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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 2011

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

For the transition period from_____ to _____

Commission File Number 0-23386

CRYO-CELL INTERNATIONAL, INC.

(Exact name of Registrant as Specified in its Charter)

DELAWARE	**22-3023093**
(State or other Jurisdiction of Incorporation or Organization)	**(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) 749-2100
(Former name, former address and former fiscal year, if changed since last report).

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ☐ No ☐ Not Applicable ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

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

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. As of July 10, 2011, 11,756,325 shares of $0.01 par value common stock were outstanding net of treasury.

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CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES

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

	May 31, 2011 (unaudited)	November 30, 2010 (as adjusted) (1)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,211,021	$ 8,369,537
Restricted cash	200,000	200,000
Marketable securities and other investments	1,112,000	1,132,000
Accounts receivable and advances (net of allowance for doubtful accounts of $944,640 and $783,354, respectively)	3,318,073	2,356,279
Deferred tax assets	173,241	173,241
Prepaid expenses and other current assets	907,268	647,510
Total current assets	13,921,603	12,878,567
Property and Equipment-net	2,335,164	2,222,168
Other Assets		
Marketable securities and other investments	6,404	6,404
Investment in Saneron CCEL Therapeutics, Inc.	684,000	684,000
Deposits and other assets, net	783,878	756,280
Deferred tax assets, less current portion	1,615,000	1,615,000
Total other assets	3,089,282	3,061,684
Total assets	$ 19,346,049	$ 18,162,419
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 1,217,578	1,053,186
Accrued expenses	1,802,524	1,621,221
Deferred revenue (1)	5,561,539	5,472,332
Total current liabilities	8,581,641	8,146,739
Other Liabilities		
Deferred revenue, net of current portion (1)	7,252,817	7,015,118
Long-term liability-revenue sharing agreements	3,750,000	3,750,000
Deferred consulting obligation	128,588	183,055
Total other liabilities	11,131,405	10,948,173
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock ($.01 par value, 500,000 authorized and none issued)	—	—
Common stock ($.01 par value, 20,000,000 authorized; 11,756,325 as of May 31, 2011 and 11,752,574 as of November 30, 2010 issued and outstanding)	117,563	117,526
Additional paid-in capital	24,963,202	24,808,591
Accumulated deficit (1)	(24,869,172)	(25,280,020)
Treasury stock, at cost	(484,535)	(484,535)
Accumulated other comprehensive loss	(94,055)	(94,055)
Total stockholders' deficit	(366,997)	(932,493)
Total liabilities and stockholders' deficit	$ 19,346,049	$ 18,162,419

(1) See Note 7, Retrospective Adoption of New Accounting Principle

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	May 31, 2011	May 31, 2010 (as adjusted) (1)	May 31, 2011	May 31, 2010 (as adjusted) (1)
Revenue:				
Processing and storage fees (1)	$ 4,296,656	$ 4,010,579	$ 8,446,441	$ 7,851,668
Licensee income	304,370	326,758	627,390	773,900
Total revenue (1)	4,601,026	4,337,337	9,073,831	8,625,568
Costs and Expenses:				
Cost of sales	1,103,758	1,147,912	2,265,278	2,240,580
Marketing, general and administrative expenses	2,698,209	2,283,017	5,216,294	4,603,961
Research, development and related engineering	80,657	10,480	116,279	62,563
Depreciation and amortization	88,190	73,059	160,016	146,798
Total costs and expenses	3,970,814	3,514,468	7,757,867	7,053,902
Operating Income (1)	630,212	822,869	1,315,964	1,571,666
Other Income (Expense):				
Interest income	5,774	5,730	12,406	11,821
Interest expense	(399,416)	(385,704)	(791,430)	(719,825)
Total other expense	(393,642)	(379,974)	(779,024)	(708,004)
Income before equity in losses of affiliate and income tax expense (1)	236,570	442,895	536,940	863,662
Equity in losses of affiliate	(28,122)	(16,832)	(56,212)	(33,773)
Income before income tax expense (1)	208,448	426,063	480,728	829,889
Income tax expense	(31,019)	(38,323)	(69,880)	(71,545)
Net Income (1)	$ 177,429	$ 387,740	$ 410,848	$ 758,344
Net income per common share - basic	$ 0.02	$ 0.03	$ 0.03	$ 0.06
Weighted average common shares outstanding - basic	11,754,286	11,752,574	11,753,006	11,752,574
Net income per common share - diluted	$ 0.01	$ 0.03	$ 0.03	$ 0.06
Weighted average common shares outstanding - diluted	12,025,153	11,794,011	11,996,317	11,807,841

(1) See Note 7, Retrospective Adoption of New Accounting Principle

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

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

	For the Six Months Ended	
	May 31, 2011	May 31, 2010 (as adjusted) (1)
Cash Flows from Operating Activities:		
Net income (1)	$ 410,848	$ 758,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	268,724	290,591
Loss on sale of property and equipment	1,214	—
Compensatory element of stock options	92,965	64,791
Provision for doubtful accounts	94,735	165,398
Equity in losses of affiliate	56,212	33,773
Changes in assets and liabilities:		
Accounts receivable and advances	(1,056,529)	(308,131)
Prepaid expenses and other current assets	(259,758)	(101,419)
Deposits and other assets	11,993	(96,667)
Accounts payable	164,392	(12,098)
Accrued expenses	181,303	(297,072)
Deferred consulting obligation	(54,467)	(50,789)
Deferred revenue (1)	326,906	79,381
Net cash provided by operating activities	238,538	526,102
Cash flows from investing activities:		
Purchases of property and equipment	(362,380)	(220,801)
Purchases of marketable securities and other investments	—	(190,000)
Proceeds from sale of marketable securities and other investments	20,000	10,000
Investments in patents and trademarks	(60,145)	(46,382)
Net cash used in investing activities	(402,525)	(447,183)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	5,471	—
Net cash provided by financing activities	5,471	—
(Decrease) increase in cash and cash equivalents	(158,516)	78,919
Cash and cash equivalents - beginning of period	8,369,537	6,850,765
Cash and cash equivalents - end of period	$ 8,211,021	$ 6,929,684

(1) See Note 7, Retrospective Adoption of New Accounting Principle

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

CRYO-CELL INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2011
(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

The unaudited consolidated financial statements including the Consolidated Balance Sheets as of May 31, 2011 and November 30, 2010, the related Consolidated Statements of Income for the three and six months ended May 31, 2011 and May 31, 2010 and Cash Flows for the six months ended May 31, 2011 and 2010 have been prepared by Cryo-Cell International, Inc. and its subsidiaries ("the Company" or "Cryo-Cell") 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, 2010 Annual Report on Form 10-K. 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 results of operations for the three and six months ended May 31, 2011 are not necessarily indicative of the results expected for any interim period in the future or the entire year ending November 30, 2011.

Retrospective Adoption of New Accounting Principle

In October 2009, the Financial Accounting Standards Board ("FASB") issued an Accounting Standard Update ("ASU"), which addresses the accounting for multiple deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit and modified the manner in which the transaction consideration is allocated across the separately identified deliverables. The new accounting standard permits prospective or retrospective adoption, and the Company elected retrospective adoption during the first quarter of 2011.

Under the historical accounting principle, the Company would have used the residual method to allocate revenue between processing and storage since (a) each of the products has value to the customer on a standalone basis and (b) vendor-specific objective evidence of fair value ("VSOE") existed for the undelivered service, storage, and (c) there is no general right of return to consider. As a result, the Company was permitted to allocate the initial sales discounts given to clients upon processing a specimen entirely to the processing fee.

The new accounting principle requires the Company to establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) VSOE, (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and it is the price actually charged by the Company for that deliverable. The new accounting principle also requires that any discounts given to the customer be recognized by applying the relative selling price method whereby after the Company determines the selling price to be allocated to each deliverable (processing and storage), the sum of the prices of the deliverables is then compared to the arrangement consideration, and any difference is applied to the separate deliverables ratably.

The Company had the option of adopting the new accounting principle on a prospective or retrospective basis. Prospective adoption would have required the Company to apply the new accounting principle to revenue transactions beginning in fiscal year 2011 without reflecting the impact of the new accounting principle on revenue transactions from prior to December 1, 2010. The Company believes prospective adoption would have resulted in financial information that was not comparable between financial periods because of the significant amount of past discounts given; therefore, the Company elected retrospective adoption. Retrospective adoption required the Company to revise its previously issued financial statements as if the new accounting principle had always been applied. The Company believes retrospective adoption provides the most comparable and useful financial information for financial statement users, is more consistent with the information the Company's management uses to evaluate its business, and better reflects the underlying economic performance of the Company.

The 2010 financial statements and notes to the financial statements presented herein have been adjusted to reflect the retrospective adoption of the new accounting principle. Refer to Note 7, "Retrospective Adoption of New Accounting Principle" in this Form 10-Q for additional information on the impact of adoption.

Revenue Recognition

Revenue Recognition for Arrangements with Multiple Deliverables

For multi-element arrangements, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the new accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and it is the price actually charged by the Company for that deliverable.

