

U. S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended February 28, 1998

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-23386

CRYO-CELL INTERNATIONAL, INC.

-----  
(Exact name of Small Business Issuer as Specified in its Charter)

DELAWARE

22-3023093

-----  
(State or other Jurisdiction  
of Incorporation or  
Organization)

-----  
(I.R.S. Employer  
Identification No.)

3165 MCMULLEN BOOTH ROAD, BUILDING 5, CLEARWATER, FLORIDA 33761

-----  
(Address of Principal Executive Offices) (Zip Code)

Issuer's phone number, including area code: (813) 723-0333

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

Check whether the issuer (1) has filed all reports required to be filed by section 13 or 15 (d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of February 28, 1998, 7,236,501 shares of \$0.01 par value common stock were outstanding.

Transitional Small Business Disclosure Format (check one). Yes  No

CRYO-CELL INTERNATIONAL, INC.

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

## ASSETS

	FEBRUARY 28, 1998 (UNAUDITED)	NOVEMBER 30, 1997
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 487,697	\$ 814,156
Receivables and advances (net of allowance for doubtful accounts of \$4,338)	87,230	62,637
Marketable securities	200,000	225,000
Inventory	729	--
Refundable income taxes	18,108	21,338
Loan origination fees, net	27,397	44,116
Prepaid expenses and other current assets	25,392	57,676
	-----	-----
Total current assets	846,553	1,224,923
	-----	-----
PROPERTY AND EQUIPMENT		
Property and equipment, net	2,510,832	2,466,152
	-----	-----
OTHER ASSETS		
Intangible assets (net of amortization of \$36,867 and \$35,696, respectively)	67,343	68,512
Deposits with vendors and others	143,790	28,788
Investment in unconsolidated affiliate	138,215	191,698
	-----	-----
Total other assets	349,348	288,998
	-----	-----
TOTAL ASSETS	\$3,706,733	\$3,980,073
	=====	=====

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

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

## LIABILITIES AND STOCKHOLDERS' EQUITY

	FEBRUARY 28, 1998 (UNAUDITED)	NOVEMBER 30, 1997
	-----	-----
<S>		
CURRENT LIABILITIES		
Accounts payable	\$ 294,362	\$ 289,159
Accrued expenses and withholdings	77,731	104,194
Short term borrowings	500,000	500,000
Current portion of obligations under capital leases	1,136	2,350
	-----	-----
Total current liabilities	873,229	895,703
	-----	-----
OTHER LIABILITIES		
Unearned revenue and deposits	34,796	8,708
Obligations under capital leases-net of current portion	5,494	4,542
	-----	-----
Total other liabilities	40,290	13,250
	-----	-----

## 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; 7,236,501 at February 28, 1998 and 7,186,501 at November 30, 1997 issued and outstanding)	72,365	71,865
Additional paid-in capital	7,956,902	7,702,791
Unrealized losses on marketable securities	(200,000)	(175,000)
Accumulated deficit	(5,036,053)	(4,528,536)

Total stockholders' equity	2,793,214	3,071,120
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,706,733	\$ 3,980,073
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The accompanying notes to consolidated financial statements are an integral part of these statements.

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<TABLE>  
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## CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED	
	FEBRUARY 28, 1998 (UNAUDITED)	FEBRUARY 28, 1997 (UNAUDITED)
<S> REVENUE	<C> \$ 36,175	<C> \$ 404,800
COSTS AND EXPENSES:		
Cost of sales	17,113	--
Marketing, general & administrative expenses	393,639	430,780
Research, development and related engineering	49,054	29,690
Depreciation and amortization	40,000	13,338
Total Cost and Expenses	499,806	473,808
OPERATING PROFIT (LOSS)	(463,631)	(69,008)
OTHER INCOME AND (EXPENSE):		
Interest income	6,699	16,931
Interest (Expense)	(11,037)	--
Gain on sale of unconsolidated affiliate's stock	68,620	--
Total Other Income	64,282	16,931
INCOME (LOSS) BEFORE EQUITY IN NET LOSS OF UNCONSOLIDATED AFFILIATE AND PROVISION FOR INCOME TAXES	(399,349)	(52,077)
Provision for income taxes	--	11,897
Equity in net loss of unconsolidated affiliate	108,094	20,048
NET INCOME (LOSS)	(\$ 507,443)	(\$ 84,022)
NET INCOME (LOSS) PER SHARE	(\$ 0.07)	(\$ 0.01)
Number of Shares Used In Computation	7,199,834	7,151,984

&lt;/TABLE&gt;

