

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 August 31, 2001

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 B, Clearwater, Florida 33761

(Address of Principal Executive Offices) (Zip Code)

Issuer's phone number, including area code: (727) 450-8000

(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 August 31, 2001, 11,039,029 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<TABLE>
<CAPTION>

| | ASSETS ----- | August 31, | |
|--|-----------------|---------------|------|
| November 30, | | 2001 | |
| 2000 | | ----- | ---- |
| <S> | | <C> | <C> |
| Current Assets | | | |
| ----- | | | |
| Cash and cash equivalents | | \$ 5,154,304 | |
| \$ 2,695,794 | | | |
| Accounts receivable and advances (net of allowance for doubtful accounts of \$29,000) | | 212,741 | |
| 131,573 | | | |
| Receivable - Litigation | | - | |
| 69,178 | | | |
| Receivable - Revenue Sharing Agreement | | 370,000 | |
| 380,000 | | | |
| Note Receivable | | 100,000 | |
| - | | | |
| Marketable securities | | 336,331 | |
| 429,428 | | | |
| Prepaid expenses and other current assets | | 251,576 | |
| 174,817 | | | |
| ----- | | ----- | ---- |
| Total current assets | | 6,424,952 | |
| 3,880,790 | | | |
| ----- | | ----- | ---- |
| Property and Equipment | | 3,202,385 | |
| 3,018,708 | | | |
| ----- | | ----- | ---- |
| ----- | | | |
| Other Assets | | | |
| ----- | | | |
| Intangible assets (net of amortization of \$63,532 and \$57,018, respectively) | | 117,031 | |
| 108,675 | | | |
| Investment in European Affiliates | | 2,800,000 | |
| 1,000,000 | | | |
| Investment option to purchase | | 100,000 | |
| 100,000 | | | |
| Loan receivable - affiliate | | 150,000 | |
| 100,000 | | | |
| Deposits with vendors and others | | 658,495 | |
| 29,195 | | | |
| ----- | | ----- | ---- |
| Total other assets | | 3,825,526 | |
| 1,337,870 | | | |
| ----- | | ----- | ---- |
| \$ 8,237,368 | | \$ 13,452,863 | |
| ===== | | ===== | |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | August 31, | |
|---|--|------------|------|
| November 30, | | 2001 | |
| 2000 | | ----- | ---- |
| Current Liabilities | | | |
| ----- | | | |
| Accounts payable | | \$ 93,931 | |
| \$ 92,911 | | | |
| Accrued expenses and withholdings | | 86,213 | |
| 182,782 | | | |
| Current portion of obligations under capital leases | | 1,933 | |
| 3,122 | | | |
| ----- | | ----- | ---- |

| | | |
|---|---------------------------|---------|
| ----- | | |
| | Total current liabilities | 182,077 |
| 278,815 | | ----- |
| ----- | | ---- |
| Other Liabilities | | |
| ----- | | |
| Unearned revenue | 974,174 | |
| 1,279,683 | | |
| Deposits | 153,225 | |
| 28,725 | | |
| Obligations under capital leases-net of current portion | 9,394 | |
| 14,530 | | ----- |
| ----- | | ---- |
| Total other liabilities | 1,136,793 | |
| 1,322,938 | | ----- |
| ----- | | ---- |
| Stockholders' Equity | | |
| ----- | | |
| Preferred stock (500,000 \$.01 par value authorized and unissued) | - | |
| - | | |
| Common stock (20,000,000 \$.01 par value common shares authorized; 11,039,029 at August 31, 2001, and 10,135,629 at November 30, 2000 issued and outstanding) | 110,380 | |
| 101,327 | | |
| Additional paid-in capital | 19,900,716 | |
| 15,214,215 | | |
| Additional paid-in capital - stock options | 209,556 | |
| 124,010 | | |
| Accumulated other comprehensive income | 117,831 | |
| 26,928 | | |
| Accumulated deficit | (8,204,490) | |
| (8,830,865) | | ----- |
| ----- | | ---- |
| Total stockholders' equity | 12,133,993 | |
| 6,635,615 | | ----- |
| ----- | | ---- |
| | \$ 13,452,863 | |
| \$ 8,237,368 | | ===== |

</TABLE>

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

<TABLE>
<CAPTION>

| Ended | Three Months Ended | | Nine Months |
|---|--------------------|------------|--------------|
| ----- | ----- | ----- | ----- |
| August 31, | August 31, | August 31, | August 31, |
| 2000 | 2001 | 2000 | 2001 |
| ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| <C> | | | |
| Revenue | \$ 1,414,417 | \$ 554,628 | \$ 4,046,906 |
| \$ 1,500,269 | ----- | ----- | ----- |
| ----- | | | |
| Costs and Expenses: | | | |
| Cost of sales | 454,289 | 258,562 | 1,113,801 |
| 641,890 | | | |
| Marketing, general & administrative expenses | 936,729 | 739,179 | 2,686,896 |
| 1,969,202 | | | |
| Research, development and related engineering | 30,318 | 94,760 | 49,409 |
| 290,485 | | | |

| | | | |
|--|------------|--------------|------------|
| Depreciation and amortization 81,838 | 74,012 | 27,289 | 222,196 |
| ----- | ----- | ----- | ----- |
| Total cost and expenses 2,983,415 | 1,495,348 | 1,119,789 | 4,072,302 |
| ----- | ----- | ----- | ----- |
| Operating Income (Loss) (1,483,146) | (80,931) | (565,162) | (25,396) |
| ----- | ----- | ----- | ----- |
| Other Income and (Expense): | | | |
| Interest Income 84,142 | 22,124 | 42,810 | 83,571 |
| Interest Expense (2,023) | (402) | (778) | (1,396) |
| Other Income 400,000 | 212,039 | 200,000 | 582,181 |
| Settlement on Litigation 62,631 | 119,314 | 62,631 | 119,314 |
| Loss on Sale of Marketable Securities - | - | - | (131,899) |
| ----- | ----- | ----- | ----- |
| Total other income 544,750 | 353,075 | 304,663 | 651,771 |
| ----- | ----- | ----- | ----- |
| Net Income (Loss) \$ (938,396) | \$ 272,144 | \$ (260,499) | \$ 626,375 |
| ===== | ===== | ===== | ===== |
| Net income (loss) per share - basic and diluted (\$0.10) | \$ 0.03 | (\$0.03) | \$ 0.06 |
| ===== | ===== | ===== | ===== |
| Number of Shares Used In Computation Basic and diluted 9,757,789 | 10,384,844 | 10,072,120 | 10,241,437 |
| ===== | ===== | ===== | ===== |
| Comprehensive income (loss): | | | |
| Net income (loss): (938,396) | 272,144 | (260,499) | 626,375 |
| Other comprehensive income (loss) Net increase (decrease) in value of marketable securities 251,260 | 120,713 | (146,452) | 90,903 |
| ----- | ----- | ----- | ----- |
| Comprehensive income (loss) (687,136) | 392,857 | (406,951) | 717,278 |
| ===== | ===== | ===== | ===== |
| Comprehensive income (loss) per share - basic and diluted (0.07) | 0.04 | (0.04) | 0.07 |
| ===== | ===== | ===== | ===== |

