounts for its stock options in accordance with the provisions of the Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company continues to apply the provisions of APB No. 25 for purposes of determining net income and has adopted the pro forma disclosure requirement of SFAS No. 123 effective December 1, 1996.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June, 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a complete set of general purpose financial statements; and SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information," which establishes annual and interim reporting standards for a Company's business segments and related disclosures about it's products, services, geographic areas and major customers. Both SFAS No. 130 and SFAS No. 131 are effective for fiscal years beginning after December 31, 1997. The Company believes that the adoption of the new standard will not have a material effect on the financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

The major classes of property and equipment are as follows:

| CLASSIFICATION | NOVEMBER 30 1997 | NOVEMBER 30 1996 |
|---|---|---|
| Furniture and equipment | $ 463,882 | $ 111,413 |
| Cellular Storage Units | 325,000 | 300,000 |
| Leasehold Improvements | 147,009 | -- |
| Prototype | -- | 246,919 |
| Equipment not placed in service - net | 1,579,917 | 1,416,376 |

| | | |
|---|---|---|
| Total | 2,515,808 | 2,074,708 |
| Less | | |
| Accumulated depreciation and amortization | 49,656 | 72,962 |
| Property and equipment, net | $2,466,152 | $2,001,746 |

Certain components of the above equipment have not been depreciated since they have not yet been placed in service at November 30, 1997. However, the Company has accrued the costs of equipment allocable to Revenue Sharing Agreements. The equipment not placed in service includes the cellular storage devices and related processing equipment and construction in progress relating to construction and development of the third generation cellular storage unit.





NOTE 3 - ACCRUED EXPENSES

| | NOVEMBER 30 1997 | NOVEMBER 30 1996 |
|---|---|---|
| Accrued interest | $ 1,319 | $ 0 |
| Consultants and patent costs | 5,000 | 40,100 |
| Legal and accounting | 4,803 | 1,756 |
| Payroll and payroll taxes | 19,720 | 14,523 |
| General expenses | 73,352 | 37,444 |
| | $104,194 | $93,823 |

NOTE 4 - PATENTS

The Company has patented technology on automatic cryogenic preservation and has received patents for: additional functions of the cryogenic unit, an additional unit which incorporates a multi-chambered design and for a process for controlled freezing/thawing. The Company has been granted patents in several countries including Australia and Israel.

NOTE 5 - RELATED PARTY TRANSACTIONS

On November 7 , 1997, the Company issued 17,500 shares of restricted stock to existing shareholders in consideration for the assistance with the pledging of collateral for the Company's line of credit. This award represented a grant of 5% of the shares that were pledged. The value of the shares issued of $56,875 was capitalized as a loan acquisition cost and is being amortized over the life of the loan period August 1, 1997 to July 31, 1998.

To the extent that Net/Tech could not raise sufficient capital through the sales of stock or through loans or other sources, the Company had committed to loan to, or guarantee a loan for, or purchase a sufficient number of shares to guarantee that Net/Tech would be able to continue in business through November 30, 1996. The Company has not needed to extend this commitment.

On April 2, 1996, the Company issued 41,694 shares of restricted stock valued at $208,470 to two former employees in consideration for consulting services rendered.

The Company borrowed from the wife of the Chairman of the Board during 1996 and 1995, $88,662 and $38,000, respectively. These loans were repaid with interest during 1996.

In the period from April 1994 through April 1996, the Company loaned a total of $517,211 to Net/Tech International, Inc., an affiliate, on demand Convertible Notes with an interest rate of 10%. These loans provided the operating capital necessary for Net/Tech to continue operations. The loan was converted into 517,211 shares of restricted Net/Tech common stock. This stock was issued in 1996 and represents full payment of the loan balances. In settlement of the loan transaction with Net/Tech, the Company recognized an expense of $95,271 in fiscal, 1996. The Company made short term loans of $169,857 to Net/Tech during 1996 and these loans were repaid on October 10, 1996.

During 1997 and 1996 the Company sold 154,218 and 500,000 shares of Net/Tech common stock recognizing a gain of $443,153 and $150,000 respectively.

