
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 May 31, 2004

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
(State or other Jurisdiction of
Incorporation or Organization)

22-3023093
(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).

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of July 15, 2004, 11,355,379 shares of \$0.01 par value common stock were outstanding.

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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Item 1. Financial Statements

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | May 31, 2004 | November 30, 2003 |
|--|-------------------------|------------------------------|
| | (unaudited) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,435,680 | \$ 2,452,006 |
| Restricted cash held in escrow | 1,173,721 | — |
| Marketable securities and other investments | 527,021 | 798,077 |
| Accounts receivable and advances (net of allowance for doubtful accounts of \$242,757 and \$200,010, respectively) | 745,484 | 483,926 |
| Receivable - Affiliates (net of allowance for doubtful accounts of \$128,540 at November 30, 2003) | — | 195,022 |
| Notes receivable | 100,000 | 100,000 |
| Prepaid expenses and other current assets | 471,359 | 366,579 |
| | <u>6,453,265</u> | <u>4,395,610</u> |
| Total current assets | 6,453,265 | 4,395,610 |
| Property and Equipment-net | <u>1,261,308</u> | <u>1,354,619</u> |
| Property and Equipment-held for sale | <u>145,000</u> | <u>—</u> |
| Other Assets | | |
| Marketable securities and other investments | 491,895 | 468,102 |
| Receivable - Revenue sharing agreement | — | 100,525 |
| Investment in Saneron CCEL Therapeutics, Inc. | 786,139 | 799,328 |
| Deposits and other assets | 108,199 | 99,004 |
| | <u>1,386,233</u> | <u>1,466,959</u> |
| Total other assets | 1,386,233 | 1,466,959 |
| Total assets | <u>\$ 9,245,806</u> | <u>\$ 7,217,188</u> |
| | <u>May 31, 2004</u> | <u>November 30, 2003</u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable | \$ 414,277 | \$ 340,731 |
| Loan payable to related party | — | 145,000 |
| Accrued expenses | 2,060,378 | 1,637,540 |
| Deferred revenue | 2,462,907 | 2,108,292 |
| | <u>4,937,562</u> | <u>4,231,563</u> |
| Total current liabilities | 4,937,562 | 4,231,563 |
| Other Liabilities | | |
| Deferred revenue | 2,225,524 | 1,686,916 |
| Long-Term Liability-Revenue sharing agreements | 3,750,000 | 3,750,000 |
| Deferred consulting obligation | 1,279,074 | 1,339,718 |
| | <u>7,254,598</u> | <u>6,776,634</u> |
| Total other liabilities | 7,254,598 | 6,776,634 |
| Minority Interest | — | — |
| Stockholders' Deficit | | |
| Preferred stock (\$.01 par value, 500,000 authorized and none issued) | — | — |
| Common stock (\$.01 par value, 20,000,000 authorized; 11,355,379 as of May 31, 2004, and 11,352,379 at November 30, 2003 issued and outstanding) | 113,554 | 113,524 |
| Additional paid-in capital | 23,357,805 | 23,295,659 |
| Treasury stock | (839,301) | (839,301) |
| Accumulated other comprehensive loss | (151,742) | (111,522) |
| Accumulated deficit | (25,426,670) | (26,249,369) |
| | <u>(2,946,354)</u> | <u>(3,791,009)</u> |
| Total stockholders' deficit | (2,946,354) | (3,791,009) |
| | <u>\$ 9,245,806</u> | <u>\$ 7,217,188</u> |

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------------|------------------|-----------------|
| | May 31, 2004 | May 31, 2003 | May 31, 2004 | May 31, 2003 |
| Revenue | \$ 3,196,218 | \$ 1,632,436 | \$ 5,774,027 | \$ 3,063,170 |
| Costs and Expenses: | | | | |
| Cost of sales | 741,663 | 672,484 | 1,366,815 | 1,300,220 |
| Marketing, general & administrative expenses | 1,596,957 | 1,679,538 | 3,138,794 | 3,081,647 |
| Research, development and related engineering | 14,078 | 33,672 | 54,439 | 65,390 |
| Depreciation and amortization | 100,750 | 80,151 | 201,500 | 162,322 |
| Total cost and expenses | 2,453,448 | 2,465,845 | 4,761,548 | 4,609,579 |
| Operating Income (Loss) | 742,770 | (833,409) | 1,012,479 | (1,546,409) |
| Other (Expense) Income: | | | | |
| Interest income | 10,644 | 15,062 | 17,599 | 44,309 |
| Interest expense | (191,372) | (151,590) | (367,484) | (277,693) |
| Other income | 76,204 | 45,006 | 153,439 | 77,812 |
| Settlement on insurance claim | — | — | 135,338 | — |
| Loss on sale of fixed asset | — | — | (2,625) | — |
| (Loss) gain on sale of marketable securities | — | (24,753) | 2,958 | (24,753) |
| Total other expense | (104,524) | (116,275) | (60,775) | (180,325) |
| Income (loss) before minority interest, and equity in (losses) earnings of affiliates | 638,246 | (949,684) | 951,704 | (1,726,734) |
| Equity in (losses) earnings of affiliates | (29,836) | 4,032 | (36,449) | 27,788 |
| Minority interest | — | — | — | — |
| | (29,836) | 4,032 | (36,449) | 27,788 |
| Income (loss) from continuing operations | 608,410 | (945,652) | 915,255 | (1,698,946) |
| Loss on discontinued operations | — | (328,438) | (92,556) | (533,796) |
| Net Income (Loss) | \$ 608,410 | \$ (1,274,090) | \$ 822,699 | \$ (2,232,742) |
| Net income (loss) from continuing operations per common share - basic and diluted | \$ 0.05 | \$ (0.11) | \$ 0.08 | \$ (0.15) |
| Net income (loss) from discontinued operations per common share - basic and diluted | \$ 0.00 | \$ 0.00 | \$ (0.01) | \$ (0.05) |
| Net income (loss) per common share - basic and diluted | \$ 0.05 | \$ (0.11) | \$ 0.07 | \$ (0.20) |
| Weighted average common shares outstanding - basic | 11,355,379 | 11,352,379 | 11,354,805 | 11,352,379 |
| Weighted average common shares outstanding - diluted | 11,546,265 | 11,352,379 | 11,597,753 | 11,352,379 |
| Comprehensive income (loss): | | | | |
| Net income (loss): | \$ 608,410 | (1,274,090) | \$ 822,699 | \$ (2,232,742) |
| Other comprehensive (loss) income: | | | | |
| Net change in unrealized (loss) gain from marketable securities | (14,357) | 80,703 | (39,203) | (37,083) |
| Comprehensive income (loss) | \$ 594,053 | \$ (1,193,387) | \$ 783,496 | \$ (2,269,825) |

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

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

| | Six Months Ended | |
|---|---------------------|--------------------|
| | May 31, 2004 | May 31, 2003 |
| Cash Flows from Operating Activities | | |
| Net Income (Loss) | \$ 822,699 | \$ (2,232,742) |
| Adjustments to reconcile net income (loss) to cash provided by (used in) in operating activities: | | |
| Depreciation and amortization | 235,690 | 193,136 |
| Gain on sale of marketable securities held to maturity | (2,958) | 24,753 |
| Loss on sale of property and equipment | 2,625 | — |
| Compensatory element of stock options | 37,296 | 12,408 |
| Provision for doubtful accounts | 42,747 | 78,000 |
| Dividend income reinvested in marketable securities | — | (7,464) |
| Equity in losses (income) of affiliates | 36,449 | (27,788) |
| Changes in assets and liabilities: | | |
| Restricted cash held in escrow | (1,173,721) | — |
| Accounts receivable and advances | (304,305) | 31,335 |
| Receivable - Affiliates | 195,022 | 174,711 |
| Notes receivable | — | (20,000) |
| Deferred consulting fees | — | 75,098 |
| Prepaid expenses and other current assets | (104,780) | (195,901) |
| Deposits | (9,195) | (250) |
| Accounts payable | 73,546 | 7,244 |
| Deferred revenue | 893,223 | 939,605 |
| Receivable - revenue sharing agreements | 100,525 | 80,831 |
| Accrued expenses | 422,838 | (270,679) |
| Net cash provided by (used in) operating activities | 1,267,701 | (1,137,703) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (292,603) | (97,040) |
| Sale of property and equipment | 2,600 | — |
| Proceeds from sale of marketable securities | 210,000 | — |
| Net cash used in investing activities | (80,003) | (97,040) |
| Cash flows from financing activities | | |
| Proceeds from the exercise of stock options | 1,620 | — |
| Repayment of loan to related party | (195,000) | — |
| Proceeds from loan payable to related party | 50,000 | — |
| Proceeds from revenue sharing agreements | — | 50,000 |
| Repayments of deferred consulting obligation | (60,644) | (57,117) |
| Repayment of capital leases | — | (1,406) |
| Net cash used in financing activities: | (204,024) | (8,523) |
| Increase (Decrease) in cash and cash equivalents | 983,674 | (1,243,266) |
| Cash and cash equivalents - beginning of period | 2,452,006 | 1,935,532 |
| Cash and cash equivalents - end of period | \$ 3,435,680 | \$ 692,266 |
| Supplemental disclosure of cash flow information: | | |
| Interest | \$ 266,899 | \$ 277,693 |
| Income taxes | \$ — | \$ — |
| Supplemental schedules of non-cash investing and financing activities: | | |
| Change in unrealized net loss as a component of marketable securities and shareholders' equity | \$ 39,203 | \$ 85,004 |

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2004
(Unaudited)

Note 1 - Basis of Presentation

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of May 31, 2004, Consolidated Statements of Operations and Comprehensive Income (Loss) and Cash Flows for the three months and six months ended May 31, 2004 and May 31, 2003 have been prepared by CRYO-CELL International, Inc. and its subsidiaries ("the Company"). In the opinion of Management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for all periods presented have been made.

The unaudited consolidated financial statements herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Certain financial information and note disclosures which are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's November 30, 2003 Annual Report on Form 10-KSB.

Revenue Recognition

During the first quarter of 2003, the Company changed its method of recognizing enrollment fee revenue. Through November 30, 2002, the Company recognized enrollment fees upon completion of the enrollment into the U-Cord storage program. Beginning December 1, 2002, enrollment fees and the related direct incremental costs associated with these fees are deferred and recognized once the processing of the specimens is completed. The cumulative effect of the change as of November 30, 2002, would have been a reduction of the accumulated deficit of approximately \$102,000. The cumulative impact of the change is reflected in the three months ended February 28, 2003. Management does not believe that the impact of this adjustment is material to the operating results and earnings for the year ending November 30, 2003 or to prior years.

The Company records revenue from processing and storage of specimens. The Company recognizes revenue from processing fees upon completion of processing and cellular storage fees ratably over the contractual storage period. The Company also records revenue from shipping and handling when earned. Shipping and handling costs are expensed and included in cost of sales.

Income Taxes

Under the asset and liability method of SFAS No. 109 "Accounting for Income Taxes", deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. A valuation allowance covering the net deferred tax assets of the Company as of May 31, 2004 and November 30, 2003, has been provided as the Company does not believe it is "more likely than not" that the future income tax benefits will be realized.

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Reclassification

Certain reclassifications have been made to the November 30, 2003 balance sheet to conform to the 2004 presentation, including the reclassification of the remaining initial value of the Company stock held by Saneron of approximately \$303,000 within stockholders' equity to treasury stock.

Note 2 – Earnings per Common Share

Earnings (Loss) per share data is based on net income (loss) and net comprehensive income (loss). The following table sets forth the calculation of basic and diluted earnings per share:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|----------------|------------------|----------------|
| | May 31, 2004 | May 31, 2003 | May 31, 2004 | May 31, 2003 |
| Numerator: | | | | |
| Net Income (Loss) | \$ 608,410 | \$ (1,274,090) | \$ 822,699 | \$ (2,232,742) |
| Denominator: | | | | |
| Weighted-average shares outstanding-basic | 11,355,379 | 11,352,379 | 11,354,805 | 11,352,379 |
| Dilutive common shares issuable upon exercise of stock options | 190,886 | — | 242,948 | — |
| Weighted-average shares-diluted | 11,546,265 | 11,352,379 | 11,597,753 | 11,352,379 |
| Earnings (loss) per share: | | | | |
| Basic | \$.05 | \$ (.11) | \$.07 | \$ (.20) |
| Diluted | \$.05 | \$ (.11) | \$.07 | \$ (.20) |

For the three months and six months ended May 31, 2004, options to purchase 454,400 and 434,000 shares of common stock, respectively, were outstanding during the period but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares, and therefore, the effect would be anti-dilutive.

For the three months and six months ended May 31, 2003, basic and diluted earnings (loss) per share was computed by dividing net income by the weighted average number of common shares outstanding during the period. The Company excluded the effect of all outstanding options from the computation of earnings per share for the three months and six months ended May 31, 2003, as the effect of potentially dilutive shares from the outstanding stock options would be antidilutive.

Note 3 – Legal Proceedings

The Company is involved in the following legal proceedings:

On February 22, 2002 the Company was named as a defendant in a complaint filed by Pharmastem Therapeutics, Inc. in the United States District Court of Delaware (Wilmington), Case No. 02-148-GMS, alleging patent infringement. Pharmastem, a Delaware corporation, named eight companies (three of which are now out of business) involved in cord blood banking. The suit sought an injunction against the companies, an unspecified amount of damages or royalties, treble damages and attorney's fees. The trial was held in October 2003 and pursuant to a jury verdict entered on October 30, 2003, a judgment has been entered against the Company in the amount of \$957,722 for revenues generated for specimens processed and stored from April 11, 2000 through August 31, 2003. The Company recognized

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a liability for the year ended November 30, 2003 in the amount of the judgment and an additional expense in the amount of \$145,000 for revenue generated for specimens processed and stored for the three months ended November 30, 2003 and recorded this as an accrued expense in the accompanying consolidated financial statements. For the three months and six months ended May 31, 2004 the Company accrued an additional expense in the amount of approximately \$169,000 and \$322,000, respectively, for revenues generated for specimens processed and stored during the first and second quarters of fiscal 2004 and will continue to accrue an expense at the rate of 6.125% of future revenue derived from the processing of new umbilical cord blood collections and for the storage of cord blood units, until the resolution of pending post-trial motions, recognizing that it is probable that damages will continue to accrue at that rate should the judgment remain in effect. In December 2003, the Company transferred \$957,722 into an escrow account, which has been reflected as restricted cash in the accompanying consolidated balance sheets. The defendants, including the Company, have filed motions for post-trial relief, and execution of the judgment has been stayed pending disposition of those motions. The plaintiff has also filed motions seeking an award of approximately \$2,800,000 for enhanced damages, counsel fees and interest, as well as for a permanent injunction against future infringement. Such an injunction, if granted and not stayed or reversed on appeal, would have a material adverse effect on the Company, and could require the Company to enter into an unfavorable license agreement. The Company has not accrued the \$2,800,000 as of May 31, 2004, as the Company feels the likelihood of this judgment is remote. Briefing on the post-trial motions of both sides is complete. The Company believes that its motions for post-trial relief are meritorious, but no assurance can be given as to how the Court will rule on the motions. If the ruling is unfavorable, an appeal is likely to follow disposition of those motions.