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED	
	FEBRUARY 28, 1998 (UNAUDITED)	FEBRUARY 28, 1997 (UNAUDITED)
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income(loss)	\$ (507,443)	\$ (84,022)
Adjustments to reconcile net income (loss) to cash provided by (used for) operating activities:		
Depreciation and amortization	40,000	13,338
Equity in loss of unconsolidated affiliate	108,094	20,048
Changes in assets and liabilities:		
Accounts receivable	(24,593)	267,236
Inventory	(729)	1,761
Prepaid expenses	32,284	(8,530)
Accounts payable	5,202	11,829
Unearned revenue and deposits	26,088	--
Accrued expenses	(26,463)	38,562
Refundable income taxes	3,230	(37,334)
Deposits and other	(115,000)	5,971
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(459,330)	228,859
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchases of property and equipment-net	(66,687)	(105,875)
NET CASH USED FOR INVESTING ACTIVITIES	\$ (66,687)	\$ (105,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of stock options	62,500	--
Purchase of common stock	137,500	--
Principal payments under capital leases	(262)	(2,098)
NET CASH PROVIDED BY FINANCING ACTIVITIES:	199,738	(2,098)
Increase (decrease) in cash and cash equivalents	(326,459)	120,886
Cash and cash equivalents:		
Beginning of year	814,156	1,079,531
End of period	\$ 487,697	\$ 1,200,417

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS

	THREE MONTHS ENDED	
	FEBRUARY 28, 1998 (UNAUDITED)	FEBRUARY 28, 1997 (UNAUDITED)
<S>	<C>	<C>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 11,037	\$ --
Income taxes	\$ --	\$ 49,231

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

</TABLE>

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

CRYO-CELL INTERNATIONAL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FEBRUARY 28, 1998  
 (UNAUDITED)

NOTE 1 - FINANCIAL STATEMENTS

The Consolidated Financial Statements including the Consolidated Balance Sheet as of February 28, 1998, Consolidated Statements of Operations for the three months ended February 28, 1998 and Consolidated Statement of Cash Flows for the three months ended February 28, 1998 have been prepared by the Company, without audit. In the opinion of Management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows at February 28, 1998 and for all periods presented have been made.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's November 30, 1997 Annual Report on Form 10-KSB.

NOTE 2 - INVESTMENT EQUITY IN UNCONSOLIDATED AFFILIATE, SALE OF STOCK

In December 1997, the Company received \$68,620 from the sale of 18,000 shares of Net/Tech International, Inc. common stock. This sale brought the Company's remaining holdings of Net/Tech stock to 1,865,711 shares. Under the equity method of accounting, these shares are valued on CRYO-CELL's balance sheet at \$138,215 as of February 28, 1998. If these same shares were valued at the closing market price of Net/Tech's stock on February 28, 1998, the market capitalization of CRYO-CELL's holdings would be \$5,713,740.

NOTE 3 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 February 28, 1998 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 February 28, 1998 thus allowing the Bank to ask for current repayment. The fair market value of the collateral as of February 28, 1998, was in excess of \$1,500,000. Although it does not believe it will need to, the Company stands ready to liquidate any collateral or find other sources of funds to repay the loan should this become necessary.

NOTE 4 STOCKHOLDERS EQUITY

In February 1998, the Company received \$62,500 from the sale of options (at \$1.00 for each optioned share) to purchase 62,500 shares of its common stock at \$5.00 per share. These options are valid for a period of five years. Exercise of these options can result in a cash infusion to the Company of \$312,500. In February 1998, the Company received \$137,500 from the sale of 50,000 shares of its common stock at \$2.75 per share.

Stock issued will be subject to Rule 144 restrictions.

CRYO-CELL INTERNATIONAL, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FEBRUARY 28, 1998  
 (UNAUDITED)

NOTE 5 REVENUE SHARING AGREEMENTS

BIO-STOR

The Company expanded 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 expanded 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 filing 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 storage fees generated from their marketing activities. Bio-Stor will also have the right to first refusal to any further Revenue Sharing Agreements prior to these being offered to other interested parties once Bio-Stor has paid CRYO-CELL a total of \$4,000,000.

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, Uruguay and Chile) for \$1,000,000 per 10% of the equity of the Company up to 20%.

In consideration of the expanded agreement, CRYO-CELL received a 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 the 19% of outstanding warrants if and when they are exercised and become common shares in order to maintain CRYO-CELL's 19% equity position through and including warrant exercising. CRYO-CELL has granted Bio-Stor a voting trust with respect to these shares.