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1997

NOTE 6 - LEASES

The Company leased office space for $1,070 a month before entering into a seven year lease in September, 1997 for its headquarters. The following schedule summarizes future minimum lease payments required under non-cancelable operating leases as of November 30, 1997:

| | |
|---|---|
| 1998 | $ 127,892 |
| 1999 | 130,423 |
| 2000 | 135,047 |
| 2001 | 140,833 |
| 2002 | 146,698 |
| | $ 680,893 |

Rent expense for the periods ended November 30, 1997, and November 30, 1996, was $44,027 and $16,332, respectively.

NOTE 7 - COMMITMENTS and CONTINGENCIES

In December 1997, subsequent to the balance sheet date, the Company entered into a marketing agreement with Lamaze Publishing Company to sponsor the Lamaze tutorial tape and a full page advertisement in the Lamaze Parent Magazine at a cost of $175,000.

NOTE 8 - CONVERTIBLE LOAN

The Company borrowed on two convertible loan agreements totaling $250,000 during July and August of 1994. The notes had a term of one year at which time the principal plus interest, at 10% per year, was due. These loans were extended by the lenders and were fully paid by the Company on February 1, 1996, including accrued interest.

NOTE 9 -INCOME TAXES

The components of the income tax provision were as follows:

| | NOVEMBER 30 1997 | NOVEMBER 30, 1996 |
|---|---|---|
| Current: | $ 0 | $44,829 |
| State | 0 | 0 |
| Deferred: | 0 | 0 |
| Total | $ 0 | $44,829 |

The Company adopted Statement of Financial Accounting Standards No. 109 (SFAS No. 109), Accounting for Income Taxes. Under the asset and liability method of SFAS No. 109, deferred 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 tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled.





NOTE 9 -INCOME TAXES (continued)

At of November 1997 and 1996 the tax effects of temporary differences that give rise to the deferred tax assets are as follows:

| Deferred tax assets: | NOVEMBER 30, 1997 | NOVEMBER 30, 1996 |
|---|---|---|
| Net operating loss carryforwards | $ 851,830 | $ 407,997 |
| Tax over book basis in unconsolidated affiliate | 301,890 | 183,074 |
| Valuation reserves | 196,856 | 111,112 |
| Depreciation and other | 5,444 | 11,171 |
| Total deferred assets | $1,356,020 | $ 713,354 |
| Less: Valuation allowance | 1,356,020 | 713,354 |
| Deferred taxes, net of valuation allowance | $ 0 | $ 0 |

The Company has unused net operating losses available for carryforward to offset future federal taxable income of $80,053 which expires by the year 2006, $294,557 which expires by the year 2008, $536,253 which expires by the year 2009, $295,557 which expires by the year 2010 and $1,034,968 which expires by the year ended 2012. The total of the foregoing net operating loss carryforwards is $2,241,922. The Tax Reform Act of 1986 contains provisions that limit the utilization of net operating losses if there has been an "ownership change". Such an "ownership change" as described in Section 382 of the Internal Revenue code may limit the Company's utilization of its net operating loss carryforwards.

A reconciliation of income tax benefits with the amount of tax computed by applying the federal statutory rate (34%) to pretax income follows:

| YEARS ENDED NOVEMBER 30 | 1997 | 1996 |
|---|---|---|
| Tax expense at statutory rate | $(549,627) | $220,593 |
| State taxes | (64,662) | 44,829 |
| Realization of operating loss carryforward | -- | (216,873) |
| Increase in valuation allowance | 642,666 | -- |
| Miscellaneous timing differences | (28,377) | |
| Benefits of capital loss carryforward | 0 | (3,720) |
| Total Income Taxes | $ 0 | $ 44,829 |

NOTE 10 - OPTIONS

In 1991 the Company adopted an Employee Incentive Stock Option Plan, and has reserved 500,000 shares of the Company's common stock for issuance under the Plan. Employee options under the Plan have a term of five years from the date of grant. The options immediately terminate on the employee's termination or in the case of permanent and total disability the options are exercisable for a period of 30 days after termination. In addition the Company has set aside a reserve of 1,140,000 shares for the purpose of Non-Employee Stock Options. These options generally have a term of three to five years from the date of the grant.