In March 2003, CRYO-CELL Europe, N.V., now known as Life-Sciences Group, N.V. ("CCEU") was served with a letter terminating the Company's license agreement with a CCEU affiliate. On April 15, 2003, the Company commenced legal proceedings against CCEU and an affiliated corporation in the Hague, Netherlands, for a preliminary injunction restraining CCEU from using the "CRYO-CELL" name. On or about May 30, 2003, the Company voluntarily withdrew its preliminary injunction application. In July 2003, the Company commenced legal proceedings against CCEU and a affiliated corporation in the Hague, Netherlands, for a preliminary injunction restraining CCEU from using the "CRYO-CELL" name. In September 2003, the Company and CCEU reached a settlement of the issues in the Dutch proceedings, whereby CCEU agreed to stop using "CRYO-CELL" in its name and the names of its affiliates, and to transfer its related internet domain names to the Company.

The Company has settled its lawsuit against CCEU, and its affiliate CRYO-CELL Switzerland AG, now known as Life Sciences AG (collectively, "Life Sciences"), which was pending in the Circuit Court of the Sixth Judicial District in the State of Florida. In the lawsuit, the Company had sought to recover money damages, unpaid royalty payments due under a license agreement with the Company, and other relief. The license agreement granted COLTEC, Ltd. and its affiliates an exclusive license to market the Company's U-Cord program in Europe and allowed them to directly market the U-Cord program, sell revenue sharing agreements or further sub-license the marketing rights throughout Europe. Life Sciences assumed COLTEC's rights and obligations under the license agreement. The Company had previously advised Life Sciences that, by the Company's calculation, it owed the Company \$323,562 in unpaid royalties. Life Sciences denied liability and asserted a counterclaim for damages and rescission of the license agreement. The Company recognized as an expense in fiscal 2002, a provision for doubtful accounts of approximately \$129,000 as an estimate of that portion of the royalty that may not be paid. On February 17, 2004, the Company settled the litigation with Life Sciences. The terms of the settlement are confidential. As a result of the settlement, the claims and counterclaim in the lawsuit have been dismissed with prejudice.

Between May and July 2003, ten putative class action complaints were filed in the United States District Court of the Middle District of Florida against the Company, certain current and former officers and directors of the Company and two accounting firms who previously audited the Company's

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consolidated financial statements. All ten complaints alleged violations of federal securities laws, including improper recognition of revenue in the consolidated financial statements presented in certain public reports of the Company. On October 22, 2003, all ten complaints were consolidated (Case No. 03-CV-1011). On February 17, 2004, the court appointed lead plaintiffs. On April 27, 2004, the lead plaintiffs filed an amended complaint. The amended complaint generally seeks, among other things, certification of a class of persons who purchased the Company's common stock between March 16, 1999 and May 20, 2003 and unspecified damages. The parties have reached an agreement in principle to settle the litigation, which is being formalized in a Memorandum of Understanding. The settlement remains subject to execution of definitive settlement documents by all parties and approval by the United States District Court for the Middle District of Florida. The proposed settlement, which totals \$7 million, includes a payment of \$4 million, which would be paid by the carrier of the Company's former auditors, subject to its applicable deductible. In addition, the Company's insurance carrier would pay \$3 million on the Company's behalf under its directors' and officers' insurance policy, subject to its maximum deductible of \$175,000. The Company believes the litigation is without merit and, in the event a settlement agreement is not consummated or approved by the court, the Company intends to defend the litigation vigorously.

From time to time, the Company is involved in other inquiries, administrative proceedings and litigation relating to matters arising in the normal course of business. While any proceeding or litigation has an element of uncertainty, management currently believes that the final outcome of these matters is not likely to have a material adverse effect on the Company's financial condition or results of operations.

Note 4 - Investments in Subsidiaries and Affiliates

Saneron CCEL Therapeutics, Inc. (Saneron)

The Company has ownership interest of approximately 43% in Saneron, which is accounted for under the equity method of accounting, along with approximately \$684,000 as of May 31, 2004 and November 30, 2003 that represents goodwill and is reflected in the investment balance. As of November 30, 2003, an independent valuation appraised the Company's approximate 43% interest in Saneron at \$900,000. As of November 30, 2003, the decline in value was considered other than temporary. Due to the permanent decline in the value of the Company's 43% interest in 2003, the Company recorded a charge of approximately \$616,000 to impairment of assets in fiscal 2003, to properly reflect the investment balance. As of May 31, 2004 and November 30, 2003, the net Saneron investment, including goodwill of approximately \$684,000, is reflected on the consolidated balance sheets at approximately \$786,000 and \$799,300, respectively.

For the three months and six months ended May 31, 2004 the Company recorded equity in losses of affiliates in earnings of Saneron operations of \$29,836 and \$36,449, respectively. Included in equity in losses of affiliates is approximately \$12,000 and \$24,000 for the three months and six months ended May 31, 2004, respectively, related to compensation expense for stock option awards that were granted by Saneron CCEL Therapeutics, Inc. ("SCTI") to certain consultants and employees below fair market value. For the three months and six months ended May 31, 2003, the Company recorded equity in earnings of Saneron operations of approximately \$4,000 and \$28,000, respectively.

Stem Cell Preservation Technologies, Inc.

In 2001, CRYO-CELL announced the decision to spin off its subsidiary, Stem Cell Preservation Technologies, Inc. ("SCPT"), through the distribution of shares of SCPT common stock to CRYO-CELL's stockholders of record on August 31, 2001. These shares were not distributed. SCPT was a development stage company, which was to be involved in the development of marketing programs for the collection and preservation of adult stem cells.

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In August 2003, SCPT received a \$100,000 interest-bearing loan from a shareholder of SCPT and CRYO-CELL, who was an officer and director of SCPT through January 29, 2004, to fund its operations. On November 20, 2003, the loan agreement was amended to allow additional loans to SCPT of \$45,000. The note, including interest of 5%, was due on September 5, 2004. SCPT had pledged 345,161 shares of the CRYO-CELL common stock held by SCPT to secure this note. On December 28, 2003, SCPT entered into an additional, separate loan agreement with this officer, director and shareholder of SCPT for up to \$50,000. The loan, including accrued interest at a rate of 5%, was due on demand, no later than December 31, 2004. SCPT pledged an additional 100,000 shares of the CRYO-CELL common stock held by SCPT as collateral for this note.

On January 29, 2004, CRYO-CELL announced the decision to close SCPT, following the resignation of SCPT's Board of Directors and management, and advised the CRYO-CELL shareholders that the distribution of SCPT shares would not be completed. CRYO-CELL rejected restructuring proposals made by SCPT's management. SCPT's management proposed to repurchase the SCPT stock held by CRYO-CELL, so that SCPT would not longer be a subsidiary of CRYO-CELL. CRYO-CELL's Board of Directors formed a special sub-committee to consider the restructuring proposals presented by SCPT's management. CRYO-CELL concluded that SCPT required significant additional funding to complete the repurchase and to remain in operation, and SCPT's proposals all would have required CRYO-CELL to make significant cash expenditures. In rejecting the SCPT proposals, CRYO-CELL's investment to date in SCPT, the failure of SCPT management to submit acceptable business plans, and the need for CRYO-CELL to conserve its capital for its core business were all considered. CRYO-CELL had no assurance that SCPT had concrete credible operational, marketing, or financing plans. At February 29, 2004, CRYO-CELL owned 11,500,000 (86.6%) shares of SCPT. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, ("SFAS No. 144") the closing of SCPT represents a discontinued operation as of May 31, 2004. The net assets of SCPT are immaterial to the consolidated financial statements.

During the second quarter 2004, SCPT paid all outstanding liabilities to employees and other creditors including the loan in the amount of \$195,000 plus accrued interest to the shareholder of SCPT. In April 2004, the Board of Directors of SCPT approved a liquidating distribution of the remaining assets of SCPT to the holders of SCPT common stock. After payment of SCPT's remaining debts, SCPT's remaining assets consisted solely of shares of common stock of CRYO-CELL. In order to facilitate the liquidating distribution, CRYO-CELL agreed to repurchase the CRYO-CELL shares from SCPT for a cash price of \$.75 per share, the average price per share for CRYO-CELL common stock reported on the OTC Bulletin Board for the twenty trading days prior to April 30, 2004. After the repurchase of CRYO-CELL common stock, SCPT's remaining assets consisted of \$138,035 in cash, which was equal to approximately \$.01 per share of SCPT common stock. This cash was distributed to SCPT's shareholders, including CRYO-CELL, in May 2004.

Through November 30, 2002, aggregate losses attributable to the minority interest exceeded the minority's interest in the equity capital of SCPT. As a result, minority interest on the balance sheet as of May 31, 2004 and November 30, 2003 is reflected at \$0, and CRYO-CELL has recognized 100% of the losses of SCPT in its statements of operations and comprehensive income (loss) as discontinued operations during the three months ended May 31, 2004 and May 31, 2003 of approximately \$0 and \$328,000, respectively, and for the six months ended May 31, 2004 and May 31, 2003 approximately \$93,000 and \$534,000, respectively. The minority interest portion of the losses for the three months and six months ended May 31, 2003 was approximately \$30,000 and \$60,000, respectively.

The CRYO-CELL Board intends to pursue every available option to minimize the losses incurred from the terminated spin-off. CRYO-CELL may pursue the SCPT business opportunity in the future.

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Note 5 – Stock Options

The Company accounts for stock options under Accounting Principles Board Opinion No. 25 (“APB No. 25”), under which no compensation expense has been recognized as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*, (“SFAS No. 123”) which is effective for years beginning after December 15, 1995. SFAS No. 123 allows an entity to continue to measure compensation costs for those plans using the intrinsic value based method of accounting prescribed by APB No. 25, but requires pro forma disclosure of net income and earnings per share for the effects on compensation expense had the accounting guidance for SFAS No. 123 been adopted. Certain stock options have been issued to consultants of the Company and accounted for under SFAS No. 123. The expense recognized for the three months and six months ended May 31, 2004 is \$34,035 and \$37,296, respectively. The expense recognized for the three months and six months ended May 31, 2003 is \$6,204 and \$12,408, respectively.

Had SFAS No. 123 been implemented, the Corporation’s net income (loss) and income (loss) per share would have been adjusted to the amounts indicated below for the three and six months ended May 31, 2004 and May 31, 2003:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------------|------------------|----------------|
| | May 31, 2004 | May 31, 2003 | May 31, 2004 | May 31, 2003 |
| Net Income (Loss), as reported | \$ 608,410 | \$ (1,274,090) | \$ 822,699 | \$ (2,232,742) |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards | (53,978) | (71,246) | (125,501) | (244,441) |
| Pro forma net income (loss) | \$ 554,432 | \$ (1,345,336) | \$ 697,198 | \$ (2,477,183) |
| Income (Loss) per share: | | | | |
| Basic and diluted-as reported | \$.05 | \$ (.11) | \$.07 | \$ (.20) |
| Basic and diluted-pro forma | \$.05 | \$ (.12) | \$.06 | \$ (.22) |

Note 6 – Property and Equipment – Held-for-Sale

The Company developed several technologies that allow for the processing and storage of specimens in a cryogenic environment, including a patented computer controlled, robotically operated cryogenic storage system (“CCEL Cellular Storage System”). During the fourth quarter of fiscal 2003, the Company made the strategic decision to terminate further utilization of the CCEL Cellular Storage System and abandon further construction of the units. The Board of Directors formally approved this decision in January 2004. This decision was based on the conclusion that the Company’s resources are best utilized for market development and expansion of services. The decision to terminate utilization of the technology resulted in a \$771,000 impairment charge in fiscal 2003 in order to reflect the CCEL Cellular Storage System at fair value. The Company intends to dispose of this equipment during 2004. The fair value of this equipment has been reclassified on the consolidated balance sheet as of May 31, 2004 as assets that are held for sale.

Note 7 – Marketable Securities and Other Investments

The Company has certain investments in marketable securities, which are categorized as marketable securities on the accompanying balance sheets and accounted for under SFAS No. 115, “Accounting for Certain Debt and Equity Instruments” (“SFAS No. 115”). Marketable securities were \$160,814 at May 31, 2004. In accordance with SFAS No. 115, the Company recorded a realized gain of \$0 and \$2,958 for the three months and six months ended May 31, 2004, respectively, and a realized loss of

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\$24,753 for the three months and the six months ended May 31, 2003, in conjunction with certain marketable securities. Also included within marketable securities and other investments on the accompanying consolidated balance sheet as of May 31, 2004 are certificates of deposits of approximately \$858,000 recorded at cost.

Note 8 – Cash in Escrow

In December 2003, the Company transferred \$958,000 of its cash into an escrow account resulting from entry of judgment in litigation brought by Pharmastem, described in Note 3 to the consolidated financial statements, in which the Company is a defendant. The judgment is subject to post-trial motions, and an appeal is likely.

During the second quarter 2004, the Company entered into a 10-year lease agreement to construct a customized, nearly 18,000 square foot good manufacturing practice (cGMP) facility in Oldsmar, Florida. In April 2004, \$216,000 of its cash was transferred to an escrow account per the Company's new lease agreement. In June 2004, the Company transferred its final obligation with regards to leasehold improvements of approximately \$271,000 in accordance with the terms of the lease into the escrow account. The cash in escrow has been classified as restricted cash in the accompanying consolidated balance sheets.

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

Overview

The Company is engaged in cryogenic cellular storage, with a focus on the processing and preservation of umbilical cord (U-Cord[®]) blood stem cells for autologous/sibling use. During its history, the Company has engaged in a number of other business activities outside of its core business area, such as development of cellular storage systems, development of new business enterprises and international investments. During the past several fiscal years, the Company incurred losses, related in large part to impairment of assets related to these non-core businesses, expenses of these non-core businesses and significant litigation expenses. During fiscal 2003, the Company announced that it would focus on its core business of marketing the U-Cord[™] storage program and increasing the number of customers enrolled, with an emphasis in the U.S. market. Management has been working to control costs and stabilize the Company's business by continuing to resolve the disputes facing the Company and by directing resources to the core business.

During the six months ended May 31, 2004, the Company increased its revenues by 88% over the level in the 2003 period and achieved net income of approximately \$823,000, compared to an approximately \$2,233,000 net loss in the 2003 period. Net storage revenues increased because of an increase in recurring annual storage fees and the effects of two price increases during 2003. The Company was profitable mainly because cost of sales and marketing, general and administrative fees were relatively flat compared to 2003 levels. In order to maintain profitability, the Company needs to continue to control operating costs while it works to continue to increase revenues from its core business.

At May 31, 2004, the Company had cash and cash equivalents of approximately \$3,435,680 and marketable securities and other investments of approximately \$1,019,000. The Company's cash increased by approximately \$984,000 during the six months, as a result of its cash flows from operations. In December 2003, approximately \$958,000 of its cash was transferred to an escrow account in connection with a judgment against the Company and has been classified as restricted cash in the accompanying consolidated balance sheets. During the second quarter 2004, the Company entered into a 10-year lease agreement to construct a customized, nearly 18,000 square foot good manufacturing practice (cGMP) facility in Oldsmar, Florida. In April 2004, \$216,000 of its cash was transferred to an escrow account in accordance with the Company's new lease agreement.