The Company has identified two deliverables generally contained in the arrangements involving the sale of its U-Cord® product. The first deliverable is the processing of a specimen. The second deliverable is either the annual storage of a specimen or the 21 year storage fee charged for a specimen. The Company has allocated revenue between these deliverables using the relative selling price method. The Company has VSOE for its annual storage fees as the Company renews storage fees annually with its customers on a standalone basis. Because the Company has neither VSOE nor TPE for the processing and 21 year storage deliverables, the allocation of revenue has been based on the Company's ESPs. Amounts allocated to processing a specimen are recognized at the time of sale. Amounts allocated to the storage of a specimen are recognized ratably over the contractual storage period. Any discounts given to the customer are recognized by applying the relative selling price method whereby after the Company determines the selling price to be allocated to each deliverable (processing and storage), the sum of the prices of the deliverables is then compared to the arrangement consideration, and any difference is applied to the separate deliverables ratably.

The Company's process for determining its ESP for deliverables without VSOE or TPE considers multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable. Key factors considered by the Company in developing the ESPs for its processing and 21 year storage fee include the Company's historical pricing practices as well as expected profit margins.

The Company records revenue from processing and storage of specimens and pursuant to agreements with licensees. The Company recognizes revenue from processing fees upon completion of processing and recognizes storage fees ratably over the contractual storage period, as well as, other income from royalties paid by licensees related to long-term storage contracts which the Company has under license agreements. Contracted storage periods can range from one to twenty-one years. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual storage fee and the twenty-one year storage fee that is being recognized over the contractual storage period as well as royalties received from foreign licensees related to long-term storage contracts in which the Company has future obligations under the license agreement. The Company classifies deferred revenue as current if the Company expects to recognize the related revenue over the next 12 months. The Company also records revenue within processing and storage fees from shipping and handling billed to customers when earned. Shipping and handling costs that the Company incurs are expensed and included in cost of sales.

The Company has not had a third party conduct a physical inventory count of all specimens stored; however, the Company from time to time will perform a physical inventory count of specimens stored to ensure that all records are accurate.

Income Taxes

Deferred income 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 income tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The Company has recorded a valuation allowance of $6,866,000 and $7,136,000 as of May 31, 2011 and November 30, 2010, respectively, as the Company does not believe it is “more likely than not” that all future income tax benefits will be realized. When the Company changes its determination as to the amount of deferred tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to income tax expense in the period in which such determination is made. The ultimate realization of the Company’s deferred tax assets depends upon generating sufficient taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, the Company projects future levels of taxable income. This assessment requires significant judgment. We examine the evidence related to the recent history of losses, the economic conditions in which we operate and our forecasts and projections to make that determination.

There was no U.S. income tax expense for the three and six months ended May 31, 2011 and 2010. The Company did not record U.S. income tax expense during the three and six months ended May 31, 2011 and 2010 due to the utilization of net operating losses and foreign tax credit carryforwards, which were previously reserved through valuation allowances in the Company’s financial statements.

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recognized approximately $31,000 and $38,000 for the three months ended May 31, 2011 and 2010, respectively, of foreign income tax expense. The Company recognized approximately $70,000 and $72,000 for the six months ended May 31, 2011 and 2010, respectively, of foreign income tax expense.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Increases or decreases to the unrecognized tax benefits could result from management’s belief that a position can or cannot be sustained upon examination based on subsequent information or potential lapse of the applicable statute of limitation for certain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. For the three and six months ended May 31, 2011 and May 31, 2010, the Company had no provisions for interest or penalties related to uncertain tax positions.

Stock Compensation

As of May 31, 2011, the Company has two stock-based employee compensation plans, which are described in Note 4. The Company recognized approximately $34,000 and $37,000 for the three months ended May 31, 2011 and 2010, respectively of stock compensation expense. The Company recognized approximately $93,000 and $65,000 for the six months ended May 31, 2011 and 2010, respectively of stock compensation expense.

The Company recognizes stock-based compensation based on the fair value of the related awards. The Company estimates the fair value of all stock option awards as of the grant date by applying the Black-Scholes option pricing model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price, and forfeiture rate. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period.

The estimation of stock awards that will ultimately vest requires judgment and to the extent that actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period they become known. The Company considered many factors when estimating forfeitures, including the recipient groups and historical experience. Actual results and future changes in estimates may differ substantially from current estimates.

Fair Value of Financial Instruments

Management uses a fair value hierarchy, which gives the highest priority to quoted prices in active markets. The fair value of financial instruments is estimated based on market trading information, where available. Absent published market values for an instrument or other assets, management uses observable market data to arrive at its estimates of fair value. Management believes that the carrying amount of cash and cash equivalents, accounts receivable and advances, notes receivable, accounts payable, accrued expenses, deferred consulting obligation and its liability associated with long-term revenue sharing arrangements approximate fair value.

The Company uses an accounting standard that defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of May 31, 2011 and November 30, 2010, respectively, segregated among the appropriate levels within the fair value hierarchy:

Description	Fair Value at May 31, 2011	Fair Value Measurements at May 31, 2011 Using Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities	$1,118,404	$6,404	$1,112,000	—

Description	Fair Value at November 30, 2010	Fair Value Measurements at November 30, 2010 Using Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities	$1,138,404	$6,404	$1,132,000	—

The following is a description of the valuation techniques used for these items, as well as the general classification of such items pursuant to the fair value hierarchy:

Available-for-sale securities – the Company invested $1,112,000 and $1,132,000 in variable rate demand notes at May 31, 2011 and November 30, 2010, respectively. The interest rate on these variable rate demand notes resets every seven days to adjust to current market conditions. The Company can redeem these investments at cost at any time with seven days notice. Therefore, the investments are held at cost, which approximates fair value, and are classified as short-term investments on the accompanying consolidated balance sheets and within Level 2 of the fair value hierarchy.

The Company further invests in exchange-traded equity securities of $6,404 at May 31, 2011 and November 30, 2010. Fair values for these investments are based on quoted prices in active markets and are therefore classified within Level 1 of the fair value hierarchy. There was no unrealized holding loss recorded as a component of stockholders' deficit on other investments as of May 31, 2011 and November 30, 2010.

The Company is permitted to make an election to carry certain eligible financial assets and liabilities at fair value, even if fair value measurement has not historically been required for such assets and liabilities under U.S. GAAP. The Company made no elections to record any such assets and or liabilities at fair value. Adjustments to the fair value in the Company's marketable securities and other investments are reflected in accumulated other comprehensive loss.

Product Warranty and Cryo-Cell Cares™ Program

In December 2005, the Company began providing its customers enrolled under the new pricing structure with a payment warranty under which the Company agrees to pay $50,000 to its client if the U-Cord® product retrieved is used for a stem cell transplant for the donor or an immediate family member and fails to engraft, subject to various restrictions. Additionally, under the Cryo-Cell CaresTM program the Company will pay $10,000 to the client to offset personal expenses if the U-Cord® product is used for bone marrow reconstitution in a myeloblative transplant procedure. The product warranty and the Cryo-Cell Cares program is available to the clients who enroll under this structure for as long as the specimen is stored with the Company. The Company has not experienced any claims under the warranty program nor has it incurred costs related to these warranties. The Company does not maintain insurance for this warranty program and therefore; maintains reserves to cover the estimated potential liabilities. The Company's reserve balance is based on the $50,000 maximum payment and the $10,000 maximum expense reimbursement multiplied by formulas to determine the projected number of units requiring a payout. The Company determined the estimated expected usage and engraftment failure rates based on an analysis of the historical usage and failure rates and the historical usage and failure rates in other private and public cord blood banks based on published data. The Company's estimates of expected usage and engraftment failure could change as a result of changes in actual usage rates or failure rates and such changes would require an adjustment to the established reserves. The historical usage and failure rates have been very low and a small increase in the number of transplants or engraftment failures could cause a significant increase in the estimated rates used in determining the reserve. In addition, the reserve will increase as additional U-Cord® specimens are stored which are subject to the warranty. As of May 31, 2011 and November 30, 2010 the Company recorded reserves under these programs in the amounts of $12,636 and $11,732, respectively, which are included in accrued expenses in the accompanying consolidated balance sheets.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"), which clarifies the wording and disclosures required in Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurement ("ASC 820"), to converge with those used (to be used) in International Financial Reporting Standards ("IFRS"). The update explains how to measure and disclose fair value under ASC 820. However, the FASB does not expect the changes in this standards update to alter the current application of the requirements in ASC 820. The provisions of ASU 2011-04 are effective for public entities prospectively for interim and annual periods beginning after December 15, 2011. Early adoption is prohibited. Therefore, ASU 2011-04 is effective for the Company during the second quarter of fiscal 2012. The Company does not expect ASU 2011-04 to have a material effect on the Company's results of operations, financial condition, and cash flows.

