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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON D.C. 20549

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**FORM 10-QSB**

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(Mark One)

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

For the quarterly period ended August 31, 2005

**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

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**CRYO-CELL INTERNATIONAL, INC.**

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

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**DELAWARE**  
(State or other Jurisdiction of  
Incorporation or Organization)

**22-3023093**  
(I.R.S. Employer  
Identification No.)

**700 Brooker Creek Blvd. Oldsmar, FL 34677**  
(Address of Principal Executive Offices) (Zip Code)

**Issuer's phone number, including area code: (813) 749-2120**  
(Former name, former address and former fiscal year, if changed since last report).

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State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of October 13, 2005, 11,624,629 shares of \$0.01 par value common stock were outstanding.

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

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

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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Item 1. Financial Statements

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

	August 31, 2005	November 30, 2004
	(unaudited)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,690,182	\$ 4,737,368
Restricted cash	200,000	200,000
Marketable securities and other investments	585,128	782,419
Accounts receivable and advances (net of allowance for doubtful accounts of \$646,574 and \$379,654, respectively)	1,125,043	1,044,430
Receivable - Affiliates	—	231,880
Prepaid expenses and other current assets	669,606	427,629
Total current assets	9,269,959	7,423,726
<b>Property and Equipment-net</b>	<b>3,003,013</b>	<b>2,822,616</b>
<b>Other Assets</b>		
Marketable securities and other investments	—	484,490
Notes receivable	100,000	100,000
Investment in Saneron CCEL Therapeutics, Inc.	667,971	716,545
Deposits and other assets	61,889	93,336
Total other assets	829,860	1,394,371
Total assets	\$ 13,102,832	\$ 11,640,713
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 538,598	\$ 482,703
Accrued expenses	712,038	1,337,024
Deferred revenue	3,184,840	2,771,490
Total current liabilities	4,435,476	4,591,217
<b>Other Liabilities</b>		
Deferred revenue	4,014,414	2,884,782
Long-Term Liability-Revenue sharing agreements	3,750,000	3,750,000
Deferred consulting obligation	681,240	1,250,466
Total other liabilities	8,445,654	7,885,248
Minority Interest	—	—
<b>Stockholders' Equity (Deficit)</b>		
Preferred stock (\$.01 par value, 500,000 authorized and none issued)	—	—
Common stock (\$.01 par value, 20,000,000 authorized; 11,615,879 as of August 31, 2005, and 11,397,379 as of November 30, 2004 issued and outstanding)	116,159	113,974
Additional paid-in capital	23,706,088	23,428,840
Treasury stock	(839,301)	(839,301)
Accumulated other comprehensive loss	(243,824)	(130,250)
Accumulated deficit	(22,517,420)	(23,409,015)
Total stockholders' equity (deficit)	221,702	(835,752)
Total liabilities and stockholders' equity (deficit)	\$ 13,102,832	\$ 11,640,713

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 EARNINGS AND COMPREHENSIVE INCOME  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31, 2005	August 31, 2004	August 31, 2005	August 31, 2004
<b>Revenue</b>	\$ 3,772,135	\$ 3,229,268	\$10,614,862	\$ 9,003,295
<b>Costs and Expenses:</b>				
Cost of sales	1,100,580	858,870	3,058,609	2,225,685
Marketing, general & administrative expenses	1,879,451	1,643,843	6,531,772	4,460,979
Litigation Accrual (Pharmastem)	—	(1,424,626)	—	(1,102,968)
Research, development and related engineering	3,740	15,731	19,808	70,170
Depreciation and amortization	114,880	107,857	332,672	309,357
<b>Total cost and expenses</b>	<b>3,098,651</b>	<b>1,201,675</b>	<b>9,942,861</b>	<b>5,963,223</b>
<b>Operating Income</b>	<b>673,484</b>	<b>2,027,593</b>	<b>672,001</b>	<b>3,040,072</b>
<b>Other (Expense) Income:</b>				
Interest income	39,990	8,461	92,550	26,060
Interest expense	(246,330)	(202,461)	(637,093)	(569,945)
Licensee income	160,766	82,042	358,719	235,481
Settlement on insurance claim	—	—	—	135,338
Renegotiation of deferred consulting agreement	—	—	498,161	—
Loss on sale of fixed asset	—	—	(5,179)	(2,625)
(Loss) Gain on sale of marketable securities	—	—	(3,207)	2,958
<b>Total other (expense) income</b>	<b>(45,574)</b>	<b>(111,958)</b>	<b>303,951</b>	<b>(172,733)</b>
<b>Income before income taxes and equity in losses of affiliate</b>	<b>627,910</b>	<b>1,915,635</b>	<b>975,952</b>	<b>2,867,339</b>
Income taxes	41,001	—	41,001	—
Equity in losses of affiliate	(71,512)	(57,008)	(125,358)	(93,457)
	(30,511)	(57,008)	(84,357)	(93,457)
<b>Income from continuing operations</b>	<b>597,399</b>	<b>1,858,627</b>	<b>891,595</b>	<b>2,773,882</b>
Loss on discontinued operations	—	—	—	(92,556)
<b>Net Income</b>	<b>\$ 597,399</b>	<b>\$ 1,858,627</b>	<b>\$ 891,595</b>	<b>\$ 2,681,326</b>
Net income from continuing operations per common share-basic	\$ 0.05	\$ 0.16	\$ 0.08	\$ 0.24
Net loss from discontinued operations per common share-basic	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.01)
<b>Net income per common share - basic</b>	<b>\$ 0.05</b>	<b>\$ 0.16</b>	<b>\$ 0.08</b>	<b>\$ 0.23</b>
<b>Weighted average common shares outstanding - basic</b>	<b>11,613,528</b>	<b>11,364,172</b>	<b>11,568,518</b>	<b>11,357,939</b>
Net income from continuing operations per common share-diluted	\$ 0.05	\$ 0.15	\$ 0.07	\$ 0.23
Net loss from discontinued operations per common share-diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.01)
<b>Net income per common share - diluted</b>	<b>\$ 0.05</b>	<b>\$ 0.15</b>	<b>\$ 0.07</b>	<b>\$ 0.22</b>
<b>Weighted average common shares outstanding - diluted</b>	<b>12,233,516</b>	<b>12,002,235</b>	<b>12,234,172</b>	<b>11,824,360</b>
<b>Comprehensive income:</b>				
Net income:	\$ 597,399	1,858,627	\$ 891,595	\$ 2,681,326
Net change in unrealized loss on marketable securities	(38,474)	(24,079)	(113,574)	(64,300)
<b>Comprehensive income</b>	<b>\$ 558,925</b>	<b>\$ 1,834,548</b>	<b>\$ 778,021</b>	<b>\$ 2,617,026</b>

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)

	Nine Months Ended	
	August 31, 2005	August 31, 2004
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 891,595	\$ 2,681,326
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	439,102	369,681
Loss (gain) on sale of marketable securities held to maturity	3,207	(2,958)
Loss on sale of property and equipment	5,179	2,625
Gain on re-negotiation of deferred consulting agreement	(498,161)	—
Compensatory element of stock options	12,628	37,296
Provision for doubtful accounts	298,746	62,500
Equity in losses of affiliate	125,358	93,457
Changes in assets and liabilities:		
Restricted cash	—	(996,653)
Accounts receivable and advances	(379,359)	(419,606)
Receivable - Affiliates	231,880	195,022
Prepaid expenses and other current assets	(241,977)	(64,663)
Deposits and other assets	6,921	(3,051)
Accounts payable	55,895	109,040
Accrued expenses	(624,986)	(903,556)
Deferred revenue	1,542,982	1,501,339
<b>Net cash provided by operating activities</b>	<b>1,869,010</b>	<b>2,661,799</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(621,353)	(812,443)
Sale of property and equipment	21,201	2,600
Purchase of marketable securities and other investments	—	(229,000)
Proceeds from sale of marketable securities	565,000	210,000
<b>Net cash used in investing activities</b>	<b>(35,152)</b>	<b>(828,843)</b>
<b>Cash flows from financing activities:</b>		
Receivable - revenue sharing agreements	—	100,525
Proceeds from the exercise of stock options	190,021	16,150
Proceeds from loan payable to related party	—	50,000
Repayment of loan to related party	—	(195,000)
Repayments of deferred consulting obligation	(71,065)	(89,251)
<b>Net cash provided by (used in) financing activities</b>	<b>118,956</b>	<b>(117,576)</b>
<b>Increase in cash and cash equivalents</b>	<b>1,952,814</b>	<b>1,715,380</b>
Cash and cash equivalents - beginning of period	4,737,368	2,452,006
Cash and cash equivalents - end of period	<b>\$ 6,690,182</b>	<b>\$ 4,167,386</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest	\$ 595,037	\$ 469,420
Income taxes	\$ 45,000	\$ —
<b>Supplemental schedules of non-cash investing and financing activities:</b>		
Change in unrealized net loss as a component of marketable securities and shareholders' equity	\$ (113,574)	\$ (64,300)

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

**CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2005**  
**(Unaudited)**

**Note 1 - Basis of Presentation**

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of August 31, 2005 and November 30, 2004, the related Consolidated Statements of Earnings and Comprehensive Income for the three and nine months ended August 31, 2005 and August 31, 2004, and the related Consolidated Statements of Cash Flows for the nine months ended August 31, 2005 and August 31, 2004 have been prepared by CRYO-CELL International, Inc. and its subsidiaries (“the Company” or “CRYO-CELL”). 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, 2004 Annual Report on Form 10-KSB.

**Revenue Recognition**

Enrollment fee revenue and the related direct incremental costs associated with these fees are deferred and recognized once the processing of the specimens is completed.

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 August 31, 2005 and November 30, 2004, has been provided as the Company does not believe it is “more likely than not” that the future income tax benefits will be realized.