</TABLE>

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

| | August 31, 2001 ---- | August 2000 ---- |
|---|----------------------------|------------------------|
| | <C> | <C> |
| 31, | | |
| <S> | | |
| Cash Flows from Operating Activities | | |
| Net Income (Loss) | \$ 626,375 | \$ |
| (938,396) | | |
| Adjustments to reconcile net loss to cash used for operating activities: | | |
| Depreciation and amortization | 246,394 | 102,011 |
| Loss on sale of marketable securities | 131,899 | - |
| Issuance of common stock for interest and services rendered | 318,646 | 201,273 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (81,168) | |
| (76,949) | | |
| Receivable - Litigation | 69,178 | |
| - | | |
| Receivable - CCEL Europe | - | |
| (600,000) | | |
| Receivable - Revenue Sharing Agreement | 10,000 | 50,000 |
| Receivable - Insurance Claim | - | |
| (62,631) | | |
| Note Receivable | (100,000) | |
| - | | |
| Receivable - Litigation | - | |
| - | | |
| Prepaid expenses and other current assets | (76,759) | |
| (27,787) | | |
| Deposits | (479,300) | |
| - | | |
| Accounts payable | 1,019 | |
| 37,982 | | |
| Accrued expenses | (96,569) | |
| (22,376) | | |
| Refundable income taxes payable | - | |
| 100 | | |
| Unearned revenue and deposits | (331,008) | 1,098,197 |
| -- | ----- | ----- |
| Net cash provided by (used for) operating activities | 238,707 | |
| (238,576) | ----- | ----- |
| -- | | |
| Cash flows from investing activities: | | |
| Investment - option to purchase | - | |
| (100,000) | | |
| Investment in European Affiliates | (1,800,000) | - |
| Loan receivable | 250,000 | |
| - | | |
| Purchases of securities | - | |
| (2,500) | | |
| Purchases of property and equipment | (423,557) | |
| (363,447) | | |
| Payments for intangible assets | (14,870) | |
| (23,630) | ----- | ----- |
| -- | | |
| Net cash provided by (used for) investing activities | (1,988,427) | |
| (489,577) | ----- | ----- |
| -- | | |
| Cash flows from financing activities | | |
| Proceeds from the sale of securities | 52,101 | 21,000 |
| Proceeds from the issuance of common stock | 24,500 | |
| Proceeds from the sale of warrants | 300,000 | - |
| Exercise of stock options | 3,837,955 | 2,476,351 |
| Repayment of capital leases | (6,326) | |
| (5,699) | ----- | ----- |
| -- | | |
| Net cash provided by financing activities: | 4,208,230 | 2,491,652 |
| -- | ----- | ----- |
| Increase (decrease) in cash and cash equivalents | 2,458,510 | 1,763,499 |
| Beginning of period | 2,695,794 | |
| 1,555,190 | ----- | ----- |
| -- | | |

| | | |
|---|--------------|----|
| End of period | \$ 5,154,304 | \$ |
| 3,318,689 | | |
| ===== | ===== | |
| Supplemental disclosure of cash flow information: | | |
| Interest | \$ 1,396 | \$ |
| 2,023 | | |
| ===== | ===== | |
| Income taxes | \$ - | \$ |
| - | | |
| ===== | ===== | |

</TABLE>

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

CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 1 - FINANCIAL STATEMENTS

The Consolidated Financial Statements including the Consolidated Balance Sheet as of August 31, 2001, Consolidated Statements of Operations for the nine months ended August 31, 2001 and Consolidated Statement of Cash Flows for the nine months ended August 31, 2001 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 August 31, 2001 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, 2000 Annual Report on Form 10-KSB.

NOTE 2 - MARKETABLE SECURITIES

Return on Investment Corporation

In August 2000 Return on Investment Corporation (ROI) merged into Net/Tech International, Inc. (NTTI). ROI exchanged one share of common stock for twenty shares of NTTI common stock.

In November 1998 the Company's ownership percentage in Net/Tech International Inc. (NTTI) decreased to less than 20% of the outstanding shares of NTTI. In previous years, the Company accounted for its investment in NTTI using the equity method but as of the date upon which its ownership percentage fell below 20% the Company used the guidance in SFAS 115 Accounting for Certain Investment in Debt and Equity Securities, to account for the investment. Since NTTI stock was thinly traded and subject to considerable price fluctuation, if the Company were to attempt to sell large blocks of shares, it was unlikely that the Company would be able to obtain the exchange market value listed. This security was therefore subject to considerable market risk as well as subject to certain trading restrictions that limit the number of shares that can be sold during a 90-day period.

The Company recognized losses under the equity method for the NTTI investment during 1998 reducing the cost basis of the stock to \$0. An unrealized gain has been recorded as a component of stockholders equity in the amount of \$289,011 and \$389,430 to reflect the fair market value of the investment as of August 31, 2001 and August 31, 2000, respectively.

CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 2 - MARKETABLE SECURITIES (CONT'D)

Other Securities

In 1997 the Company acquired 100,000 shares of an equity security in payment for the sale of a Revenue Sharing Agreement. The original cost as determined by the trading price on the date of acquisition was \$400,000. During February and March 2001, the Company sold 46,000 shares. The gross proceeds from the sales were \$52,101, which resulted in a loss of \$131,899, which is recognized as a Loss on the Sale of Securities. The fair value of this security as of August 31, 2001 and August 31, 2000 was \$44,820 and \$190,620, respectively and the unrealized holding loss on this security was \$171,180 and \$209,380 as of August 31, 2001 and August 31, 2000, respectively.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

In June 1998, the Company entered into an agreement with World Medical Match, a non-profit corporation, whose mission includes assisting the poor with funds to provide them access to medical matching opportunities. The agreement states that World Medical Match agrees to grant the Company \$50,000 for the purpose of paying for 200 U-Cord(TM) stem cell collection kits, processing and the first year of cryogenic storage for the benefit of indigent expectant parents. Upon execution of the agreement the Company was granted \$25,000, the unused portion is classified as a deposit on the balance sheet. The Company is currently working with local medical practices, hospitals, and other medical industry organizations to implement this project and at August 31, 2001 has virtually depleted the \$25,000 initial deposit. The Company has requested the release of the second \$25,000.

In January 2000 the Company extended its marketing agreement for three years with Lamaze Publishing Company to sponsor the Lamaze You and Your Baby tutorial tape and full-page advertisements in the Lamaze Parent Magazine at an initial cost of \$213,362. The total cost for 2001 is \$223,585. In July 1999, the Company was informed that Lamaze Publishing Company was acquired by iVillage, Inc., a leading online women's network. The Company's agreements with Lamaze will remain in tact, including the exclusivity provisions as the only cord blood preservation company on the Lamaze You and Your Baby educational videotape through the year 2003.