Note 2 – Net Income per Common Share

The following table sets forth the calculation of basic and diluted net income per common share:

	Three Months Ended		Six Months Ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Numerator:				
Net Income	$ 177,429	$ 387,740	$ 410,848	$ 758,344
Denominator:				
Weighted-average shares outstanding-basic	11,754,286	11,752,574	11,753,006	11,752,574
Dilutive common shares issuable upon exercise of stock options	270,867	41,437	243,311	55,267
Weighted-average shares-diluted	12,025,153	11,794,011	11,996,317	11,807,841
Net income per common share:				
Basic	$ .02	$ .03	$ .03	$ .06
Diluted	$ .01	$ .03	$ .03	$ .06

The Company excluded the effect of 169,887 and 1,042,360 outstanding stock options for the three months ended May 31, 2011 and May 31, 2010, respectively, from the computation of diluted earnings per share, as the effect of potentially dilutive shares would be anti-dilutive. The Company excluded the effect of 177,387 and 982,360 outstanding stock options for the six months ended May 31, 2011 and May 31, 2010, respectively, from the computation of diluted earnings per share, as the effect of potentially dilutive shares would be anti-dilutive.

Note 3 - Investment in Saneron CCEL Therapeutics, Inc. ("Saneron")

As of May 31, 2011 and November 30, 2010, the Company had an ownership interest of approximately 35% in Saneron, which is accounted for under the equity method of accounting. During 2006, the Company ceased recording its share of Saneron's losses once the investment balance was written down to the total amount of goodwill, as goodwill should not be amortized. As of May 31, 2011 and November 30, 2010, the net Saneron investment, which represents goodwill, is reflected on the consolidated balance sheets at $684,000. During the period ended May 31, 2011 and November 30, 2010, management reviewed the Saneron investment to determine if there were any indicators that would imply that the investment was impaired. Based on management's review, there were no indicators of other than temporary impairment and therefore; goodwill was not impaired as of May 31, 2011 and November 30, 2010.

For the three and six months ended May 31, 2011, the Company recorded equity in losses of Saneron operations of approximately $28,000 and $56,000, respectively, related to certain stock and warrant awards in the Company's common stock that were granted by Saneron at below fair value to certain employees, consultants and members of Saneron management who represent owners of Saneron and serve on its board of directors. For the three and six months ended May 31, 2010, the Company recorded equity in losses of Saneron operations of approximately $17,000 and $34,000, respectively, related to certain stock and warrant awards in the Company's common stock that were granted by Saneron at below fair value to certain employees, consultants and members of Saneron management who represent owners of Saneron and serve on its board of directors. The Company will continue to record equity in losses of affiliates related to stock compensation expense as this offsets additional paid-in capital and not the investment balance.

As of May 31, 2011 and November 30, 2010, the Company has classified the Company's portion of the value of Company stock held by Saneron of approximately $485,000 within stockholders' deficit as treasury stock.

In January 2008, the Company announced that it has formalized a research and development agreement with Saneron to develop regenerative therapies utilizing Cryo-Cell's Célle menstrual stem cell technology. Cryo-Cell and Saneron will collaborate on research in pre-clinical models for certain neurological diseases and disorders. Under terms of the agreement, the Company will provide Saneron with menstrual stem cells along with proprietary methodology associated with the technology. Saneron will provide study materials and develop research methodology for potential therapeutic applications associated with designated pre-clinical applications. Intellectual property resulting from this research collaboration will be jointly owned by the parties.

Note 4 – Stock Options

The Company maintains the 2000 Stock Incentive Plan ("the Plan") under which it has reserved 2,250,000 shares of the Company's common stock for issuance pursuant to stock options or restricted stock. During 2004, the Plan was amended to allow issuance of options to certain consultants of the Company. Options issued under the Plan have a term ranging from five to seven years from the date of grant and have a vesting period ranging from immediately upon issuance to three years from the date of grant. The options are exercisable for a period of 90 days after termination. As of May 31, 2011 and November 30, 2010, there were 294,887 and 341,387 shares outstanding under the 2000 plan, respectively. No further options will be issued under the plan.

The Company also maintains the 2006 Stock Incentive Plan (the "2006 Plan") under which it has reserved 1,000,000 shares of the Company's common stock for issuance pursuant to stock options, restricted stock, stock-appreciation rights (commonly referred to as "SARs"), stock awards (i.e. performance shares and performance units). As of May 31, 2011 and November 30, 2010, there were 463,384 and 475,034 shares outstanding under the 2006 plan, respectively. As of May 31, 2011, there were 373,365 shares available for future issuance under the 2006 plan.

The fair value of each option award is estimated on the date of the grant using the Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company's stock over the most recent period commensurate with the expected life of the Company's stock options. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected term of options granted is calculated, in accordance with the "simplified method" for "plain vanilla" stock options allowed under GAAP. Expected dividends is based on the historical trend of the Company not issuing dividends.

Variables used to determine the fair value of the options granted for the three and six months ended May 31, 2011 and May 31, 2010 are as follows:

	Three Months Ended		Six Months Ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Weighted average values:				
Expected dividends	0%	0%	0%	0%
Expected volatility	108.44%	99.41%	100.34%	99.76%
Risk free interest rate	2.12%	2.43%	2.39%	2.36%
Expected life	5 years	5 years	5 years	5 years

Stock option activity for the six months ended May 31, 2011, was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at November 30, 2010	816,421	$ 1.87	4.67	$ 471,109
Granted	50,000	1.76		$ 95,575
Exercised	(3,751)	1.46		$ 5,030
Expired/forfeited	(104,399)	1.72		$ 203,321
Outstanding at May 31, 2011	758,271	$ 1.89	4.36	$1,349,867
Exercisable at May 31, 2011	494,388	$ 2.02	3.66	$ 813,275

The weighted average grant date fair value of options granted during the six months ended May 31, 2011 and May 31, 2010 was $1.21 and $1.09, respectively.

The aggregate intrinsic value represents the total value of the difference between the Company's closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options that would have been received by the option holders had all option holders exercised their options on May 31, 2011. The intrinsic value of the Company's stock options changes based on the closing price of the Company's stock.

There were 3,751 options exercised during the six months ended May 31, 2011. There were no options exercised during the six months ended May 31, 2010.

Significant option groups outstanding and exercisable at May 31, 2011 and related price and contractual life information are as follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
$0.42 to $1.00	137,500	5.09	$ 0.85	123,329	$ 0.84
$1.01 to $ 2.00	380,884	5.21	$ 1.57	164,504	$ 1.55
$2.01 to $ 3.00	72,500	4.22	$ 2.22	41,668	$ 2.18
$3.01 to $ 4.00	167,387	1.90	$ 3.34	164,887	$ 3.34
	758,271	4.36	$ 1.89	494,388	$ 2.02

A summary of the status of the Company's non-vested shares as of May 31, 2011, and changes during the six months ended May 31, 2011, is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at November 30, 2010	381,967	$ 1.11
Granted	50,000	1.21
Vested	(116,346)	0.82
Forfeited	(51,738)	1.14
Non-vested at May 31, 2011	263,883	$ 1.25

As of May 31, 2011, there was approximately $117,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. The cost is expected to be recognized over a weighted-average period of 1.8 years as of May 31, 2011. The total fair value of shares vested during the six months ended May 31, 2011 was approximately $95,600.

Note 5 – License Agreements

Cryo-Cell De Mexico

In June 2001, the Company entered into an agreement with Cryo-Cell de Mexico, as amended in October 2001, February 2007 and October 2009, for the exclusive license to market the Company's U-Cord® program. The license allows Cryo-Cell de Mexico to directly market and sub-license the U-Cord® program throughout Mexico, Central America and Ecuador. The Company receives royalty fees ranging from $35 to $75 per specimen, depending on the then current pricing structure in effect for U-Cord® collection, processing and testing fees in Mexico. The Company also receives royalties on storage revenues based on a percentage of the amount received by Cryo-Cell de Mexico. The total royalty payments per the revised 2007 agreement are capped at $1 million annually and $10 million cumulatively dating back to October 15, 2001. The Company does not anticipate reaching the cumulative maximum royalty payments for a number of years.

The Company recorded royalties and sub-license fees from Cryo-Cell de Mexico in the amount of approximately $98,000 and $214,000 for the three months ended May 31, 2011 and 2010, respectively, and this is reflected in licensee income in the accompanying consolidated statements of income. The Company recorded royalties and sub-license fees from Cryo-Cell de Mexico in the amount of approximately $275,000 and $426,000 for the six months ended May 31, 2011 and 2010, respectively, and this is reflected in licensee income in the accompanying consolidated statements of income. In addition, the Company processes and stores specimens sent from sub-licensees in Central America, Ecuador, and to a lesser extent Mexico ("sublicensees"). Under the revised agreement effective October 2009, the sublicensees terminated the rights and obligations of their agreements with Cryo-Cell de Mexico and entered into separate storage services and license agreements with the Company for the exclusive license to market the Company's U-Cord program. Processing and storage revenues from specimens originating in these territories and stored at the Company's facility in Oldsmar, Florida totaled $235,000 and $182,000 for the three months ended May 31, 2011 and 2010 and are reflected in processing and storage fees in the accompanying consolidated statements of income. Processing and storage revenues from specimens originating in these territories and stored at the Company's facility in Oldsmar, Florida totaled $465,000 and $366,000 for the six months ended May 31, 2011 and 2010 and are reflected in processing and storage fees in the accompanying consolidated statements of income. See Note 6 for additional information regarding our relationship with Cryo-Cell de Mexico.