**Recently Issued Accounting Pronouncements**

On December 16, 2004, the FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* (“SFAS 123(R)). SFAS 123(R) supersedes Accounting Principles Board Opinion No. 25 (“APB No. 25”) and amends FASB Statement No. 95, *Statement of Cash Flows*. However, SFAS 123(R) *requires* all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

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SFAS 123(R) must be adopted by small business issuers in the annual period beginning after December 15, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. The Company expects to adopt SFAS 123(R) on December 1, 2006.

SFAS 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date.
2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

The Company plans to adopt SFAS 123 using the modified prospective method.

As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123(R)'s fair value method will have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adoption of SFAS 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings per share in Note 5 to the consolidated financial statements. SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were \$0 for the nine months ended August 31, 2005 and August 31, 2004.

During the fourth quarter of fiscal 2005, the Company accelerated the vesting of unvested stock options awarded to employees and officers under its stock option plan that had exercise prices greater than the current price of the stock (\$2.30) on the effective date of the stock option acceleration. The unvested options to purchase approximately 569,000 shares became fully vested as of September 28, 2005 as a result of the acceleration. These stock options would have vested through February 1, 2008.

The purpose of the accelerated vesting is to enable the Company to avoid recognizing compensation expense of approximately \$600,000 associated with these options in future periods, upon adoption of SFAS 123(R) in December 2006.

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### Note 2 – Earnings per Common Share

Earnings per common share data is based on net income and not comprehensive income. The following table sets forth the calculation of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	August 31, 2005	August 31, 2004	August 31, 2005	August 31, 2004
Numerator:				
Net Income	\$ 597,399	\$ 1,858,627	\$ 891,595	\$ 2,681,326
Denominator:				
Weighted-average shares outstanding-basic	11,613,528	11,364,172	11,568,518	11,357,939
Dilutive common shares issuable upon exercise of stock options	619,988	638,063	665,654	466,421
Weighted-average shares-diluted	12,233,516	12,002,235	12,234,172	11,824,360
Earnings per share:				
Basic	\$ .05	\$ .16	\$ .08	\$ .23
Diluted	\$ .05	\$ .15	\$ .07	\$ .22

For the three and nine months ended August 31, 2005 and August 31, 2004, options to purchase 712,556 and 306,900, and 709,056 and 303,400 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.

### 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. ("Pharmastem") in the United States District Court of Delaware (Wilmington) (the "Court"), Case No. 02-148-GMS, alleging patent infringement of U.S Patents Nos. 5,004,681 ('681 patent') which relates to the collection, processing, and storage of stem cells derived from umbilical cord blood and 5,192,553 ('553 patent') which relates to the therapeutic uses of stem cells derived from umbilical cord blood. 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 was entered against the Company in the amount of \$957,722 for damages relating to royalties resulting from revenues generated from specimens processed and stored from April 11, 2000 through August 31, 2003. The Company recognized 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 estimated damages relating to royalties resulting from revenues generated from specimens processed and stored.

During fiscal 2004 the Company accrued an additional \$523,000 for estimated damages relating to royalties resulting from revenues generated from specimens processed and stored during the first, second and third quarters of fiscal 2004 recognizing that it was probable that the damages would continue to accrue at a rate of 6.125% should the judgment remain in effect related to the '681 patent. In December 2003, the Company transferred \$957,722 into an escrow account. The defendants, including the Company, filed motions for post-trial relief, and execution of the judgment was stayed pending



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disposition of those motions. The plaintiff 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. The Company did not accrue the \$2,800,000, as the Company felt the likelihood of such an award was remote.

On September 15, 2004, the Court ruled on the post trial motions. The Court vacated its judgment, overturning the jury's verdict for patent infringement and damages previously entered against the Company, and denied Pharmastem's request for an injunction and enhanced damages against the defendants. Reversing the jury's verdict, the Court entered a new judgment in favor of the Company and the other defendant blood banks with regard to Pharmastem's '553 patent, holding that the cord blood banks are not, and cannot be, liable for contributory infringement of the patent because they do not sell, or offer for sale, umbilical cord blood. Rather, the private blood banks provide a service of processing and preservation of cord blood for families. With regard to Pharmastem's original patent the '681 patent, the Court granted CRYO-CELL and its co-defendants a new trial on the issues of infringement and damages, finding that the jury's earlier verdict of infringement was "against the great weight of the evidence".

As a result of the September 15, 2004 ruling the Company reversed all prior accruals related to the '681 patent totaling \$1,102,968, during the third quarter of fiscal 2004. The Company was no longer obligated to hold the \$957,722 in an escrow account and the funds were returned to the Company in October 2004.

On October 4, 2004, Pharmastem filed in the Delaware action a motion for preliminary injunction against the Company (and its co-defendants) regarding the '681 patent. Pharmastem sought an injunction limiting the ability of the Company to refer to the use of umbilical cord blood in the treatment of adults in the marketing of the Company's services, to advise customers for its services that cord blood stored hereafter is for pediatric use only, and to enjoin the Company from storing cord blood units that have sufficient stem cells to effect the hematopoietic reconstitution of an adult. The Company and other defendants filed a motion asking the court to reconsider the denial of the judgment as a matter of law on the '681 patent. On December 14, 2004, the Court ruled in favor of the Company and other defendants. The effect of this order is that final judgment has now been entered in favor of CRYO-CELL and the other defendants on Pharmastem's charges of infringement of both patents that were asserted in that case, marking a final disposition of the case in CRYO-CELL's favor, and denying Pharmastem's motion for preliminary injunction. Pharmastem has filed an appeal of the decision to the United States Court of Appeals for the Federal Circuit. CRYO-CELL and the other defendants have filed a cross-appeal on the issues of the validity and enforceability of the '681 and '553 patents.

Moreover, in a separate action, the U.S. Patent and Trademark Office has recently decided to reexamine the validity of both of the Pharmastem patents that were the subject of the litigation in Delaware, the '553 patent and the '681 patent. In January 2005, a Patent Office examiner entered an office action rejecting all claims of the '553 patent. This action is not final, and Pharmastem has the opportunity to present further argument to the examiner.

On July 28, 2004 the Company was named as a defendant in a complaint filed by Pharmastem Therapeutics, Inc. in the United States District Court for the Middle District of Florida, Tampa Division, Case No. 8:04-cv-1740-T-30TGW alleging infringement of U.S. Patents Nos. 6,461,645 and 6,569,427. These patents are closely related to the '681 and '553 patents that were the subject of Pharmastem's Delaware litigation. Pharmastem also named as a defendant Dr. Bruce Zafran, a member of the Company's scientific and medical advisory board. The suit seeks an injunction, an unspecified amount of damages or royalties, treble damages and attorney's fees. The Company has filed an answer and counterclaims against Pharmastem and its Chief Executive Officer, Nicholas Didier. Pharmastem and Didier have filed motions to dismiss those counterclaims. The Judicial Panel on Multidistrict Litigation

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transferred this action to the District of Delaware for coordinated pretrial proceedings with other cases brought by Pharmastem alleging infringement of these same two patents by other defendants. The Company intends to vigorously defend the suit. Discovery in the action has not yet commenced.

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 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. On February 25, 2005, the United States District Court for the Middle District of Florida issued an order approving the previously reported formal stipulation of settlement for the litigation. The settlement, which totals \$7 million, includes a payment of \$4 million paid by the insurance carrier of the Company's former auditors. In addition, the Company's insurance carrier paid \$3 million on the Company's behalf under its directors' and officers' insurance policy. The Company previously satisfied the \$175,000 deductible under its directors' and officers' insurance policy, and believes it will have no further financial obligations under the settlement.

### **Note 4 - Investments in Subsidiaries and Affiliates**

#### **Saneron CCEL Therapeutics, Inc. ("Saneron")**

The Company has an ownership interest of approximately 39% and 42% in Saneron, which is accounted for under the equity method of accounting, as of August 31, 2005 and November 30, 2004, respectively. The Company's ownership percentage in Saneron has decreased due to Saneron issuing common shares to other entities and individuals. As of November 30, 2004, an independent valuation appraised the Company's approximate 42% interest in Saneron at \$2,070,000. As of August 31, 2005 and November 30, 2004, the net Saneron investment, including goodwill of approximately \$684,000, is reflected on the accompanying consolidated balance sheets at approximately \$668,000 and \$717,000, respectively.

For the three and nine months ended August 31, 2005, the Company recorded equity in losses of affiliate in losses of Saneron operations \$71,512 and \$125,358. Included in equity in losses of affiliate is approximately \$54,000 and \$77,000 for the three and nine months ended August 31, 2005, respectively, related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees below fair market value. For the three and nine months ended August 31, 2004, the Company recorded equity in losses of Saneron operations of \$57,008 and \$93,457. Included in equity in losses of affiliate is approximately \$28,000 and \$52,000 for the three months and nine months ended August 31, 2004 related to compensation expense for stock option awards that were granted by Saneron.

As of August 31, 2005 and November 30, 2004, the Company has classified the initial value of Company stock held by Saneron of approximately \$839,000 within stockholders' equity as treasury stock.

#### **Stem Cell Preservation Technologies, Inc.**

On January 29, 2004, CRYO-CELL announced the decision to close Stem Cell Preservation Technologies, Inc ("SCPT"), following the resignation of SCPT's Board of Directors and management. SCPT ceased operations immediately thereafter. CRYO-CELL concluded that SCPT required significant

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additional funding to complete the repurchase and to remain in operation, and that SCPT management's restructuring proposals all would have required CRYO-CELL to make significant cash expenditures. CRYO-CELL owned 11,500,000 (86.6%) shares of SCPT. In accordance with SFAS No. 144, the closing of SCPT represents a discontinued operation as of November 30, 2004. CRYO-CELL has recognized 100% of the losses of SCPT in its statements of earnings and comprehensive income as discontinued operations during the three months ended August 31, 2005 and August 31, 2004 of approximately \$0 and \$0, respectively and for the nine months ended August 31, 2005 and August 31, 2004 approximately \$0 and \$93,000, respectively.