On April 6, 2000, the Company entered into a renewable agreement with COLTEC, Ltd. for the exclusive license to market the Company's U-Cord(TM) program in Europe. The marketing rights allow COLTEC, Ltd. to directly market the U-Cord program, sell revenue sharing agreements or further sub-license the marketing rights throughout Europe. The Company received \$1,400,000 in cash for the marketing license and will receive royalties of 10.5% to 20% of adjusted U-Cord processing and storage revenues to be generated in Europe, and granted COLTEC, Ltd. a three year option to purchase 100,000 shares of the Company's common stock (\$8.00 exercise price) and will issue up to 100,000 additional options (\$12.00 exercise price) as needed, to facilitate sales of sub-licensing and/or revenue sharing agreements in Europe. The Company recognized \$465,000 of the licensing fees in fiscal 2000 and \$525,000 as of August 31, 2001. Subsequent to the licensing agreement date, COLTEC, Ltd. formed a corporation, CRYO-CELL Europe, B.V. to engage in the cryogenic cellular storage business under the agreement. On September 19, 2000, the Company entered into an agreement to purchase approximately 6% of CRYO-CELL Europe, B.V. In October and November 2000, the Company paid \$1,000,000 for 38,760 shares of the capital stock of CRYO-CELL Europe, B.V. that the Company owned on January 24, 2001.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 3 - COMMITMENTS AND CONTINGENCIES (CONT'D)

On August 28, 2001, the Company entered into an agreement with CRYO-CELL Europe, N.V. to purchase 21.9% of CRYO-CELL Italia, Srl from CRYO-CELL Europe's equity in this emerging business entity. CRYO-CELL Italia intends to offer the U-Cord program to expectant parents in Italy, initially operating from a laboratory in the Vatican-owned San Raphaelo Hospital in Milan. Through its prior agreement with CRYO-CELL Europe, the Company will receive a portion of the processing and storage fees generated by CRYO-CELL Italia's operations. The Company's equity purchase of \$1,800,000 was facilitated by the exercise of previously issued stock options.

On June 13, 2001, the Company entered into an agreement for the exclusive license to market the Company's U-Cord program. The license allows CRYO-CELL de Mexico to directly market and operate the U-Cord program throughout Mexico and Central America. The total cost of the license is \$900,000 and the licensing fees are 10.5% to 18% of adjusted U-Cord processing and storage revenues to be generated in Mexico and Central America. Per the agreement CRYO-CELL de Mexico will purchase 100,000 warrants at \$1.00 each giving them the right to purchase 100,000 shares of the Company's common stock at an exercise price of \$8.00 per

share. In June 2001 an initial deposit of \$100,000 was received. The remainder of the payments is due to be paid in three installments over a two-year period. During October 2001, the License Agreement was revised. The initial cost of the license was reduced to \$600,000 in exchange for a higher percentage of on-going fees. The Company will now receive 15% of processing fees and 25% of annual storage fees.

On August 15, 2001, the Company entered into an agreement with CRYO-CELL Middle East, Inc. for the exclusive license to market the Company's U-Cord program in Israel and throughout the Middle East. The total cost of the license is \$1,000,000 which will be recognized by the Company over a three year period. In addition to the license fees, the Company is entitled to receive 15% of net processing revenues and at least 18% of annual storage fees generated by CRYO-CELL Middle East's operations. In addition, the Company agreed to the sale of 100,000 warrants at \$1.00 each to purchase shares of CCEL at \$9.00 per share over the next five years. In August 2001 the Company received the initial deposit of \$50,000 and \$100,000 for the purchase of the warrants.

NOTE 4 - LEGAL PROCEEDINGS

On or about July 11, 1996, CRYO-CELL filed suit in San Francisco Superior Court against the University of Arizona, Dr. David Harris and Cord Blood Registry, Inc. (CBR). The suit claimed breach of contract and other related business torts. After settlement discussions were unproductive, the University of Arizona counter-sued CRYO-CELL for breach of contract and negligent misrepresentation on March 27, 1997.

On July 20, 1998, as a result of the evidence, the jury awarded CRYO-CELL \$1,050,000 against Defendant University of Arizona. In addition, an award of \$120,000 was granted to the Company against the University of Arizona and David Harris, individually, for misappropriation of trade secrets. The court rejected three post-trial motions by the University of Arizona including a request to reduce the award or set aside the verdict.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 4 - LEGAL PROCEEDINGS (CONT'D)

On or about September 27, 1999 the Company accepted the University's offer of \$800,000 and settled the matter. On September 30, 1999, the Company received \$441,000 from the University of Arizona. The remaining balance of \$359,000 is being held in escrow, to satisfy a legal lien filed November 4, 1998 by the Company's previous attorneys, Horwitz and Beam. The Company disputes their position and has countersued Horwitz and Beam for malpractice and is seeking \$1,000,000 in compensatory damages and an unspecified amount of punitive damages deemed appropriate by the court. CRYO-CELL retained the services of Horwitz & Beam, a California law firm, to handle the above-described lawsuit including its allegations against CBR for interference in a legitimate contract between two parties and unfair business practices, among other claims. The court granted a summary judgment dismissal in favor of CBR. CRYO-CELL believes that Horwitz & Beam mishandled the CBR aspect of the case and certain aspects of its case against the University of Arizona. There is a dispute concerning the amount of fees owed by the Company to Horwitz & Beam.

On March 8, 1999, the Company, the Company's CEO and Chairman, the Company's Executive Vice President, and the Company's legal counsel were named as the defendants in a lawsuit filed in the Superior Court of Orange County, California by Horwitz & Beam, the attorneys which had represented CRYO-CELL in its suit against the University of Arizona et al. The plaintiff alleges breach of contract and seeks payment of \$129,822 in allegedly unpaid fees and costs associated with the University of Arizona litigation. The plaintiff also asserts claims of misrepresentation. In reference to these misrepresentation claims, plaintiff has filed a Statement of Damages, which asserts \$1,000,000 in general damages and \$3,500,000 in punitive damages.

The Company believes there is no merit to the suit and that none of the claimed \$129,822 in fees is due and owing under the contract. The Company believes that Horwitz & Beam brought this action and improperly sought punitive damages for the purpose of interfering with the Company's efforts to raise and maintain additional capital.

Accordingly, on June 14, 1999, the Company filed: (1) an answer denying all liability; (2) a counterclaim for breach of contract and malpractice, seeking in excess of \$1 million in compensatory damages arising from the malpractice; (3) a motion to dismiss the individual defendants for lack of jurisdiction; and (4) a motion to dismiss all punitive damages allegations against the Company.

On December 17, 1999, Judge Alicemarie H. Stotler of the United States

District Court in the Central District of California, issued an Order in which she: (1) granted CRYO-CELL International, Inc.'s ("CRYO-CELL") Motion to Strike Punitive Damages and Dismiss Part of the Complaint; (2) granted Daniel Richard's, Mark Richard's and Gerald F. Maass' (the "Individual Defendants") Motion to Dismiss Complaint for Lack of Personal Jurisdiction; and (3) granted in part and denied in part Horwitz & Beam, Inc.'s ("H&B") Motion for Order Dismissing Counterclaim and/or Strike Portions Thereof. As discussed in more detail below, the net effect of this order was to reframe the Complaint as a fee dispute, as opposed to a multi-million dollar claim for fraud against CRYO-CELL and its corporate officers. By its order, the Court has barred recovery in this action against the Individual Defendants, and has reduced CRYO-CELL's exposure from over \$3.5 million dollars to \$129,822, plus a possible award of attorneys' fees.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 4 - LEGAL PROCEEDINGS (CONT'D)

On June 1, 2001, the Company entered into a settlement of the litigation Horwitz & Beam v. CRYO-CELL International, Inc. pending in Federal District Court for the Central District of California. The settlement includes the release of all claims against CRYO-CELL. It also provides for the release of all claims that CRYO-CELL had against Horwitz & Beam (and certain Horwitz & Beam attorneys), arising from Horwitz & Beam's prior representation of the Company in litigation against the University of Arizona and David Harris.