Asia Cryo-Cell Private Limited

On March 17, 2008, the Company entered into a definitive License and Royalty Agreement with LifeCell International Private Ltd. to establish and market its Célle℠ preservation program in India and optionally, into the countries of Bangladesh, Nepal, Pakistan and Sri Lanka. The non-refundable up-front license fee of $250,000, before taxes, is payable by Asia Cryo-Cell Private Limited ("ACCPL") in installments. These installment payments, which totaled $216,000, net of foreign income taxes were received during fiscal 2008 and 2009. In consideration for the up-front license fee, the Company licensed its technology, know-how and quality systems to ACCPL. In addition, the Company receives royalty fees of 8% of the Célle℠ collection and processing revenues generated by ACCPL up to 10,000 specimens. The Company also receives royalty fees of 8% on storage revenues up to 10,000 specimens. Once ACCPL has processed 10,000 specimens, the parties have agreed to renegotiate the royalty fee on collection, processing and storage revenues.

On June 27, 2009, the Company amended the original definitive License and Royalty agreement with ACCPL dated July 14, 2004 and further amended the agreement on January 7, 2010. The amendments expanded the licensed territory to include Bangladesh, Nepal, Sri Lanka, Bhutan, Maldives, Oman, Saudi Arabia and the United Arab Emirates. There are no incremental license fees associated with the expanded licensed territory.

The Company recorded royalties and sub-license fees from ACCPL in the amount of approximately $141,000 and $113,000 for the three months ended May 31, 2011 and 2010, respectively, and this is reflected in licensee income in the accompanying consolidated statements of income. The Company recorded royalties and sub-license fees from ACCPL in the amount of approximately $282,000 and $193,000 for the six months ended May 31, 2011 and 2010, respectively, and this is reflected in licensee income in the accompanying consolidated statements of income.

Venezuela

On February 20, 2008, the Company entered into an agreement with Cryo-Cell de Venezuela for storage services and the exclusive license to market the Company's U-Cord program. The agreement was amended on August 29, 2008. The license allows Cryo-Cell de Venezuela to directly market the U-Cord program throughout Venezuela and to collect and ship the specimens to the Company's facility in Oldsmar, Florida for which the Company receives a fee for processing and storage of the specimens. The initial up-front non-refundable storage services and license fee is $200,000 and was received during fiscal 2008 and 2009. Processing and storage revenue totaled approximately $86,000 and $82,000 for the three months ended May 31, 2011 and 2010, respectively, and is reflected in processing and storage fees in the Company's consolidated statements of income. Processing and storage revenue totaled approximately $161,000 and $177,000 for the six months ended May 31, 2011 and 2010, respectively, and is reflected in processing and storage fees in the Company's consolidated statements of income.

On February 22, 2010 (the "Effective Date"), the agreement was amended extending the territory to include Peru, Chile and Colombia to directly market the U-Cord program throughout Peru, Chile and Colombia and to collect and ship the specimens to the Company's facility in Oldsmar, Florida for which the Company will receive a fee for processing and storage of the specimens. The initial up-front non-refundable storage and license fee is $450,000. The Company received the first installment of $125,000 during the first quarter of 2010 which is reflected in licensee income in the accompanying consolidated statements of income. The second installment of $150,000 is due 18 months from the Effective Date of the amendment and the final installment of $175,000 is due 30 months from the Effective Date.

China

On July 8, 2009, the Company entered into a license agreement with S-Evans Biosciences, Inc. ("SEB") to establish and market its C'elle℠ preservation program in mainland China. The agreement also allows SEB to conduct research studies using Cryo-Cell's proprietary C'elle menstrual stem technology to identify future potential therapeutic applications. The Company will receive royalty fees of 15% of the C'elle collection and processing revenues generated by SEB. The Company will also receive royalty fees of 15% on storage revenues. In consideration for the royalties, the Company licensed its technology, know-how and quality systems to SEB. The Company recorded royalties in the amount of $50,000 and $0 for the three and six months ended May 31, 2011 and 2010, respectively, and this is reflected in licensee income in the accompanying consolidated statements of income.

Germany

On October 1, 2009, the Company entered into a License Agreement with Innovative Medical Solutions SRL ("IMS") to establish and market the Company's U-Cord business in Germany with the option to expand the licensed territory to include Italy, Spain and France. IMS was to pay the Company an annual fee of $20,000 per year on the anniversary of the effective date for the term of the contract. The initial term of the agreement was ten years and may have been extended in five year increments by mutual agreement of the parties. The Company would have also received royalties of 12% of the U-Cord collection and processing revenues generated by IMS. The Company was also to receive royalty fees of 14%—18% on storage revenues. In consideration for the annual fee, the Company licensed its technology, know-how and quality systems to IMS. The Company did not earn any license fees or royalties in the first six months of fiscal 2011 or fiscal 2010. During Q2 2011, IMS advised the Company that IMS will not market the Company's U-Cord program because, according to IMS, IMS does not have the regulatory authority of the European Union to do so. The Company agreed to terminate the agreement, but IMS is to pay the Company the first payment of $20,000 in installments over a five month period.

On October 1, 2009, the Company entered into a license agreement with IMS to establish and market the Company's Célle℠ preservation program in Germany with an option to expand the licensed territory to include Italy, Spain and France. IMS is to pay the Company an annual fee of $30,000 per year on the anniversary of the effective date for the term of the contract. The initial term of the agreement was ten years and may have been extended in five year increments by mutual agreement of the parties. The Company was to receive royalties of 18% - 22% of the Célle℠ collection and processing revenues generated by IMS. The Company would have also received royalty fees of 20% - 24% on storage revenues. In consideration for the annual fee, the Company licensed its technology, know-how and quality systems to IMS. The Company did not earn any license fees or royalties in the first six months of fiscal 2011 or fiscal 2010. During Q2 2011, IMS advised the Company that IMS will not market the Company's Celle program. The Company agreed to terminate the agreement, but IMS is to pay the Company the first payment of $30,000 in installments over a five month period. Through May 31, 2011, the Company received $10,000 and this is reflected in licensee income for the six months ended May 31, 2011 in the accompanying consolidated statements of income.

Nicaragua

On January 11, 2010, the Company entered into a storage services and license agreement with Innovagen, S.A. ("Innovagen") for storage services and the exclusive license to market the Company's U-Cord program. The license allows Innovagen to directly market the U-Cord program throughout Nicaragua and to collect and ship the specimens to the Company's facility in Oldsmar, Florida for which the Company receives a fee for processing and storage of the specimens. The initial up-front storage services and non-refundable license fee is $60,000 which is to be paid in three installments over the next two years. During the first quarter of fiscal 2010, the Company received the first installment payment of $10,000. The second installment payment of $25,000 is due on the anniversary of the effective date of which $5,000 and $10,000 were received in advance during the third and fourth quarters of fiscal 2010, respectively. The remaining amount due of $10,000 was received in $5,000 installments during the quarters ended February 28, 2011 and May 31, 2011, respectively. These payments are reflected in licensee income in the accompanying consolidated statements of income. The license fee is non-refundable.

Pakistan

On January 27, 2010, the Company entered into a storage services and license agreement with Cryo-Cell Pakistan (Pvt.) Limited ("Pakistan"), for storage services and the exclusive license to market the Company's U-Cord program. The license allows Pakistan to directly market the U-Cord program throughout Pakistan and to collect and ship the specimens to the Company's facility in Oldsmar, Florida for which the Company receives a fee for processing and storage of the specimens. The initial up-front storage services and license fee is $100,000 and is non-refundable. The Company received the first installment payment of $20,000 during the first quarter of fiscal 2010 and this is reflected in licensee income in the accompanying consolidated statements of income. The second installment was payable during the first quarter of fiscal 2011 and as of May 31, 2011 has not been received by the Company therefore; licensee income was not recorded. The third and fourth installments are payable during the first quarter of fiscal 2011 and 2012, respectively.

Curacao

On November 18, 2010, the Company entered into a storage services and license agreement with Link-Cell N.V. ("Curacao"), for storage services and the exclusive license to market the Company's U-Cord program in Curacao, Bonaire, St. Maarten, Aruba and Suriname. The license allows Curacao to directly market the U-Cord program throughout Curacao, Bonaire, St. Maarten, Aruba and Suriname and to collect and ship the specimens to the Company's facility in Oldsmar, Florida for which the Company receives a fee for processing and storage of the specimens. The initial up-front storage services and license fee is $40,000. The Company received the first installment payment of $5,000 during the fourth quarter of fiscal 2010. The next three installments are payable in the fourth quarter of fiscal 2011, 2012 and 2013, respectively.

Costa Rica

On June 14, 2011, the Company entered into a storage services and license agreement with Stem Cells Costa Rica SA ("Costa Rica") for storage services and the exclusive license to market the Company's U-Cord program in Costa Rica. The license allows Costa Rica to directly market the U-Cord program throughout Costa Rica and to collect and ship the specimens to the Company's facility in Oldsmar, Florida for which the Company receives a fee for processing and storage of the specimens. The initial up-front storage services and license fee is $80,000. The Company received the first installment of $16,000 in June 2011. The next two installments are payable in the third quarter of fiscal 2012 and 2013, respectively. The final installment is due during the first quarter of 2014.