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Discontinued Operations

On January 29, 2004, CRYO-CELL announced the decision to close SCPT, following the resignation of SCPT's Board of Directors and management, and advised the CRYO-CELL shareholders that the distribution of SCPT shares would not be completed. CRYO-CELL rejected restructuring proposals made by SCPT's management. SCPT's management proposed to repurchase the SCPT stock held by CRYO-CELL, so that SCPT would no longer be a subsidiary of CRYO-CELL. CRYO-CELL's Board of Directors formed a special sub-committee to consider the restructuring proposals presented by SCPT's management. CRYO-CELL concluded that SCPT required significant additional funding to complete the repurchase and to remain in operation, and that SCPT's proposals all would have required CRYO-CELL to make significant cash expenditures. In rejecting the SCPT proposals, CRYO-CELL's investment to date in SCPT, the failure of SCPT management to submit acceptable business plans, and the need for CRYO-CELL to conserve its capital for its core business were all considered. CRYO-CELL had no assurance that SCPT had concrete credible operational, marketing, or financing plans. At February 29, 2004, CRYO-CELL owned 11,500,000 (86.6%) shares of SCPT. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, ("SFAS No. 144") the closing of SCPT represents a discontinued operation as of May 31, 2004. The net assets of SCPT are immaterial to the consolidated financial statements.

During the second quarter 2004, SCPT completed the payments to all known amounts owed to employees and other creditors including the loan in the amount of \$195,000 plus accrued interest to the shareholder of SCPT. In April 2004, the Board of Directors of SCPT approved a liquidating distribution of the remaining assets of SCPT to the holders of SCPT common stock. After payment of SCPT's remaining debts, SCPT's remaining assets consisted solely of shares of common stock of CRYO-CELL. In order to facilitate the liquidating distribution, CRYO-CELL agreed to repurchase the CRYO-CELL shares from SCPT for a cash price of \$.75 per share, the average of the closing bid and ask prices per share for CRYO-CELL common stock reported on the OTC Bulletin Board for the twenty trading days prior to April 30, 2004. After the repurchase of CRYO-CELL common stock, SCPT's remaining assets consisted of \$138,035 in cash, which was equal to approximately \$.01 per share of SCPT common stock. This cash was distributed to SCPT's shareholders, including CRYO-CELL, in May 2004.

Through November 30, 2002, aggregate losses attributable to the minority interest exceeded the minority's interest in the equity capital of SCPT. As a result, minority interest on the balance sheet as of May 31, 2004 and November 30, 2003 is reflected at \$0, and CRYO-CELL has recognized 100% of the losses of SCPT in its statements of operations and comprehensive income (loss) as discontinued operations during the three months ended May 31, 2004 and May 31, 2003 of approximately \$0 and \$328,000, respectively, and for the six months ended May 31, 2004 and May 31, 2003 approximately \$93,000 and \$534,000, respectively. The minority interest portion of the losses for the three months and six months ended May 31, 2003 was approximately \$30,000 and \$60,000, respectively.

The CRYO-CELL Board intends to pursue every available option to minimize the losses incurred from the terminated spin-off. CRYO-CELL may pursue the SCPT business opportunity in the future.

Results of Operations – Three-month period ending May 31, 2004

Revenues. Revenues for the three months ended May 31, 2004 were \$3,196,218 as compared to \$1,632,436 for the same period in 2003, representing a 96% increase. On May 5, 2003, the Company implemented a price increase of \$140 affecting its enrollment, processing and testing fees ("Initial Fee"). This increase

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began to have a positive impact on revenue and gross profit during the fiscal 2003 third quarter. On September 3, 2003, the Company implemented an additional price increase of \$230 to the Initial Fee. This increase had a positive impact on revenue and gross profit beginning in the fourth quarter of 2003.

Cost of Sales. Cost of sales for the three months ended May 31, 2004 was \$741,663 as compared to \$672,484 for the same period in 2003, representing a 10% increase. Cost of sales were 23% of revenues for the three months ended May 31, 2004 compared with 41% for the three months ended May 31, 2003. Cost of sales as a percentage of revenue decreased due to the increase in revenue from the price increases. Cost of sales includes wages and supplies associated with new process enhancements to the existing production procedures and quality systems in the processing of cord blood specimens at the Company's laboratory in Clearwater, Florida and the costs associated with storage of specimens at the Safti-Cell facility (a related party) in Arizona, which commenced in October 2002.

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses during the three months ended May 31, 2004 were \$1,596,957 as compared to \$1,679,538 for the three months ended May 31, 2003 representing a 5% decrease. The decrease is primarily the result of a decrease in professional fees of approximately \$218,000. During the 2004 period, an accrual was recorded in the amount of approximately \$169,000 pursuant to a jury verdict entered in October 2003 for the Pharmastem litigation (See Note 3 to the consolidated financial statements). Marketing, general and administrative expenses were 50% of revenues for the three months ended May 31, 2004 compared to 103% for the three months ended May 31, 2003. Marketing, general and administrative expenses as a percentage of revenue decreased due to the increase in revenue from the price increases

In the first quarter of 2004, the Company settled its lawsuit with CCEU and its affiliates, as described in Note 3. However, other legal proceedings continue. The Company cannot provide assurance that legal fees will not increase in the foreseeable future.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended May 31, 2004 were \$14,078 as compared to \$33,672 for the three months ended May 31, 2003, a decrease of 58%.

Interest Expense. Interest expense for the three months ended May 31, 2004 was \$191,372 as compared to \$151,590 for the same period in 2003. Interest expense is mainly comprised of payments made to the other parties to the Company's Revenue Sharing Agreements ("RSAs") based on the Company's storage revenue. Prior to fiscal 2002, the Company entered into RSAs with individuals and entities for specific geographic areas. The Company's RSAs provide that in exchange for an up-front payment, the Company would share in perpetuity a percentage of its future revenue derived from the annual storage fees charged related to a certain number of specimens that originated from specific areas. To date, the Company has entered into five RSAs covering the following states: New York, Texas, Florida and Illinois (including contiguous states). Essentially, as the Company receives annual storage fees relating to specimens from these states, the portion of the fees shared with the parties to the RSAs are recognized as interest expense. Also included in interest expense is the amortization of the present value of a deferred consulting agreement in the amount of \$17,939 and \$22,879 for the three months ended May 31, 2004 and May 31, 2003, respectively.

Other Income. Other income for the three months ended May 31, 2004, was \$76,204 as compared to \$45,006 for the same period in 2003. Other income for these periods was royalty income earned on the subsequent processing and storage of specimens in geographical areas where the Company has license agreements, and from the sale of sub-license agreements by licensees.

Equity in (Losses) Earnings of Affiliates. Equity in losses of affiliates was \$29,836 for the three months ended May 31, 2004, compared to earnings of \$4,032 for the 2003 period. During the three months ended

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May 31, 2004, the Company recorded approximately \$12,000 in equity in losses of affiliates related to compensation expense for stock option awards that were granted by Saneron CCEL Therapeutics, Inc. ("SCTI") to certain consultants and employees below fair market value.

Results of Operations – Six-month period ending May 31, 2004

Revenues. Revenues for the six months ended May 31, 2004 were \$5,774,027 as compared to \$3,063,170 for the same period in 2003, representing an 88% increase. On May 5, 2003, the Company implemented a price increase of \$140 affecting the Initial Fee. This increase began to have a positive impact on revenue and gross profit during the fiscal 2003 third quarter. On September 3, 2003, the Company implemented an additional price increase of \$230 to the Initial Fee. This increase had a positive impact on revenue and gross profit beginning in the fourth quarter of 2003.

Cost of Sales. Cost of sales for the six months ended May 31, 2004 was \$1,366,815 as compared to \$1,300,220 for the same period in 2003, representing a slight increase. Cost of sales were 24% of revenues for the six months ended May 31, 2004 compared with 42% for the six months ended May 31, 2003. Cost of sales as a percentage of revenue decreased due to the increase in revenue from the price increases. Cost of sales includes wages and supplies associated with new process enhancements to the existing production procedures and quality systems in the processing of cord blood specimens at the Company's laboratory in Clearwater, Florida and the costs associated with storage of specimens at the Safti-Cell facility (a related party) in Arizona, which commenced in October 2002.

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses during the six months ended May 31, 2004 were \$3,138,794 as compared to \$3,081,647 for the six months ended May 31, 2003 representing a 2% increase. For the six months ended May 31, 2004, an accrual was recorded in the amount of approximately \$322,000 pursuant to a jury verdict entered in October 2003 for the Pharmastem litigation (See Note 3 to the consolidated financial statements). Professional fees decreased approximately \$216,000 for the six months ended May 31, 2004. Marketing, general and administrative expenses were 54% of revenues for the six months ended May 31, 2004 compared to 101% for the six months ended May 31, 2003. Marketing, general and administrative expenses decreased as a percentage of revenue due to the increase in revenue from the price increases.

In the first quarter of 2004, the Company settled its lawsuit with CCEU and its affiliates, as described in Note 3. However, other legal proceedings continue. The Company cannot provide assurance that legal fees will not increase in the foreseeable future.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the six months ended May 31, 2004 were \$54,439 as compared to \$65,390 for the six months ended May 31, 2003, a decrease of 17%. As a percentage of revenues, research, development and related engineering expenses were 1% and 2% for the six months ended May 31, 2004 and May 31, 2003, respectively.

Interest Expense. Interest expense for the six months ended May 31, 2004 was \$367,484 as compared to \$277,693 for the same period in 2003. Interest expense is mainly comprised of payments made to the other parties to the Company's RSAs based on the Company's storage revenue. Prior to fiscal 2002, the Company entered into RSAs with individuals and entities for specific geographic areas. The Company's RSAs provide that in exchange for an up-front payment, the Company would share in perpetuity a percentage of its future revenue derived from the annual storage fees charged related to a certain number of specimens that originated from specific areas. To date, the Company has entered into five RSAs covering the following states: New York, Texas, Florida and Illinois (including contiguous states). Essentially, as the Company receives annual storage fees relating to specimens from these states, the portion of the fees shared with the parties to the RSAs are recognized as interest expense. Also included in interest expense is the amortization of the present value of a deferred consulting agreement in the amount of \$39,356 and \$42,884 for the six months ended May 31, 2004 and May 31, 2003, respectively.

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Other Income. Other income for the six months ended May 31, 2004, was \$153,439 as compared to \$77,812 for the same period in 2003. Other income for these periods was royalty income earned on the subsequent processing and storage of specimens in geographical areas where the Company has license agreements, and from the sale of sub-license agreements by licensees.

Settlement on Insurance Claim. For the six months ended May 31, 2004, the Company received \$135,338 as settlement to an insurance claim for reimbursement of a portion of the legal and settlement fees pertaining to settled lawsuits filed by the Company's former President and Chief Operating Officer.

Equity in Earnings of Affiliates. Equity in losses of affiliates was \$36,449 for the six months ended May 31, 2004, compared to earnings of \$27,788 for the 2003 period. During the six months ended May 31, 2004, the Company recorded approximately \$24,000 in equity in losses of affiliates related to compensation expense for stock option awards that were granted by SCTI to certain consultants and employees below fair market value.

Liquidity and Capital Resources

Through May 31, 2004, the Company's principal sources of cash have been from sales of its U-Cord[™] program to customers, the sales of revenue sharing agreements and the sale of license agreements. The Company does not have a line of credit or other type of financing instrument.

At May 31, 2004, the Company had cash and cash equivalents of \$3,435,680 as compared to \$2,452,006 at November 30, 2003. The increase in cash and cash equivalents during the six months ended May 31, 2004 was primarily attributable to the Company's operating activities including a price increase and an increase in recurring revenue from the current client base, the maturity of certificates of deposit and the receipt of a settlement for an insurance claim that was filed for reimbursement of a portion of the legal and settlement fees pertaining to settled lawsuits filed by the Company's former President and Chief Operating Officer. In December 2003, the Company transferred \$958,000 of its cash into an escrow account resulting from entry of judgment in litigation brought by Pharmastem, described in Note 3 to the consolidated financial statements, in which the Company is a defendant. The judgment is subject to post-trial motions, and an appeal is likely.

During the second quarter 2004, the Company entered into a 10-year lease agreement to construct a customized, nearly 18,000 square foot good manufacturing practice (cGMP) facility in Oldsmar, Florida. In April 2004, \$216,000 of its cash was transferred to an escrow account per the Company's new lease agreement. In June 2004, the Company transferred its final obligation with regards to leasehold improvements of approximately \$271,000 in accordance with the terms of the lease into the escrow account. The cash in escrow has been classified as restricted cash in the accompanying consolidated balance sheets.

Cash provided by operating activities for the six months ended May 31, 2004 amounted to \$1,267,701, which was primarily attributable to the Company's operating activities including a price increase and an increase in recurring revenue from the current client base.

Cash used in investing activities for the six months ended May 31, 2004 amounted to \$80,003, which was primarily attributable to the purchase of approximately \$234,000 of laboratory equipment offset by the maturity of certificates of deposit with proceeds of \$210,000.

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Cash used in financing activities for the six months ended May 31, 2004 amounted to \$204,024, which consisted primarily of a repayment of a loan in the amount of \$195,000 to a former officer, director and shareholder of SCPT as a result of the liquidation of SCPT. See SCPT's liquidity and capital resources discussion below.

The Company also has certain investments in marketable securities and certificates of deposit, totaling \$1,018,916 at May 31, 2004, including \$527,021 that is classified as current assets.

The Company anticipates that its cash and cash equivalents, marketable securities and cash flows from operations will be sufficient to fund its operations for at least the next 12 to 18 months. Cash flows from operations will depend primarily upon increasing revenues from sales of its umbilical cord blood cellular storage services and controlling expenses. The Company has attempted to focus its capital resources on its core business of cellular storage services by de-emphasizing certain non-core business activities and through settlement of some of its legal disputes. The adequacy of the Company's cash resources will depend to some extent on its ability to further reduce legal expenses resulting from continuing legal disputes and to minimize the impact of legal settlements or judgments from these disputes.

The Company currently believes that during the next twelve months, capital expenditures will be approximately \$1,100,000, principally for machinery, equipment, leasehold improvements, facilities and related expenses. The Company believes that its cash and cash equivalents, marketable securities and cash flows from operations will be sufficient to fund these capital expenditures. The Company will consider financing all or a portion of these capital expenditures through borrowings under a line of credit, vendor financing and other financing sources.