NOTE 10 - OPTIONS (continued)

Stock option activity was as follows for the two years ended November 30, 1997:

| | NUMBER OF SHARES | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Outstanding at November 30, 1995 | 549,000 | $7.44 |
| Granted | 436,000 | 3.49 |
| Exercised | (55,000) | 3.09 |
| Terminated | (425,000) | 6.28 |
| Outstanding at November 30, 1996 | 505,000 | 5.41 |
| Granted | 698,500 | 5.49 |
| Exercised | (5,000) | 2.50 |

| | | |
|---|---|---|
| Terminated | (165,500) | 9.49 |
| Outstanding at November 30, 1997 | 1,033,000 | $4.76 |

Significant option groups outstanding at November 30, 1997 and related price and life information follows:

| RANGE OF EXERCISE PRICE | OUTSTANDING | WEIGHTED AVERAGE EXERCISE PRICE | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE |
|---|---|---|---|
| $2.00 to $4.00 | 392,000 | $3.07 | 1.9 |
| $4.01 or more | 641,000 | $5.90 | 4.1 |

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its stock options. Accordingly, compensation expense is recognized for the amount of the excess of the market price over the exercise price on the date of the grant. Had the compensation expense been determined based upon the fair value at the grant date consistent with the alternative fair value accounting provided for under FASB No.123, "Accounting for Stock-Based Compensation," the Company's net income and net income per share would have been $11,615 and $0 for the year ended November 30, 1996, and the net loss and net loss per share for the year ended November 30, 1997 would have been $1,854,868 and $.26 respectively. The weighted average fair value at the date of grant for options granted during the years ended November 30, 1997 and 1996 was $2.00 and $1.58 per option, respectively. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that are fully transferable. The Company's options have the characteristics significantly different from those of traded options. In additions, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Since the Company's stock issued upon exercise of the options is restricted stock, a reduction of 30% of the trading price of the stock at the date of grant has been applied to account for this restriction. Other variables used to determine the fair value of the options for fiscal 1997 and 1996 were as follows: a) risk-free interest rate of 6.3% and 6.0% respectively, b) expected life of 3.5 and 1.8 years respectively, c) expected volatility of 87% and 89% respectively, and d) no dividend yield for either year.





NOTE 10 - OPTIONS (continued)

Weighted average grant date fair values are shown below for groups where the adjusted stock price equals, exceeds and is less than the exercise price.

| | WEIGHTED AVG FAIR VALUE/SH | WTD AVG EXERCISE PRICE/SH |
|---|---|---|
| 1997 | | |
| Stock Price = Exercise Price | $3.22 | $4.88 |
| Stock Price /GREATER THAN/ Exercise Price | $1.98 | $2.00 |
| Stock Price /LESS THAN/ Exercise Price | $1.60 | $4.20 |
| 1996 | | |
| Stock Price = Exercise Price | $0 | $0 |
| Stock Price /GREATER THAN/ Exercise Price | $1.97 | $3.81 |
| Stock Price /LESS THAN/ Exercise Price | $1.20 | $3.18 |

The pro forma effect on net income is not representative of the pro forma effect on net income in future periods because it does not take into consideration pro forma compensation expense related to grants made in prior periods.

NOTE 11 - PURCHASE, MARKETING AND STOCK AGREEMENT WITH

INSTACOOL OF NORTH AMERICA, INC.

The Company signed an agreement on April 7, 1992, in which they purchased all rights, title and interest from InstaCool to their Controlled Rate Freezer (CRF). The purchase price was 20,000 shares of the Company's legended common stock and a 5% royalty on all sales of the CRF units. In addition, the Company was granted exclusive world marketing rights to InstaCool's coolant when used in computer and/or robotic controlled cellular storage units.

There has been no activity relative to this agreement during 1997 and 1996.

NOTE 12 - REVENUE SHARING AGREEMENTS

ARIZONA

As of February 28, 1995, the Company sold a Revenue Sharing Agreement with two private investors. The agreement interest entitles the investors to a 50% share of the Net Revenues (defined as the revenues after expenses for running the Lifespan/SM/ Program) from all cellular storage activities in Arizona. In exchange, the Company received a total of $1,800,000 in negotiable demand notes to be paid in 25% annual installments ($450,000 plus interest at prime rate) annually, commencing April 30, 1996.