### Note 5 – Stock Options

The Company accounts for stock options under APB No. 25, under which no compensation expense has been recognized for stock options issued to employees as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*, ("SFAS No. 123"). The Company has adopted the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS No. 148"). Certain stock options have been issued to consultants of the Company and accounted for under SFAS No. 123. The expense recognized for the three and nine months ended August 31, 2005 is \$0 and \$12,628, respectively. The expense recognized for the three and nine months ended August 31, 2004 is \$0 and \$37,296, respectively.

Had SFAS No. 123 been implemented, the Company's net income per share would have been adjusted to the amounts indicated below for the three and nine months ended August 31, 2005 and August 31, 2004:

	Three Months Ended		Nine Months Ended	
	August 31, 2005	August 31, 2004	August 31, 2005	August 31, 2004
Net Income, as reported	\$ 597,399	\$ 1,858,627	\$ 891,595	\$ 2,681,326
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(552,126)	(38,924)	(716,733)	(178,113)
Pro forma net income	\$ 45,273	\$ 1,819,703	\$ 174,862	\$ 2,503,213
Income per share:				
Basic-as reported	\$ .05	\$ .16	\$ .08	\$ .23
Diluted-as reported	\$ .05	\$ .15	\$ .07	\$ .22
Basic-pro forma	\$ —	\$ .16	\$ .02	\$ .22
Diluted-pro forma	\$ —	\$ .15	\$ .01	\$ .21

### Note 6 – Marketable Securities and Other Investments

The Company has certain investments in marketable securities, which are categorized as marketable securities and other investments on the accompanying balance sheets and accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). Marketable securities were \$585,128 and \$1,266,909 and at August 31, 2005 and November 30, 2004. In accordance with SFAS No. 115, the Company recorded a realized loss of \$0 and \$3,207 for the three and nine months ended August 31, 2005, and a realized gain of \$0 and \$2,958 for the three months and nine months ended August 31, 2004, in conjunction with certain marketable securities. Also included within marketable securities and other investments on the accompanying consolidated balance sheets as of August 31, 2005 and November 30, 2004 are certificates of deposits of approximately \$519,000 and \$1,087,000 recorded at cost.

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### **Marketable Securities**

The Company uses the guidance in SFAS No. 115 as described above, to account for marketable securities which are classified as available for sale. The fair value of other investments as of August 31, 2005 and November 30, 2004 was approximately \$66,000 and \$180,000, respectively, and the unrealized holding loss recorded as a component of stockholders equity on other investments was approximately \$150,000 and \$36,000 as of August 31, 2005 and November 30, 2004, respectively.

### **Note 7 – Deferred Consulting Obligation**

During June 2002, 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 Company initially recognized the present value of this agreement as a liability. In August 2004, the Company stopped making payments under the consulting agreement. This agreement was terminated and following negotiations, a new agreement was negotiated by the parties and signed on April 15, 2005. The Company commenced payments under the terms of the new agreement during the second quarter of 2005. The terms of the settlement are confidential. The Company recognized a gain upon entering into the new agreement, which is included in other income on the Consolidated Statement of Earnings and Comprehensive Income for the nine months ended August 31, 2005. The present value of the new agreement has been reflected as a liability on the consolidated balance sheet as of August 31, 2005.

### **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. Since that time, 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 nine months ended August 31, 2005, the Company increased its revenues by 18% over the level in the 2004 period and achieved net income of approximately \$892,000, compared to \$2,681,000 in the 2004 period. Net storage revenues increased because of an increase in the customer base and the effects of two price increases during 2003 and one price increase during the third quarter of 2004 for newly enrolled customers. The Company continued to be profitable mainly because the increase in revenue due to the increase in the customer base and the 2004 price increase. Net income was higher during the prior year largely due to the reversal of a \$1.1 million litigation accrual, as well as by increases in cost of sales and marketing, general, and administrative expenses. The significant increase in these expenses resulted mainly from costs to enhance existing production procedures and quality systems in the processing of cord blood specimens at the Company’s new state-of-the-art, current Good Manufacturing Practice and Good Tissue Practice (cGMP/cGTP)-compliant facility in Oldsmar, Florida. The Company also deployed a new customer database, new network infrastructure and implemented plans to expand sales and marketing initiatives, which increased expenses.

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At August 31, 2005, the Company had cash and cash equivalents of approximately \$6,690,000 and marketable securities and other investments of approximately \$585,000. The Company's cash increased by approximately \$1,953,000 during the first three quarters, as a result of its cash flow from operations and the proceeds from the exercise of stock options. As of October 13, 2005, the Company maintains no indebtedness.

### **Discontinued Operations**

Discontinued operations consisted of SCPT, CRYO-CELL's subsidiary that was closed in 2004. See Note 4 to the Consolidated Financial Statements. In accordance with SFAS No. 144, the closing of SCPT represents a discontinued operation as of November 30, 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 August 31, 2005 and November 30, 2004 is reflected at \$0, and CRYO-CELL has recognized 100% of the losses of SCPT in its statements of earnings and comprehensive income as discontinued operations during the three and nine months ended August 31, 2004 of approximately \$0 and \$93,000, respectively, of which the minority interest portion is approximately \$0 and \$12,000, respectively.

### **Results of Operations – Three-month periods ended August 31, 2005 and 2004**

**Revenues.** Revenues for the three months ended August 31, 2005 were \$3,772,135 as compared to \$3,229,268 for the same period in 2004, representing a 17% increase. The increase is primarily attributable to the effects of a successfully implemented price increase during 2004 for newly enrolling clients, as well as the overall increase in customer base over the prior year, which led to a significant increase in storage revenues. These increases were partially offset by an increase in sales discounts. During 2004, the Company implemented a price increase affecting its enrollment, processing and testing fees ('Initial Fee'). These price increases began to have a positive impact on revenues and gross profits in the third quarter 2004 and the impact has continued through the third quarter of 2005.

**Cost of Sales.** Cost of sales for the three months ended August 31, 2005 was \$1,100,580 as compared to \$858,870 for the same period in 2004, representing a 28% increase. Cost of sales was 29% of revenues for the three months ended August 31, 2005 compared with 27% for the three months ended August 31, 2004. Cost of sales as a percentage of revenue increased due to an increase in sales promotions, laboratory supplies, cord blood collection reimbursements, and salaries and wages. 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 facility in Oldsmar, Florida and the costs associated with storage of specimens at the Safti-Cell facility in Arizona. During the second quarter of fiscal 2005, the Company implemented a new processing methodology in accordance with emerging requirements of the American Association of Blood Banks (AABB). The new process utilizes closed-system bags rather than vial storage. Due to this transition to a new processing methodology, as well as, the enhanced level of security designed in the Company's new facility, the Company discontinued offering the dual storage service to new customers during the second quarter of fiscal 2005. The increase in the cost of laboratory supplies is a direct result of the transition to the new processing methodology.

**Marketing, General and Administrative Expenses.** Marketing, general and administrative expenses

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during the three months ended August 31, 2005 were \$1,879,451 as compared to \$1,643,843 for the three months ended August 31, 2004 representing a 14% increase. The increase was largely attributable to the implementation of the Company's plans to expand its sales and marketing initiatives, which resulted in an increase in consumer advertising. Consulting fees related to Sarbanes-Oxley compliance also contributed to the increase. Marketing, general and administrative expenses were 50% of revenues for the three months ended August 31, 2005 compared to 51% for the three months ended August 31, 2004. Marketing, general and administrative expenses remained constant as a percentage of revenues due to the aforementioned increases, which were partially offset by the increase in revenues.

**Litigation Accrual Reversal.** During fiscal 2003 the Company accrued approximately \$1,100,000 as the result of a judgment entered against the Company in October 2003. During fiscal 2004 the Company accrued an additional \$523,000 for estimated damages relating to royalties resulting from revenues generated from specimens processed and stored during the first, second and third quarters of fiscal 2004. During the third quarter 2004, the Company reversed all prior accruals totaling approximately \$1,600,000 as a result of the ruling by the Court on the post trial motions with regards to the Pharmastem litigation (See Note 3 to the consolidated financial statements). Litigation accrual reversal for the three months ended August 31, 2004 was \$1,424,626 representing the litigation expense recognized from fiscal 2003 through the second quarter of fiscal 2004. The remaining impact of the reversal is reflected as a \$198,000 net reduction in marketing, general and administrative expenses for the three months ended August 31, 2004.

**Research, Development and Related Engineering Expenses.** Research, development and related engineering expenses for the three months ended August 31, 2005 were \$3,740 as compared to \$15,731 for the three months ended August 31, 2004, a decrease of 76%.

**Interest Expense.** Interest expense for the three months ended August 31, 2005 was \$246,330 as compared to \$202,461 for the same period in 2004. 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. The Company currently has four RSAs covering the following states: New York, Texas, Florida and Illinois (including contiguous states). 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. If the Company's revenues continue to increase in areas covered by RSAs, the Company's interest expense related to the RSA payments will also increase. Also included in interest expense is the amortization of the present value of a deferred consulting agreement in the amount of \$13,874 and \$17,546 for the three months ended August 31, 2005 and August 31, 2004, respectively.

**Licensee Income.** Licensee income for the three months ended August 31, 2005, was \$160,766 as compared to \$82,042 for the same period in 2004. Licensee 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 of Affiliate.** Equity in losses of affiliate was \$71,512 for the three months ended August, 31, 2005, compared to \$57,008 for the 2004 period. During the three months ended August 31, 2005 and August 31, 2004, the Company recorded approximately \$54,000 and \$28,000, respectively, in equity in losses of affiliates related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees below fair market value.