Note 6– Legal Proceedings

On December 16, 2010, the Company filed an action in the Circuit Court in Pinellas County, Florida against Cord Blood America, Inc. ("CBAI") seeking an injunction against consummation of the proposed acquisition by CBAI of the assets of Cryo-Cell de Mexico, S.A. de C.V. ("CCMEX"), the Company's exclusive licensee in Mexico. The action is docketed at Civil No. 10-17412-CI-20. The Company believes that the proposed acquisition would violate its License Agreement with CCMEX. CBAI announced on December 8, 2010 that it had entered into a letter of intent for the proposed acquisition with CCMEX on December 3, 2010.

The Company also filed a motion for a temporary injunction. CBAI filed a motion to dismiss on the ground that CCMEX was an indispensable party to the action. After a hearing on January 14, 2011, the court granted the motion to dismiss, allowing the Company to join CCMEX to the action, and setting a hearing on February 25, 2011 on the Company's motion for an injunction. On January 20, 2011, the Company filed an amended complaint alleging tortuous interference with a business relationship by CBAI, misappropriation of trade secrets and confidential information in violation of the Florida Uniform Trade Secrets Act by CBAI, dilution of trademark in violation of Florida Statute Section 495.151 by CBAI, common law unfair competition against CBAI, breach of license agreement by CCMEX and unfair and deceptive trade practices in violation of the Florida Unfair and Deceptive Trade Practices Act by CCMEX and CBAI. The amended complaint sought damages against CBAI and CCMEX and injunctive relief. After CCMEX was joined to the action, both defendants filed motions to dismiss, and the injunction hearing has been continued. On March 18, 2011, the court granted the motions to dismiss filed by CBAI and CCMEX. The Company has filed a motion for rehearing, a hearing on which has been scheduled for September 7, 2011. The Company is currently evaluating its legal alternatives and will continue to vigorously enforce its contractual rights.

In addition, from time to time the Company is subject to proceedings, lawsuits, contract disputes and other claims in the normal course of its business. The Company believes that the ultimate resolution of current matters should not have a material adverse effect on the Company's business, consolidated financial position or results of operations. It is possible, however, that there could be an unfavorable ultimate outcome for or resolution which could be material to the Company's results of operations for a particular quarterly reporting period. Litigation is inherently uncertain and there can be no assurance that the Company will prevail. On May 26, 2011, a complaint for monetary damages was served against the Company. The complaint did not specify the amount claimed, other than stating that it is more than $75,000 which is the jurisdictional amount of the court the complaint was filed in. At this time, it is not possible for the Company to estimate the loss or the range of possible loss, due to the current early stage of the litigation, the meaningful legal uncertainties associated with the claim and the fact that the complaint did not specify the amount of damages sought. No amounts have been accrued as of May 31, 2011. The Company believes it has meritorious defenses to the claims and intends to vigorously defend itself, however, the ultimate resolution of this complaint is uncertain at this time.

Note 7– Retrospective Adoption of New Accounting Principle

In October 2009, the FASB amended the accounting standards related to revenue recognition for arrangements with multiple deliverables. During the quarter ended February 28, 2011, the Company adopted the new accounting principle on a retrospective basis. The Company believes retrospective adoption provides the most comparable and useful financial information for financial statement users, is more consistent with the information the Company's management uses to evaluate its business, and better reflects the underlying economic performance of the Company. The financial statements and notes to the financial statements presented herein have been adjusted to reflect the retrospective adoption of the new accounting principle. Note 1, *"Basis of Presentation"* under the subheadings "*Retrospective Adoption of New Accounting Principle*" and "*Revenue Recognition for Arrangements with Multiple Deliverables*" of this Form 10-Q provide additional information on the Company's change in accounting resulting from the adoption of the new accounting principle and the Company's revenue recognition accounting policy.

The following table presents the effects of the retrospective adoption of the new accounting principle to the Company's previously reported consolidated financial statements:

	As Previously Reported	As Adjusted
Consolidated Balance Sheet as of November 30, 2010:		
Current liabilities – deferred revenue	$ 5,598,088	$ 5,472,332
Long-term liabilities – deferred revenue	$ 7,507,437	$ 7,015,118
Accumulated deficit	$(25,898,095)	$(25,280,020)
Consolidated Statement of Income for the Three Months Ended May 31, 2010:		
Processing and storage fees	$ 3,976,569	$ 4,010,579
Total revenue	$ 4,303,327	$ 4,337,337
Operating Income	$ 788,859	$ 822,869
Income before equity in losses of affiliate and income tax expense	$ 408,885	$ 442,895
Income before income tax expense	$ 392,053	$ 426,063
Net income	$ 353,730	$ 387,740
Net income per common share – basic	$ 0.03	$ 0.03
Net income per common share – diluted	$ 0.03	$ 0.03
Consolidated Statement of Income for the Six Months Ended May 31, 2010:		
Processing and storage fees	$ 7,766,288	$ 7,851,668
Total revenue	$ 8,540,188	$ 8,625,568
Operating Income	$ 1,486,286	$ 1,571,666
Income before equity in losses of affiliate and income tax expense	$ 778,282	$ 863,662
Income before income tax expense	$ 744,509	$ 829,889
Net income	$ 672,964	$ 758,344
Net income per common share – basic	$ 0.06	$ 0.06
Net income per common share – diluted	$ 0.06	$ 0.06
Consolidated Statement of Cash Flows for the Six Months Ended May 31, 2010:		
Net income	$ 672,964	$ 758,344
Change in deferred revenue	$ 164,761	$ 79,381

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

Overview

The Company is engaged in cellular processing and cryogenic storage, with a current focus on the collection and preservation of umbilical cord (U-Cord®) blood stem cells for family use. The Company's principal sources of revenues are service fees for cord blood processing and preservation for new customers and recurring annual storage fees. The Company currently charges fees to new clients for the collection kit, processing and testing and return medical courier service, with discounts in the case of multiple children from the same family and in other circumstances. The Company currently charges an annual storage fee for new clients; storage fees for existing customers depend on the contracts with such customers. The Company also offers a one-time payment plan. The one-time plan includes the collection kit, processing and testing, return medical courier service and 21 years of pre-paid storage fees. The Company also receives other income from licensing fees and royalties from global affiliates domiciled outside of the United States of America.

In recent years, the Company has expanded its research and development activities to develop technologies related to stem cells harvested from sources beyond umbilical cord blood stem cells. During 2007, much of the Company's research and development activities focused on the development of proprietary technology related to maternal placental stem cells (MPSCs). Also in 2006, the Company discovered novel technology related to menstrual stem cells. In November 2007, the Company announced the commercial launch of CélleSM service related to this patent-pending technology. The Company continues to focus independently-funded research and development activities through a vast network of research collaboration partners.

During the six months ended May 31, 2011, total revenue increased 5% as compared to the same period in 2010. The Company reported net income of approximately $411,000, or $.03 per basic common share for the six months ended May 31, 2011 compared to net income of approximately $758,000 or $.06 per basic common share for the same period in 2010. The decrease in net income for the six months ended May 31, 2011 principally resulted from a 13% increase in marketing, general and administrative expenses, due mainly to the increase in sales and marketing initiatives, and a 1% increase in cost of sales due primarily to an 11% increase in specimens processed. In addition, research and development expenses were approximately $116,000 for the six months ended May 31, 2011, an increase of approximately $54,000 in comparison to the same period in 2010.

As of May 31, 2011, the Company had cash and cash equivalents of $8,211,021. The Company's cash decreased by approximately $159,000 during the first six months of fiscal 2011, which was primarily attributable to the purchase of property and equipment, software and the investment in patents and trademarks. This was partially offset by operating cash flow which was primarily attributable to the Company's net income during the first six months of fiscal 2011. As of July 15, 2011, the Company maintains no long-term indebtedness.

The Company retained the investment banking firm Morgan Joseph LLC in August 2010 to assist it in exploring potential strategic acquisitions that would fit within the Company's strategic growth plans. In the event the Company completes any acquisitions in the future it could impact its financial position and future results of operations.

Results of Operations - Six Month Period Ended May 31, 2011 Compared to the Six Month Period Ended May 31, 2010

Revenues. Revenues for the six months ended May 31, 2011 were $9,073,831 as compared to $8,625,568 for the same period in 2010. The increase in revenue was primarily attributable to an 8% increase in processing and storage fees, which was partially offset by a 19% decrease in licensee income which was largely due to timing of the execution of licensee agreements and payment terms of up-front fees.

Processing and Storage Fees. The increase in processing and storage fee revenue is primarily attributable to an increase in specimens processed of 11% and a 6% increase in recurring annual storage fee revenue, partially offset by an increase in sales discounts of 6% for fiscal 2011 compared to the 2010 period. Sales discounts represent discounts to returning clients and promotions offered to newly enrolled clients from time to time.

Licensee Income. Licensee income for the six months ended May 31, 2011, was $627,390 as compared to $773,900 for the 2010 period. Licensee income for the six months ended May 31, 2011 primarily consisted of $607,621 in royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The remaining licensee income of $19,769 related to installment payments of non-refundable up-front license fees from the licensees of the Company's U-Cord program in Nicaragua and Germany. Licensee income for the six months ended May 31, 2010 primarily consisted of $618,900 in royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The remaining licensee income of $155,000 related to installment payments of non-refundable up-front license fees from the licensees of the Company's U-Cord program in Chile, Colombia, Peru, Nicaragua and Pakistan.