In January 1996, the notes were restructured to provide for an accelerated payment of the $450,000, originally due April 30, 1996, to January of 1996. This was in exchange for the payment of future amounts to be due and payable out of revenues generated from the Lifespan/SM/ Program. Since the restructuring made the repayment of the $1,350,000 note based upon future revenue, the Company does not carry the note as a receivable and has not recorded this portion of the income.





NOTE 12 - REVENUE SHARING AGREEMENTS (continued)

ILLINOIS

In 1996, the Company signed a series of agreements with a group of investors entitling them to a 50% share in CRYO-CELL's portion of future net revenues generated by the Cellular Storage Unit located in the Illinois Masonic Medical Center. The Company is currently storing specimens in a standard CryoMed unit.

BIO-STOR

The Company modified its prior agreement with Bio-Stor International, Inc. (Bio-Stor). The terms of the prior agreement entered into April 1996 were for Bio-Stor to pay the Company $5,000,000 in exchange for the rights to the shared revenue derived from 150,000 storage spaces. (5 passive Revenue Sharing Partnerships encompassing 30,000 storage spaces per partnership) The agreement was to be financed with proceeds from an Initial Public Offering (IPO) of Bio-Stor stock. Bio-Stor paid $900,000 which was recognized as revenue in fiscal 1996, but was unable to fund the balance of the agreement because it did not file for the planned IPO. This payment entitled Bio-Stor to share storage revenues on 27,000 spaces with CRYO-CELL.

The modified agreement reduces the number of passive partnership revenue sharing agreements from 5 to 3 in consideration for $3,000,000 of which $900,000 had already been received and recognized. The amended agreement also creates an active Revenue Sharing Partnership in consideration for an additional $1,000,000. In the active Revenue Sharing Partnership Bio-Stor plans on filling the allotted 33,000 storage spaces through its own marketing efforts. The active Revenue Sharing Partnership entitles Bio-Stor to the same revenue sharing as a passive partnership plus its pro rata portion of processing and kit fees generated. Bio-Stor will also have the right to any further RSAT agreements prior to these being offered to other interested parties.

In addition, CRYO-CELL granted Bio-Stor a one year option to (1) purchase a 20% equity position of CRYO-CELL Europe (a corporation to be formed to service the European common markets) for $2,000,000 and to (2) purchase an equity position in CRYO-CELL Latin America (a corporation to be formed to service Merco-Sur, which encompasses Argentina, Brazil, Paraguay, Uraguay and Chile) for $1,000,000 per 10% of the equity of the Company up to 20%.

In consideration of these modifications, CRYO-CELL will receive a 19%

equity position in Bio-Stor after the successful initial public offering. CRYO-CELL has granted Bio-Stor a voting trust with respect to these shares.

TENET HEALTHSYSTEM HOSPITALS, INC.

On November 30, 1996, the Company signed dual joint venture agreements with OrNda HealthCorp, a Nashville based chain of 50 hospitals. Under the terms of the Lifespan/SM/ segment of the agreement, CRYO-CELL will provide OrNda the use of two CRYO-CELL patented Cellular Storage Units, each with an approximate 35,000 storage capacity. In addition to OrNda receiving 25% of the $50 per specimen annual cellular storage fees, CRYO-CELL will provide "pro-bono" spaces within units for important research in cryopreservation of stem cells for the future medical benefit of OrNda's patients.





NOTE 12 - REVENUE SHARING AGREEMENTS (continued)

A second agreement was also signed on November 30, 1996, in which OrNda was to pay CRYO-CELL $666,666 for additional joint venture revenue sharing entitlements. In December 1996, OrNda completed its payment of $666,666 to the Company. OrNda was acquired by Tenet HealthSystem Hospitals, Inc. which agreed to be bound by the terms of the Lifespan and Single Unit Revenue Sharing Agreements.

VISCOUNT SECURITIES

On February 17, 1997, the Company signed an agreement with Sachem (Viscount Securities) for revenue sharing in two units. Since Sachem did not meet the required payments in the contract, the Company terminated the agreement. Sachem is entitled to a share of storage revenue based upon their $400,000 non-refundable deposit which was paid in May 1997, in the form of 100,000 shares of a NASDAQ small cap stock.