**Income Taxes.** Income tax benefit was \$41,001 for the three months ended August 31, 2005, due to the reversal of a federal income tax accrual that had been recorded during the fourth quarter of fiscal 2004 for estimated tax payments.

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### **Results of Operations – Nine-month periods ended August 31, 2005 and 2004**

**Revenues.** Revenues for the nine months ended August 31, 2005 were \$10,614,862 as compared to \$9,003,295 for the same period in 2004, representing an 18% increase. The increase is primarily attributable to the effects of successfully implemented price increases during 2004 for newly enrolling clients, as well as the overall increase in customer base over the prior year, which led to a significant increase in storage revenues. These increases were partially offset by an increase in sales discounts. During 2004, the Company implemented a price increase affecting the Initial Fee. These price increases began to have a positive impact on revenues and gross profits in the third quarter 2004 and the impact continued through the third quarter of 2005.

**Cost of Sales.** Cost of sales for the nine months ended August 31, 2005 was \$3,058,609 as compared to \$2,225,685 for the same period in 2004, representing a 37% increase. Cost of sales was 29% of revenues for the nine months ended August 31, 2005 compared with 25% for the nine months ended August 31, 2004. Cost of sales as a percentage of revenue increased due to an increase in lab supplies, sales promotions, and cord blood collection reimbursements. 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 facility in Oldsmar, Florida and the costs associated with storage of specimens at the Safti-Cell facility (a related party as of February 29, 2004) in Arizona. During the second quarter of fiscal 2005, the Company implemented a new processing methodology in accordance with emerging requirements of the American Association of Blood Banks (AABB). The new process utilizes closed-system bags rather than vial storage. Due to this transition to a new processing methodology, as well as, the enhanced level of security designed in the Company's new facility, the Company discontinued offering the dual storage service to new customers during the second quarter of fiscal 2005.

**Marketing, General and Administrative Expenses.** Marketing, general and administrative expenses during the nine months ended August 31, 2005 were \$6,531,772 as compared to \$4,460,979 for the nine months ended August 31, 2004 representing a 46% increase. The increase was largely attributable to the implementation of the Company's plans to expand its sales and marketing initiatives, which resulted in a significant increase in consumer advertising. Consulting fees related to the deployment of a new customer database and Sarbanes-Oxley compliance also contributed to the increase. Marketing, general and administrative expenses were 62% of revenues for the nine months ended August 31, 2005 compared to 50% for the nine months ended August 31, 2004. Marketing, general and administrative expenses increased as a percentage of revenue due to the aforementioned increases, which were partially offset by the increase in revenue.

**Litigation Accrual Reversal.** During fiscal 2003 the Company accrued approximately \$1,100,000 as the result of a judgment entered against the Company in October 2003. During fiscal 2004 the Company accrued an additional \$523,000 for estimated damages relating to royalties resulting from revenues generated for specimens processed and stored during the first, second and third quarters of fiscal 2004. During the third quarter 2004, the Company reversed all prior accruals totaling approximately \$1,600,000 as a result of the ruling by the Court on the post trial motions with regards to the Pharmastem litigation (See Note 3 to the consolidated financial statements). Litigation accrual reversal for the nine months ended August 31, 2004 was \$1,102,968 representing litigation expense recognized during fiscal 2003. The remaining impact of the reversal is reflected as a \$523,000 net reduction in marketing, general and administrative expenses for the nine months ended August 31, 2004.

**Research, Development and Related Engineering Expenses.** Research, development and related engineering expenses for the nine months ended August 31, 2005 were \$19,808 as compared to \$70,170 for the nine months ended August 31, 2004, a decrease of 72%.

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**Interest Expense.** Interest expense for the nine months ended August 31, 2005 was \$637,093 as compared to \$569,945 for the same period in 2004. 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. The Company currently has four RSAs covering the following states: New York, Texas, Florida and Illinois (including contiguous states). 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. If the Company's revenues continue to increase in areas covered by RSAs, the Company's interest expense related to the RSA payments will also increase. Also included in interest expense is the amortization of the present value of a deferred consulting agreement in the amount of \$19,080 and \$56,902 for the nine months ended August 31, 2005 and August 31, 2004, respectively.

**Licensee Income.** Licensee income for the nine months ended August 31, 2005, was \$358,719 as compared to \$235,481 for the same period in 2004. Licensee 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 nine months ended August 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 Losses of Affiliate.** Equity in losses of affiliate was \$125,358 for the nine months ended August 31, 2005, compared to \$93,457 for the 2004 period. During the nine months ended August 31, 2005 and August 31, 2004, the Company recorded approximately \$77,000 and \$52,000, respectively, 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.

**Other Income.** For the nine months ended August 31, 2005, the Company recorded other income of \$498,161 due to the cancellation of a deferred consulting obligation agreement. A new deferred consulting agreement was negotiated and signed during the second quarter 2005. The terms of this settlement agreement are confidential.

**Income Taxes.** Income tax benefit was \$41,001 for the nine months ended August 31, 2005, due to the reversal of a federal income tax accrual that had been recorded during the fourth quarter of fiscal 2004 for estimated tax payments.

### **Liquidity and Capital Resources**

Through August 31, 2005, the Company's sources of cash have been from sales of its U-Cord<sup>™</sup> program to customers, the sale of license agreements and proceeds from RSAs. Currently, the Company's cash flow is derived primarily from sales relating to its storage services, including the Initial Fee and ongoing storage fees.



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At August 31, 2005, the Company had cash and cash equivalents of \$6,690,182 as compared to \$4,737,368 at November 30, 2004. The increase in cash and cash equivalents during the nine months ended August 31, 2005 was primarily attributable to the following:

Cash provided by operating activities for the nine months ended August 31, 2005 amounted to \$1,869,010, which was primarily attributable to the Company's operating activities including licensing fees, a price increase, and an increase in recurring revenue from the current client base.

Cash used in investing activities for the nine months ended August 31, 2005 amounted to \$35,152, which was primarily attributable to the purchase of approximately \$621,000 of software, furniture, and equipment, offset by approximately \$565,000 of proceeds received for the redemption of marketable securities.

Cash provided by financing activities for the nine months ended August 31, 2005 amounted to \$118,996, which consisted primarily of proceeds provided by the exercise of stock options.

The Company also has certain investments in marketable securities and certificates of deposit, totaling \$585,128 at August 31, 2005.

The Company does not have a line of credit or other type of financing instrument. Capital expenditures for the Company's new facility were funded from cash flow from operations. The Company anticipates making capital expenditures of approximately \$750,000 over the next twelve months.

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 continue reduce legal expenses resulting from continuing legal disputes and to minimize the impact of legal settlements or judgments from these disputes.

During the fourth quarter of fiscal 2005, the Company accelerated the vesting of unvested stock options awarded to employees and officers under its stock option plan that had exercise prices greater than the current price of the stock (\$2.30) on the effective date of the stock option acceleration. The unvested options to purchase approximately 569,000 shares became fully vested as of September 28, 2005 as a result of the acceleration. These stock options would have vested through February 1, 2008.

The purpose of the accelerated vesting is to enable the Company to avoid recognizing compensation expense of approximately \$600,000 associated with these options in future periods, upon adoption of SFAS 123(R) in December 2006.

### **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

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portrayal of the company's financial condition and results of operations, and which require the company 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**

Enrollment fee revenue and the related direct incremental costs associated with these fees are deferred and recognized once the processing of the specimens is completed.

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.

### **Accounts Receivable**

Accounts receivable consist of the amounts due from clients that have enrolled in the U-Cord processing and storage program and amounts due from license affiliates. Accounts receivable due from clients are due within 30 days and are stated at amounts due from clients net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering the length of time accounts receivable are past due. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

### **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 August 31, 2005 and November 30, 2004, has been provided as the Company does not believe it is "more likely than not" that the future income tax benefits will be realized.

### **Investment in Saneron**

The Company made a significant investment in an entity that is involved in the area of stem cell research. The Company accounts for this investment under the equity method, and at least annually, reviews its investment for possible impairment and, if necessary, adjusts the carrying value of such investment.

### **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

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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 enters into licensing agreements with certain investors in various international markets in an attempt to capitalize on the Company's technology. The investors typically pay 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. As part of the accounting for the up-front license revenue, revenue from the up-front license fee is recognized based on such factors as when the payment is due, collectibility and when all material services or conditions relating to the sale have been substantially performed based on the terms of the agreement.

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. As part of the accounting for royalty revenue, the Company uses estimates and judgments in determining the timing and amount of royalty revenue to recognize. The Company periodically reviews license and royalty receivables for collectibility and, if necessary, will record an expense for an allowance for an uncollectible account.

### **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 impairments 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 Company initially recognized the present value of this agreement as a liability. In August 2004, the Company stopped making payments under the consulting agreement. This agreement was terminated and following negotiations, a new agreement was negotiated by the parties and signed on April 15, 2005. The Company commenced payments under the terms of the new agreement during the second quarter of 2005. The terms of the settlement are confidential. The present value of the new agreement has been reflected as a liability on the consolidated balance sheet as of August 31, 2005.

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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 future performance and operating results;
- (ii) our future operating plans;
- (iii) our liquidity and capital resources; and
- (iv) our legal proceedings;

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 recent increases in government regulation of stem cell storage facilities;
- (ii) any increased competition in our business;
- (iii) any decrease or slowdown in the number of people seeking to store umbilical cord blood stem cells or decrease in the number of people paying annual storage fees;
- (iv) any adverse impacts on revenue or operating margins due to the costs associated with increased growth in our business, including the possibility of unanticipated costs relating to the operation of our new facility;
- (v) any technological breakthrough that would render the Company's business of stem cell preservation obsolete;
- (vi) any material failure or malfunction in our storage facilities; any natural disaster such as a tornado, other disaster (fire) or act of terrorism that adversely affects stored specimens; the costs associated with defending or prosecuting litigation matters and any material adverse result for such matters;
- (vii) any continued negative effect from adverse publicity in the past year regarding the Company's business operations; and
- (viii) other risks and uncertainties.