Since inception SCPT's costs and expenses were funded by capital contributions, advances for the purchase of revenue sharing agreements sold by SCPT, the sale of a promissory note for \$500,000, which was converted into SCPT's capital stock, and the sale of common stock. In 2003, SCPT received a \$100,000 interest-bearing loan from an officer, director and shareholder of SCPT (and a shareholder of CRYO-CELL) to fund its operations. The note, including 5% interest, was due on September 5, 2004. On November 20, 2003, the loan agreement was amended to allow additional loans to SCPT of \$45,000. The amended loan agreement, including 5% interest, was due on September 5, 2004. SCPT pledged 345,161 shares of the CRYO-CELL common stock held by SCPT to secure this note. On December 28, 2003, SCPT entered into an additional, separate loan agreement with the officer, director and shareholder of SCPT for up to \$50,000. The loan, including 5% interest, was due on demand or no later than December 31, 2004. SCPT pledged an additional 100,000 shares of the CRYO-CELL common stock held by SCPT to secure this note. On January 29, 2004, CRYO-CELL made the decision to close its majority-owned subsidiary, SCPT, following the resignation of SCPT's Board of Directors and management. CRYO-CELL rejected a restructuring proposal made by SCPT's management, which the Company concluded would have required substantial additional funding from CRYO-CELL to continue SCPT's operations, see Note 4 to the consolidated financial statements. In connection with closing SCPT, CRYO-CELL repaid the loans in May 2004, and the shares held as collateral were released.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company

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to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The Company believes that its estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

During the first quarter of fiscal 2003, the Company changed its method of recognizing enrollment fee revenue. Through November 30, 2002, the Company recognized enrollment fees upon completion of the enrollment into the U-Cord storage program. Beginning December 1, 2002, enrollment fees and the related direct incremental costs associated with these fees are deferred and recognized once the processing of the specimens is completed. The cumulative effective of the change as of November 30, 2002, would have been a reduction of the accumulated deficit of approximately \$102,000. The cumulative impact of the change is reflected in the three months ended February 28, 2003. Management does not believe that the impact of this adjustment is material to the operating results and earnings for the year ending November 30, 2003 or to prior years.

The Company records revenue from processing and storage of specimens. The Company recognizes revenue from processing fees upon completion of processing and cellular storage fees ratably over the contractual storage period. The Company also records revenue from shipping and handling when earned and includes in revenue. Shipping and handling costs are expensed and included in cost of sales.

Investments

The Company has made several significant investments in entities that operate in related businesses. The Company has made these investments in order to expand into international markets and be involved in the area of stem cell research. The Company accounts for these investments under either the cost or equity method, as applicable, and at least annually, reviews its investments for possible impairment and, if necessary, adjusts the carrying value of such investments.

Revenue Sharing Agreements

The Company has entered into Revenue Sharing Agreements ("RSAs") with various parties whereby these parties contracted with the Company for a percentage of future storage revenues the Company generates from clients in specific geographical areas. The parties typically pay the Company a non-refundable up-front fee for the rights to these future payments. The Company had recognized these non-refundable fees as a long-term liability. Given the criteria under which these RSAs are established, cash receipts from these contracts can fluctuate from period to period. The Company periodically, and at least annually, reviews its RSAs receivables for collectibility. All payments made to the other parties to the RSAs are recognized as interest expense. At such time as the total payments can be determined, the Company will commence amortizing these liabilities under the effective interest method.

License and Royalty Agreements

The Company previously entered into licensing agreements with certain investors in various international markets in an attempt to capitalize on the Company's technology. The investors typically paid a licensing fee to receive Company marketing programs, technology and know-how in a selected area. The investor may be given a right to sell sub-license agreements as well. In addition to the license fee, the Company earns royalties on subsequent processing and storage revenues by the investor in the selected area and a fee on any sub-license agreements that are sold by the investor where applicable. The Company periodically, and at least annually, reviews license and royalty receivables for collectibility and, if necessary, will record an expense for an allowance for an uncollectible account.

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Marketable Securities and Other Investments

The Company has certain investments in certificates of deposit and equity securities, which are categorized as marketable securities and other investments. The Company believes these are conservative investments with a low risk for any loss of principal. The Company regularly assesses its marketable security investments for impairment and adjusts its investment strategy, as it deems appropriate.

Litigation

The Company is periodically involved in litigation and regulatory proceedings incidental to the conduct of our business and the Company expects that it will be involved in such litigation and regulatory proceedings from time to time. The Company regularly reviews any such litigation and regulatory proceedings for possible adverse outcomes, and provides estimates for the possible liability to the Company from such adverse outcomes, as it considers appropriate.

Deferred Consulting Fees

The Company entered into a long-term consulting agreement with the founder and prior Chairman and Chief Executive Officer to provide future consulting services to the Company. The unamortized present value of the deferred consulting fee was recognized as a liability for the year ended November 30, 2003 and the six months ended May 31, 2004.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Controls and Procedures

Based on their most recent review, as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation.

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Forward Looking Statements

This Form 10-QSB, press releases and certain information provided periodically in writing or orally by the Company's officers or its agents may contain statements which constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934. The terms "CRYO-CELL International, Inc.," "CRYO-CELL" "Company," "we," "our" and "us" refer to CRYO-CELL International, Inc. The words "expect," "believe," "goal," "plan," "intend," "estimate" and similar expressions and variations thereof, if used, are intended to specifically identify forward-looking statements. Those statements appear in a number of places in this Form 10-QSB and in other places, particularly, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things:

- (i) our legal proceedings;
- (ii) our anticipated future cash flows;
- (iii) our liquidity and capital resources;
- (iv) our future operating plans; and
- (v) our future performance and operating results;

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

- (i) any adverse effect or limitations caused by any governmental regulations, proceedings or actions, foreign and domestic;
- (ii) any continued or increased losses, or any inability to obtain acceptable financing, where desirable in the future, in connection with our operating or growth plans;
- (iii) any increased competition in our business;
- (iv) any decrease or slow down in the number of people seeking to store umbilical cord blood stem cells or decrease in the number of people paying annual storage fees;
- (v) the effect of any future reduced cash position and future inability to access borrowings;
- (vi) any adverse impacts on our revenue or operating margins due to the costs associated with increased growth in our business;
- (vii) any adverse developments impacting our continued relationship with and success of our licensees, foreign affiliates or investments in, or relationships with, foreign companies;
- (viii) any inability to achieve increases in revenue or earnings from umbilical cord blood stem cell storage;

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- (ix) any future inability to substantially achieve the objectives expected from the successful implementation of our strategy;
- (x) any decline in public market interest in the Company's business sector;
- (xi) any added requirements imposed on us by new laws or SEC regulations and costs thereof;
- (xii) any technological breakthrough or medical breakthrough that would render the Company's business of stem cell preservation obsolete;
- (xiii) any material failure or malfunction in our storage facilities;
- (xiv) any natural disaster such as a tornado, other disaster (fire) or act of terrorism that adversely affects stored specimens;
- (xv) the potential impact of negative market influences on the Company's portfolio of cash, cash equivalents and marketable securities;
- (xvi) the costs associated with defending or prosecuting litigation matters and any material adverse result from such matters;
- (xvii) decreases in asset valuations;
- (xviii) any continued negative effect from adverse publicity in the past year regarding the Company's business operations;
- (xix) any new technology rendering the Company's patented equipment or business obsolete;
- (xx) any performance failures related to the Company's equipment or operations;
- (xxi) any negative consequences resulting from deriving, shipping and storing specimens at a second location; and
- (xxii) any negative effect from the filed class action shareholder lawsuits.

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

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. CRYO-CELL International, Inc. (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 Annual Report on Form 10-KSB filed by the Company and any Current Reports on Form 8-K filed by the Company.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Incorporated by reference to Part I. Financial Statements-Notes to Condensed Consolidated Financial Statements – Note 3.

ITEM 2. CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information regarding the Company's purchases of its Common Stock on a monthly basis during the second quarter of fiscal 2004:

Issuer Purchases of Equity Securities

| <u>Period</u> | <u>Total Number of Shares Purchased</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾</u> | <u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u> |
|--------------------------------------|---|-------------------------------------|---|---|
| March 1, 2004 through March 31, 2004 | — | — | — | — |
| April 1, 2004 through April 30, 2004 | — | — | — | — |
| May 1, 2004 through May 31, 2004 | 645,161(1) | \$ 0.75(1) | — | — |
| Total | 645,161 | \$ 0.75 | — | — |

(1) Shares were repurchased from SCPT in connection with the liquidation of the remaining assets of SCPT.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Lease

31.1 Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

Form 8-K filed on March 4, 2004, reporting under Items 7 and 12 the results of operations and financial conditions for the first quarter ended February 29, 2004.

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/ MERCEDES WALTON

Mercedes Walton
Interim Chief Executive Officer

CRYO-CELL International, Inc.

/s/ JILL TAYMANS

Jill M. Taymans
Vice President, Finance

Date: July 12, 2004

Development: BROOKER CREEK NORTH I, LLLP

Address: 700 Brooker Creek Blvd., Suite 1800

Oldsmar, FL 34677.

Approx. Square Feet: 17,600 SF.

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into by and between BROOKER CREEK NORTH I, LLLP hereinafter referred to as "Landlord", and CRYO-CELL INTERNATIONAL, INC. hereinafter referred to as "Tenant";

WITNESSETH:

1. PREMISES AND TERM. In consideration of the mutual obligations of Landlord and Tenant set forth herein, Landlord leases to Tenant, and Tenant hereby takes from Landlord the Premises situated within the County of Pinellas, State of Florida, more particularly described on EXHIBIT "A" attached hereto and incorporated herein by reference, (the "Premises"), together with all rights, privileges, easements, appurtenances, and amenities belonging to or in any way pertaining to the Premises, to have and to hold, subject to the terms, covenants and conditions in this Lease. The Premises is located in Brooker Creek Corporate Center (the "Project"). The term of this Lease shall commence on the Commencement Date hereinafter set forth, and as more particularly defined in Section 1(A), and shall end on the last day of the month that is 120 months after the Commencement Date. If Tenant, with Landlord's permission occupies the Premises prior to such Commencement Date, then the initial term shall also include the period from the date of such occupancy to the Commencement Date.

A. COMMENCEMENT DATE. The facility will be available for occupancy upon receipt of the certificate of occupancy. The Commencement Date will be 90 days after the issuance the certificate of occupancy. In addition, Landlord will agree that Tenant may take occupancy as soon as the facility becomes available. Landlord agrees to grant Tenant three (3) months rent free from the date the facility is available for occupancy, with the lease commencement being the 1st day of the month following the 3 month free rent period.

2. BASE RENT, SECURITY DEPOSIT AND ADDITIONAL RENT PAYMENTS.

A. Tenant agrees to pay to Landlord, in form designated by Landlord, Base Rent for the Premises, in advance, without demand, deduction or set off, at the rate of SEE PARAGRAPH 28 dollars per square foot annually, to be paid in twelve (12) equal monthly installments per year during the term hereof. Base Rent and Additional Rent, as described in Paragraph 2C below, shall be due and payable on or before the first day of each calendar month, except that all payments due hereunder for any fractional calendar month shall be prorated. The first month's rent will be due (together with the security deposit referenced in Paragraph 2B) upon execution of the lease.

B. In addition, Tenant agrees to deposit with Landlord on the date hereof the sum of \$12,000.00 which shall be held by Landlord, without obligation for interest, as security for the performance of Tenant's obligation of this Lease, it being expressly understood and agreed that this deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an event of default, Landlord may use all or part of the deposit to pay past due rent or other payments due Landlord under this Lease, and the cost of any other damage, injury, expense, or ability caused by such event of default without prejudice to any other remedy provided herein or provided by law. On demand, Tenant shall pay Landlord the amount that will restore the security deposit to its original amount. The security deposit shall be deemed the property of Landlord, but any remaining balance of such deposit shall be returned by Landlord to Tenant when Tenant's obligations under this Lease have been fulfilled. Should Landlord intend to apply part of the security deposit to any default or obligation, Landlord will notify Tenant in writing of such intent.

C. Tenant agrees to pay as Additional Rent its proportionate share of (i) Taxes (hereinafter defined) payable to Landlord pursuant to Paragraph 3A below, (ii) the cost of any utilities payable pursuant to Paragraph 8 below, (iii) the cost of maintaining insurance pursuant to Paragraph 9 below, and (iv) the cost of any common area or operating charges payable by Tenant in accordance with Paragraph 4 below. Additional Rent is hereby defined as any charges other

than the Base Rent described in Section 2A or Tenant Improvements as described in Section 27. Tenant's "proportionate share" as used in this Lease, shall mean a fraction, the numerator of which is the total square footage of the Premises and the denominator of which is the total square footage of the building or Project as defined by Landlord. At the commencement of this lease Tenant's proportionate share is equal to 21.73% of the building. At the commencement of this lease, Tenant's proportionate share of the Project is equal to 3.62%, this is subject to change as the Project is fully developed. During each month of the term of this Lease, on the same day that rent is due hereunder, Tenant shall pay Landlord as Additional Rent an amount equal to 1/12 of the estimated annual cost of its proportionate share of such items. Tenant authorizes Landlord to use the funds deposited with Landlord under this Paragraph 2C to pay such costs. The initial monthly Additional Rent payments are based upon the estimated amounts for the year in question, and shall be increased or decreased annually to reflect the projected actual cost of all such items except that as determined by Landlord's periodic audits, actual expenses exceed projected expenses by more than 20%, Landlord may increase Tenant's Additional Rent payments accordingly with 90 days written notice. If the Tenant's total Additional Rent payments are less than Tenant's actual proportionate share of all such items, Tenant shall pay the difference to Landlord within thirty (30) days after demand. If the total Additional Rent payments of Tenant are more than Tenant's actual proportionate share of all such items, Landlord shall provide retain such excess and credit it against Tenant's next annual Additional Rent payments. Should the lease expire, Tenant will receive a refund for any overpayment of Additional Rent. Landlord must notify Tenant in writing of any adjustments to Additional Rents as provided herein within one hundred eighty (180) days of the calendar year set expenses occurred in, failure of Landlord to so notify Tenant in writing of the adjusted Additional Rents shall waive Landlord's right to collect said adjustments and waive Tenant's obligation to pay same. Tenant will be provided with an Additional Rent reconciliation at year end. If Landlord's actual expenses exceed the budgeted expenses for the year, Tenant will be allowed to view all applicable charges and payment receipts ("Reconciliation"). Landlord will provide to Tenant, upon Tenant's written request, certification from Landlord's Certified Public Accountant that the Reconciliation is true, accurate and complete.

Landlord agrees to cap Year 1 operating expenses at \$2.00/SF/Year. Beginning January 2006, Landlord agrees to a maximum 3% increase on controllable operating expenses. Controllable operating expenses include, but are not limited to, landscape maintenance, grounds pick-up, lake maintenance, parking lot sweeping and pest control.

E. Tenant agrees to pay sales tax in accordance with the Florida Sales Tax Statute on Base Rents, Additional Rents, and other applicable charges. Landlord receives no monetary benefit from the collection of sales tax, remitting such collection directly to the State of Florida. Should such tax rate change under the Florida Tax Statute, Tenant shall pay accordingly.

F. The obligations of Tenant under this Paragraph 2 shall survive the expiration or other termination of this Lease.

3. TAXES.

A. Landlord agrees to pay all taxes, assessments, and governmental charges of any kind and nature (collectively referred to herein as "Taxes") that accrue against the Premises, and/or the land and/or improvements of which the Premises are a part. If at any time during the term of the Lease, there shall be levied, assessed or imposed on Landlord a capital levy or other tax directly on the rents received therefrom and/or a franchise tax, assessment, levy or charge measured by or based in whole or in part, upon such rents from the Premises and/or the land and improvements of which the Premises are a part, or any use thereof, then all such taxes, assessments, levies or charges, or the part thereof so measured or based, shall be deemed to be included within the term "Taxes" for the purposes hereof. Taxes include, but are not limited to, Real Estate tax, Intangible tax and Sales tax. Landlord shall have the right to employ a tax-consulting firm to attempt to assure a fair tax burden on the buildings and grounds within the applicable taxing jurisdiction. Tenant agrees to pay its proportionate share of the reasonable cost of such consultant.