Cost of Sales. Cost of sales for the six months ended May 31, 2011 was $2,265,278 as compared to $2,240,580 for the same period in 2010, representing a 1% increase. Cost of sales was 25% of revenues for the six months ended May 31, 2011 and 26% for the six months ended May 31, 2010. Cost of sales as a percentage of revenue has decreased for the six months ended May 31, 2011 as compared to the six months ended May 31, 2010. However, the Company cannot ensure that this trend will continue. Cost of sales includes wages and supplies associated with 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 depreciation expense of approximately $109,000 and $144,000 for the six months ended May 31, 2011 and 2010, respectively. The increase in cost of sales is primarily attributable to the 11% increase in specimens processed during the six months ended May 31, 2011 compared to the 2010 period and corresponding increase in lab supplies and testing fees.

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses for the six months ended May 31, 2011 were $5,216,294 as compared to $4,603,961 for the 2010 period representing a 13% increase. These expenses are primarily comprised of expenses for consumer advertising, salaries and wages for personnel and professional fees. The increase was due to increased fees for legal, consulting and outside services as well as increased selling expenses related to consumer advertising and customer service. We expect to incur significant additional costs in the remainder of 2011 associated with the proxy contest initiated by one of our stockholders.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the six months ended May 31, 2011 were $116,279 as compared to $62,563 for the 2010 period representing an 86% increase. The expenses for the six months ended May 31, 2011 and 2010 are primarily comprised of expenses related to the continued commercialization of the Company's new stem cell technology, C'elle, which was launched in November 2007. The increase is due primarily to validations relating to the new cord tissue services and validations performed to optimize the C'elle process.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the six months ended May 31, 2011 was $160,016 compared to $146,798 for the 2010 period. The increase is due to the Company's purchases of property and equipment and the implementation of software during Q2 2011.

Interest Expense. Interest expense during the six months ended May 31, 2011, was $791,430 compared to $719,825 during the comparable period in 2010. Interest expense is mainly comprised of amounts due to the parties to the Company's revenue sharing agreements ("RSAs") based on the Company's storage revenue. Also included in interest expense is the amortization of the present value of a deferred consulting agreement in the amount of $5,533 and $9,210 for the six months ended May 31, 2011 and 2010, respectively, as well as interest paid of $3,276 related to the installment payments made to Safti-Cell, Inc. for the Asset Purchase Agreement for the six months ended May 31, 2010.

Equity in Losses of Affiliate. Equity in losses of affiliate was $56,212 for the six months ended May 31, 2011, compared to $33,773 for the 2010 period. Equity in losses of affiliate for the six months ended May 31, 2011 and 2010, solely consists of amounts related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees.

Income Taxes. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The ultimate realization of our deferred tax assets depends upon generating sufficient future taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, we must project future levels of taxable income. This assessment requires significant judgment. We examine the evidence related to the recent history of tax losses, the economic conditions which we operate and our forecasts and projections to make that determination.

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recorded $69,880 and $71,545 for the six months ended May 31, 2011 and 2010, respectively, of foreign income tax expense which is included in income tax expense in the accompanying consolidated statements of income.

There was no U.S. income tax expense for the six months ended May 31, 2011 and for the same period in 2010. The Company did not record U.S. income tax expense during the six months ended May 31, 2011 or 2010 due to the utilization of net operating losses and foreign tax credit carryforwards, which were previously reserved through valuation allowances in the Company's financial statements.

Results of Operations - Three Month Period Ended May 31, 2011 Compared to the Three Month Period Ended May 31, 2010

Revenues. Revenues for the three months ended May 31, 2011 were $4,601,026 as compared to $4,337,337 for the same period in 2010. The increase in revenue was primarily attributable to a 7% increase in processing and storage fees offset by a 7% decrease in licensee income which is due to non-recurring installment payments of non-refundable up-front license fees from the licensees of the Company's U-Cord program in Chile, Colombia, Peru, Nicaragua and Pakistan that were paid during the second quarter of fiscal 2010, but pursuant to the agreements with the licensees, were not required or payable during the 2011 period.

Processing and Storage Fees. The increase in processing and storage fee revenue is primarily attributable to an increase in specimens processed of 11%, partially offset by a 7% increase in sales discounts as well a 4% increase in recurring annual storage fee revenue for the three months ended May 31, 2011 compared to the 2010 period. Sales discounts represent discounts to returning clients and promotions offered to newly enrolled clients.

Licensee Income. Licensee income for the three months ended May 31, 2011, was $304,370 as compared to $326,758 for the 2010 period. Licensee income for the three months ended May 31, 2011 primarily consisted of $289,601 in royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The remaining licensee income of $14,769 related to installment payments of non-refundable up-front license fees from the licensees of the Company's U-Cord program in Nicaragua and Germany. Licensee income for the three months ended May 31, 2010 consisted of $326,758 in royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements.

Cost of Sales. Cost of sales for the three months ended May 31, 2011 was $1,103,758 as compared to $1,147,912 for the same period in 2010, representing a 4% decrease. Cost of sales was 24% of revenues for the three months ended May 31, 2011 and 26% for the three months ended May 31, 2010. Cost of sales as a percentage of revenue has decreased for the three months ended May 31, 2011 as compared to the three months ended May 31, 2010. However, the Company cannot ensure that this trend will continue. Cost of sales includes wages and supplies associated with 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 depreciation expense of approximately $54,000 and $72,000 for the three months ended May 31, 2011 and 2010, respectively. The decrease in cost of sales is primarily attributable to the decrease in operational expenses during the three months ended May 31, 2011 compared to the 2010 period.

Marketing, General and Administrative Expenses. Marketing, general and administrative expenses for the three months ended May 31, 2011 were $2,698,209 as compared to $2,283,017 for the 2010 period representing an 18% increase. These expenses are primarily comprised of expenses for consumer advertising, salaries and wages for personnel and professional fees. The increase was due to increased legal expenses associated with litigation and the upcoming annual meeting and expenses for consulting and outside services as well as increased selling expenses related to consumer advertising and customer service. We expect to incur significant additional costs in the remainder of 2011 associated with the proxy contest initiated by one of our stockholders and legal expenses associated with litigation matters.

Research, Development and Related Engineering Expenses. Research, development and related engineering expenses for the three months ended May 31, 2011 were $80,657 as compared to $10,480 for the 2010 period. The expenses for the three months ended May 31, 2011 and 2010 are primarily comprised of expenses related to the continued commercialization of the Company's new stem cell technology, Célle℠, which was launched in November 2007.

Depreciation and Amortization. Depreciation and amortization (not included in Cost of Sales) for the three months ended May 31, 2011 was $88,190 compared to $73,059 for the 2010 period. The increase is due to the Company's implementation of new software during Q2 2011.

Interest Expense. Interest expense during the three months ended May 31, 2011, was $399,416 compared to $385,704 during the comparable period in 2010. Interest expense is mainly comprised of payments made to the other parties to the Company's RSAs based on the Company's storage revenue. Also included in interest expense is the amortization of the present value of a deferred consulting agreement in the amount of $2,743 and $4,739 for the three months ended May 31, 2011 and 2010, respectively, as well as interest paid of $1,638 related to the installment payments made to Safti-Cell, Inc. for the Asset Purchase Agreement for the three months ended May 31, 2010.

Equity in Losses of Affiliate. Equity in losses of affiliate was $28,122 for the three months ended May 31, 2011, compared to $16,832 for the 2010 period. Equity in losses of affiliate for the three months ended May 31, 2011 and 2010, solely consists of amounts related to compensation expense for stock option awards that were granted by Saneron to certain consultants and employees.

Income Taxes. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The ultimate realization of our deferred tax assets depends upon generating sufficient future taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, we must project future levels of taxable income. This assessment requires significant judgment. We examine the evidence related to the recent history of tax losses, the economic conditions which we operate and our forecasts and projections to make that determination.

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements. The Company recorded $31,019 and $38,323 for the three months ended May 31, 2011 and 2010, respectively, of foreign income tax expense, which is included in income tax expense in the accompanying consolidated statements of income. The decrease in foreign tax expense is attributable to the decrease in royalties recognized during the period ended May 31, 2011 compared to May 31, 2010.

There was no U.S. income tax expense for the three months ended May 31, 2011 and for the same period in 2010. The Company did not record U.S. income tax expense during the second quarter of 2011 or 2010 due to the utilization of net operating losses and foreign tax credit carryforwards, which were previously reserved through valuation allowances in the Company's financial statements.

Liquidity and Capital Resources

Through May 31, 2011, the Company's principal source of cash has been from sales of its U-Cord® program to customers, the sale of license agreements and proceeds from licensees. Currently, the Company's cash flow is derived primarily from sales relating to its storage services, including the initial fee and ongoing storage fees. The Company does not expect a change in its principal source of cash flow.