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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.

**Item 3. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Based on their most recent review, as of the end of the period covered by this report, the Company's principal executive 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.

**Limitations on the Effectiveness of Controls**

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**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. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On August 15, 2005, we granted options to purchase up to 300,000 shares of our common stock to Mercedes Walton, our Chairman of the Board and Chief Executive Officer, pursuant to an employment agreement dated as of the same date. The options are exercisable at \$3.05 per share and are subject to the Company's 2000 Incentive Stock Option Plan. As of the date of this report, the options are fully vested. The securities were issued in a private placement under Section 4(2) of the Securities Act of 1933.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

None.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

- (a) Exhibits
  - 10 Employment Agreement with Mercedes Walton
  - 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 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



**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

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Mercedes Walton  
Interim Chief Executive Officer

CRYO-CELL International, Inc.

/s/ JILL TAYMANS

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Jill M. Taymans  
Vice President, Finance

Date: October 14, 2005

**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of this 15<sup>th</sup> day of August 2005, by and between Mercedes Walton (the "Executive"), an individual, and Cryo-Cell International, Inc., a Delaware corporation having its principal place of business at 700 Brooker Creek Boulevard, Suite 1800, Oldsmar, Florida 34677 (the "Company").

In consideration of the mutual covenants and agreements contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**1. Employment**

On the terms and conditions set forth in this Agreement, the Company hereby employs the Executive for a period of thirty six (36) months commencing on September 1, 2005, and expiring on August 31, 2008, (the "Initial Term"). The Initial Term shall be automatically extended for successive additional one-year periods ("Additional Employment Terms") unless, at least ninety (90) days prior to the end of the Initial Term or an Additional Employment Term the Company or the Executive has notified the other in writing that the Agreement shall terminate at the end of the then current term. A notice of non-extension by the Company prior to the end of the Term or during any Additional Employment Term shall be treated consistent with subparagraph 3(a) of this Agreement. A notice of non-extension by the Executive during the Term or any Additional Employment Term shall be treated as a termination by the Executive with employment separation benefits as described in subparagraph 3(f) of this Agreement. References herein to the "Term" shall mean the Initial Term as it may be so extended by one or more Additional Employment Terms.

The Executive shall be employed as Chairman of the Board and Chief Executive Officer, and in such other positions and duties as may be assigned to the Executive by the Board of Directors of the Company (the "Board"), from time to time, after consultation and acceptance of any such other positions or duties by the Executive.

The Executive hereby accepts such employment and agrees to devote her full business time, energy and efforts to the performance of services for the Company. The Executive agrees that during the Term, she shall devote her professional knowledge and experience and provide her best effort, skill and abilities in the performance of her duties under this Agreement and in the furtherance of the interests of the businesses of the Company and its affiliates. Nothing herein contained shall prohibit the Executive from during business time investing or trading in stocks, bonds, commodities, or other securities or forms of investment, including real estate property, or serving as a director or advisory board member of charitable, civic and not-for-profit organizations as long as such activities do not require an unreasonable amount of time by the Executive, and do not otherwise adversely affect the interests of the Company. The Executive may, with the prior written approval of the Board, devote reasonable periods of time to service as

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a director or advisory board member of other non-competitive for-profit businesses; provided, however, that such service does not materially interfere with the performance of her obligations hereunder.

The Executive further agrees that she will perform her duties hereunder to the best of her ability in accordance with Company Policies, and in a diligent and proper manner. The Executive agrees to perform all duties assigned in accordance with the way such duties have been performed to date during the Executive's tenure as the Company's Chairman of the Board and interim CEO that commenced on April 10, 2003, and are customarily performed by those holding the position or positions assigned to the Executive by the Company. In the performance of the Executive's duties, she shall be subject to the general direction, supervision and control of the Board. The Executive shall report directly to the Board.

## 2. Compensation

During the Term, and as full compensation for all of the Executive's services rendered under this Agreement, the Executive shall receive the following compensation and benefits:

### a. Base Salary

Commencing on September 1, 2005, the Executive shall receive an annualized base salary (the "Base Salary") which is not less than \$330,000 per year for the current fiscal year of the Agreement, exclusive of bonuses, if any, which may from time to time be awarded to the Executive pursuant to any authorized bonus, incentive, or similar plan maintained by the Company. The Executive's Base Salary shall be increased on February 1 of each successive year by at least four percent (4%) if corporate performance meets the "Threshold" standard for "Annual Incentives," at least seven percent (7%) if corporate performance meets the "Target" standard for "Annual Incentives," and at least ten percent (10%) if corporate performance meets the "Maximum" standard for "Annual Incentives" (as each such standard is reasonably fixed by the Compensation Committee of the Board). The Executive's Base Salary will be payable in equivalent monthly installments on the 1<sup>st</sup> day of each month, subject to usual and required employee payroll deductions, including, without limitation, applicable taxes. The Parties acknowledge that the Base Salary accounts for personal tax consequences to Executive for annualized commuting expenses. Therefore, the Parties acknowledge that the Base Salary may be subject to adjustment if the annualized commuting expenses incurred by Executive are materially reduced during the Term.

### b. Annual Bonus

Throughout the Term, the Executive shall be eligible for discretionary annual lump-sum incentive awards available for senior executive officers. The parties hereby agree that the Executive's incentive awards shall be at least twenty percent (20%) of Base Salary if corporate performance meets the "Threshold" standard for "Annual

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Incentives,” at least forty percent (40%) of Base Salary if corporate performance meets the “Target” standard for “Annual Incentives,” and at least sixty percent (60%) of Base Salary if corporate performance meets the “Maximum” standard for “Annual Incentives” (as each such standard is reasonably fixed by the Compensation Committee of the Board). The annual bonus will be paid on February 1<sup>st</sup> of each year of this Agreement based on corporate performance for the previous fiscal year.

c. Long-Term Incentive Awards

Throughout the Term, the Executive shall be eligible for long-term incentive (“LTI”) award programs extended to senior executive officers generally at levels commensurate with the Executive’s position. The Compensation Committee shall determine the amount of the Executive’s LTI award annually, based on a market review.

d. Employment Agreement Stock Options

In further consideration of this Agreement and for the Executive’s obligations hereunder, and not including any and all stock options awarded to the Executive prior to the Effective Date (as defined below) as well as any annual award incentive payments, the Executive shall be awarded a stock option grant as of the date this Agreement is fully executed (the “Effective Date”), with respect to 300,000 shares (the “Sign-on Options”) of the Company’s common stock, par value \$.01 (the “Common Stock”), vesting one-third on the Effective Date, one-third on August 31, 2006, and one-third on August 31, 2007, at the fair market value of the Common Stock at the close of business on the Effective Date. The Sign-on Options shall be granted pursuant to, and to the extent not contrary to the terms of this Agreement, shall be exercisable consistent with the terms of the Company’s Stock Incentive Plan dated March 10, 2000, as amended April 6, 2004 (or comparable program if amended after the commencement of the Term of this Agreement) (the “Stock Option Plan”); provided that the Sign-on Options shall become fully vested and exercisable for the entire remainder of the exercise period set forth in the grant upon the Executive’s death, Disability (as defined in subparagraph 3(b) below), termination without Cause (as Cause is defined in subparagraph 3(g) below), the Executive’s termination for Good Reason (as defined in subparagraph 3(c) below), or upon a Change in Control (as defined in subparagraph 3(d) below).

An award agreement memorializing the grant of the Sign-on Options will be executed by the parties as soon as practicable after the Effective Date. The Sign-on Options shall be adjusted in the same manner as any other outstanding Common Stock issuable pursuant to the Stock Option Plan, in connection with any stock split, stock dividend or other recapitalization or any corporate transaction. The Executive may elect to reduce the number of shares of Common Stock issuable upon any exercise of Sign-on Options to cover the minimum required tax withholding. The Company represents and warrants that (A) the Common Stock will be issued under the Stock Option Plan, (B) the Sign-on Options have been approved by the Compensation Committee of the Board, (C) the Stock Option Plan and the Sign-on Options are covered under a Form S-8 (which shall continue to be maintained so that the Executive can resell the Common

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Stock on a current basis once vested), (D) there are adequate shares of Common Stock available under the Stock Option Plan for the issuance of the Sign-on Options and (E) the Stock Option Plan permits the contemplated provisions of such grant.

e. Benefits

The Executive shall be eligible for participation in the same welfare benefit plans, practices, policies and programs provided by the Company to senior executive officers of the Company, including but not limited to, health insurance, 401(k), medical, sick leave, sick pay, holidays and life insurance. The Executive shall be entitled to not less than twenty (20) days of paid vacation for each year of the Term, which vacation days shall accrue and become vested on the first day of each year of the Term.

f. Expenses

The Executive shall be reimbursed for all reasonable business expenses incurred in the performance of her duties pursuant to this Agreement (including, without limitation, for commuting and business travel related expenses) to the extent such expenses are substantiated and are consistent with the general policies of the Company and its subsidiaries relating to the reimbursement of expenses of senior executive officers.

g. Certain Fees

The Company shall pay the Executive's reasonable legal and financial consulting fees and costs incurred by the Executive in connection with the negotiation and execution of this Agreement.

h. Perquisites

The Company shall provide to the Executive all employee and executive perquisites which other senior executive officers of the Company are generally entitled to receive, in accordance with Company policy set by the Board from time to time.