B. Tenant shall be liable for all taxes levied or assessed against any personal property or fixtures placed in the Premises. If any such taxes are levied or assessed against Landlord or Landlord's property and (i) Landlord pays the same or (ii) the assessed value of Landlord's property is increased by inclusion of such personal property and fixtures and Landlord pays the increased taxes, then, upon demand Tenant shall pay to Landlord such taxes.

C. Any payment to be made pursuant to this Paragraph 3 with respect to the real estate tax year in which this Lease commences or terminates shall be prorated.

4. LANDLORD'S REPAIRS, MAINTENANCE, AND OPERATING COSTS.

A. Landlord, at its own cost and expense, shall maintain only the roof, foundation, and the structural soundness of the exterior walls of the building of which the Premises are a part in good repair, reasonable wear and tear excluded. The term "walls" as used herein shall not include windows, glass or plate glass, doors, special storefronts or office entries. Tenant shall immediately give Landlord written notice of defect or need for repairs for foundation and walls, after which Landlord shall have reasonable opportunity to repair same or cure such defect. Landlord's liability with respect to any defects, repairs or maintenance for which Landlord is responsible under any of the provisions of this Lease shall be limited to the costs of such repairs or maintenance or the curing of such defect.

B. Tenant agrees to pay as Additional Rent its proportionate share of Landlord's cost to perform the paving, sidewalk, common area, and landscape replacement and maintenance, exterior painting, exterior lighting, common sewage line plumbing, sewage lift station or utility vaults maintenance, and any other items that are necessary to maintain the Project

C. Tenant agrees to pay as Additional Rent its proportionate share of the cost of (i) maintenance, security and/or landscaping for the Project; (ii) operating, maintaining, and securing any property, facilities, or services provided for the common use of Tenant and other lessees of the Project.

D. Tenant agrees to pay as Additional Rent its proportionate share of Landlord's operating costs associated with the administrative or management of the Premises. Administrative and management costs are limited to Landlord's finance, accounting, administrative, and property management staff. These costs will not include the following:

1. the cost of providing any service directly to and paid directly by any tenant;
2. the cost of any items for which Landlord is reimbursed by insurance proceeds, condemnation awards, a tenant of the Project, or otherwise to the extent so reimbursed;
3. any real estate brokerage commissions or other costs incurred in procuring tenants, or any fee in lieu of commission;
4. depreciation, amortization of principal and interest on mortgages or ground lease payments (if any);
5. costs incurred by Landlord due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Project or any law, code, regulation, ordinance or the like;
6. Landlord's general corporate overhead and general and administrative expenses; except for those expenses included in the management fees.
7. any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;
8. costs incurred to (i) comply with laws relating to the removal of any Hazardous Material, as that term is defined in section 12 C of this Lease, which was in existence on the Project prior to the Commencement Date, and was of such a nature that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions that it then existed on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto, and (ii) to remove, remedy, contain, or treat any Hazardous Material, which Hazardous Material is brought onto the Project after the date hereof by Landlord or any other tenant of the Project, and is of such a nature, at that time, that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such Hazardous Material, in the state, and under the conditions, that it then exists on the Project, would have then required the removal of such Hazardous Material or other remedial or containment action with respect thereto

Landlord agrees to cap the aforementioned expenses at 6.5% of the Base Rent. Landlord cannot recover in excess of 100% of costs outlined herein Section 4.

E. Tenant agrees to pay as Additional Rent its proportionate share of the cost during the term of this Lease of any capital improvement completed after the first year of the Lease term (to be amortized over the term of the Lease), which reduces any component cost included in Tenant's Additional Rent.

F. Tenant agrees to pay as Additional Rent its proportionate share of all costs incurred in connection with upgrading the Project to comply with disability, life, hurricane, fire and safety codes, ordinances, statutes, or other laws in effect after the Commencement Date, including, without limitation, the ADA. Landlord will be required to give ninety (90) days written notice of any such improvements.

5. TENANT'S REPAIRS, MAINTENANCE, AND OPERATING CHARGES.

A. Tenant, at its own cost and expense, shall in quality acceptable to Landlord (i) promptly make all necessary repairs and replacements to the Premises including but not limited to, windows, glass and plate glass, doors, any special office entry, interior walls and finish work, floor and floor coverings, interior lighting, heating and air conditioning systems, dock boards, truck doors, dock bumpers, dock levelers, plumbing work and fixtures, and fire suppression systems, (ii) keep the Premises, parking areas, sidewalks, driveways and alleys surrounding the Premises in a clean and sanitary condition and shall regularly remove all rubbish, and trash from same, (iii) maintain a termite and pest extermination program for the interior of the Premises, (iv) Tenant shall not be obligated to repair any damage caused by fire, tornado, or other casualty covered by the insurance to be maintained by Landlord pursuant to sub-paragraph 9A below, except that Tenant shall be obligated to repair all wind damage to glass except with respect to tornado or hurricane damage.

B. Tenant, at its own cost and expense, shall enter into a regularly scheduled preventive maintenance/service contract acceptable to Landlord with a maintenance contractor approved by Landlord of servicing hot water, heating and air conditioning systems and equipment within the Premises. The service contract must include all services suggested by the equipment manufacturer in its operations/maintenance manual and an executed copy of such contract must be provided to Landlord within 30 days of the Commencement Date.

C. Tenant shall not damage any demising wall or disturb the integrity and support provided by any demising wall and shall, at its sole cost and expense, in a manner acceptable to Landlord promptly repair any damage or injury to any demising wall caused by Tenant or its employees, agents, or invitees.

D. If Tenant is clearly identified as being responsible for obstruction or stoppage of the common sanitary sewage line, then Tenant shall pay the entire cost thereof, upon demand, as Additional Rent.

E. Tenant shall in a manner acceptable to Landlord repair and pay for any damage caused by the negligence of Tenant, or Tenant's employees, agents, or invitees, or caused by Tenant's defaults hereunder.

F. Tenant, at its own expense, shall install and maintain fire extinguishers and other fire protection devices as may be required from time to time by an agency having jurisdiction thereof and the insurance underwriter insuring the building in which the Premises are located.

G. In the event Tenant fails to perform any of its obligations as outlined in this Paragraph 5 or Tenant's level of maintenance is in Landlord's reasonable opinion not in keeping with Landlord's standard of quality, or Tenant's replacements and repairs include materials of lesser quality than Landlord's original equipment or material, then Landlord may at its option, and at such costs as deemed reasonable in Landlord's opinion, affect such maintenance and repair and Tenant shall upon demand immediately reimburse Landlord as Additional Rent for Landlord's costs plus 5% administrative fee. Landlord reserves the right to designate all sources of supplies and services of any kind used by Tenant with regards to maintenance and repairs to the Premises pursuant to this Paragraph 5.

6. ALTERATIONS. Tenant shall not make any alterations, additions or improvements to the Premises or penetrate any roof or exterior demising wall, or install any antenna, satellite dish, or any exterior structure, without the prior written consent of Landlord, not to be unreasonably withheld. Any interior work to the Premises will also require the prior written consent of Landlord, unless work done is strictly aesthetic in nature, i.e. painting, picture hanging, etc. Alterations, additions, and improvements erected by Tenant shall be and remain the property of Tenant during the term of this Lease and Tenant shall, unless Landlord otherwise elects as hereinafter provided, remove all alterations, additions, improvements and partitions erected by Tenant and restore the Premises to their original condition upon Commencement Date by the date of termination of this Lease or upon earlier vacating of the Premises; provided however, that if Landlord so elects prior to termination of this Lease or upon earlier vacating of the Premises, such alterations, additions, and improvements shall become the property of the Landlord as of the date of termination of the Lease or upon earlier vacating of the Premises, and shall be delivered up to the Landlord with the Premises. However, any and all non-structural alterations to the Premises per this Section 6 of the Lease are the sole property of the Tenant. . Tenant, at its own cost and expense, may erect such shelves, bins, machinery and trade fixtures as it desires provided that (a) such items do not alter the basic character of the Premises or the building and/or improvements of which the Premises are a part; (b) such items do not overload or damage the same; (c) such items may be removed without injury to the Premises; and (d) the construction, erection or installation thereof complies with all applicable governmental laws, ordinances, regulations and with Landlord's specifications and requirements. All shelves, bins, machinery, and trade fixtures installed by Tenant shall be removed on or before the earlier to occur of the date of termination of this Lease or vacating the Premises, at which time Tenant shall restore the Premises to their original condition upon Commencement Date. All alterations, installations, removals and restoration shall be performed in a good and workmanlike manner so as not to damage or alter the primary structural qualities of the buildings and other improvements situated on the Premises or of which the Premises are a part.

7. SIGNS. Tenant shall not install any signs upon the Premises, except that Landlord will provide and install, at Tenant's sole cost and expense, Landlord's standard identification sign on the entrance to the Premises, which sign shall be removed by Landlord at Tenant's cost upon termination or expiration of this Lease. Landlord shall retain sign and at Tenant's sole cost and expense shall repair, paint, and/or replace the surface to which Tenant's signs are attached upon vacation of the Premises, or the removal or alteration of its signage. Tenant shall not, (i) make any changes to the exterior of the Premises, (ii) install any exterior lights, decorations, balloons, flags, pennants, banners or paintings, or (iii) erect or install any signs, windows or door lettering, placards, decorations or advertising media of any type which can be viewed from the exterior of the Premises, without Landlord's prior written consent. All signs, decorations, advertising media, blinds, draperies, tintings, sun screens and other window treatment or bars or other security installations visible from outside the Premises shall conform in all respects to the criteria established by Landlord and Landlord reserves the right to designate all sources furnishing sign painting and lettering. Tenant shall, at its expense, maintain its signs in a manner acceptable to Landlord. Landlord will provide and install (only upon Tenant's request), at Tenant's sole cost and expense, vinyl identification lettering on the front door of the building.

8. UTILITIES. Landlord agrees to provide normal water and electricity connections to the Premises. Landlord shall install an electric meter to the Premises at no cost or expense to Tenant. Tenant shall pay for all water, gas heat, light, power, telephone, sewer, sprinkler charges and other utilities and services used on or at the Premises, together with any taxes, penalties, surcharges or the like pertaining to the Tenant's use of the Premises, and any maintenance charges for utilities and shall furnish all electric light bulbs and tubes. In the event of excessive utility use by any tenant in the building, as determined in Landlord's reasonable discretion, Landlord shall have the right to cause any of said services to be separately metered to that tenant, at that tenant's expense. Tenant, as Additional Rent, shall pay its proportionate share, per Section 2B, as reasonably determined by Landlord, of all charges for jointly metered and common area utilities. Landlord shall not be liable for any interruption or failure of utility service on the Premises, unless due to Landlord's negligence or intentional misconduct.

9. INSURANCE.

A. Landlord shall, for the sole benefit of Landlord, maintain casualty insurance including but not limited to its general liability insurance, rents insurance, and insurance covering the buildings situated on the Premises or of which the Premises are a part on a replacement cost basis thereof insuring against the perils of Wind (hurricane included), Fire, Lightning, Extended Coverage, Vandalism and Malicious Mischief.

B. Tenant, at its own expense, shall maintain during the term of this Lease a policy or policies of worker's compensation and comprehensive general liability insurance,

including personal and bodily injury and property damage, with a contractual liability endorsement, in the amount of Five Hundred Thousand Dollars (\$500,000) for property damage and Two Million Dollars (\$2,000,000) per occurrence for personal and bodily injuries or deaths of persons occurring in or about the Premises. Tenant, at its own expense, also shall maintain during the term of this Lease, insurance covering the replacement cost of (i) all alterations, additions, partitions and improvements installed or placed on the Premises by Tenant or by Landlord on behalf of Tenant and (ii) all of Tenant's personal property contained within the Premises. Said policies shall (i) name Landlord as an additional insured and include a waiver of subrogation endorsement in favor of Landlord, (ii) be issued by an insurance company which is reasonably acceptable to the Landlord, and (iii) provide that said insurance shall not be canceled unless thirty (30) days prior written notice shall have been given to Landlord. Said policy or policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the term of the Lease and upon each renewal of said insurance.

C. Tenant will not permit the Premises to be used for any purpose or in any manner that would (i) void the insurance thereon, (ii) increase the insurance risk, or (iii) cause the disallowance of any sprinkler credits, including without limitation, use of the Premises for the receipt, storage or handling of any product, material, or merchandise that is explosive or highly inflammable. If any increase in the cost of any insurance on the Premises or the building of which the Premises are a part is caused by Tenant's use of the Premises, or because Tenant vacates the Premises, then Tenant shall pay the amount of such increase as Additional Rent to Landlord.

D. In the event Tenant causes its insurance to lapse or fails to maintain its insurance pursuant to Paragraph 9B, Landlord may at Landlord's option and at such costs as deemed reasonable in Landlord's reasonable opinion, secure such necessary insurance for the benefit of Landlord and Tenant agrees to immediately reimburse, as Additional Rent, Landlord for Landlord's costs plus 5% administrative fee.

10. FIRE AND CASUALTY DAMAGE.

A. If the Premises or the building of which the Premises are a part should be damaged or destroyed by fire or other peril, Tenant immediately shall give written notice to Landlord. If the buildings situated upon the Premises or of which the Premises are a part should be totally destroyed by any peril covered by the insurance to be provided by Landlord under Paragraph 9A above, or if they should be so damaged thereby that in the opinion of a licensed contractor (selected by Landlord), rebuilding or repairs cannot be completed within two hundred (200) days after the date of such damage, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease, effective upon the date of the occurrence of such damage.

B. If the buildings situated upon the Premises, or of which the Premises are a part, should be damaged by any peril covered by the insurance to be provided by Landlord under Paragraph 9A above, and in the opinion of a licensed contractor (selected by Landlord), rebuilding or repairs can be substantially completed within two hundred (200) days after the date of such damage, this Lease shall not terminate, and Landlord shall restore the Premises to substantially its previous condition, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, additions and other improvements that may have been constructed, erected or installed in or about the Premises, or for the benefit of, or by or for the Tenant. In the event the damage is repairable within the allotted time frame and more than 50% of the Premises are deemed unusable in Landlord's reasonable opinion, rent shall abate until the Premises are restored. If such repairs and rebuilding have not been substantially completed within two hundred (200) days after the date of such damage (subject to delays outside of Landlord's control, including, but not limited to: governmental regulations, and acts of God.), Tenant, as Tenant's exclusive remedy, may terminate this Lease by delivering written notice of termination to Landlord in which event the rights and obligations hereunder shall cease and terminate.

C. Notwithstanding anything herein to the contrary, in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within fifteen (15) days after such requirement is made known by any such holder, whereupon all rights and obligations hereunder shall cease and terminate.