At May 31, 2011, the Company had cash and cash equivalents of $8,211,021 as compared to $8,369,537 at November 30, 2010. The decrease in cash and cash equivalents during the six months ended May 31, 2010 was primarily attributable to the following:

Net cash provided by operating activities for the six months ended May 31, 2011 was $238,538, which was primarily attributable to the Company's net income and non-cash expenses, partially offset by increases in working capital components.

Net cash provided by operating activities for the six months ended May 31, 2010 was $526,102, which was primarily attributable to the Company's operating activities, including the receipt of $155,000 in up-front license fees from the licensees of the Company's U-Cord program in Chile, Colombia, Peru, Nicaragua and Pakistan.

Net cash used in investing activities for the six months ended May 31, 2010 was $402,525, which was primarily attributable to the costs associated with the application and development of patents and the purchase of property and equipment.

Net cash used in investing activities for the six months ended May 31, 2010 was $447,183, which was primarily attributable to the costs associated with the application and development of patents, the purchase of property and equipment and investments in marketable securities.

Net cash provided by financing activities for the six months ended May 31, 2011 was $5,471 due to the exercise of stock options. There was no cash provided by or used in financing activities during the first six months of fiscal 2010.

The Company does not have a line of credit.

The Company anticipates making non-discretionary capital expenditures of approximately $750,000 over the next twelve months for software enhancements and purchases of property and equipment. The Company anticipates funding future property and equipment purchases with cash-on-hand and cash flows from future operations.

The Company anticipates that its cash and cash equivalents, marketable securities and cash flows from future operations will be sufficient to fund its known cash needs for at least the next 12 months. Cash flows from operations will depend primarily upon increasing revenues from sales of its umbilical cord blood cellular storage services and the Célle service, and managing discretionary expenses. If expected increases in revenues are not realized, or if expenses are higher than anticipated, the Company may be required to reduce or defer cash expenditures or otherwise manage its cash resources during the next 12 months so that they are sufficient to meet the Company's cash needs for that period. In addition, the Company may consider seeking equity or debt financing if deemed appropriate for its plan of operations, and if such financing can be obtained on acceptable terms. There is no assurance that any reductions in expenditures, if necessary, will not have an adverse effect on the Company's business operations, including sales activities and the development of new services and technology.

Critical Accounting Policies

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

Retrospective Adoption of New Accounting Principle

In October 2009, the Financial Accounting Standards Board ("FASB") issued an Accounting Standard Update ("ASU"), which addresses the accounting for multiple deliverable arrangements to enable vendors to account for products or services separately rather than as a combined unit and modified the manner in which the transaction consideration is allocated across the separately identified deliverables. The new accounting standard permits prospective or retrospective adoption, and the Company elected retrospective adoption during the first quarter of 2011.

Under the historical accounting principle, the Company would have used the residual method to allocate revenue between processing and storage since (a) each of the products has value to the customer on a standalone basis and (b) vendor-specific objective evidence of fair value ("VSOE") existed for the undelivered service, storage, and (c) there is no general right of return to consider. As a result, the Company was permitted to allocate the initial sales discounts given to clients upon processing a specimen entirely to the processing fee.

The new accounting principle requires the Company to establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) VSOE, (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. The new accounting principle also requires that any discounts given to the customer, be recognized by applying the relative selling price method whereby after the Company determines the selling price to be allocated to each deliverable (processing and storage), the sum of the prices of the deliverables is then compared to the arrangement consideration, and any difference is applied to the separate deliverables ratably.

The Company had the option of adopting the new accounting principle on a prospective or retrospective basis. Prospective adoption would have required the Company to apply the new accounting principle to sales beginning in fiscal year 2011 without reflecting the impact of the new accounting principle on sales made prior to December 1, 2010. The Company believes prospective adoption would have resulted in financial information that was not comparable between financial periods because of the significant amount of past discounts given; therefore, the Company elected retrospective adoption. Retrospective adoption required the Company to revise its previously issued financial statements as if the new accounting principle had always been applied. The Company believes retrospective adoption provides the most comparable and useful financial information for financial statement users, is more consistent with the information the Company's management uses to evaluate its business, and better reflects the underlying economic performance of the Company.

Note 1, *"Basis of Presentation"* under the subheadings "*Retrospective Adoption of New Accounting Principle*" and "*Revenue Recognition for Arrangements with Multiple Deliverables*" as well as Note 7, *"Retrospective Adoption of New Accounting Principle"* of this Form 10-Q provides additional information on the Company's change in accounting resulting from the adoption of the new accounting principle and the Company's revenue recognition accounting policy.

Revenue Recognition

Revenue Recognition for Arrangements with Multiple Deliverables

For multi-element arrangements, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the new accounting principle establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE"), and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable.

The Company has identified two deliverables generally contained in the arrangements involving the sale of its U-Cord® product. The first deliverable is the processing of a specimen. The second deliverable is either the annual storage of a specimen or the 21 year storage fee charged for a specimen. The Company has allocated revenue between these deliverables using the relative selling price method. The Company has VSOE for its annual storage fees as the Company renews storage fees annually with its customers on a standalone basis. Because the Company has neither VSOE nor TPE for the processing and 21 year storage deliverables, the allocation of revenue has been based on the Company's ESPs. Amounts allocated to processing a specimen are recognized at the time of sale. Amounts allocated to the storage of a specimen are recognized ratably over the contractual storage period. Any discounts given to the customer are recognized by applying the relative selling price method whereby after the Company determines the selling price to be allocated to each deliverable (processing and storage), the sum of the prices of the deliverables is then compared to the arrangement consideration, and any difference is applied to the separate deliverables ratably.

The Company's process for determining its ESP for deliverables without VSOE or TPE considers multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable. Key factors considered by the Company in developing the ESPs for its processing and 21 year storage fee include the Company's historical pricing practices as well as expected profit margins.

The Company records revenue from processing and storage of specimens and pursuant to agreements with licensees. The Company recognizes revenue from processing fees upon completion of processing and recognizes storage fees ratably over the contractual storage period (1 or 21 years), as well as, licensee income from royalties paid by licensees related to storage contracts which the Company has under license agreements. Contracted storage periods can range from one to twenty-one years. Deferred revenue on the accompanying consolidated balance sheets includes the portion of the annual storage fee and the twenty-one year storage fee that is being recognized over the contractual storage period as well as royalties received from foreign licensees related to long-term storage contracts in which the Company has future obligations under the license agreement. The Company classifies deferred revenue as current if the Company expects to recognize the related revenue over the next 12 months.

License and Royalty Agreements

The Company has entered 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, collectability and when all material services or conditions relating to the sale have been substantially performed based on the terms of the agreement. The Company has twenty four active licensing agreements. The following areas each have one license agreement: Mexico, El Salvador, Guatemala, Ecuador, Panama, Honduras, China, Pakistan, Chile, Colombia, Peru, Bonaire, St. Maarten, Aruba and Suriname. The following areas each have two license agreements: Venezuela, India, Nicaragua, Curacao and Costa Rica.

In addition to the license fee, the Company earns royalties on subsequent processing and storage revenues received by the licensee in the selected area and a fee on any sub-license agreements that are sold by the licensee where applicable. The Company also processes and stores specimens sent directly from customers of sub-licensees in Mexico, Central America, Ecuador, Nicaragua, Pakistan and Venezuela. These fees are included in processing and storage fees revenue on the consolidated statements of income. As part of the accounting for royalty revenue, the Company uses estimates and judgments based on historical processing and storage volume in determining the timing and amount of royalty revenue to recognize. The Company periodically reviews license and royalty receivables for collectability and, if necessary, will record an expense for an allowance for uncollectible accounts. If the financial condition of the Company's sub-licensees were to deteriorate beyond the estimates, the Company may have to increase the allowance for doubtful accounts which could have a negative impact on earnings. If the licensee's customer base were to decrease, it would negatively impact the Company's ongoing license income.

Accounts Receivable

Accounts receivable consist of the amounts due from clients that have enrolled and processed in the U-Cord® processing and storage program and amounts due from licensee affiliates and do not require collateral. Accounts receivable due from clients and license affiliates that store specimens at the Company's facility in Oldsmar, Florida 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's previous loss history, and the customer's and licensees' current ability to pay its obligations. Therefore, if the financial condition of the Company's clients were to deteriorate beyond the estimates, the Company may have to increase the allowance for doubtful accounts which could have a negative impact on earnings. 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

Deferred income 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 income tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The Company has recorded a valuation allowance of $6,866,000 and $7,136,000 as of May 31, 2011 and November 30, 2010, respectively, as the Company does not believe it is "more likely than not" that the future income tax benefits will be realized. When the Company changes its determination as to the amount of deferred tax assets that can be realized, the valuation allowance is adjusted with a corresponding impact to income tax expense in the period in which such determination is made. The ultimate realization of the Company's deferred tax assets depends upon generating sufficient taxable income prior to the expiration of the tax attributes. In assessing the need for a valuation allowance, the Company projects future levels of taxable income. This assessment requires significant judgment. We examine the evidence related to the recent history of losses, the economic conditions in which we operate and our forecasts and projections to make that determination.

The Company records foreign income taxes withheld from installment payments of non-refundable up-front license fees and royalty income earned on the processing and storage of cord blood stem cell specimens in geographic areas where the Company has license agreements.