3. Termination

a. Expiration of the Term Pursuant to a Termination Notice by the Executive

If the Executive's employment with the Company terminates at the end of the Term pursuant to a Termination Notice by the Executive, the Company shall have no further obligation to the Executive under this Agreement, except for accrued and unpaid Base Salary and accrued benefits pursuant to any applicable benefit or equity plans, practices, policies and programs provided by the Company, earned but unused vacation time for that calendar year, unreimbursed business-related expenses, in accordance with Company policy, unpaid earned bonuses for any prior completed fiscal year and a pro rata bonus for the fiscal year of expiration based upon actual performance for such

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fiscal year and the portion of the fiscal year prior to expiration. Notwithstanding the foregoing, Executive shall still have the continued rights to indemnification and directors and officers liability insurance coverage.

b. Automatic Termination Due To Death or Disability

If the Executive dies or suffers any Disability (as defined below) her employment pursuant to this Agreement shall automatically terminate on the date of her death or Date of Disability (as defined below), as the case may be. For purposes of this Agreement, the term "Disability" shall mean the inability of the Executive to perform her duties, with or without reasonable accommodations, under this Agreement because of physical or mental illness or incapacity for a period of 90 consecutive days. For purposes of this Agreement, the term "Date of Disability" shall be the 91st day of such Disability.

In the event of the Executive's death or Disability, the Executive or the beneficiary named in the last written instrument signed by the Executive for the purposes of this Agreement and received by the Company prior to her death, or, if the Executive fails to name a beneficiary, her estate, shall be entitled to continue to receive her Base Salary (at the rate in effect at the time of her death or Disability) for a period of twelve (12) months; provided that such payments shall not be made if the Executive shall have been notified within 90 days prior to death or Disability of a breach of any of the terms of this Agreement in any material respect and such breach has not been cured or Executive had not begun a good faith attempt to cure such breach prior to her death or Disability.

The Executive or her beneficiary shall also receive accrued and unpaid Base Salary and accrued benefits pursuant to any applicable benefit or equity plans, practices, policies and programs provided by the Company, earned but unused vacation time for that calendar year, unreimbursed business-related expenses, in accordance with Company policy, unpaid earned bonuses for any prior completed fiscal year and a pro rata bonus for the fiscal year of expiration based upon actual performance for such fiscal year and the portion of the fiscal year prior to death or Disability. In addition the Sign-on Options shall be treated pursuant to subparagraph 2(d) above and the Executive's shares of restricted stock, performance awards, stock appreciation rights, LTI awards and stock options granted to her by the Company (other than the Sign-on Options) through the date of termination shall be treated in accordance with the applicable plans and policies of the Company. The Executive represents that to her knowledge she is eligible from a medical viewpoint to be covered as a principal in a Corporate "Key Person" Insurance Policy.

c. Termination by the Company without Cause or by the Executive for Good Reason

The Company may terminate this Agreement at any time during the Term without Cause (as defined in subparagraph 3(g)) and the Executive may terminate this

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Agreement at any time for Good Reason (as defined below). Subject to subparagraph 3(d) below, in the event of termination for Good Reason, the Company shall pay the Executive a lump sum payment equal to the aggregate of twelve (12) months of her then Base Salary plus one times her annual bonus for the year prior to the year of termination (or if not yet declared or paid, the bonus she would be entitled to) within twenty (20) days of said termination. Subject to subparagraph 3(d) below, in the event of termination without Cause, the Company shall pay the Executive a lump sum payment equal to the aggregate of twelve (12) months of her then Base Salary. Further, the Executive shall be entitled to receive a pro rata portion of the annual bonus for the year of termination based on the portion of the year during which the Executive was employed and the pro rata results for such year. The Executive shall also be paid for accrued and unpaid Base Salary, accrued benefits pursuant to any applicable benefit plans, unused vacation for that year, unreimbursed business-related expenses, in accordance with Company policy and any earned but unpaid bonus for any prior fiscal year. The Sign-on Options shall be treated pursuant to subparagraph 2(d) above. The unvested portion of Executive's shares of restricted stock, performance awards, stock appreciation rights, LTI awards and stock options granted to her by the Company (other than the Sign-on Options) shall vest and become immediately exercisable and all options shall remain exercisable for one (1) year. In addition, following any such termination Executive shall still have the continued rights to indemnification and directors and officers liability insurance.

For purposes of this Agreement, the term "Good Reason" shall mean: (i) an assignment of duties to the Executive that are materially inconsistent with the Executive's position (including status, title, and reporting requirements); (ii) a reduction or material restructure in the Executive's position (including status, title and reporting requirements), or a material reduction in the Executive's authority, duties or responsibilities; (iii) failure to elect or reelect the Executive to the Board or removal of the Executive from the Board; (iv) a material breach by the Company of the terms of this Agreement; (v) the failure of an assignee of this Agreement to assume this Agreement in writing delivered to the Executive in a form reasonably acceptable to the Executive ; or (vi) requiring of the Executive to be principally based at any office or location more than thirty (30) miles from her current office. Notwithstanding the foregoing, no termination by the Executive for Good Reason under (iii) through (vi) above shall be effective unless the Executive shall have provided written notice to the Company of her intention to so terminate this Agreement, which notice sets forth in reasonable detail the conduct that the Executive believes to be the basis for the Good Reason termination, and the Company shall thereafter have failed to correct such conduct (or commence action to correct such conduct and diligently pursue such correction to completion) within thirty (30) days following the Company's receipt of such notice.

d. Change in Control

For the purposes of this Agreement, a Change in Control shall be deemed to occur when and if, during the Term:

(i) any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including any affiliate or associate as defined in Rule 12(b)-2 under the Exchange Act of such person, other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities;

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board;

(iii) the stockholders of the Company (A) approve a definitive agreement to merge or consolidate the Company with or into another corporation or other enterprise in which the holders of outstanding stock of the Company entitled to vote in elections of directors immediately before such merger or consolidation hold less than 50% of the voting power of the survivor of such merger or consolidation or its parent, or (B) approve a plan of liquidation; or

(iv) at least 80% of the Company's assets are sold or transferred to another corporation or other enterprise that is not a subsidiary, direct or indirect, or other affiliate of the Company.

e. Compensation for Employment Termination at or after Change in Control

In the event the Executive's employment is terminated upon or within two (2) years after a Change in Control defined in subparagraph 3(d) above, or prior to the Change in Control if the Executive's termination was either a condition of the Change in Control or was at the request of any person related to the Change in Control; and such termination was initiated by the Company without Cause, or by the Executive for any reason:

(i) The Company shall pay to the Executive any earned and accrued but unpaid installment of Base Salary through the date of termination, at the rate in effect on the date of termination, or if greater, on the date immediately preceding the date that a Change in Control occurs, and all other unpaid amounts to which the Executive is entitled as of the date of termination under any compensation plan or program of the Company, including, without limitation, all accrued vacation time and any earned but unpaid bonus for any prior fiscal year. Such payments shall be made in a lump sum on or before the fifth (5<sup>th</sup>) day following the termination.



(ii) In lieu of any further Base Salary and bonus payments to the Executive for periods subsequent to the date of termination, the Company shall pay as liquidated damages to the Executive, subject to the limitation in subparagraph (vi) below, an amount equal to the product of the number two (2), multiplied by the sum of (A) twelve (12) months of the Executive's annual Base Salary at the rate in effect as of the date of termination, or if greater, on the date immediately preceding the date that a Change in Control occurs; and (B) the average of the actual annual bonus payments to the Executive for the most recent two years (or, if not yet paid for the prior year, the amount that is due for such year). Further, the Executive shall be entitled to receive a pro rata portion of the annual bonus for the year of termination based on the portion of the year during which the Executive was employed and the pro rata results for such year. Such payments shall be made in a lump sum at the applicable date provided in subparagraph (vii) below.

(iii) For a period of two (2) years the Company shall continue to provide and pay for, subject to the limitation in subparagraph (vii) below, all employee welfare benefit plans and perquisite programs which the Executive was entitled to receive prior to such termination.

(iv) The Company shall pay all reasonable legal fees and expenses incurred by Executive as a result of such termination, including the fees and expenses of enforcing the terms of this Agreement; payment of such fees to be made within thirty (30) days following the Company's receipt of an appropriate invoice thereof, but not before the applicable date provided in subparagraph (vii) below.

(v) For a period of twenty-four (24) months following the Executive's date of termination, the Company will provide a reputable outplacement organization's service acceptable to the Executive, in an amount not to exceed \$50,000 per year, subject to the limitation in subparagraph (vii) below.

(vi) Subject to the limitation in subparagraph (vii) below, the Executive shall become fully vested, as of the date of termination, in all shares of restricted stock, performance awards, stock appreciation rights and stock options granted to her by the Company through the date of termination, including the Sign-on Options.

(vii) Notwithstanding any provision to the contrary in this Agreement, this subparagraph (vii) shall apply if the Present Value (as defined in subparagraph 3(e)(C) below) of the liquidated damages and other amounts payable to the Executive under this subparagraph 3(e), and any other amounts payable to the Executive by the Company in connection with or after a Change in Control, as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), that are deemed under Code Section 280G to constitute "parachute payments" (as defined in Code Section 280G without regard to Section 280G(b)(2)(A)(ii) of the Code), equals or

exceeds three (3) times the Executive's base amount (as defined herein) (the "Parachute Limit"). If the Present Value of such "parachute payments" equals or exceeds the Parachute Limit, but does not exceed 105% of the Parachute Limit, the total amount of the Present Value of such "parachute payments" payable to the Executive under this Agreement in connection with or after a Change in Control shall be limited to one dollar (\$1.00) less than the Parachute Limit; and the items to be limited shall be determined pursuant to the following provisions of this subparagraph (vii). If the Present Value of such "parachute payments" equals or exceeds 105% of the Parachute Limit, the "parachute payments" payable to the Executive under this Agreement in connection with or after a Change in Control shall not be limited and the provisions of Exhibit A, attached hereto and hereby made a part hereof, shall apply after such Present Value is determined pursuant to the following provisions of this subparagraph (vii), to the extent applicable.