Under the terms of the settlement, CRYO-CELL and Horwitz & Beam are to split \$376,984, previously held in escrow pending resolution of the dispute. Each party will bear its own attorney's fees and costs. On June 22, 2001, the Company received \$188,492, which under the terms of the settlement was fifty percent of the monies held in escrow. A gain on settlement of \$119,314 has been recognized in the third quarter of fiscal 2001.

NOTE 5 - STOCKHOLDERS' EQUITY

During 2000, the Company received \$21,000 in cash proceeds from the sale of 5,000 shares of its common stock through private placements. The Company also issued 879,250 common shares to option holders who exercised these options in 2000 for \$2,540,203. As of August 31, 2001 the Company issued 785,450 shares of its common shares to option holders who exercised options for \$3,837,955. The Company also received \$24,500 in cash proceeds from the sale of 7,000 shares of its common stock. On May 30, 2001 the Company received \$200,000 for the purchase of 100,000 stock warrants. The warrants may be exercised at a price of \$6.00 per share and expire in 2006.

The Company made payments for consulting services through the issuance of common stock. Consulting fees of \$233,100 were paid by the issuance of 48,950 common shares as of August 31, 2001. The Company also issued 65,000 shares of its common stock to the University of South Florida per the agreement made between the University and CCEL Bio-Therapies, Inc., a subsidiary of the Company, during the first and second quarters of fiscal 2001.

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.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 5 - STOCKHOLDERS' EQUITY (CONT'D)

On or about July 25, 2001 the Board of Directors of CRYO-CELL International, Inc. announced that the Company will declare and distribute a stock dividend in the shares of its wholly-owned subsidiary, Stem Cell Preservation Technologies, Inc. Stem Cell Preservation is a developing stage company which will be involved in the development of marketing programs for the collection and preservation of adult stem cells.

All record shareholders of CRYO-CELL (CCEL) on August 31, 2001 will receive a distribution of three shares of Stem Cell Preservation Technologies, Inc. common stock for every four shares of CCEL that they owned on the record date.

The payment date of the shares to be distributed will follow the effective date of a registration statement, which is anticipated in four to six months. Stem Cell Preservation Technologies, Inc. is currently preparing this registration statement which it intends to file with the Securities and Exchange Commission. Upon the effectiveness of the registration statement and distribution of the shares, shareholders will be able to sell one-third of their shares immediately and the balance over the following two years.

NOTE 6 - AGREEMENTS

Arizona/Florida

On February 9, 1999, the previous agreements with the Company's Arizona Revenue Sharing investors were modified and replaced by a Revenue Sharing Agreement for the state of Florida for a price of \$1,000,000. Under the terms of this agreement the Company credited the investors' previously paid \$450,000 toward the purchase of the Revenue Sharing Agreement. The balance of \$550,000 will be paid through their Revenue Sharing entitlements to their share of net storage revenues. The Revenue Sharing Agreement applies to net storage revenues originating from specimens from within the state of Florida. The Revenue Sharing Agreement entitles the investors to net revenues from a maximum of 33,000 storage spaces and cancels the investor's obligation to provide the Company with \$675,000 plus accrued interest under the prior Arizona agreement.

Illinois

In 1996, the Company signed agreements with a group of investors entitling them to an on-going 50% share in the Company's portion of net storage revenues generated by specimens stored in the Illinois Masonic Medical Center. Since the Company will no longer be storing new specimens in Chicago, the agreements were modified in 1998 to entitle the investors to a 50% share of the Company's portion of net revenues relating to specimens originating in Illinois and its contiguous states and stored in Clearwater, Florida for a maximum of up to 33,000 spaces. The revenue generated by this Single Unit Revenue Sharing Agreement was \$1,000,000.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 6 - AGREEMENTS (CONT'D)

Bio-Stor, LLC

On February 26, 1999, the Company modified all previous agreements with Bio-Stor, LLC. The modified agreement enters Bio-Stor into a Revenue Sharing Agreement for the state of New York. The Company will credit Bio-Stor's \$900,000 (previously paid) toward the purchase of 90% of its 50% share in CRYO-CELL's portion of net storage revenues generated by the specimens originating from the Company's clients in the state of New York for up to 33,000 shared spaces. This agreement supersedes all other agreements between Bio-Stor, LLC and the Company.

Other Agreements

On November 5, 1998 an agreement previously entered into by the Company with a private investor was revised. Per the terms of the original agreement, the investor had purchased 10% of a Revenue Sharing Agreement in the state of New Jersey. The new agreement has transferred the \$100,000 investment to the state of New York. Under the revised agreement the investor will receive 10% of the 50% share in CRYO-CELL's portion of net storage revenues generated by the specimens originating from the Company's clients in the state of New York for up to 33,000 spaces.

Tenet HealthSystem Hospitals, Inc.

On November 30, 1996, the Company signed agreements with OrNda HealthCorp. Two "one-third" Revenue Sharing Agreements were purchased in which OrNda paid the Company \$666,666. OrNda was acquired by Tenet Healthcare Corporation, which agreed to be bound by the terms of the OrNda agreements. The agreements were renegotiated and the Company will store all Tenet originated specimens at its headquarters' lab in Clearwater, Florida while paying Tenet a revenue sharing entitlement.

New Jersey

On November 30, 1999, the Company entered into agreements with two investors entitling them to on-going shares in a portion of CRYO-CELL's net storage revenue generated by specimens originating from within the state of New Jersey. Deposits totaling \$50,000 were received upon signing of the agreements and the remaining \$450,000 was originally due in May 2000. In May 2000 the

original due date for the remaining balance was extended to November 2001. As of August 31, 2001 the remaining balance due is \$370,000. Upon receipt of the balance due the investors will be entitled to a portion of net storage revenues generated to a maximum of 33,000 storage spaces.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 6 - AGREEMENTS (CONT'D)

Texas

On May 31, 2001 the Company entered into an agreement with two investors entitling them to on-going shares in a portion of CRYO-CELL's net storage revenue generated by specimens originating from within the state of Texas. An initial deposit of \$50,000 was received upon signing of the agreement and the remaining balance of \$700,000 was paid on August 30, 2001. The investors are entitled to a portion of net storage revenues generated to a maximum of 33,000 storage spaces.

Women & Infants' Hospital of Rhode Island

In June 1998, the Company signed an agreement with Women & Infants' Hospital of Rhode Island ("hospital") for the establishment of a commercial placental/umbilical cord blood bank at their Providence, Rhode Island medical facility. Per the agreement the hospital required \$50,000 to be placed in escrow. The \$50,000 is classified as cash on the balance sheet. The hospital has since acquired new management and the lab space was reduced making it inefficient for the use as a cord blood bank. In the second quarter of 2001, the agreement was mutually terminated. In June 2001, the Company received the \$50,000 that was placed in escrow along with accrued interest.