#### NOTE 6 COMMITMENTS AND CONTINGENCIES

In December 1997, the Company entered into a marketing agreement with Lamaze Publishing Company to sponsor in conjunction with other well known companies the Lamaze tutorial tape and a full page advertisement in the Lamaze Parents Magazine at a cost of \$175,000. The tutorial tape sponsorship includes a 2.5 minute segment on the Companies cord blood program. As of February 28, 1998, the Company paid \$115,000 of this agreement and is recognizing this as deposit on the balance sheet.

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#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

CRYO-CELL International, Inc., is a Delaware Corporation, incorporated in 1989, is engaged in cryogenic storage and the design and development of storage devices for use in its cellular storage programs. 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. While the Company's patented cellular storage unit is capable of multi-faceted storage, the company has targeted the cryopreservation of umbilical cord blood stem cells as its initial entry into the cellular storage market.

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.

A key factor of the Company's business strategy is its Lifespan/SM/ Cellular Storage Program. This program establishes a network of Lifespan/SM/ Centers through partnerships with hospitals and medical centers. Recently, the Company has succeeded in combining the Lifespan/SM/ Cellular Storage Program with its Revenue Sharing Program. The combined programs entitle the partnering hospital or medical center to receive an additional portion of their Lifespan/SM/ center's annual storage 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 Healthcare Corp., 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 the second quarter of fiscal, 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.

The Company gains significant marketing support from each partnered hospital or medical center

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as they educate their patients on the potential life-saving benefits of umbilical cord blood stem cell storage. Since the hospital or medical center, under the Revenue Sharing Program, has now invested its own funds in the program, the Company believes this combined effort has the potential to accelerate the storage of cellular specimens.

The following is a discussion and analysis of the financial condition and results of operations of the Company for the quarter February 28, 1998 as compared to the same period of the prior year.

#### GENERAL

In addition to initiating its Lifespan/SM/ Cellular Storage Program, the Company has entered into an agreement with the Lamaze Publishing Company to sponsor the Lamaze tutorial tape, "You and Your Baby". The agreement calls for Lamaze to show 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.

During the quarter, the Company continued its program of marketing its Revenue Sharing Agreements.

#### INVESTMENT IN UNCONSOLIDATED AFFILIATE

CRYO-CELL owned 27% of Net/Tech International, Inc., at quarter end (See Note 2 of the Notes to Consolidated Financial Statements for CRYO-CELL holdings). Net/Tech International, Inc.'s premier product is the patented Hygiene Guard™ Hand Washing Monitoring System. The Hygiene Guard™ is an innovative, potentially life saving technology used to monitor employee hand washing at any hand washing station. The system can be utilized in the food service, food processing, health care and child care industries as well as any environment where hygiene and control of the spread of infectious disease is a priority.

Net/Tech is currently testing the Hygiene Guard™ system at the Tropicana Hotel and Casino, Arby's and KFC's fast food chains, William Beaumont Army Medical Center, and is scheduled to begin a field test at a Nestle food

manufacturing plant in April 1998. The field tests on the Series 4000 Hygiene Guard are scheduled to be completed in May 1998 with simultaneous availability of production units. The Company is also engineering additional series of the Hygiene Guard™ systems in order to be able to meet customer needs for different applications and price points.

As a result of Net/Tech's purchase in November 1997, of Hospitality Marketing & Purchasing Corporation (HMP) and the appointment of Ronald J. Heagle as President and Chief Operating Officer, the Company has expanded its plans and vision to become a complete health and food safety solutions company. The Company now plans to offer a variety of health and food safety products and services in addition to the proprietary Hygiene Guard™ technology.

In January 1998, Net/Tech was chosen by Pilgrim Products, Inc. as master distributor for the Food Fresh™ line of products. Pilgrim Products, based in Meriden, Connecticut, manufactures food safety

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products. Under the terms of the agreement, all Food Fresh, or similar products, manufactured by Pilgrim, will be distributed through Net/Tech. As the sole distributor for this food safety product, Net/Tech's new target market will encompass 800,000 walk-in coolers and over 1.5 million reach-in coolers in the U.S. food service industry alone.

In March 1998, Net/Tech was appointed as exclusive master distributor of the HyGenius™ Hand Washing Verification System manufactured by Compliance Control, Inc. As part of the exclusive arrangement, Net/Tech will take over marketing to all existing national accounts. The HyGenius™ System works with any existing hand sink in nursing homes, daycare and restaurants where hand washing is critical in preventing the spread of illness and infection. The system guides users through a controlled hand washing process including soaping, lathering and rinsing for a designated amount of time as required under FDA retail Food Code. Additionally, the HyGenius™ verifies proper and frequent washing and provides feedback on individual compliance with automatic "management-ready" reporting. Among those currently using the HyGenius™ system are some of the largest names in the quick service restaurant industry as well as Marriott Hotels, Senior Living and food service operations.