(A) Not later than thirty days after the date of termination, the Company will provide the Executive with a schedule indicating by category the Present Value of the liquidated damages payable to the Executive under this Agreement, all other benefits payable to the Executive under this Agreement (specifying the paragraph, subparagraph or clause under which each such payment is to be made) and any other payments otherwise payable to the Executive by the Company in connection with or after the Change in Control that, in the opinion of tax counsel selected by the Company's independent auditors and reasonably acceptable to both Executive and Company, constitute "parachute payments" under Code Section 280G, without regard to Code Section 280G(b)(2)(A)(ii). No payments under this Agreement shall be made until after thirty days from the receipt of such schedule by the Executive. If the Present Value of such "parachute payments" equals or exceeds the Parachute Limit, but does not exceed 105% of the Parachute Limit, then the Executive shall have the right to select, at any time prior to the expiration of said 30-day period, from all or part of any category of payment to be made under this Agreement those payments to be made to the Executive in an amount the Present Value of which (when combined with the Present Value of any other payments otherwise payable to the Executive by the Company that are deemed to be such parachute payments) is at least one dollar (\$1.00) less than the Parachute Limit. If the Executive fails to exercise her right to make a selection, the lump sum cash severance payment shall be reduced such that the Parachute payments are one dollar (\$1.00) less than the Parachute Limit.

(B) If the Executive disagrees with the schedule prepared by the tax counsel selected by the Company's independent auditors in accordance with the provisions of this subparagraph (vii), then the Executive shall have the right to submit the schedule to arbitration. The period in which the Executive may select her benefits under this Agreement shall be extended until fifteen days after a final and binding arbitration award is issued or a final judgment, order or decree of a court of competent jurisdiction is entered upon such arbitration award (the time for appeal there from having expired and no appeal having been perfected), and the Company's period for paying the Executive's unpaid benefits under this Agreement shall be extended until ten days thereafter. If the Executive fails to make a selection within said fifteen-day period, the Company shall pay the unpaid benefits within five days following the expiration of the Executive's fifteen-day selection period.

(C) For the purposes of this subparagraph (vii), "Present Value" means the value determined in accordance with the principles of Section 1274(b)(2) of the Code and the Treasury Regulations then in effect under Code Section 280G, and "base amount" means the annualized includible compensation payable to the Executive by the Company and includible in the Executive's gross income for Federal income tax purposes for the "base period" consisting of the most recent five taxable years ending before the date of any Change in Control of the Company, or any portion of such period during which the Executive performed services for the Company. The "base amount" and the "base period" shall be determined in accordance with the Treasury Regulations then in effect under Code Section 280G.

(D) In the event that Section 280G of the Code, or any successor statute, is repealed, this subparagraph (vii) shall cease to be effective on the effective date of such repeal.

f. Termination by the Executive Voluntarily Without Good Reason

The Executive may terminate this Agreement at any time during the Term without Good Reason, by providing the Company written notice of her intent to terminate at least ninety (90) days prior to the effective date of her termination. During this ninety (90) day period, the Executive shall execute her duties and responsibilities in accordance with the terms of this Agreement. In the event of termination by the Executive, the provisions of paragraphs 4 through 7 of this Agreement shall remain in effect. The Executive acknowledges that, in the event that she resigns, other than for Good Reason, she shall not be entitled to any severance pay, or other compensation or benefits, except accrued and unpaid Base Salary and benefits which the Executive accrued prior to the effective date of her termination pursuant to any applicable benefit plan, earned but unused vacation for that year and unreimbursed business-related expenses in accordance with Company policy. The Executive's shares of restricted stock, performance awards, stock appreciation rights and stock options granted to her by the Company through the date of termination shall be treated in accordance with the applicable Plans and Policies of the Company. Notwithstanding the foregoing, following any such termination Executive shall still have the continued rights to indemnification and directors and officers liability insurance.

g. Termination by the Company for Cause

The Company shall have the right to terminate the Executive for Cause (as such term is hereinafter defined). For purposes of this Agreement, "Cause" means any act or any failure to act on the part of the Executive which constitutes: (i) the willful and knowing or negligent failure or refusal of the Executive to perform her duties under this Agreement or to follow the reasonable directions of the Board; (ii) a breach by the Executive of her fiduciary duty to the Company or any of the Company's affiliated

companies for which the Executive is performing services under this Agreement; (iii) misfeasance or malfeasance by the Executive in connection with the performance of her duties under this Agreement that has a demonstrably negative impact on the Company; (iv) the Executive's commission of an act of fraud or embezzlement with regard to the Company; or (v) the conviction of the Executive for, or a plea of guilty or nolo contendere to a criminal act which is a felony (other than as a result of vicarious liability or a routine traffic violation).

In the event the Executive is terminated for Cause, the Executive shall only be entitled to payment for accrued and unpaid Base Salary and vacation, and unreimbursed business-related expenses, in accordance with Company policy. The Executive's shares of restricted stock, performance awards, stock appreciation rights and stock options granted to her by the Company through the date of termination shall be treated in accordance with the applicable Plans and Policies of the Company. Notwithstanding the foregoing, following any such termination Executive shall still have the continued rights to indemnification and directors and officers liability insurance.

h. No Offsets

In the event of any termination of employment hereunder, the Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that the Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

i. Exhibit A

Exhibit A hereto shall apply as if set forth herein in its entirety.

4. Discoveries and Works

The Executive agrees that if at any time during the Term she, either independently or with others, makes, conceives, discovers, develops, or reduces to practice any invention, modification, discovery, design, development, improvement, process, program, work of authorship, documentation, formula, data, technique, secret or intellectual property right whatsoever, including any television or film production, program, script or screen play, or any interest therein (whether or not patentable or registrable under copyright or similar statutes or subject to analogous protection) (hereinafter referred to as "intellectual property rights"), not already in the public domain or previously known by the Executive that (a) relates to the business of the Company or any affiliate of the Company, or any of the products or services being developed, manufactured, marketed or sold by the Company or any affiliate or which may be used in relation therewith; (b) results from tasks assigned by the Company; or (c) results from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company or any affiliate, such intellectual property rights shall become the sole and absolute property of the Company and its assigns.

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## 5. Confidentiality and Non-Competition Covenants

### a. Confidentiality

The Executive acknowledges that, during the Term, the Executive may receive special training and/or may be given access to or may become acquainted with Confidential Information and Trade Secrets (as hereinafter defined) of the Company. As used in this Section 5, "Confidential Information and Trade Secrets" of the Company means all trade practices, business plans, price lists, supplier lists, customer lists, marketing plans, financial information, software and all other compilations of information which relate to the business of the Company, or to any of its affiliates, customers or suppliers, and which have not been disclosed by the Company to the public, or which are not otherwise generally available to the public.

The Executive acknowledges that the Confidential Information and Trade Secrets of the Company, as such may exist from time to time, are valuable, confidential, special and unique assets of the Company and its affiliates, expensive to produce and maintain and essential for the profitable operation of their respective businesses. The Executive agrees that, during the course of her employment with the Company, or at any time thereafter, she shall not, directly or indirectly, communicate, disclose or divulge to any Person (as hereinafter defined), or use for her benefit or the benefit of any Person, in any manner, any Confidential Information or Trade Secrets of the Company or its affiliates acquired during her employment with the Company or any other confidential information concerning the conduct and details of the businesses of the Company and its affiliates except in the course of performing her duties hereunder or with the Company's express written consent; provided, however, that the restrictions above shall not apply to that part of the Confidential Information and Trade Secrets that is or becomes generally available to the public other than as a result of an improper disclosure by the Executive or is available, or becomes available, to the Executive on a non-confidential basis, but only if the source of such information is not to the Executive's knowledge prohibited from transmitting the information to the Executive by a contractual, legal, fiduciary, or other obligation or that the Executive is required to disclose such Confidential Information and Trade Secrets by applicable law, regulation or legal process.

All documents relating to the businesses of the Company and its affiliates including, without limitation, Confidential Information and Trade Secrets of the Company, whether prepared by the Executive or otherwise coming into the Executive's possession, are the exclusive property of the Company and such respective affiliates, and must not be removed from the premises of the Company, except as required in the course of the Executive's employment with the Company. The Executive shall return all such documents (including any copies thereof) to the Company when the Executive ceases to be employed by the Company, provided the Company requests so in writing

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anytime during the Term of this Agreement and/or any Additional Employment Term or five (5) days after the termination of this Agreement or upon the earlier request of the Company or the Board.

b. Non-Competition

During the Term and for a period of twenty four (24) months following the termination of the Executive's employment under this Agreement for any reason other than disability or death, the Executive shall not, except with the Company's express prior written consent or in the proper course of her employment with the Company, directly or indirectly, in any capacity, for the benefit of any Person (including the Executive):

(i) Become employed by, own, operate, manage, direct, invest in, or otherwise, directly or indirectly, engage in, or be employed by any Person, which is a Direct Competitor (as defined below) of the Company, its affiliates, or any of its respective businesses; provided the foregoing does not apply to an affiliate of such Direct Competitor which does not itself compete with the Company and, in connection therewith the Executive may own equity in such non-competing affiliates. In addition Executive may own a less than one percent (1%) interest in any competitive company.

(ii) Solicit, service, divert, take away, or contact any customer or client of the Company, or any of its affiliates, to provide or promote services then provided by the Company, or any of its affiliates cord blood preservation and/or storage facility industry.