University of South Florida at Tampa

In February 2000, the Company, through its subsidiary CCEL BIO-THERAPIES, Inc., entered into a research agreement with the University of South Florida at Tampa to collaborate on a technology for the potential treatment of a number of debilitating degenerative diseases. The research project is to be conducted at the University's laboratory facilities. In March 2000, the Company transferred \$200,000 to CCEL BIO-THERAPIES, Inc. to meet its funding commitment. CCEL BIO-THERAPIES, Inc. and the University are co-assignees of a filed patent application covering the technology. An application has been made for federal grants (STTR research grants) on behalf of CCEL BIO-THERAPIES, Inc. In addition, an application was filed for a State of Florida I-4 (now Hi-Tech Corridor) matching grant. The Company has been granted worldwide marketing rights for any product developed as a result of this research program. Under the terms of the agreement, the University will receive standard royalty payments on any future product sales. In February 2001, the Company paid the University an initial \$100,000 license payment with the issuance of 15,000 shares of the Company's common stock. In May 2001, the Company paid the University the first two benchmark payments totaling \$200,000 with the issuance of 50,000 shares of the Company's common stock. The University was awarded the Hi-Tech Corridor grant in the amount of \$100,000. In September 2001, CCEL BIO-THERAPIES was awarded the STTR grant in the amount of \$107,000.

In August 2001, the Company announced its intent to merge its CCEL BIO-THERAPIES subsidiary with Saneron Therapeutics, Inc., subject to Board approval by both companies. The combined assets of the merged companies will include a large portfolio of international patents held by Saneron and the proprietary technology relating cord blood, which is jointly owned by USF and CRYO-CELL. The result will be the combination of U-Cord stem cell technology with Saneron's Sertoli cell, growth factor, cellular expansion and cryopreservation technologies. Upon the effective date of the merger, CRYO-CELL will own approximately 43% of the combined companies.

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CRYO-CELL INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001
(Unaudited)

NOTE 7 - RECEIVABLE LITIGATION

On or about September 27, 1999 the Company accepted the University of Arizona's offer of \$800,000 to settle its litigation. In September 1999, the Company received \$441,000 from the University of Arizona leaving a balance of \$359,000 that is being held in escrow to satisfy a legal lien filed November 4, 1998 by the Company's previous attorneys, Horwitz and Beam. The Company reduced

the award to \$510,178 and recognized this as gain on litigation. This reduction includes a 20% contingency fee (\$160,000) to the Company's previous attorneys and \$129,822 in contested legal fees that the Company feels are not due and owing under the contract (See Note 4). When the \$289,822 is netted against the \$359,000 held in escrow the result is a receivable balance of \$69,178. The Company has requested the release of the \$69,178 from escrow, which is the excess of 20% of the \$800,000 actual settlement amount. The overage is a result of the Company's settlement of the \$1,170,000 original jury award. On June 1, 2001, the Company entered into a settlement of the litigation (See Note 4). Under the terms of the settlement the Company and Horwitz and Beam are to split \$376,984 previously held in escrow. On June 22, 2001, the Company received \$188,492.

Item 2. Management's Discussion and Analysis or Plan of Operation.

CRYO-CELL International, Inc. was incorporated on September 11, 1989 in the state of Delaware. It is engaged in cryogenic cellular storage and the design and development of cellular storage devices. The Company's current focus is on the processing and preservation of umbilical cord (U-Cord(TM)) blood stem cells for autologous/sibling use. The Company believes that it is the fastest growing commercial firm currently specializing in separated umbilical cord blood stem cell storage. CRYO-CELL has pioneered several technologies that allow for the processing and storage of specimens in a cryogenic environment. The Company's original mission of affordability for U-Cord blood preservation remains in effect. These technologies include a process for the storage of fractionated (separated) U-Cord stem cells and the development and patenting of the first computer controlled, robotically operated cryogenic storage system.

It is the Company's mission to make expectant parents aware of the potential medical benefits from preserving stem cells and to provide them the means and processes for collection and storage of these cells. Today, stem cell transplants are known and accepted treatments for a number of life-threatening diseases. With continued research in this area of medical technology, other avenues for their potential use and expansion are being explored. A vast majority of expectant parents are simply unaware that umbilical cord blood contains a rich supply of stem cells and that they can be collected, processed and stored for the potential future use of the newborn and possibly related family members. A baby's stem cells will remain a perfect match for the baby throughout its life and have a 1-in-4 chance (or better) of being a perfect match for a sibling. There is no assurance, however, that a perfect match could treat certain diseases. Today, it is still common for the cord blood (the blood remaining in the umbilical cord and placenta) to be discarded at the time of birth as medical waste. Obviously, the Company believes that no U-Cord specimen should be discarded when it could possibly save a life.

Given the potential benefits of U-Cord stem cell preservation, the number of parents of newborns participating in stem cell preservation is still relatively small compared to the number of births (four million per annum) in the United States alone. Critical reasons for this low level of market penetration are the misperception of the high cost of stem cell storage as well as a general lack of awareness of the benefits of stem cell preservation programs. However, evolving medical technology could significantly

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increase the utilization of the U-Cord blood for transplantation and/or other types of treatments. A number of competitors in this market have been charging upwards of \$1000 - \$1500 for this stem cell preservation plus higher annual fees for storage than the Company charges. The cost is usually not covered by insurance. The Company has made this procedure affordable and within financial reach of most families. The growth and profitability of the Company should come from increases in stem cell specimen storage volume driven by its marketing approaches, resulting in an increasing base of annual stem cell storage renewal fees.

During 2001, all U-Cord(TM) blood processing and preservation will be done at the Company's facility. The Company plans to open a second cellular storage repository during this fiscal year.

During the period since its inception, the Company's research and development activities have principally involved the design and development of its cellular storage systems ("CCEL Cellular Storage System") and in securing patents on the same.

The Company believes that its long-term cellular storage units can provide an improved ability to store cells or other material in liquid nitrogen, its vapors or other media. The units are 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 efficient use of storage space and a dual identification system for inventory control is a competitive advantage for the Company. The Company is the assignee of all patents on the units.

Other cryopreservation systems are manually operated and can expose the

laboratory technician to liquid nitrogen when inserting or retrieving specimens. Moreover, the use of these units exposes the remaining stored specimens to ambient temperature whenever specimens are inserted or retrieved. The Company has designed and holds patents on a system, which makes use of the latest in computer, robotics and bar code laser scanning identification technologies. The unit is assembled by an independent manufacturer utilizing the Company's patented designs.

In February 1999, the Company was granted a patent on the CCEL III computer controlled robotically operated cellular storage system, which is designed to be multi-functional. When completely developed the unit will be able to store more than 35,000 5ml vials, and many times that number of smaller vials. Because the CCEL III is multi-functional it is currently being evaluated for various other uses.