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 reviews annually to determine if an other than temporary impairment exists. The Company previously recorded equity in losses of affiliate until the investment balance was zero and only goodwill remained. The investment is reviewed annually to determine if an other than temporary impairment exists. The Company does not believe that an impairment exists as of May 31, 2011 and November 30, 2010. If actual future results are not consistent with the Company's assumptions and estimates, the Company may be required to record impairment charges in the future which could have a negative impact on earnings.

Patents

The Company incurs certain legal and related costs in connection with patent and trademark applications. If a future economic benefit is anticipated from the resulting patent or trademark or an alternate future use is available to the Company, such costs are capitalized and amortized over the expected life of the patent or trademark. The Company's assessment of future economic benefit involves considerable management judgment. A different conclusion could result in the reduction of the carrying value of these assets.

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 and collects from clients in specific geographical areas. The RSAs have no definitive term or termination provisions. The sharing applies to the storage fees for all specified specimens in the area up to the number covered in the contract. When the number of specimens is filled, any additional specimens stored in that area are not subject to revenue sharing. As there are empty spaces resulting from attrition, the Company agrees to fill them as soon as possible. The parties typically pay the Company a non-refundable up-front fee for the rights to these future payments. The Company recognized these non-refundable fees as a long-term liability. Given the criteria under which these RSAs are established, cash flows related to these contracts can fluctuate from period to period. 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. The Company does not intend to enter into additional RSAs.

Off-Balance Sheet Arrangements

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

Forward-Looking Statements

This Form 10-Q, 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, as amended. The terms "Cryo-Cell International, Inc.," "Cryo-Cell," "Company," "we," "our" and "us" refer to Cryo-Cell International, Inc. The words "expect," "anticipate", "believe," "goal," "strategy", "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-Q and in other places, 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 financial condition, accounting policies and management judgments.

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 risk factors set forth in Part I, "Item 1A. Risk Factors" of our most recent Annual Report on Form 10-K and 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 including increasing competition from public cord blood banks particularly in overseas markets but also in the U.S.;

(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) market acceptance of our Célle℠ service will require publication of scientific studies, consumer awareness, and the development of new therapies from the Célle℠ technology, none of which are certain;

(v) any new services relating to other types of stem cells that have not yet been offered commercially, and there is no assurance that other stem cell services will be launched or will gain market acceptance;

(vi) 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 facility and costs relating to the commercial launch of the placental stem cell service offering or any other new types of stem cells;

(vii) any unique risks posed by our international activities, including but not limited to local business laws or practices that diminish our affiliates' ability to effectively compete in their local markets;

(viii) any technological or medical breakthroughs that would render our business of stem cell preservation obsolete;

(ix) any material failure or malfunction in our storage facilities; or any natural disaster or act of terrorism that adversely affects stored specimens;

(x) any adverse results to our prospects, financial condition or reputation arising from any material failure or compromise of our information systems;

(xi) the costs associated with defending or prosecuting litigation matters, particularly including litigation related to intellectual property, and any material adverse result from such matters;

(xii) any negative consequences resulting from deriving, shipping and storing specimens at a second location;

(xiii) current market, business and economic conditions in general and in our industry in particular;

(xiv) the success of our licensing agreements and their ability to provide us with royalty fees;

(xv) any difficulties and increased expense in enforcing our international licensing agreements;

(xvi) any adverse performance by or relations with any of our licensees;

(xvii) any inability to enter into new licensing arrangements including arrangements with non-refundable upfront fees;

(xviii) any inability to realize cost savings as a result of recent acquisitions;

(xix) any inability to realize a return on an investment;

(xx) any increased U.S. income tax expense as a result of inability to utilize or exhaustion of net operating losses;

(xxi) any adverse impact on our revenues as a result of greater emphasis in the future on the promotion of our Célle℠ service and any shifting of our marketing dollars towards our Célle℠ service;

(xxii) any adverse impact on our revenues and operating margins as a result of discounting of our services in order to generate new business in tough economic times where consumers are selective with discretionary spending;

(xxiii) the success of our global expansion initiatives;

(xxiv) our actual future ownership stake in future therapies emerging from our collaborative research partnerships;

(xxv) the ability of our Cryology Reproductive Tissue Storage℠ services to generate new revenues;

(xxvi) our ability to minimize our future costs related to R&D initiatives and collaborations and the success of such initiatives and collaborations;

(xxvii) any inability to successfully identify and consummate strategic acquisitions;

(xxviii) any inability to realize benefits from any strategic acquisitions;

(xxix) the costs associated with proxy contests and its impact on our business and

(xxx) other factors many of which are beyond our control.

We undertake no obligation to publicly update or revise the forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q 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. 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-K filed by the Company and any Current Reports on Form 8-K filed by the Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. 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 provide reasonable assurance 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.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during the three months ended May 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

CEO and CFO Certifications

Appearing as exhibits 31.1 and 31.2 to this report there are Certifications of the CEO and the CFO. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the Section 302 Certifications). This Item of this report is the information concerning the evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As the Company previously reported in its Annual Report on Form 10-K filed on February 28, 2011, on December 16, 2010, the Company filed an action in the Circuit Court in Pinellas County, Florida against Cord Blood America, Inc. ("CBAI") seeking an injunction against consummation of the proposed acquisition by CBAI of the assets of Cryo-Cell de Mexico, S.A. de C.V. ("CCMEX"), the Company's exclusive licensee in Mexico. The action is docketed at Civil No. 10-17412-CI-20. The Company believes that the proposed acquisition would violate its License Agreement with CCMEX. CBAI announced on December 8, 2010 that it had entered into a letter of intent for the proposed acquisition with CCMEX on December 3, 2010.

The Company also filed a motion for a temporary injunction. CBAI filed a motion to dismiss on the ground that CCMEX was an indispensable party to the action. After a hearing on January 14, 2011, the court granted the motion to dismiss, allowing the Company to join CCMEX to the action, and setting a hearing on February 25, 2011 on the Company's motion for an injunction. On January 20, 2011, the Company filed an amended complaint alleged tortious interference with a business relationship by CBAI, misappropriation of trade secrets and confidential information in violation of the Florida Uniform Trade Secrets Act by CBAI, dilution of trademark in violation of Florida Statute Section 495.151 by CBAI, common law unfair competition against CBAI, breach of license agreement by CCMEX and unfair and deceptive trade practices in violation of the Florida Unfair and Deceptive Trade Practices Act by CCMEX and CBAI. The amended complaint sought damages against CBAI and CCMEX and injunctive relief. After CCMEX was joined to the action, both defendants filed motions to dismiss, and the injunction hearing has been continued. On March 18, 2011, the court granted the motions to dismiss filed by CBAI and CCMEX. The Company has filed a motion for rehearing, a hearing on which has been scheduled for September 7, 2011. The Company is currently evaluating its legal alternatives and will continue to vigorously enforce its contractual rights.

In addition, from time to time the Company is subject to proceedings, lawsuits, contract disputes and other claims in the normal course of its business. The Company believes that the ultimate resolution of current matters should not have a material adverse effect on the Company's business, consolidated financial position or results of operations. It is possible, however, that there could be an unfavorable ultimate outcome for or resolution which could be material to the Company's results of operations for a particular quarterly reporting period. Litigation is inherently uncertain and there can be no assurance that the Company will prevail, nor can the Company reasonably estimate the amount of damages the Company might incur if it does not prevail. "See Note 6 - Legal Proceedings to the accompanying financial statements for additional information related to litigation".

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended November 30, 2010, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes to the risk factors described in our Annual Report on Form 10-K for the year ended November 30, 2010 except as follows:

The proxy contest will increase our expenses and could cause disruption in our business.

A stockholder has informed us that he will seek to nominate five directors to our board of directors at our 2011 annual meeting of stockholders. Such nominations will compete with the board's own nominees for directors and such stockholder would separately conduct his own solicitation of our stockholders in favor of his nominees. The proxy contest will result in our incurring increased expenses in connection with the annual meeting of stockholders and solicitation of proxies in excess of what we would normally spend which could adversely affect our profitability, as well as divert the attention of our management. Any perceived uncertainties as to the potential outcome of the proxy contest could also result in our inability to consummate potential business opportunities and may make it more difficult for us to attract and retain qualified personnel. If the stockholder is successful in his proxy solicitation and his nominees are elected it will result in a change in control of the board.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) Exhibits

31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *(filed herewith)*.
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *(filed herewith)*.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *(filed herewith)*.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cryo-Cell International, Inc.

/s/ MERCEDES WALTON
Mercedes Walton
Chief Executive Officer

Cryo-Cell International, Inc.

/s/ JILL TAYMANS
Jill M. Taymans
Vice President, Finance

Date: July 15, 2011

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mercedes Walton, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: July 15, 2011

/s/ Mercedes Walton

Mercedes Walton

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jill M. Taymans, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: July 15, 2011

/s/ Jill M. Taymans

Jill M. Taymans

Exhibit 32.1

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-Q for the quarter ended May 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mercedes Walton, Chief Executive Officer of the Company and I, Jill M. Taymans, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mercedes Walton
Mercedes Walton
Chief Executive Officer

July 15, 2011

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

July 15, 2011