(iii) Induce or attempt to induce any employee of the Company or its subsidiaries to stop working for the Company, or any of its affiliates, or to work for any competitor of the Company, or any of its affiliates; provided that the foregoing shall not be violated by general advertising not targeted at Company employees nor by serving as a reference for an employee with regard to an entity with which the Executive is not affiliated.

c. Definitions of Person and Direct Competitor

For purposes of this Agreement, the term "Person" means any individual (except the Executive's Assistant at the time of her termination), partnership, corporation, trust and/or any other entity of any nature whatsoever. A "Direct Competitor" means any Person that operates or manages a cord blood preservation and/or storage facility (either existing as of the date of this Agreement or created or launched during the Term in the territories in which the Company operated during the Term.

6. Reliance

The Executive acknowledges that her compliance with the provisions of Section 5 of this Agreement (hereinafter referred to as the "Restrictive Covenants") is a

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material part of the consideration bargained for by the Company under this Agreement. The Executive agrees to be bound by the provisions of Section 5 of this Agreement to the maximum extent permitted by law, it being the intent and spirit of the parties to this Agreement that the provisions of Section 5 of this Agreement shall be enforceable. However, the parties to this Agreement further agree that if any portion of the Restrictive Covenants or their application is construed to be invalid or unenforceable, then the other portions thereof and their application shall not be affected thereby and shall be enforceable. If the Restrictive Covenants shall for any reason be held to be excessively broad as to duration, geographic scope, property, subject or similar factor, then the court making such determination shall have the power to reduce or limit such duration, geographic scope, property, subject or similar factors so as to be enforceable to the maximum extent compatible with applicable law, and the Restrictive Covenants shall then be enforceable in its reduced or limited form.

#### 7. Equitable Relief and Enforcement

The Executive further acknowledges that any breach by her of the Restrictive Covenants will result in irreparable injury to the Company and its affiliates for which money damages could not adequately compensate the Company or such affiliates. In the event of any such breach, the Company shall be entitled, in addition to all other rights and remedies which it may have at law or in equity, to have an injunction issued by any competent court enjoining and restraining the Executive from continuing such breach.

#### 8. Indemnification

The Company hereby agrees to indemnify the Executive and hold her harmless to the fullest extent permitted by applicable law against and in respect to any and all actions, suits, proceedings, claims, demands, judgments, costs, expenses (including reasonable attorney's fees), losses, and damages resulting from the Executive's good faith performance of her duties and obligations with the Company. This provision is in addition to any other rights of indemnification the Executive may have. This provision shall in all events survive any termination of this Agreement.

#### 9. Liability Insurance

The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the Term in the same amount and to the same extent as the Company covers its other senior executive officers and directors. This provision shall in all events survive any termination of this Agreement.

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10. Miscellaneous

a. Entire Agreement

This Agreement constitutes the entire agreement between the parties to this Agreement with respect to the subject matter of this Agreement and supersedes all prior negotiations, understandings, agreements, arrangements and understandings, both oral and written, between the parties to this Agreement with respect to the Executive's employment during the Term. This Agreement shall not be construed as affecting in any way the shares of restricted stock, performance awards, stock appreciation rights and stock options provided to the Executive by the Company prior to the date of this Agreement other than as expressly provided herein.

b. Amendment; Waivers; Headings

(i) In General. This Agreement may not be amended or modified in any respect, except by the mutual written agreement of the parties to this Agreement. The waiver by any of the parties to this Agreement of any other party's prompt and complete performance, or breach or violation, of any of the provisions of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation, and the waiver by any of the parties to this Agreement to exercise any right or remedy which it may possess under this Agreement shall not operate nor be construed as a bar to the exercise of such right or remedy by such party upon the occurrence of any subsequent breach or violation. Descriptive headings contained in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement. Notwithstanding anything in this Agreement to the contrary, the provisions of Sections 4, 5, 6, 7, 8 and 9 of this Agreement shall survive the termination of the Executive's employment under this Agreement, however caused, and the termination of this Agreement.

(ii) Code Section 409A. It is intended that any amounts payable under this Agreement and the Company's and the Executive's exercise of authority or discretion hereunder shall comply with the provisions of Section 409A ("409A") of the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of interest and tax penalty which may be imposed under Code Section 409A. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of interest and tax penalty under Code Section 409A, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Code Section 409A.

c. Counterparts

This Agreement may be executed in any number of counterparts and by the separate Parties hereto in separate counterparts, each of which shall be deemed to be one and the same instrument.



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d. Notices

All notices, requests, demands, instructions, consents or other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if and when (a) delivered personally, (b) transmitted by facsimile, prepaid telegram or telex, (c) mailed by first class certified mail, return receipt requested, postage prepaid, or (d) sent by an internationally recognized express courier service, postage or delivery charges prepaid, to the Parties at their respective addresses set forth in the first paragraph of this Agreement or to such other addresses as the parties may give notice in accordance with the terms of this Agreement.

e. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the Parties to this Agreement and their respective personal representatives, heirs, successors and assigns.

f. Applicable Law; Arbitration as Exclusive Remedy

This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. All controversies or claims arising out of or relating to paragraph I through 3 of this Agreement or the breach thereof, or the termination thereof, shall be resolved by arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes. The award rendered in any arbitration proceeding under this section shall be final and binding. Judgment upon the award rendered by the arbitrator(s) may be entered by a court of competent jurisdiction. Any claim or controversy not submitted to arbitration in accordance with this section shall be considered waived, and, therefore, no arbitration panel or tribunal or court shall have the power to rule or make any award on such claims or controversy. Any such arbitration shall be conducted in Tampa, Florida. The prevailing party in such arbitration proceeding shall be entitled to recover reasonable expenses, including attorneys fees and costs.

The parties agree to submit all controversies or claims arising out of or relating to paragraphs 4 through 7 to the exclusive jurisdiction of the courts of the State of Florida. The parties further agree that the only and proper venue for any action upon any alleged breach of any provision or obligation under this Agreement shall be Hillsborough County, Florida.

IN WITNESS WHEREOF, the parties to this Agreement (with Compensation Committee members signing on behalf of the Company) have placed their hands as of the day and year first above written.

/s/ Mercedes Walton

Mercedes Walton

Date: 8/15/05

Cryo-Cell International, Inc.

By: /s/ Jagdish Sheth

Name: Jagdish Sheth, Ph.D.

Title: Compensation Committee Chair

Date: 8/15/05

By: /s/ Gaby Goubran

Name: Gaby Goubran

Title: Compensation Committee Member

Date: 8/15/05

By: /s/ Scott Christian

Name: Scott Christian

Title: Compensation Committee Member

Date: 8/15/05

EXHIBIT A  
to 2005 Employment Agreement  
between  
Mercedes Walton (the "Executive") and  
Cryo-Cell International, Inc. (the "Company")  
Parachute Gross Up

(a) In the event that the Executive shall become entitled to payments and/or benefits provided by this Agreement or any other amounts in the "nature of compensation" (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Code or any person affiliated with the Company or such person) as a result of such change in ownership or effective control (collectively the "Company Payments"), and the total of such Company Payments (as determined under this Exhibit and subparagraph 3(e)(vii) of this Agreement) will equal or exceed 105% of the Parachute Limit (as defined in this Agreement), and any portion of the Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed by any taxing authority), the Company shall pay to the Executive at the time specified in subsection (d) below an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any U.S. federal, state, and for local income or payroll tax upon the Gross-up Payment provided for by this paragraph (a), but before deduction for any U.S. federal, state, and local income or payroll tax on the Company Payments, shall be equal to the Company Payments.

(b) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (x) the Total Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Section 280G(b)(2) of the Code) or tax counsel selected by such accountants (the "Accountants"), such Total Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (y) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code and the Treasury Regulations then in effect under Code Section 280G.

(c) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay U.S. federal income taxes at the highest marginal rate of U.S. federal income taxation in the calendar year in which the Gross-up Payment

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is to be made, and also state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in U.S. federal income taxes that could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a U.S. federal, state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any U.S. federal, state and local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied. In the event that the Excise Tax is later determined by the Accountant or the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(d) The Gross-up Payment or portion thereof provided for in subsection (c) above shall be paid not later than the thirtieth (30th) day following the occurrence of an event that subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountant, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to the Company's obligation to make further payments pursuant to subsection (c) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, the Executive shall repay such excess to the Company on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

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(e) In the event of any controversy with the Internal Revenue Service (or other taxing authority) with regard to the Excise Tax, the Executive shall permit the Company to control issues related to the Excise Tax (at its expense), but only if such issues do not have the potential to materially and adversely affect the Executive; and the Executive shall control any other issues. In the event the issues are interrelated, the Executive and the Company shall in good faith cooperate so as not to jeopardize resolution of either issue, but if the parties cannot agree the Executive shall make the final determination with regard to the issues. In the event of any conference with any taxing authority as to the Excise Tax or associated income taxes, the Executive shall permit the representative of the Company to accompany the Executive, and the Executive and the Executive's representative shall cooperate in good faith with the Company and its representative.

(f) The Company shall be responsible for all charges of the Accountant.

(g) The Company and the Executive shall promptly deliver to each other copies of any written communications, and summaries of any verbal communications, with any taxing authority regarding the Excise Tax covered by this Exhibit A.

(h) Nothing in this Exhibit A is intended to violate the Sarbanes-Oxley Act and to the extent that any advance or repayment obligation hereunder would do so, such obligation shall be modified so as to make the advance a nonrefundable payment to you and the repayment obligation null and void to the extent required by such Act.

## 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: October 14, 2005

/s/ Mercedes Walton

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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: October 14, 2005

/s/ Jill M. Taymans

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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 August 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mercedes Walton, Interim 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

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Mercedes Walton  
Interim Chief Executive Officer

October 14, 2005

/s/ Jill M. Taymans

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

October 14, 2005