The following is a discussion and analysis of the financial condition and results of operations of the Company for the quarter ended August 31, 2001 as compared to the same period of the prior year.

General

To increase awareness of its services, the Company has invested in a variety of marketing programs designed to educate expectant parents and those medical caregivers to whom they turn to for advice.

The Company markets its preservation services to expectant parents and by distributing information to obstetricians, pediatricians, Lamaze instructors and other childbirth educators, certified nurse-midwives and other related healthcare professionals. The Company has clinical educators who work with the medical community and with expectant parents to educate them on cord blood stem cell preservation. The Company also has a clinical support team of specially trained nurses who are available 24 hours, 7 days a week to educate expectant parents and the medical community on the life-saving potential of cord blood stem cell preservation. In addition, the Company exhibits at conferences, trade

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shows and other media focusing on the expectant parent market. The Company is realizing an increasing level of interest from its Web site, www.CRYO-CELL.com.

In January 2000 the Company renewed its agreement with the Lamaze Publishing Company to sponsor the Lamaze You and Your Baby tutorial tape. The agreement has been extended for three (3) years and calls for Lamaze to distribute the videotape to 1.8 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 programs. The tutorial tape, which is distributed by approximately 9,000 instructors, discusses the importance of cord blood storage and refers viewers to the full-page ad that the Company has placed in the Lamaze Parents Magazine, which is distributed to 2.4 million expectant mothers. During 2000, 600,000 You and Your Baby CD's were distributed through WAL-MART stores for the first time. The Company also places an ad in Lamaze para Padres, Lamaze Publishing's magazine for Hispanic mothers-to-be. The Company has exclusivity on the tutorial tape in the cord blood storage category and first right of refusal for renewal of the agreement beyond 2003.

In March 2000, the Company became a sponsor of the 2000 ACOG (American College of Obstetricians and Gynecologists) Meeting CD-ROM. The CD includes a segment on the Company's U-Cord(TM) program and was distributed to approximately 40,000 ACOG members in November 2000. The Company is the only cord blood preservation firm featured on the CD-ROM.

In March 2000, the Company launched its Mother to Mother(TM) Educational Network program to offer the Company's umbilical cord blood preservation program to expectant parents. The network is comprised of clients who have stored or who have enrolled to store their newborn's U-Cord blood stem cells with the Company. These independent contractors contact expectant parents, OB/GYN's and medical caregivers advising them of the Company's affordable service.

The Company's advertisements have appeared in, or are scheduled for insertion in, several national targeted prenatal magazines including American Baby, Pregnancy, Baby Talk and Fit Pregnancy. Expectant parents have also received information via emails and newsletter links through BabyCenter.com. BayNews 9, a CNN affiliate, and NewsChannel 10 have both carried stories about CRYO-CELL's affordable service.

In January 2001, the Company established the Grandparent's Legacy Program. Through this program, grandparents can provide the gift of cord blood stem cell preservation for their grandchildren.

In April 2001, the Company entered into a multi-faceted exclusive cooperative marketing agreement with iMaternity, which operates a national chain of stores serving expectant mothers. The Company and iMaternity will offer cross-links to each other's websites with ongoing promotional activities. Included in their marketing plans are the enrollments of more than 1,000,000

mothers-to-be during the next 12 months in the iMaternity Preferred Membership Club.

In September 1999, the Company was granted a Blood Bank license to operate in the state of New Jersey. The Company is now authorized to operate in all 50 states.

In February 2000, the Company, through its subsidiary CCEL BIO-THERAPIES, Inc., entered into a research agreement with the University of South Florida at Tampa to collaborate on a technology for the potential treatment of a number of debilitating degenerative diseases. The research project is to be conducted at the University's laboratory facilities. In March 2000, the Company transferred \$200,000 to CCEL BIO-THERAPIES, Inc. to meet its funding commitment. CCEL BIO-THERAPIES, Inc. and the University are co-assignees of a filed patent application covering the technology. An application has been made for federal grants (STTR research grants) on behalf of CCEL BIO-THERAPIES, Inc. In

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addition, an application was filed for a State of Florida I-4 (now Hi-Tech Corridor) matching grant. The Company has been granted worldwide marketing rights for any product developed as a result of this research program. Under the terms of the agreement, the University will receive standard royalty payments on any future product sales. In February 2001, the Company paid the University an initial \$100,000 license payment with the issuance of 15,000 shares of the Company's common stock. In May 2001, the Company paid the University the first two benchmark payments totaling \$200,000 with the issuance of 50,000 shares of the Company's common stock. The University was awarded the Hi-Tech Corridor grant in the amount of \$100,000. In September 2001, CCEL BIO-THERAPIES was awarded the STTR grant in the amount of \$107,000.

In August 2001, the Company announced its intent to merge its CCEL BIO-THERAPIES subsidiary with Saneron Therapeutics, Inc., subject to Board approval by both companies. The combined assets of the merged companies will include a large portfolio of international patents held by Saneron and the proprietary technology relating cord blood which is jointly owned by USF and CRYO-CELL. The result will be the combination of U-Cord stem cell technology with Saneron's Sertoli cell, growth factor, cellular expansion and cryopreservation technologies. Upon the effective date of the merger, CRYO-CELL will own approximately 43% of the combined companies.

On April 6, 2000, the Company entered into a renewable agreement with COLTEC, Ltd. for the exclusive license to market the Company's U-CORD program in Europe. The marketing rights allow COLTEC, Ltd. to directly market the U-CORD program, sell revenue sharing agreements or further sub-license the marketing rights throughout Europe. The Company received \$1,400,000 in cash for the marketing license and will receive royalties of 10.5% to 20% of adjusted U-CORD processing and storage revenues to be generated in Europe, and granted COLTEC, Ltd. a three year option to purchase 100,000 shares of the Company's common stock (\$8.00 exercise price) and will issue up to 100,000 additional options (\$12.00 exercise price), as needed, to facilitate sales of sub-licensing and/or revenue sharing agreements in Europe. The Company recognized \$465,000 of the licensing fees in 2000. Subsequent to the licensing agreement date, COLTEC, Ltd. formed a corporation, CRYO-CELL Europe, B.V. to engage in the cryogenic cellular storage business under the agreement. At September 19, 2000 the Company entered into an agreement to purchase approximately 6% of CRYO-CELL Europe, B.V. In October and November 2000, the Company paid \$1,000,000 for 38,760 shares of the capital stock of CRYO-CELL Europe, B.V. that the Company owned on January 24, 2001.

On August 28, 2001, the Company entered into an agreement with CRYO-CELL Europe, N.V. to purchase 21.9% of CRYO-CELL Italia, Srl from CRYO-CELL Europe's equity in this emerging business entity. CRYO-CELL Italia intends to offer the U-Cord program to expectant parents in Italy, initially operating from a laboratory in the Vatican-owned San Rapphaelo Hospital in Milan. Through its prior agreement with CRYO-CELL Europe, the Company will receive a portion of the processing and storage fees generated by CRYO-CELL Italia's operations. The Company's equity purchase of \$1,800,000 was facilitated by the exercise of previously issued stock options.