Net/Tech intends to offer the hospitality and health care industries the most innovative and affordable hand wash monitoring and hand washing systems in the marketplace. The Company is also developing a food and health safety reference guide and catalog, which will offer approximately 50 to 75 health and food safety products and services. The Company is currently negotiating with manufacturers to distribute these products in the Net/Tech catalog. Net/Tech's strategy is to become the leading provider for health and food safety solutions

The Company carries its investment in Net/Tech under the Equity Method in accordance with generally accepted accounting principles. Under the equity method of accounting, these shares are valued on CRYO-CELL's balance sheet at \$138,215 as of February 28, 1998. The Company's holdings of Net/Tech stock as of February 28, 1998 is 1,865,711. If these same shares were valued at the closing market price of Net/Tech's stock on February 28, 1998, the market capitalization of CRYO-CELL's holdings would be \$5,713,740. Since the end of fiscal 1995, the Company has systematically reduced its holdings in Net/Tech from 42% to the current level of 27% by selling shares under Rule 144. When the Company's holdings of Net/Tech are less than 20%, they would be valued at fair market value in accordance with generally accepted accounting principles.

In April 1998, subsequent to the balance sheet date, the Company received \$186,607 from the sale of 68,000 shares of Net/Tech common stock. This sale brought the Company's remaining holdings of Net/Tech stock to 1,797,711.

#### MANAGEMENT

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 general management and the medical technology field.

#### RESULTS OF OPERATIONS

REVENUES. Revenues for the quarter ended February 28, 1998 were \$36,175 as compared to \$404,800 in quarter ended February 28, 1998. The 1997 quarterly results included a \$400,000 deposit toward a Revenue Sharing Partnership. The Company has since begun to process and store specimens in its own state of the art laboratory in Clearwater, Florida. To facilitate this strategy the Company has entered into a marketing campaign with Lamaze Publishing Company which will reach 2.8M expectant mothers in their third trimester. A return of at least 3/4



of 1% would produce approximately 20,000 specimens. Bio-Stor will be given first right of refusal for future Revenue Sharing Partnerships under the terms of the expanded agreement (See Notes to Consolidated Financial Statements, Note 5).

**MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES.** Marketing, general and administrative expenses during the quarter ended February 28, 1998 were \$393,639 as compared to \$430,780 for the quarter ended February 28, 1997. These expenditures reflect the expense of market development, lab operations support and client services associated with the Lifespan/SM/ Centers and Revenue Sharing Agreements, continued product development, and the establishment of an expanded management team to handle the anticipated growth. In addition, the Company incurred costs for printing promotional brochures associated with the marketing campaign with Lamaze Publishing Company.

**RESEARCH, DEVELOPMENT AND RELATED ENGINEERING EXPENSES.** Research, development and related engineering expenses for the three months ended February 28, 1998, were \$49,054 as compared to \$29,690 in 1997. 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. The Company has been advised by Underwriter's Laboratories ("U/L") that the second generation cellular storage unit has passed all required inspections and the unit is now U/L approved. 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.

#### LIQUIDITY AND CAPITAL RESOURCES

At February 28, 1998, the Company had cash and cash equivalents of \$487,697 as compared to \$1,200,415 at February 28, 1997. The decrease in cash and cash equivalents was a result of the funding of operations as well as the increased spending for the Company's new state of the art laboratory, expenditures related to its cellular storage unit and expenses related to the marketing campaign with Lamaze Publishing Company.

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.

#### 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." 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 most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q to be filed by the Company in 1997 and any Current Reports on Form 8-K filed by the Company.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In July, 1996, CRYO-CELL filed a lawsuit in the Superior Court of California claiming that the University of Arizona and other defendants had breached CRYO-CELL's contract, misappropriated trade secrets and other allegations. The University filed a motion attempting to get the lawsuit dismissed in California which the Court disallowed. CRYO-CELL believes its suit has merit and the allegations can be proven.

On March 28, 1997, the Company was informed that the University of Arizona has filed a cross claim to the CRYO-CELL lawsuit stating that CRYO-CELL had breached the contract and had 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.

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.

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ITEM 6. 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(2) 27 Financial Data Schedule (EDGAR version only)

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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.

(b) Reports on Form 8-K

No reports on Form 8-K were filed since the last report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CRYO-CELL INTERNATIONAL, INC.

/s/ DANIEL D. RICHARD

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Daniel D. Richard  
Chief Executive Officer

Date: April 20, 1998

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