NOTE 14 - 401 (K) PLAN

In January, 1997, the Company adopted a 401 (K) retirement plan which allows eligible employees to allocate up to 15% of their salary to such plan. The company does not make any matching contributions to this plan.

NOTE 15 - LINE OF CREDIT

In August, 1997, the Company entered into a one year line of credit agreement with NationsBank, N.A. ("the Bank") whereby the Bank will lend up to $1,000,000. As part of the agreement the Bank received a $10,000 commitment fee and collateral of 250,000 shares of Net/Tech International, Inc. common stock owned by the Company and a pledge of 350,000 shares of the Company stock owned by a group of the Company's shareholders. At November 30, 1997 direct borrowings under this agreement were $500,000. Terms of the loan require interest to be paid monthly at the bank's prime lending rate plus 1%. The agreement expires on July 31, 1998 at which time the Company will refinance the loan. The agreement contains several covenants relating to working capital and net worth which the Company is not in compliance with as of November 30, 1997 thus allowing the Bank to ask for current repayment. The fair market value of the collateral as of November 30, 1997, was in excess of $1,500,000. The Company stands ready to liquidate any collateral or find other sources of funds to repay the loan should this become necessary.





NOTE 16 - LEGAL PROCEEDINGS

On October 31, 1997, the Company filed a complaint in the United States District Court for the Northern District of New York against Stainless Design Corporation (SDC) seeking to recover two cellular storage units that have been completed by SDC currently located at SDC's manufacturing facility, additional equipment stored by SDC and a $250,000 deposit remaining from $900,000 the Company paid in 1993 for the production of six cellular storage machines. The Company alleges that SDC breached their contract based on their failure to complete their contractual obligation to produce the six machines in the specified time frame. In response, SDC denied these allegations claiming in part that numerous design changes by CRYO-CELL's engineers resulted in the per unit construction costs to exceed initial estimates and further claims that they had acquired the parts necessary to construct the additional two units. SDC claims that CRYO-CELL has failed to pay an additional $150,000 owed resulting from SDC's costs incurred to date. The Company believes that this counterclaim is without merit and is pursuing it's action to obtain possession of the equipment, it's $250,000 security deposit and compensatory damages. In the opinion of the Company management the ultimate resolution of these claims will not have a material adverse effect on the Company's financial position.

On March 28, 1997, the company was informed that the University of Arizona filed a cross claim to the CRYO-CELL lawsuit stating that CRYO-CELL has breached the contract and intentionally misled the University. CRYO-CELL believes there is no merit to these allegations and that the belated cross claim is part of the strategy by the University to motivate CRYO-CELL to settle the case. Litigation is proceeding.

NOTE 17 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

| 1997 | 1ST QUARTER | 2ND QUARTER | 3RD QUARTER | 4TH QUARTER |
|---|---|---|---|---|
| Net Income (Loss) | $ (84,875) | $(318,043) | $ (365,611) | $ (893,387) |
| Income (Loss) per share | $ (0.01) | $ (0.04) | $ (0.05) | $ (0.12) |
| Shares used in computation | 7,279,836 | 7,156,866 | 7,164,866 | 7,184,603 |

| 1996 | 1ST QUARTER | 2ND QUARTER | 3RD QUARTER | 4TH QUARTER |
|---|---|---|---|---|
| Net (Loss) | $ 274,605 | $ 912,820 | $ (213,192) | $ (363,493) |
| (Loss) per share | $ 0.04 | $ 0.13 | $ (0.03) | $ (0.05) |
| Shares used in computation | 7,639,576 | 7,097,603 | 7,098,750 | 7,150,000 |



PART III

Documents incorporated by reference: The information required by Part III of Form 10-KSB is incorporated by reference to the Issuer's definitive proxy statement relating to the 1998 Annual Meeting of Shareholders which is expected to be filed with Securities and Exchange Commission on or about March 30, 1998.



PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
- 3.1 Certificate of Incorporation (1)
- 3.11 Amendment to Certificate of Incorporation
- 3.2 By-Laws (1)
- 3.21 Board Minutes to Amendment of By-Laws

| | |
|---|---|
| 10.11 | Agreement with InstaCool of North America, Inc. (2) |
| 10.12 | Agreement with the University of Arizona (2) |
| 10.13 | Agreement with Illinois Masonic Medical Center (4) |
| 10.14 | Agreement with Bio-Stor (4) |
| 10.15 | Agreement with Gamida-MedEquip (4) |
| 10.16 | Agreement with ORNDA HealthCorp (Tenet HealthSystem Hospitals, Inc.) (4) |
| 10.17 | Convertible Note from Net/Tech International, Inc. Dated November 30, 1995 (3) |
| 10.18 | Amended Agreement with Bio-Stor |
| 21 | List of Subsidiaries (3) |
| 27 | Financial Data Schedule |

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(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (No. 33-34360).

(2) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1994.

(3) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1995.

(4) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1996.

(b) Reports on Form 8-K.

(1) Form 8-K filed September 12, 1997 - Resignation of William C. Hardy as President, Chief Operating Officer and member of the Board. Resignation of Leonard Green from the Board of Directors.

(2) Form 8-K filed November 18, 1997 - Company filed a multi-count lawsuit in the United States District Court, Northern District of New York claiming that Stainless Design Corporation of Saugerties, New York breached its contract.

Supplemental Information to be furnished with reports filed pursuant to Section 15(d).

(c) No annual reports or proxy material have been sent to security holders for the current fiscal year. Copies of any such report or proxy material so furnished to security holders subsequent to the filing of the annual report on this form will be furnished to the Commission when sent to security holders.



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.

By: /s/ DANIEL D. RICHARD
----------------------
Daniel D. Richard, Chief Executive Officer

Dated: March 13, 1998

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated.

| NAME | TITLE |
|---|---|
| /s/ DANIEL D. RICHARD<br>Daniel D. Richard | Chief Executive Officer and Chairman of the Board (Principal Executive Officer) |
| /s/ FRANK W. HENDRICKS<br>Frank W. Hendricks | Director |
| /s/ ED MODZELEWSKI<br>Ed Modzelewski | Director |

/s/ FREDERICK C.S. WILHELM        Director
- -------------------------
Frederick C.S. Wilhelm



EXHIBIT INDEX

| EXHIBIT | DESCRIPTION |
| --- | --- |
| 10.18 | Amended Agreement with Bio-Stor |
| 27 | Financial Data Schedule |

EXHIBIT 10.18

AMENDED AGREEMENT WITH BIO-STOR

ADDENDUM AND MODIFICATION
TO
CRYO-CELL/BIO-STOR AGREEMENT

The purpose of this agreement is to modify the existing Cryo Cell Bio-Stor contract in order to accomplish the following:

1. Create a marketing arm or company to join Cryo-Cell in marketing its cellular storage service throughout the United States.

2. Reduce the number of Bio-Stor passive single unit Revenue Sharing Partnership (RSP) from 5 to 3 and determine their locations.

3. Create an on going Active Revenue Sharing Marketing Partnership (ARSMP) for cellular storage business that is generated by Bio-Stor.

4. To grant Bio-Stor a one year option:

   A. Purchase a 20% equity position of Cryo-Cell Europe (a corporation to be formed to service the European common markets with Cryo-Cell technology) for $2,000,000 (two million dollars).

   B. Purchase an equity position in Cryo-Cell Latin America (a corporation to be formed to service the Merco-Sur (Argentina, Brazil, Paraguay, Euraguay and Chile) with Cryo-Cell technology). Purchase price shall be $1,000,000 (one million dollars) per 10% (up to 20% equity ownership).

5. To grant Bio-Stor the opportunity for a right of first refusal on additional RSP to be sold by Cryo-Cell.

6. To transfer 19% ownership of Bio-Stor to Cryo-Cell.

It is agreed as follows:

PAYMENT TERMS

1. Payment for Active Revenue Sharing Marketing Partnership (ARSMP) is $1,000,000 (one million dollars) as evidenced by note.

2. $3,000,000 (three million dollars) payment for passive RSP defined below (900,000 deposit previously paid).