On June 13, 2001, the Company entered into an agreement for the exclusive license to market the Company's U-Cord program in Mexico. The license allows CRYO-CELL de Mexico to directly market and operate the U-Cord program throughout Mexico and Central America. The total cost of the license is \$900,000 and the licensing fees are 10.5% to 18% of adjusted U-Cord processing and storage revenues to be generated in Mexico and Central America. Per the agreement CRYO-CELL de Mexico will purchase 100,000 warrants at \$1.00 each giving them the right to purchase 100,000 shares of the Company's common stock at an exercise price of \$8.00 per share. In June 2001 an initial deposit of \$100,000 was received. The remainder of the payments is due to be paid in three installments over a two-year period. During October 2001, the License Agreement was revised. The initial cost of the license was reduced to \$600,000 in exchange for a higher percentage of on-going fees. The Company will now receive 15% of processing fees and 25% of annual storage fees.

On August 15, 2001, the Company entered into an agreement with CRYO-CELL Middle East, Inc. for the exclusive license to market the Company's U-Cord program in Israel and throughout the Middle East. The total cost of the license is \$1,000,000 which will be recognized by the Company over a three year period. In addition to the license fees, the Company is entitled to receive 15% of net processing revenues and at least 18% of annual storage fees generated by CRYO-CELL Middle East's operations. In addition the Company agreed to the sale of 100,000 warrants at \$1.00 each to purchase shares of CCEL at \$9.00 per share over the next five years. In August 2001 the Company received the initial deposit of \$50,000 and \$100,000 for the purchase of the warrants.

Management

At present there are 37 employees on the staff of the Company. Daniel D. Richard serves as the Chairman of the Board and Chief Executive Officer.

Daniel D. Richard, Chairman of the Board and Chief Executive Officer. Mr. Richard is the founder of the Company and co-inventor of much of the Company's technology it currently employs. Mr. Richard has served as Chairman of the Board since the Company's inception. Prior to founding the Company, Mr. Richard was the first officer and director of Marrow-Tech, Inc., a publicly traded company engaged in the field of cellular replication. Mr. Richard was also the President of Daniel Richard Consultants, Inc., a marketing firm which operated in forty-four cities in the U.S. and throughout the world.

Wanda D. Dearth, President and Chief Operating Officer. Ms Dearth joined the Company in June 2000. Ms. Dearth joined the Company from kforce.com (formerly Romac International, Inc.) where she was Business Unit Vice President for the nurse staffing division. Ms. Dearth has a history of over 15 years placing physicians and nurses throughout the U.S. She has over 20 years of marketing and operational experience with the majority of her career specializing in start-up operations. Ms. Dearth graduated from Miami University of Ohio with a B. S. in Business Administration. In October 2000, Ms. Dearth was appointed a member of the Company's Board of Directors.

Gerald F. Maass, Executive Vice President. Mr. Maass joined the Company in March 1998. Prior to joining the Company Mr. Maass worked for Critikon, a subsidiary of Johnson & Johnson, where his most recent position was International Director of Marketing for the Patient Monitoring business. Mr. Maass' ten-year tenure with Johnson and Johnson included several marketing and business development roles; he also served on the Critikon management committee. Prior to Johnson & Johnson, Mr. Maass was with Baxter Healthcare and Control Data Corporation in marketing, sales management, business development and business management roles. Mr. Maass began his career with Mayo Clinic in Rochester, MN and holds a B.S. degree in Medical Technology. In September 1998, Mr. Maass was appointed a member of the Company's Board of Directors.

Geoffrey J. O'Neill, Ph.D., Laboratory Director. Dr. O'Neill joined the company in April 1999 and has oversight of the Company's processing laboratory and storage facility. He has over 25 years experience in human hematopoietic progenitor cell therapy, including expertise in the processing, cryopreservation and storage of stem cells, flow cytometry analysis, HLA typing and CD34+ cell purification. Dr. O'Neill also has expertise in immunohematology and blood banking. A co-author of many publications, he has an undergraduate degree in microbiology and a Ph.D. in Immunology.

Jill Taymans, Chief Financial Officer. Ms. Taymans joined the Company in April 1997 serving initially as Controller and was appointed CFO in May 1998. Ms. Taymans graduated from the University of Maryland in 1991 with a BS in Accounting. She has worked in the accounting industry for over nine years in both the public and private sectors. Prior to joining the company she served for three years as Controller for a telecommunications company in Baltimore, Maryland.

E. Thomas Deutsch, III, Chief Information Officer. Mr. Deutsch joined the Company in May 1996 and is a software and process engineer, specializing in healthcare information systems. He graduated from the University of North Carolina in Chapel Hill in 1986 with a B. S. degree in Mathematics. Prior to joining the Company in 1996, Mr. Deutsch worked for Shared Medical Systems in Malvern, PA, IBM in Atlanta, GA, and HBO and Company in Atlanta, GA. His responsibilities include developing, implementing and supporting the Company's communications and information systems, developing, implementing and supporting the Company's Internet plan and systems engineering for the patented CCEL II Cellular Storage System.

Medical Advisory Board

The Company has established a Medical & Scientific Advisory Board comprised of the more than 10 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 departments and are committed to cellular storage as part of new services to improve patient care and saves lives.

Results of Operations

Revenues. Revenues for the nine months ended August 31, 2001 were \$4,046,906 as compared to \$1,500,269 for the same period in 2000. The revenues for the nine months ended August 31, 2001 include \$750,000 from the sale of a Revenue Sharing Agreement and \$3,296,906 in sales from customers. Actual processing and storage revenue from sales to customers increased \$1,796,637 or 184%. The increase in revenues reflects the significant growth in the processing and storage revenue associated with the Company's U-Cord(TM) stem cell program. The Company believes that the growth is a result of its investments in its various marketing programs, including its activities with Lamaze Publishing, and the increased traffic on its updated Web site www.CRYO-CELL.com. The upward sales trend has continued into the fourth quarter of fiscal 2001.

Cost of Sales. Cost of sales for the nine months ended August 31, 2001 were \$1,113,801 as compared to \$641,890 in 2000. The cost of sales for the nine months ended August 31, 2001 and August 31, 2000 represents the associated expenses resulting from the processing and testing of the U-Cord(TM) specimens in the Company's own state of the art laboratory in Clearwater, Florida.

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses during the nine months ended August 31, 2001 were \$2,686,896 as compared to \$1,969,202 in 2000. The increase reflects, in part, the expenses of additional executive management, market development, lab operations support and clinical services expansion associated with the growth of the Company's cellular storage program.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the nine months ended August 31, 2001, were \$49,409 as compared to \$290,485 in 2000. The expenses incurred in 2001 reflect the funding of the research project between the Company's subsidiary, CCEL Bio-Therapies, Inc., and the University of South Florida at Tampa. The reduction reflects the impact of previous investments regarding the Company's third generation cellular storage system.

Liquidity and Capital Resources

At August 31, 2001, the Company had cash and cash equivalents of \$5,154,304 as compared to \$3,318,689 at August 31, 2000. The increase in cash and cash equivalents was a result of the \$3,837,955 that the Company received from the exercise of 785,450 shares of the Company's common stock.