D. Anything in this Lease to the contrary notwithstanding, Landlord and Tenant hereby waive and release each other of and from any and all rights of recovery, claim, action or cause of action, against each other, their agents, officers and employees, for any loss or damage that may occur to the Premises, improvements to the building of which the Premises are a part, or

personal property (building contents) within the building and/or Premises, except acts of gross negligence or intentional misconduct. Each party to the Lease agrees immediately after execution of this Lease to give each insurance company, which has issued to it policies of fire and extended coverage insurance, written notice of the terms of the mutual waivers contained in this sub-paragraph, and if necessary, to have the insurance policies properly endorsed.

11. LIABILITY AND INDEMNIFICATION.

Tenant agrees to indemnify, defend and save Landlord harmless from all claims (including reasonable costs and expenses of defending against such claims) resulting from damages to property, or from injury to or death of persons: (a) occurring in the Premises during the Term (including any Renewal Term exercised by Tenant); or (b) occurring in or about any other portion of the Premises during the Term, to the extent resulting wholly or in part from the negligent or willful act or omission of Tenant or its officers, agents, employees, contractors, subcontractors, customers or invitees. Provided, however, that the foregoing indemnity shall not apply to the extent such claims result from the negligent or willful act or omission of Landlord or Landlord's officers, agents, employees, contractors, subcontractors, customers or invitees, nor shall such indemnity extend to any claims, losses or damages which are covered by insurance, to the extent that insurance proceeds are actually paid over to Landlord or to others for its benefit (it being understood and agreed that Landlord will use its reasonable best efforts to actually collect on any coverage provided for such loss, permitting Tenant to participate in such efforts, where appropriate). Tenant shall not be liable for any loss or damage payable by Landlord, which is not covered by insurance because of a deductible or retention unless such loss is caused by the negligent acts of Tenant, its agents, guests or invitees.

Landlord agrees to indemnify, defend and save Tenant harmless from all claims (including reasonable costs and expenses of defending against such claims) resulting from damages to property, or from injury to or death of persons occurring in the Premises during the Term (including any Renewal Term exercised by Tenant), to the extent resulting wholly or in part from the negligent or willful act or omission of Landlord or its officers, agents, employees, contractors, subcontractors, customers or invitees. Provided, however, that the foregoing indemnity shall not apply to the extent such claims result from the negligent or willful act or omission of Tenant or Tenant's officers, agents, employees, contractors, subcontractors, customers or invitees, nor shall such indemnity extend to any claims, losses or damages which are covered by insurance, to the extent that insurance proceeds are actually paid over to Tenant or to others for its benefit (it being understood and agreed that Tenant will use its reasonable best efforts to actually collect on any coverage provided for such loss, permitting Landlord to participate in such efforts, where appropriate). Landlord shall not be liable for any loss or damage payable by the Tenant, which is not covered by insurance because of a deductible or retention unless such loss is caused by negligent acts of Landlord, its agents, guests or invitees.

Paragraph 11 shall survive the expiration or termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

12. USE.

A. The Premises shall be used only for the lawful purpose of receiving, storing, shipping and selling (other than retail) products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto. Outside storage, including without limitation, storage of trucks and other vehicles, is prohibited without Landlord's prior written consent. Tenant shall at its own cost and expense obtain any and all licenses and permits necessary for any such use. Tenant shall have the nonexclusive right to use, in common with other tenants of the building of which the Premises are a part, the parking provided and designated as such by Landlord subject to such reasonable rules and regulations as Landlord may from time to time prescribe and subject to rights of ingress and egress of other tenants. Landlord shall not be responsible for enforcing Tenant's reserved parking license if granted by Landlord against any third parties. Tenant shall comply with all governmental laws, ordinances and regulations applicable to the use of the Premises and shall promptly comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with, the Premises, all at Tenant's sole expense. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise or vibrations to emanate from the Premises, nor take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord or any other lessees of the buildings in which the Premises are a part.

B. Tenant agrees that the point pressure resulting from Tenant's racking system, inventory, forklifts and equipment pertaining to Tenant's use of the Premises shall not exceed allowable design floor loading for floor slabs on grade. Tenant shall be responsible to

provide steel plates, angles or channels as required to distribute floor loading to building design loads. Tenant shall hold harmless Landlord from any loss, liability and expenses, both real and alleged, arising out of such damage or repair caused by Tenant's negligence or failure to comply with this paragraph and shall, at its sole cost and expense, promptly repair any damage or injury to the floor slab caused by Tenant and its employees, agents or invitees.

C. Landlord, to best of their knowledge, guarantees that the site and Premises shall be free of hazardous materials at the issuance of certificate of occupancy. Tenant hereby agrees that (i) no activity will be conducted on the Premises that will produce any Hazardous Substance, except for such activities that are part of the ordinary course of Tenant's business (the "Permitted Activities") provided said Permitted Activities are conducted in accordance with all Environmental Laws and have been approved in advance in writing by Landlord; (ii) the Premises will not be used in any manner for the storage of any Hazardous Substances except for the temporary storage of such materials that are used in the ordinary course of Tenant's business (the "Permitted Materials") provided such Permitted Materials are properly stored and disposed of in a manner and location meeting all Environmental Laws and approved in advance in writing by Landlord; (iii) no portion of the Premises will be used as landfill or a dump; (iv) Tenant will not install any underground tanks of any type; (v) Tenant will not allow any surface or subsurface conditions to exist or come into existence that constitute, or with the passage of time may constitute, a public or private nuisance; (vi) Tenant will not permit any Hazardous Substances to be brought onto the Premises and if so brought or found located thereon, Tenant shall immediately remove same with proper disposal and all required clean-up procedures shall be diligently undertaken pursuant to all Environmental Laws, (vii) Landlord shall be permitted to conduct any environmental test deemed reasonably necessary by Landlord or Landlord's agent to determine the presence of any hazardous substance. If, at any time during or after the term of the Lease, the Premises is found to be so contaminated as a result of (i) through (vi), Tenant agrees to indemnify and hold Landlord harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the use of the Premises by Tenant. Tenant will bear the financial responsibility of any environmental testing performed if it is determined that Tenant caused a violation of an Environmental Law. The foregoing indemnification shall survive the termination or expiration of this Lease. In the event Tenant fails to act in the removal, proper disposal or all required clean-up procedures to the satisfaction of responsible governmental authorities, Landlord shall have the right to remedy Tenant's environmental problem at Tenant's cost, which shall be considered as Additional Rent. The term "Hazardous Substances" as used in this lease shall mean pollutants, contaminants, toxic or hazardous waste, including, but not limited to, Asbestos, Polychlorinated Biphenyls, and petroleum products, or any other substances, the removal of which is required or the use of which is restricted, prohibited or penalized by any "Environmental Law," which term shall mean any federal, state or local law or ordinance relating to pollution or protection of the environment.

D. If requested by Landlord, Tenant agrees to provide Landlord with a letter of certification, one year from the date of execution hereof and annually thereafter, certifying that Tenant has complied with all applicable environmental requirements and the requirements of all applicable agencies and that no soil or ground water contamination has occurred.

E. Tenant agrees to promptly notify Landlord of any environmentally hazardous event or procedure, including hazardous waste spills of any kind, regardless of responsibility, and to advise Landlord of any environmental concern expressed by any private party or government agency.

13. RIGHT OF ENTRY.

A. Landlord and Landlord's agents and representatives shall have the right, upon 24 hours notice, to enter the Premises at any reasonable time to inspect the Premises, to show the Premises to prospective purchasers, mortgagees, or tenants, to post notices, to make such repairs to the Premises as may be required or permitted pursuant to the Lease, or to repair any portion of the building for which the Premises is a part and to which access is conveniently made through Premises, without abatement of rent, and may for that purpose erect, use, and maintain scaffolding, pipes, conduits, and other necessary structures in and through the Premises where reasonably required by the character of the work to be performed, provided that entrance to the Premises shall not be blocked hereby, and further provided that the business of the Tenant shall not be interfered with unreasonably. In the event of an emergency, Landlord will have the right to enter the Premises without notice to make necessary repairs.

B. Tenant shall provide and Landlord shall retain a key with which to unlock all of the doors, in, upon, and about the Premises, and Landlord shall have the right to use any and all means which Landlord may deem necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises, and any entry to the Premises or portion

obtained by Landlord by said means, or otherwise, shall not under any circumstance be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises, or any portion thereof.

C. During the period, that is six (6) months prior to the end of the lease term, upon 24 hours notice to Tenant, Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises. In addition, Landlord shall have the right to erect suitable signage on the Premises stating the Premises are available. Tenant shall notify Landlord in writing at least thirty (30) days prior to vacating the Premises and shall arrange to meet with Landlord for a joint inspection of the Premises prior to vacating. If Tenant fails to give such notice or to arrange for such inspection then Landlord's inspection of the Premises shall be deemed correct for the purpose of determining Tenant's responsibility for repairs and restoration of the Premises. Upon ten (10) days notice, Landlord may, without liability or recourse by Tenant, seize and dispose of Tenant's abandoned personal property in any manner deemed appropriate by Landlord and Tenant relinquishes any claim to or credit for such abandoned property.

14. ASSIGNMENT AND SUBLETTING.

A. Tenant shall not have the right to assign, sublet, transfer or encumber this Lease, or any interest therein, without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any attempted assignment, subletting, transfer or encumbrance by Tenant in violation of the terms and covenants of this Paragraph shall be void. In the event Tenant desires to sublet the Premises, or any portion thereof, or assign this Lease, Tenant shall give written notice thereof to Landlord within a reasonable time prior to the proposed Commencement Date of such subletting or assignment, which notice shall set forth the name of the proposed sublessee or assignee, the relevant terms of any sublease and copies of financial reports and other relevant financial information of the proposed sublessee or assignee.

B. In addition to, but not in limitation of, Landlord's right to approve with reasonable discretion of any sublessee or assignee, Landlord shall have the option, in its reasonable discretion, in the event of any proposed assignment to terminate this Lease, or in the case of a proposed assignment of less than the entire Premises, to recapture the portion of the Premises to be assigned, as of the date the assignment is to be effective. The option shall be exercised, if at all, by Landlord giving Tenant written notice thereof within sixty (60) days following Landlord's receipt of Tenant's written notice as required above. If this Lease shall be terminated with respect to the entire demised Premises pursuant to this paragraph, the term of this Lease shall end on the date stated in Landlord's notice as the effective date of the sublease or assignment as if that date had been originally fixed in the Lease for the expiration of the term hereof; provided, however, that effective on such date Tenant shall pay Landlord all amounts, as estimated by Landlord, payable by Tenant up to such date with respect to taxes, insurance, repairs, maintenance, restoration and other obligations, costs or charges which are the responsibility of Tenant hereunder. Further, upon any such cancellation Landlord and Tenant shall have no further obligations or liabilities to each other under this Lease, except with respect to obligations or liabilities which accrued hereunder as of such cancellation date (in the same manner as if such cancellation date were the date originally fixed in this Lease of the expiration of the term hereof). If Landlord recaptures under this paragraph only a portion of the Premises, the rent during the unexpired term thereof shall abate proportionately based on the rent per square foot contained in this Lease as of the date immediately prior to such recapture. Tenant shall, at Tenant's own cost and expense, discharge in full any outstanding commission obligation on the part of Landlord with respect to this Lease, and any commissions which may be due and owing as a result of any proposed assignment or subletting, whether or not the Premises are recaptured pursuant thereto and rented by Landlord to the proposed Tenant or any other tenant.

C. If this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, 11 U.S.C. 101 et. seq., (the "Bankruptcy Code"), any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the estate of Tenant within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and be promptly paid or delivered to Landlord. Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall upon demand execute and deliver to Landlord an instrument confirming such assumption.

D. Notwithstanding the foregoing, Tenant shall have the right to assign this Lease to any affiliate (as such term is defined in the Securities Act of 1933) without the approval of Landlord. Any assignee, sublessee or transferee of Tenant's interest in this Lease (all such assignees, sublessees and transferees being hereinafter referred to as "Transferees"), by assuming Tenant's obligations hereunder, shall assume liability to Landlord for all amounts paid to persons other than Landlord by such Transferees in contravention of this Paragraph. No assignment, subletting or other transfer, whether consented to by Landlord or not or permitted hereunder shall relieve Tenant of its liability hereunder. If any event of default occurs while the Premises or any part thereof are assigned or sublet, then Landlord, in addition to any other remedies herein provided, or provided by law, may collect directly from such Transferee all rents payable to the Tenant and apply such rent against any sums due Landlord hereunder. No such collection shall be construed to constitute a novation or a release of Tenant from the further performance of Tenant's obligation hereunder.

E. A transfer of controlling interest by Tenant whether by stock, partnership, interest or otherwise will be deemed an assignment of this Lease.

F. If at any time during the term of this Lease, any part or all of its outstanding stock, if Tenant is a corporation, or any interest in the partnership, if Tenant is a partnership, shall be transferred by sale, assignment, bequest, inheritance, reorganization, operation of law, or other transfer or disposition, then such event shall constitute an assignment for the purposes of this Lease requiring Landlord's consent. This paragraph shall not be applicable to any corporation, all of the outstanding stock of which is listed on a national securities exchange.

15. CONDEMNATION. If more than fifty percent (50%) of the Premises, including parking, are taken for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof and the taking prevents or materially interferes with the use of the Premises for the purpose for which they were leased to Tenant, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease, effective on the date of such taking. If less than fifty percent (50%) of the Premises are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, this Lease shall not terminate, but the rent payable hereunder during the unexpired portion of this Lease shall be reduced proportionately. All compensation awarded in connection with or as a result of any of the foregoing proceedings shall be the property of Landlord and Tenant hereby assigns any interest in any such award to Landlord; provided, however, Landlord shall have no interest in any award made to Tenant for loss of business or goodwill or for the taking of Tenant's fixtures and improvements, if a separate award for such items is made to Tenant.

16. HOLDING OVER. At the termination of this Lease by its expiration or otherwise, Tenant immediately shall deliver possession to Landlord with all repairs and maintenance required herein to be performed by Tenant completed. If for any reason, Tenant retains possession of the Premises or any part thereof after such termination, then Landlord may, at its option, serve written notice upon Tenant that such holding over constitutes either (i) creation of a month to month tenancy, upon the terms and conditions set forth in this Lease, or (ii) creation of a tenancy at sufferance, in any case upon the terms and conditions set forth in this Lease; provided, however, that the monthly rental (or daily rental) shall, in addition to all other sums which are to be paid by Tenant hereunder, whether or not as Additional Rent, be equal to 150% of the Base Rent being paid monthly to Landlord under this Lease immediately prior to such termination (prorated on the basis of a 365 day year for each day Tenant remains in possession). If no such notice is served, then a tenancy at sufferance shall be deemed to be created at the rent in the preceding sentence. Tenant shall also pay to Landlord all damages sustained by Landlord resulting from retention of possession by Tenant, including the loss of any proposed subsequent tenant for any portion of the Premises. The provisions of this paragraph shall not constitute a waiver by Landlord of any right of re-entry as herein set forth; nor shall receipt of any rent or any other act in apparent affirmation of the tenancy operate as a waiver of the right to terminate this Lease or a breach of any of the terms, covenants, or obligations herein on Tenant's part to be performed. No holding over by Tenant, whether with or without consent of Landlord shall operate to extend this Lease except as otherwise expressly provided. The preceding provisions of this Paragraph 16 shall not be construed as consent for Tenant to retain possession of the Premises in the absence of written consent thereto by Landlord.