3. Aforesaid $3,000,000 (three million dollars) will entitle Bio-Stor to three single unit passive RSP in the following locations: A) Women's Infant Hospital (when agreement finalized by Cryo-Cell), B) Washington Hospital Center C) Tenant Hospital Massachusetts. If for any reason any of these hospitals do not become operating participants then Cryo-Cell must replace them in geographic areas as per the original agreement. These passive RSPs will be operated on the same terms and conditions as intended in the original Bio-Stor/Cryo-Cell agreement. The only criteria for each one million payment to Cryo-Cell is that each revenue sharing location must be in position to commence cellular storage unless otherwise mutually agreed. Cryo-Cell intends to deploy its patented robotic cellular storage technology at each location as soon as practically possible.

4. The aforesaid $1,000,000 (one million dollars) payment (note) (evidenced by a corporate promissory which will be paid exclusively out of the proceeds of Bio-Stor underwriting) will pay for Bio-Stors ARSMP for the initial 33,000 spaces. These spaces are to be filled exclusively by specimens for which Bio-Stor creates the business as part of it right to market the Cryo-Cell services throughout the United States (excluding areas named below).

Every time Cryo-Cell stores 33,000 specimens which were the direct result of marketing efforts of Bio-Stor, for the payment of additional $1,000,000 (one million dollars) Bio-Stor shall have the right to an additional ARSMP covering

33,000 new cellular storage specimens. Each ARSMP shall entitle Bio-Stor to 50% Cryo-Cells cellular storage revenue entitlement (less 1/2 collection/warranty fees) as outlined in original agreement. For example under Cryo-Cell existing plan the hospital receives 25% of cellular storage revenue, Bio-Stor and Cryo-Cell would share equally in 75% of on going cellular storage revenue (37 1/2 % each) less 1/2 collection and warranty fees.

The term of this agreement shall be for ten years and be automatically renewed each ten years thereafter upon the payment of $1,000,000 (one million dollars) to Cryo-Cell which will be credited toward next 33,000 ARSMP cellular storage spaces.

Upon the completion of the provisions of this Agreement, Cryo-Cell agrees not to sell an active Revenue Sharing Marketing Partnership to any other firm or individual. This provision does not prevent Cryo-Cell from selling individual Revenue Sharing Partnerships (subject to the right of first refusal provision detailed above). Further, Cryo-Cell retains the right to expand its sales staff and engage in direct marketing of its services.

MARKETING

Umbilical Cord Blood

Bio-Stor will actively market the Cryo-Cell cellular storage services throughout the United States. Bio-Stor will arrange enrollment of customers and specimens to be sent to the Cryo-Cell Clearwater, Florida lab facility (or other facility to be decided by Cryo-Cell) where they will be processed and/or stored.

It is agreed that Cryo-Cell and Bio-Stor shall market to customers at identical processing and annual cellular storage fees.

Bio-Stor must enroll, define and document customers who come from their marketing activities. Bio-Stor is responsible for paying all compensation, travel and marketing expenses for their staff.

All hospitals signed by Bio-Stor will be responsible for all contact with their patient/clients and will arrange for the shipment of collected U-Cord blood and other specimens to a Cryo-Cell facility.

The Cryo-Cell marketing plan provides that all participating hospitals now receive 25% of ongoing paid for cellular storage revenue. Bio-Stor has the right to alter this agreement for hospitals, etc that Bio-Stor

enrolls through its marketing activity. If Bio-Stor reduces the hospitals 25% entitlement it can retain the difference to support hospital programs.

For any specimens where processing is required (i.e. cord blood) which is generated by Bio-Stor marketing efforts Bio-Stor shall be paid marketing fees as follows:

A. First 5,000 specimens, Bio-Stor receives $50 per specimen.
B. All additional specimens, Bio-Stor receives $75 per specimen.

Aforesaid marketing fees shall be paid to Bio-Stor from Cryo-Cell in proportion to monies received from the customer (i.e. enrollment fee, balance etc.). These payments will be paid on the 10th day of each month for activity completed during the previous month..

MULTI-FACETED CELLULAR STORAGE

Bio-Stor shall also provide marketing efforts to create multi-faceted cellular storage business for Cryo-Cell (such storage shall include cancer tissue, sperm, gametes, non-human and any other materials suitable for storage). For all such business that is a direct result of Bio-Stor marketing efforts, Bio-Stor will receive 25% of Cryo-Cells processing and on going cellular storage entitlement.