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The Company anticipates that cash reserves, cash flows from operations and receivables from its agreements will be sufficient to fund its growth. Cash flows from operations will depend primarily on increasing revenues resulting from an extensive umbilical cord blood cellular storage marketing campaign.

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 differences 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 1999 and any Current Reports on Form 8-K filed by the Company.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

- I. In December 1992, CRYO-CELL entered into an exclusive agreement with the University of Arizona to develop and enhance a commercial (paid for) cord blood stem cell bank. Prior to this agreement the University of Arizona had not commenced storing any cord blood specimens. CRYO-CELL provided the means for the University to obtain approximately 1400 paying clients. Prior to the termination of the exclusive

agreement, which CRYO-CELL alleges was unwarranted, the University breached its contract with CRYO-CELL and entered into an Agreement with Cord Blood Registry, Inc. (CBR).

On or about July 11, 1996, CRYO-CELL filed suit in San Francisco Superior Court against the University of Arizona, Dr. David Harris and Cord Blood Registry, Inc. The suit claimed breach of contract and other related business torts. Months later, after settlement discussions were unproductive, the University of Arizona counter-sued CRYO-CELL for breach of contract and negligent misrepresentation.

On July 20, 1998, as a result of the evidence, the jury awarded CRYO-CELL \$1,050,000 against Defendant University of Arizona. In addition, an award of \$120,000 was granted to the Company against the University of Arizona and David Harris, individually, for misappropriation of trade secrets. The jury voted unanimously against the University and in favor of CRYO-CELL as to the counter claims. The court rejected three post-trial motions by the University of Arizona including a request to reduce the award or set aside the verdict.

On or about September 27, 1999 the Company accepted the University's offer of \$800,000 and settled the matter in order to avoid a lengthy and costly appeals process. On September 30, 1999, the Company received \$441,000 from the University of Arizona. The remaining balance of \$359,000 is being held in escrow, to satisfy a legal lien filed November 4, 1998 by the Company's previous attorneys, Horwitz and Beam. The Company disputes their position and has counter sued Horwitz and Beam for malpractice and is seeking \$1,000,000 in compensatory damages and an unspecified amount of punitive damages deemed appropriate by the court.

II. CRYO-CELL retained the services of Horwitz & Beam, a California law firm, to handle the above-described lawsuit including its allegations against CBR for interference in a legitimate contract between two parties and unfair business practices, among other claims. CRYO-CELL believes that Horwitz & Beam mishandled the CBR aspect of the case and certain aspects of its case against the University of Arizona by failing to depose CBR defendants on a timely basis and failing to respond to the University's request for an exemption from punitive damages (stating they were a public entity), among others. Without this evidence, the court granted a summary judgment dismissal in favor of CBR. There is a dispute as to whether Horwitz and Beam is entitled to the fees of \$129,822 they claim is owed by the Company.

On March 8, 1999, the Company, the Company's CEO and Chairman, the Company's Executive Vice President, and the Company's legal counsel were named as the defendants in a lawsuit filed in the Superior Court of Orange County, California by Horwitz & Beam, the attorneys which had represented CRYO-CELL in its suit against the University of Arizona et al. The plaintiff alleges breach of contract and seeks payment of \$129,822 in allegedly unpaid fees and costs associated with the University of Arizona litigation. The plaintiff also asserts claims of misrepresentation. In reference to these misrepresentation claims, plaintiff has filed a Statement of Damages, which asserts \$1,000,000 in general damages and \$3,500,000 in punitive damages.

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Accordingly, on June 14, 1999, the Company filed: (1) an answer denying all liability; (2) a counterclaim for breach of contract and malpractice, seeking in excess of \$1 million in compensatory damages arising from the malpractice; (3) a motion to dismiss the individual defendants for lack of jurisdiction; and (4) a motion to dismiss all punitive damages allegations against the Company.

On December 17, 1999, Judge Alicemarie H. Stotler of the United States District Court in the Central District of California, issued an Order in which she: (1) granted CRYO-CELL International, Inc.'s ("CRYO-CELL") Motion to Strike Punitive Damages and Dismiss Part of the Complaint; (2) granted Daniel Richard's, Mark Richard's and Gerald F. Maass' (the "Individual Defendants") Motion to Dismiss Complaint for Lack of Personal Jurisdiction; and (3) granted in part and denied in part Horwitz & Beam, Inc.'s ("H&B") Motion for Order Dismissing Counterclaim and/or Strike Portions Thereof. The net effect of this order was to reframe the Complaint as a fee dispute, as opposed to a multi-million dollar claim for fraud against CRYO-CELL and its corporate officers. By its order, the Court has barred recovery in this action against the Individual Defendants, and has reduced CRYO-CELL's exposure from over \$3.5 million dollars to \$129,822, plus a possible award of attorneys' fees.

CRYO-CELL has established an escrow in the amount of \$359,000 to cover the disputed legal fees (\$129,822) and the 20% recovery of the judgment against the University of Arizona and David Harris. The Company has requested the release of approximately \$70,000 from escrow, which is

the excess of 20% of the \$800,000 actual settlement amount. The overage is a result of CRYO-CELL's settlement of the \$1,170,000 original jury award.

On June 1, 2001, the Company entered into a settlement of the litigation Horwitz & Beam v. CRYO-CELL International, Inc. pending in Federal District Court for the Central District of California. The settlement includes the release of all claims against CRYO-CELL. It also provides for the release of all claims that CRYO-CELL had against Horwitz & Beam (and certain Horwitz & Beam attorneys), arising from Horwitz & Beam's prior representation of the Company in litigation against the University of Arizona and David Harris.

Under the terms of the settlement, CRYO-CELL and Horwitz & Beam are to split \$376,984, previously held in escrow pending resolution of the dispute. Each party will bear its own attorney's fees and costs. On June 22, 2001, the Company received \$188,492, which under the terms of the settlement was fifty percent of the monies held in escrow. A gain on settlement has been recognized in the third quarter of fiscal 2001.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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- (a) Exhibits
- 3.1 Certificate of Incorporation (1)
 - 3.11 Amendment to Certificate of Incorporation (1)
 - 3.2 By-Laws (1)
 - 3.21 Board Minutes to Amendment of By-Laws (1)
 - 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 (5)
 - 10.19 Agreement with Dublind Partners, Inc. (6)
 - 10.20 Agreement with Medical Marketing Network, Inc. (6)
 - 21 List of Subsidiaries (3)
 - 27 Financial Data Schedule
- (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.
- (5) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1997.
- (6) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1998.
- (7) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 1999.
- (8) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended November 30, 2000.
- (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.
 - (3) Form 8-K filed February 16, 2000 - The judge issued an order in which she (1) granted the Company's motion to strike punitive damages and dismiss part of the complaint, (2) granted Daniel Richard's, Mark Richard's and Gerald Maass' motion to dismiss complaint for lack of personal jurisdiction, and (3) granted in part and denied in part Horwitz & Beam, Inc.'s motion to for order dismissing counterclaim and/or strike portions thereof.
 - (4) Form 8-K filed June 6, 2000 - Appointment of Wanda D. Dearth as President and COO.
- 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.

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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

Daniel D. Richard
Chief Executive Officer

Date: October 12, 2001

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