17. QUIET ENJOYMENT. Landlord represents that it has the authority to enter into this Lease and that so long as Tenant pays all amounts due hereunder and performs all other covenants and agreements herein set forth, Tenant shall peaceably and quietly have, hold, and enjoy the Premises for the term hereof without hindrance or molestation from Landlord, subject to the terms and provisions of this Lease.

18. EVENTS OF DEFAULT. The following events (herein individually referred to as "event of default") each shall be deemed to be events of nonperformance by Tenant under this Lease:

A. Tenant shall fail to pay any installment of the rent herein when due, or any other payment or reimbursement to Landlord required herein when due. Landlord will grant Tenant three (3) days notice to pay, however, any late fees will still be applicable. Any notice of default must be sent via certified mail, FedEx or other similar commercial carrier, with return receipt requested if possible.

B. The Tenant or any guarantor of the Tenant's obligations hereunder shall (i) become insolvent; (ii) admit in writing its inability pay its debts; (iii) make a general assignment for the benefit of creditors; (iv) commence any case, proceedings or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under law relating to bankruptcy, insolvency, reorganization or relief of debtors or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property.

C. Any case, proceedings or other action against the Tenant shall be commenced seeking (i) to have an order for relief entered against it as debtor or to adjudicate it as bankrupt or insolvent; (ii) reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; (iii) appointment of a receiver, trustee, custodian or other similar official for it or for all of any substantial part of its property, and such case, proceeding or other action (a) results in the entry of an order for relief against it which it is not fully stayed within fifteen (15) business days after the entry thereof or (b) shall fail to be dismissed within ninety (90) days.

D. Tenant shall fail to discharge any lien placed upon the Premises or removed by bond in violation of Paragraph 21 hereof within twenty (20) days after any such lien or encumbrance is filed against the Premises.

E. If, prior to or at the time of entering into this Lease or any amendments thereto, any financial information or other written statements, are provided to Landlord by Tenant or by any agent or employee of Tenant which are false or misleading, the giving of such false or misleading information shall constitute an event of default by Tenant under this Lease. Upon discovery of such an event of default, Landlord may invoke any and all remedies provided under this Lease or under Florida law.

F. Tenant shall fail to comply with any term, provision or covenant of this Lease (other than those listed in this Paragraph 18), and shall not cure such failure within twenty (20) days after written notice thereof to Tenant. If cure cannot reasonably be completed within twenty (20) days Tenant shall commence a cure within twenty (20) days and pursue such cure until completion.

19. REMEDIES.

A. Upon each occurrence of an event of default, Landlord may, in addition to any other right or rights which Landlord may have under the provisions of this Lease or by law, and at Landlord's option:

- (1) Proceed for past due installments of rent and other charges due under this Lease, reserving its right to proceed later for the remaining installments, or
- (2) Declare all of the unpaid installments of rent and other charges, including the minimum present value of all future rent due for the duration of the term of the Lease, at once due and payable, whereupon the whole thereof shall become and be immediately due and payable, anything herein to the contrary notwithstanding, and proceed to enforce its legal remedies hereunder, or
- (3) Terminate this Lease by written notice to Tenant, and immediately expel Tenant, without, however, waiving Landlord's right to collect all installments of rent and other payments due or owing for the period up to the time Landlord regains occupancy. Upon such termination by Landlord, Tenant will at once surrender possession of the Premises to Landlord and remove all of Tenant's property therefrom.

(4) As Tenant's agent, without terminating this Lease, enter upon and rent the Premises at the best price obtainable by reasonable effort, with or without advertising, and by private negotiations and for any term Landlord deems proper. Tenant shall be liable to Landlord for the deficiency, if any, between the rental due hereunder and the total rental applicable to the lease obtained by Landlord on re-letting, after deducting Landlord's expenses in restoring the Premises and all costs incident to such re-letting, including without limitations advertising costs, legal fees, the costs of removing and storing Tenant's or other occupant's property, and brokerage commission. The total rental applicable to the term obtained by Landlord on such re-letting shall be the property of the Landlord, and Landlord shall not be liable to Tenant for any excess thereof over the rental charged hereunder, the rights to any such excess, if any, being hereby waived by Tenant.

B. All rights and remedies of Landlord under this Lease shall be cumulative and none shall exclude any other right or remedy allowed by this Lease or by law.

C. In the event Tenant fails to make any payment due hereunder when payment is due, to help defray the additional cost to Landlord for processing such late payments, Tenant shall pay to Landlord on demand a late charge in an amount equal to five percent (5%) of such installment. Additionally, in the event any check tendered by Tenant for any payment due hereunder is returned for insufficient funds, Tenant shall pay to Landlord on demand in addition to a late charge an administrative fee in an amount equal to the cost of the returned check up to \$50.00. The failure to pay such amounts as applicable within ten (10) days after demand therefore shall be an additional event of default hereunder. The provisions for such late charge and/or administrative fee shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. Further, Landlord is in no way obligated to accept partial or incomplete payments for rents hereunder.

D. Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises by Landlord, whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant. Tenant and Landlord further agree that forbearance by Landlord to enforce its rights pursuant to the Lease at law or in equity shall not be a waiver of Landlord's rights to enforce one or more of its rights in connection with any subsequent default.

E. In the event of termination and/or repossession of the Premises for an event of default, Landlord shall use reasonable efforts to relet the Premises and to collect rent after reletting; provided, that, Tenant shall not be entitled to credit or reimbursement of any proceeds in excess of the rent owed hereunder. Landlord may relet the whole or any portion of the Premises for any period, to any tenant and for any use and purpose.

F. If Landlord fails to perform any of its obligations hereunder within a reasonable period of time after written notice from Tenant specifying such failure, Tenant's exclusive remedy shall be an action for damages.

All obligations of Landlord hereunder will be construed as covenants, not conditions; and all such obligations will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" shall mean only the owner, for the time being of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all covenants and obligations of the Landlord thereafter accruing, but such covenants and obligations shall be binding during the Lease term upon each new owner for the duration of such owner's ownership. Notwithstanding any other provision hereof, Landlord shall not have any personal liability hereunder. In the event of any breach or default by Landlord in any term or provision of this Lease, Tenant agrees to look solely to the equity or interest then owned by Landlord in the Premises or of the building of which the Premises are a part; however, in no event, shall any deficiency judgment or any money judgment of any kind be sought or obtained against any Landlord.

G. If Landlord repossesses the Premises pursuant to the authority herein granted, then Landlord shall have the right to (i) keep in place and use or (ii) remove and store all of the furniture, fixtures and equipment at the Premises, including that which is owned by or leased to Tenant at all times prior to any foreclosure thereon by Landlord or repossession thereof by and Landlord thereof or third party having a lien thereon. Landlord also shall have the right to

relinquish possession of all or any portion of such furniture, fixtures, equipment, and other property to any person ("Claimant") who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of the Landlord to inquire into the authenticity or legality of said instrument. The rights of Landlord herein stated shall be in addition to any and all other rights that Landlord has or may hereafter have at law or in equity; and Tenant stipulates and agrees that the rights herein granted Landlord are commercially reasonable.

H. Notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as rent, shall constitute rent.

I. This is a contract under which applicable law excuses Landlord from accepting performance from (or rendering performance to) any person or entity other than Tenant.

20. MORTGAGES. Tenant accepts this Lease subject and subordinate to any mortgages and/or deeds of trust now or at any time hereafter constituting a lien or charge upon the Premises or the improvements situated thereon or the building of which the Premises are a part, provided, however, that if the mortgagee, trustee, or holder of any such mortgage or deed of trust elects to have Tenant's interest in this Lease superior to any such instrument, then by notice to Tenant from such mortgagee, trustee or holder, this Lease shall be deemed superior to such lien, whether this Lease was executed before or after said mortgage or deed of trust. Tenant, at any time hereafter upon ten (10) days request, shall execute a commercially reasonable subordination, nondisturbance agreement, Commencement Date Agreement or estoppel certificate (certifying that the Lease is in full force and effect, the date the rent is paid and such other pertinent matters relating to the terms of the Lease. If in connection with obtaining financing for the Building, or for any ground or underlying lease(s), a recognized institutional lender shall request reasonable modifications in this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or defer its consent, provided such modifications do not increase the obligations of Tenant or decrease the obligations of Landlord hereunder or adversely affect, to a material extent, Tenant's leasehold interest or Tenant's use and enjoyment of the Premises. After written request, should Tenant fail to deliver such documents as provided herein within the aforementioned period, Tenant hereby irrevocably appoints Landlord as attorney-in-fact for the Tenant with full power and authority to execute and deliver in the name of Tenant such documents if Tenant fails to deliver the same within such ten (10) day period and such documents as signed by Landlord or Landlord's beneficiary, as the case may be, shall be fully binding on Tenant, if Tenant fails to delivery contrary documents within five (5) days after receipt by Tenant of a copy of the documents by Landlord or Landlord's beneficiary, as the case may be, on behalf of Tenant. Tenant agrees to provide Landlord, upon fifteen (15) days written request, annual financial statements should such statements be a requirement of any mortgagee or if required by a recognized institutional lender for the purpose of obtaining financing for the Premises or any project or building of which the Premises are a part.

21. MECHANICS LIEN. Tenant has no authority, expressed or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind the interest of Landlord or Tenant in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid, or removed by bond, all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises and that it will save and hold Landlord harmless from any and all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the right, title and interest of the Landlord in the Premises or under the terms of this Lease. Tenant agrees to give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises. In the event Landlord, at its option, corrects any lien or encumbrance created or placed upon the Premise by Tenant, Tenant shall immediately upon demand reimburse Landlord for Landlord's expenses plus 5% administrative fee.

22. MISCELLANEOUS.

A. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

B. The terms, provisions, covenants and conditions contained in this Lease shall run with the land and shall apply to, inure to the benefit of, and be binding upon, the parties hereto and upon their respective heirs, executors, personal representatives, legal representatives, successors and assigns, except as otherwise herein expressly provided. Landlord shall have the right to transfer and assign, in whole or in part, its rights and obligations in the building and property that are the subject of this Lease. Each party agrees to furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

C. Without notice and without liability to Tenant, Landlord shall have the right to sell the Premises or any project or building of which the Premises are part (or any portion(s) thereof) and assign this Lease and the deposit and prepaid rent to the purchaser, and upon such assignment Landlord shall be released from all of its obligations under this Lease and Tenant agrees to attorn to such purchaser, or any other successor or assign of Landlord through foreclosure or deed in lieu of foreclosure or otherwise, and to recognize such person as successor Landlord under this Lease.

D. Landlord shall not be held responsible for delays in the performance of its obligations hereunder when caused by material shortages, weather, acts of God or labor disputes.

E. This Lease constitutes the entire understanding and agreement of the Landlord and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly set forth in this Lease are of no force or effect. This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto.

F. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the term of this Lease shall survive the expiration or earlier termination of the term hereof, including without limitation, all payment obligations with respect to taxes and insurance and obligations concerning the condition and repair of the Premises. Upon the expiration or earlier termination of the term hereof, and prior to Tenant vacating the Premises, Tenant shall pay to Landlord any amount reasonably estimated by Landlord as necessary to put the Premises, including without limitation, all heating and air conditioning systems and equipment therein, in good condition and repair, reasonable wear and tear excluded. Tenant shall also, prior to vacating the Premises, pay to Landlord the amount, as estimated by Landlord, of Tenant's obligation hereunder for real estate taxes and insurance premiums for the year in which the Lease expires or terminates. All such amounts shall be used and held by Landlord for payment of such obligations of Tenant hereunder, with Tenant being liable for any additional costs therefor upon demand by Landlord, or with any excess to be returned to Tenant after all such obligations have been determined and satisfied as the case may be. Any security deposit held by Landlord shall be credited against the amount due from Tenant under this Paragraph.

G. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid, or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

H. All references in this Lease to "the date hereof" or similar reference shall be deemed to refer to the last date, in point of time, on which all parties hereto have executed this Lease.

I. Both Landlord and Tenant represent and warrant that they have dealt with no broker, agent or other person in connection with this transaction other than Colliers Arnold, which shall receive its compensation from the Landlord exclusively unless so referenced in a separate written agreement. Both Landlord and Tenant agree to indemnify and hold each other harmless from and against any claims by any other broker, agent, or other person brought about this transaction.

J. If and when included within the term "Landlord", as used in this instrument, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying some individual at some specific address for the receipt

of notices and payments to Landlord. If and when included within the term "Tenant", as used in this instrument, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying some individual at some specific address within the continental United States for the receipt of notices and payments to Tenant. All parties included within the terms "Landlord" and "Tenant", respectively shall be bound by notices given in accordance with the provisions of Paragraph 23 hereof to the same effect as if each had received such notice.

K. In the event the Premises constitute a portion of a multiple building project and Landlord divest through its own actions or through legal condemnation, one or more or a portion of any other building within the project, and such divestiture decreases the total square footage of Landlord's project as defined by Landlord, Landlord may accordingly decrease the denominator of Tenant's proportionate share fraction as defined in Paragraph 2C above, provided said denominator previously included such affected square footage.

L. Submission of this Lease shall not be deemed to be a reservation of the Premises. Landlord shall not be bound hereby until its delivery to Tenant of an executed copy hereof signed by Landlord, already having been signed by Tenant, and until such delivery Landlord reserves the right to exhibit and lease the Premises to other prospective tenants. Notwithstanding anything contained herein to the contrary Landlord may withhold delivery or possession of the Premises from Tenant until such time as Tenant has paid to Landlord the security deposit required by subparagraph 2B hereof and one month's rent as set forth in subparagraph 2A hereof, and has provided Landlord proof of insurance in accordance with Paragraph 9B above.

M. If Tenant shall take possession of the Premises or any part thereof prior to the Commencement Date (which Tenant may not do without Landlord's prior written consent), all of the covenants and conditions of this Lease (except payment of Base Rent or Additional Rent) shall be binding upon the parties hereto with respect to such whole or part of the Premises as if the Commencement Date had been fixed as the date when Tenant took possession of such whole or part of the Premises.

N. Tenant and Tenant's servants, employees, agents, visitors and licensees shall observe and comply with the rules and regulations as Landlord may from time to time adopt. Notice of any new or additional reasonable rules and regulations shall be given in writing by Landlord to Tenant, whereupon they will become a part of the Lease for all purposes, to the same extent as if originally set forth herein. Landlord reserves the right to designate areas for Tenant's employee parking and Tenant shall comply with Landlord's rules and regulations to enforce same including but not limited to the registration, if required by Landlord, of employee vehicles with Landlord or the imposition by Landlord of monetary fines or other sanctions against Tenant.

O. Landlord reserves the right on thirty (30) days written notice to Tenant to substitute for the Premises, at the same rental as required of Tenant herein, including adjustment, other comparable Premises within the building or buildings of which the Premises are a part for all uses and purposes as though originally leased to Tenant at the time of execution and delivery of this Lease and subject to all terms and revisions hereof. In the event Landlord elects to cause such substitution of Premises, Landlord agrees to pay all reasonable expenses of Tenant incidental thereto, including, but not limited to, the cost of all leasehold improvements needed for the new Premises, moving expenses, and letterhead notification. Landlord agrees to move Tenant within a 5-mile radius of the Premises to a location with: (i) substantially equivalent square footage; (ii) comparable area and location; (iii) comparably maintained building. Landlord also agrees to provide Tenant three (3) months free rent should such move occur. If Tenant reasonably disapproves of the new location Tenant shall have the right to terminate the Lease upon written notice to Landlord. If the Lease terminates pursuant to this section each party's rights and obligations contained in this Lease shall cease and terminate.