In addition Cryo-Cell hereby grants Bio-Stor the option to create a ARSMP for Multi-faceted cellular storage for $1,000,000 (one million dollars). Purchase option must be exercised at the time of Bio-Stor underwriting. If exercised Bio-Stor will have a ARSMP for Multi-faceted Cellular Storage under same terms and conditions as above (50% of Cryo-Cell entitlement)..

EXISTING LIFE SPAN CENTERS (LSC)

Bio-Stor will not market in an area which is in conflict with existing Cryo-Cell Life Span (participating) agreements without Cryo-Cell's consent.

RIGHT OF FIRST REFUSAL

Cryo-Cell agrees to grant Bio-Stor a right of first refusal on additional RSPs sold by Cryo-Cell in the United States. This right of first refusal shall become effective only after Bio-Stor completes the total $4,000,000 (four million dollars) payment to Cryo-Cell. Once given notice by Cryo-Cell Bio-Stor has ten (10) days to pay Cryo-Cell one million to complete the purchase.

CRYO-CELLS 19% EQUITY POSITION IN BIO-STOR

In consideration for the modifications to Cryo-Cell/Bio-Stor Agreement outline herein, Cryo-Cell shall receive 19% equity position in Bio-Stor. The number of shares shall be determined by the number of outstanding shares and warrants at the completion of the Bio-Stor underwriting. Cryo-Cell shall only receive shares for 19% of outstanding warrants if and when they are exercised and become common shares in order to maintain Cryo-Cells 19% equity position through and including warrant exercise.

Cryo-Cell hereby grants Bio-Stor a right of first refusal to purchase any Bio-Stor shares that Cryo-Cell intends to sell. Bio-Stor shall have ten (10) days upon written notice from Cryo-Cell to match any market price or third party offer.

VOTING TRUST

Upon receipt of it's equity position Cryo-Cell hereby grants Bio-Stor a voting trust (the right to vote the Cryo-Cell equity interest) for all shares owned by Cryo-Cell for as long as those shares remain owned by Cryo-Cell.

In addition the 300,000 Bio-Stor shares Cryo-Cell has agreed to purchase from Bio-Stor in original agreement shall become a one year option which is non-transferable.

The Voting Trust on all shares sold by Cryo-Cell to any third party shall immediately become void only on those shares sold.

Notwithstanding the Voting Trust, Cryo-Cell will be entitled to receive any dividends in the event they are declared by Bio-Stor.

EUROPEAN AND MERCO-SUR (ARGENTINA, BRAZIL, PARAGUAY, EURAQUAY AND CHILE OPTION

Cryo-Cell hereby grants Bio-Stor a one year option to:

A. Purchase a 20% equity position of Cryo-Cell Europe (a corporation to be formed to service the European common markets with Cryo-Cell technology) for $2,000,000 (two million dollars).

B. Purchase an equity position in Cryo-Cell Latin America (a corporation to be formed to service the Merco-Sur (Argentina, Brazil, Paraguay, Euraquay and Chile) with Cryo-Cell technology). Purchase price shall be $1,000,000 (one million dollars) per 10% (up to 20% equity ownership).

EXTENSION OF TIME

While Bio-Stor agrees to use its "best efforts" to complete the underwriting within six (6) months this agreement hereby extends the time frame Bio-Stor has to complete payment of initial $4,000,000 (four million dollars) to Cryo-Cell to one year from the date of this agreement. If Bio-Stor has filed a registration statement with the SEC within one year Bio-Stor will automatically get a six month extension.

This agreement is an addendum and modification of the Bio-Stor and Cryo-Cell agreement dated April 12, 1996 and modified again on February 7, 1997 and shall be binding upon the parties.

Read and agreed to this 11th day of November, 1997.

| Bio-Stor International, Inc. | Cryo-Cell International, Inc. |
|---|---|
| /s/ GLENN E. COHEN | /s/ DANIEL D.RICHARD |
| Glenn E. Cohen | Daniel D. Richard |
| Chairman, Chief Executive Officer | Chairman, Chief Executive Officer |

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