P. Tenant agrees that all personal property brought into the Premises by Tenant, its employees, licensees and invitees shall be at the sole risk of Tenant. Landlord shall not be liable for theft thereof or of any money deposited therein or for any damages thereto; such theft or damage being the sole responsibility of Tenant.

Q. Landlord shall have the right to name and, from time to time, change the name of the park in which the Premises is located, the building of which the Premises are a part, or the access roads bounding the Premises without expense, obligation, or liability to Tenant.

R. The failure of Landlord or Tenant to insist, in any one or more instances, upon a strict performance of any covenant of this Lease shall not be construed as a waiver or relinquishment thereof, but the same shall continue and remain in full force and effect. The receipt

by Landlord of rent with knowledge of the breach of any covenant of Tenant hereunder shall not be deemed a waiver of the rights of Landlord with respect to such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Landlord.

S. This lease does not grant any rights to light, view and air over property.

T. This Lease or other related document shall not be recorded in public records by either party.

U. Tenant acknowledges that Landlord was induced in part to enter into this Lease agreement based upon financial information, or representations by Tenant regarding Tenant's business and Tenant warrants that such information, statements, or representations are accurate and true and Tenant further agrees to immediately inform Landlord of any material change in Tenant's financial condition which might adversely affect Tenant's ability to meet its rental obligations hereunder.

V. In the event there is any litigation between Landlord and Tenant the prevailing party is entitled to recover its attorneys fees and costs (at all levels of litigation including mediation, arbitration, trial, appeals and bankruptcy) from the nonprevailing party.

23. NOTICES. Each provision of this instrument or of any applicable governmental laws, ordinances, regulations and other requirements with reference to the sending, mailing, or delivering of notice or the making of any payment by Landlord to Tenant or with reference to the sending, mailing, or delivering of any notice or the making of any payment by Tenant to Landlord shall be deemed to be complied with when and if the following steps are taken:

A. All rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address for Landlord set forth below or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith. Tenant's obligation to pay rent and any other amounts to Landlord under the terms of this Lease shall not be deemed satisfied until such rent and other amounts have been actually received by Landlord. In addition to Base Rental due hereunder, all sums of money and all payments due Landlord hereunder shall be deemed to be Additional Rental owed to Landlord.

B. All payments required to be made by Landlord to Tenant hereunder shall be payable to Tenant at the address set forth below, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance herewith.

C. Any written notice or document required or permitted to be delivered hereunder shall be deemed to be delivered whether actually received or not when deposited in the United States Mail, postage prepaid, Certified or Registered Mail, addressed to the parties hereto at the respective addresses set out below, or at such other address as they gave theretofore specified by a written notice delivered in accordance herewith.

LANDLORD

Brooker Creek North I, LLLP
777 S. Harbour Island Blvd., Suite 877
Tampa, FL 33602

TENANT

Cryo-Cell International, Inc.
700 Brooker Creek Blvd., Suite 1800
Oldsmar, FL 34677
Attention: Jill Taymans

24. LANDLORD'S LIEN. In addition to any statutory lien for rent in Landlord's favor, Landlord shall have and Tenant hereby grants to Landlord a continuing security interest for all rentals and other sums of money becoming due hereunder from Tenant, upon all goods, wares, equipment, fixtures, furniture, inventory, and other personal property of Tenant now or hereafter situated at the Premises, and such property shall not be removed therefrom without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged. In the event any of the foregoing described property is removed from the Premises in violation of the covenant in the preceding sentence, the security interest shall continue in such property and all proceeds and products, regardless of location.

25. The duties and obligations of Tenant herein shall be binding upon all or any of them. The duties and obligations of Tenant shall run and extend not only to the benefit of

Landlord, as named herein, but to the following, at the option of the following, or any of them (i) any person by, through or under which Landlord derives the right to lease the Premises, (ii) the owner of the Premises, and (iii) holders of mortgage or rent assignment interests in the Premises, as their respective interests may appear; provided, however, nothing contained herein shall be construed to obligate Tenant to pay rent to any person other than the Landlord until such time as Tenant has been given written notice of either an exercise of a rent assignment or the succession of some other party to the interest of the Landlord.

26. Tenant agrees to deliver all keys and to surrender the Premises at the expiration of the initial term, or sooner termination, of this Lease, or any extension thereof, broom clean in the same condition as when said Premises were originally delivered to Tenant, or as altered, pursuant to the provisions of the Lease, ordinary wear, tear and damage by fire casualty and the elements excepted, and Tenant shall remove all of its property.

27. TENANT IMPROVEMENTS. Landlord at Landlord's sole cost and expense shall provide the "Base Building" improvements as outlined in Exhibit B. In addition, Landlord agrees to construct the Premises and Site improvements, per Exhibit B, appurtenant thereto (collectively the "Improvements"), which will be designed and constructed to the specifications of the Tenant. Landlord will contribute a total amount of Three Hundred-Fifty thousand dollars (\$350,000.00) towards the Improvements (the "Improvement Allowance"). All improvements and any funds to be spent on construction per the approved Final Plans and Specs, per Exhibit B, and any modifications made hereto must be pre-approved by Tenant. Landlord will require one half (1/2) of Tenant's portion of Tenant Improvement monies (per the most recent build-out estimate) be paid upon Lease Execution. The remaining one half (1/2) of the Tenant's portion of Tenant Improvement monies shall be paid by Tenant sixty days (60) after Lease Execution.

All funds paid by Tenant pursuant to this section shall be held in the non-bearing escrow account of Lowndes, Drosdick, Doster, Kantor & Reed, PA, Landlord shall submit all invoices to Tenant. Tenant shall have twenty-four hours to inform Landlord that it reasonably agrees or disagrees with payment of the invoice. If the twenty-four hour period ends after 5:00 p.m. on Friday, the time period shall be extended to Monday at 5:00 p.m. for which to respond ("Response Period"). If Tenant fails to respond in the Response Period, Landlord shall have the right to pay such invoices and the escrow agent shall have authority to release such funds.

Landlord will forward copies of all contracts and invoices with regard to the improvements to the Premises to Tenant. Landlord will provide, to the best of knowledge, all overages, as they are incurred and prior to the work being done. At time of completion Landlord will adjust charges per the final project cost, and either issue a credit or invoice Tenant for any difference. Landlord will keep all funds contributed by Tenant in an escrow account that will only be reduced by charges that are the result of improvements to Tenant's space. Tenant may request Landlord to bid and award the Improvements contract with another general contractor or subcontractor of Tenant's choice, said contractor subject to the final approval of Landlord, which will not be unreasonably withheld.

28. The Base Rent for the lease term is based on the square footage confirmed (pursuant to BOMA standards) by Landlord's architect, and shall be as follows:

| Year | Monthly Rent | Rent/SF/Year |
|------|--------------|--------------|
| 1 | \$11,733.33 | \$8.00 |
| 2 | 11,733.33 | 8.00 |
| 3 | 12,085.33 | 8.24 |
| 4 | 12,452.00 | 8.49 |
| 5 | 12,818.67 | 8.74 |
| 6 | 13,200.00 | 9.00 |
| 7 | 13,596.00 | 9.27 |
| 8 | 14,006.67 | 9.55 |
| 9 | 14,432.00 | 9.84 |
| 10 | 14,872.00 | 10.14 |

Tenant will pay the Monthly Rental amount set forth above unless there are any changes to the square footage of the Premises, upon which a new Monthly Rental amount will be calculated based on the Rent per square foot per year listed above in Section 28.

29. RENEWAL OPTION. Landlord will give Tenant two 5-year renewal options, exercisable upon written notice to Landlord at least 180 days prior to the expiration of the current lease term. All terms and conditions of this Lease shall continue upon renewal except that the Base Rental rate for the renewal option will be as follows:

| | <u>Monthly Rent</u> | <u>Rent/SF</u> |
|-----------------------------------|---------------------|----------------|
| 1 st Renewal-flat rate | 16,309.33 | 11.12 |
| 2 nd Renewal-flat rate | 18,128.00 | 12.36 |

Tenant will pay the Monthly Rental amount set forth above unless there are any changes to the square footage of the Premises, upon which a new Monthly Rental amount will be calculated based on the Rent per square foot per year listed above in Section 29.

30. TERMINATION OPTION. Upon 180 days advance written notice, Landlord hereby grants Tenant a one-time cancellation option to be exercised on either the first day of the 61st month of the lease or on the first day of the 85th month of the lease under the following conditions:

- 1) Tenant will pay Landlord all unamortized Tenant Improvement dollars
- 2) Tenant will pay Landlord unamortized portion of the original Leasing Commission paid to broker
- 3) Tenant will pay Landlord a one-time cancellation fee equal to 6 months rent (Base Rent and all Additional Rental payments)

31. FIRST RIGHT OF REFUSAL. Landlord hereby grants a First Right of Refusal on all space that is available, or becomes available, adjacent to the Premises. Landlord must provide Tenant notice of available space and Tenant will have 5 days after such notice to advise Landlord of their intent to lease the space. Any expansion under a First Right of Refusal shall be provided to Tenant under the same terms and conditions of the initial lease, with the Base Rent being the then current rate and any Tenant Improvement allowance subject to negotiation

32. Ample parking will be provided on a first come, first serve basis, however, Landlord agrees to reserve twelve (12) spaces in front of Tenant's space for the exclusive use of Tenant. At a minimum, there will be sixty (60) parking spaces available for the use of Tenant.

33. Landlord shall, at its sole cost and expense, be responsible for compliance with all relevant governmental regulations and codes and specifically with the Americans with Disabilities Act (ADA) as it relates to the access to Improvements, Site and Premises at the issuance of certificate of occupancy for the building, after which is the responsibility of the Tenant.

34. Landlord agrees not to lease space in the same building to any stem cell preservation services companies.

EXECUTED BY TENANT, this _____ day of _____, 2004.

WITNESSES (two required)

CRYO-CELL INTERNATIONAL, INC.

By:

(Seal)

Title:

(Seal)

EXECUTED BY LANDLORD, this _____ day of _____, 2004.

WITNESSES (two required)

BROOKER CREEK NORTH I, LLLP

By:

(Seal)

Title:

(Seal)

BUILDING & LEASEHOLD IMPROVEMENTS:

Landlord at Landlord's sole cost and expense shall provide the following "Base Building" improvements:

- 1) concrete foundations and exterior building shell and entryways (as currently constructed)
- 2) building standard exterior doors and hardware (as currently constructed)
- 3) roof (as currently constructed)
- 4) finished concrete floor ready for Tenant's covering
- 5) Landlord will provide electrical systems per the original building construction drawings, said services to be separately metered for exclusive use within the Premises
- 6) building standard fire sprinklers and fire alarm systems sufficient to satisfy all state, county and municipal fire/safety and other governmental requirements for building in shell condition
- 7) all Preliminary Plans and Specifications per PLANS section below

IMPACT FEES: Landlord will be responsible for impact fees for warehouse, which are \$15,400 (for 17,600 SF); any amount above this will be the responsibility of the Tenant.

PLANS:

- 1) Any additional modifications in excess of the Improvement Allowance to the Preliminary Plans and Specifications shall be at Tenant's cost.
- 2) Within thirty (30) days after the Lease Agreement has been fully executed by both parties (the "Effective Date"), Landlord shall prepare complete working drawings and specifications at Tenant's expense (the "Final Plans and Specifications") for the proposed Improvements and submit the same to Tenant for its review and approval, which approval shall not be unreasonably withheld. Such Final Plans and Specifications shall be prepared from the approved Preliminary Plans and Specifications as a guide to construction details, heights, Tenant's requirements, etc. The Final Plans and Specifications shall further comply with all governing codes and regulations of all governmental agencies with regard to construction of the Improvements, and shall cover plans, necessary calculations, elevations, structural details, and mechanical facilities such as electrical, plumbing and piping, and heating and air conditioning, along with Site improvements and other details and schedules necessary to represent the complete design and construction requirements for said Improvements and Tenant's occupancy. In the event any construction company other than Ed Taylor Construction South, Inc. is chosen to be the general contractor for the improvements to the Premises, Tenant will be financially responsible for the construction management of the work being done on the Premises; this amount is not to exceed 2% of the hard costs.

PERMITS: Immediately upon approval by Tenant of the Final Plans and Specifications Landlord shall then, as quickly as possible, obtain all permits, zoning variances and changes, licenses, easements and franchises (hereinafter collectively called the "Permits") as may be necessary for or desired by Tenant to permit the construction of all Improvements as stipulated on the Final Plans and Specifications. These costs are included in the construction contract.

CONSTRUCTION: On or before the necessary governmental permits have been obtained, Landlord shall contract for the construction of the Improvements ("Construction Contract") in accordance with Final Plans and Specifications, and promptly construct the Improvements as set forth thereon. Landlord shall further (1) notify Tenant when construction of the Improvements has commenced, (2) provide Tenant with a construction schedule, and (3) give Tenant biweekly progress reports as to the status of construction. Landlord shall diligently follow the construction work in order to carry it through to completion as quickly as possible, Tenant may inspect the work from time to time during construction and upon its completion to insure that it is carried out in accordance with the Final Plans and Specifications and the contract. After the Construction Contract is executed, no changes shall be made to the Final Plans and Specifications or construction contract without Tenant's approval in writing. If

Tenant notifies Landlord that the Final Plans and Specifications are not being, or have not been, followed by the contractor, Landlord shall see that the necessary changes or provisions are made so that the completed Improvements conform to the Final Plans and Specifications and Construction Contract, except those changes which have been approved by Tenant in writing. Tenant may make such changes during said construction as Tenant may desire from the Final Plans and Specifications subject to the approval of Landlord, which approval shall not be unreasonably withheld. Landlord further covenants, on behalf of itself and the contractor that the Improvements shall be constructed complete and ready for Tenant's occupancy in all respects and in accordance with good construction practices, and that good materials, workmanship, and design shall be used, and that the Improvements shall be in accordance with all rules, regulations, codes and zoning ordinances.

Tenant may request Landlord to bid and award the Construction Contract with a general contractor of Tenant's choice, said general contractor and/or subcontractor are subject to final approval by Landlord, which approval will not be unreasonably withheld.

The Construction Contract shall be a standard AIA contract form A107-1997 between owner, contractor and architect.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mercedes Walton, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CRYO-CELL International, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: July 12, 2004

/s/ Mercedes Walton

Mercedes Walton

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jill M. Taymans, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CRYO-CELL International, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: July 12, 2004

/s/ Jill M. Taymans

Jill M. Taymans

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

In connection with the Quarterly Report of CRYO-CELL International, Inc. (the "Company") on Form 10-QSB for the quarter ended May 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mercedes Walton, Chief Executive Officer of the Company and I, Jill M. Taymans, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mercedes Walton

Mercedes Walton
Interim Chief Executive Officer

July 9, 2004

/s/ Jill M. Taymans

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

July 12, 2004